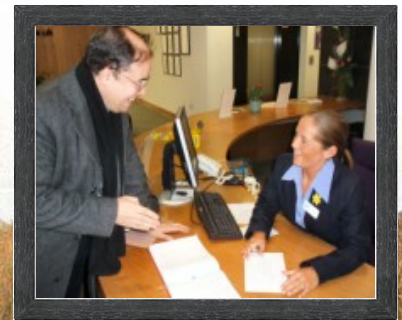


South Ribble Borough Council STATEMENT OF ACCOUNTS YEAR ENDING 31 MARCH 2009



M. Nuttall BA (Hons) CPFA
Corporate Director (Resources)



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Independent auditors' report to the Members of South Ribble Borough Council

Opinion on the financial statements

I have audited the Authority accounting statements and related notes of South Ribble Borough Council for the year ended 31 March 2009 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, the Statement of Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of South Ribble Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Corporate Director (Resources) and auditor

The Corporate Director (Resources) responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 the financial position of the Authority and its income and expenditure for the year.

I review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

I read other information published with the accounting statements, and consider whether it is consistent with the audited accounting statements. This other information comprises the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the accounting statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance

that the accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the accounting statements and related notes.

Opinion

In my opinion the Authority financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority as at 31 March 2009 and its income and expenditure for the year then ended.

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's Responsibilities

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance and regularly to review the adequacy and effectiveness of these arrangements.

Auditor's Responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in February 2009, and the supporting guidance. I am satisfied that, in all significant respects, South Ribble Borough Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2009.

Certificate

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Fiona Blatcher
Engagement Lead
Audit Commission
Aspinall House
Aspinall Close
Middlebrook
BOLTON, BL6 6QQ

30th September 2009

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I confirm that these accounts were approved by the Governance Committee at the meeting held on 22nd September 2009

Signed on behalf of South Ribble Borough Council:

Chairman:

Date: 22nd September 2009

EXPLANATORY FOREWORD

Introduction

For the financial year 2008/09, the statements for South Ribble Borough Council (the Council) have been prepared in accordance with the requirements of the 2008 Code of Practice on Local Authority Accounting in the United Kingdom as published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The Statement of Accounts comprises:

- Page 2 - **Explanatory Foreword** – Provides a guide to the most significant matters reported in the accounts.
- Page 6 - **Statement of Responsibilities for the Statement of Accounts**– Summarises the responsibilities of the Council and Corporate Director (Resources) in relation to the Statement of Accounts.
- Page 11 - **Annual Governance Statement** – Explains the nature of control, any changes in control exercised throughout the accounting period and future plans to improve and strengthen the control environment.
- Page 19 - **Income and Expenditure Account** – Summarises the total net revenue expenditure incurred by the Council in the provision of services and demonstrates how that expenditure has been financed from government grants and income from local taxpayers. The account is structured in accordance with the Service Expenditure analysis requirements of the Best Value Accounting Code of Practice issued by CIPFA.
- Page 20 - **Statement of the Movement on the General Fund Balance** – Shows how the balance of resources generated and consumed in the year links in with statutory requirements for raising council tax.
- Page 21 - **The Balance Sheet** – Summarises the financial position of the Council and shows the value of the Council's assets and liabilities at the year end.
- Page 22 - **Statement of Total Recognised Gains and Losses** – Shows how the movement in net worth in the Balance Sheet is identified to the income and Expenditure Account surplus/deficit and to other unrealised gains and losses.
- Page 23 - **Cash Flow Statement** – Summarises the inflows and outflows of cash arising from the transactions with third parties for revenue and capital purposes.
- Page 24 - **Notes to the Main Financial Statements** – The purpose of the notes is to add to and interpret the content of the individual statements. They also provide the principles which are applied to the Council's transactions to produce the Statement of Accounts and further explanation or analysis where matters of financial significance cannot adequately be treated in the statements themselves.
- Page 53 - **Collection Fund Account** – Summarises the income received from Non-Domestic Rates and Council Tax and the way in which this has been distributed to precepting authorities and the Council's General Fund.

EXPLANATORY FOREWORD

Financial Performance

The Revenue Budget for 2008/09, as approved on 13 February 2008, was set at £14.937 million (including Parish Precepts of £0.232 million), and assumed a release from the General Reserve of £0.606 million

The Revised Budget, approved on 11 February 2009, forecast higher net expenditure, with net contributions from earmarked reserves of £0.376 million and a release from the General Reserve of £0.877 million.

The actual net expenditure of the Council for 2008/09 amounted to £15.083 million (including Parish Precepts of £0.232 million), with net contributions to Earmarked Reserves of £0.096 million and a transfer from the General Reserve of £0.146 million.

A breakdown of the Earmarked Reserves is shown in note 17 of the Notes to the Main Financial Statements.

The Table below sets out the Council's net expenditure for 2008/09 and its funding.

2008/09	Original Estimate	Revised Estimate	Actual	Variance to Revised Estimate
	£'000	£'000	£'000	£'000
Net Revenue Expenditure	15,276	15,872	14,683	1,189
Parish Council Precepts	232	232	232	0
Capital Contribution	11	86	72	14
Net additional amounts required*	24	(376)	96	(472)
Net Expenditure to be met by Government Grant and Local Taxpayers	15,543	15,814	15,083	731
Financed by:				
Revenue Support Grant/Business Rates	7,384	7,384	7,384	0
Parish Council Precepts	232	232	232	0
Precept on Collection Fund	7,321	7,321	7,321	0
Total Funding	14,937	14,937	14,937	0
Reduction in General Fund Balance (Note 17)	(606)	(877)	(146)	(731)

* Net additional amounts required include contributions to and from earmarked reserves.

The services provided by the Council and the corresponding net expenditure are shown in the Income and Expenditure Account.

Exceptional expenditure

During the year the Council suffered an impairment charge of £1.564m in respect of investments in Icelandic Banks (note 14(d) refers). It was however able to take advantage of regulations permitting deferment of the impact until 2010/11, by which time the actual loss should be clearer, and allowance can be made in the Council's budget planning for future years.

EXPLANATORY FOREWORD

The main variances between the Revised Budget Estimate and the final outturn are provided below:

	£'000	£'000
Borough Council Net Budget Requirement (Revised Estimate)		15,814
Higher Income Receivable:		
Housing Benefit Subsidy	(192)	
Local Authority Business Growth Improvement (LABGI).Grant	(106)	
Increased Court Cost Income	(42)	
Increased Investment Interest	(64)	
Lower Income:		
Planning Fees	91	
Lower Costs:		
Concessionary Travel Costs	(307)	
Employee Related Expenses	(102)	
Repairs and Maintenance	(82)	
Transport Costs	(79)	
Homelessness - Temporary Accommodation	(33)	
Grounds Maintenance Refurbishment	(68)	
Increased Costs:	0	
Other (net)	27	
Revenue Budget underspend carried forward to 2009/10	(232)	
Total Net savings		(1,189)
Reduced Capital Contributions		(14)
Increased contribution to Earmarked Reserves		472
Reduction in charge to General Fund Balance		(731)
Net expenditure met by Government Grant and Local Taxpayers		15,083

EXPLANATORY FOREWORD

Capital Expenditure and Borrowing

Capital expenditure incurred by the Council totalled £3.414 million for 2008/09 and was spent on the following:

	£'000
Asset Management	538
Housing Grants	689
Other Grants	54
Information Technology	432
Playgrounds, Recreation Areas and Open Spaces	983
Regeneration	125
Vehicles, Plant and equipment	497
Sub total	3,318
Leisure centre assets	96
Total Capital Expenditure 2008/09	<u>3,414</u>

The capital programme was funded by; grants and contributions (40%), deferred purchase (3%), borrowing (24%), capital receipts (3%), earmarked reserves (28%) and contributions from revenue (2%).

The Council had long term borrowing, at 31 March 2009 of £3.308 million, with the Public Works Loans Board. There was no borrowing taken out during the year.

Council Tax and Business Rate Collection

The in-year collection rates for Council Tax and Business Rates were 97.64% (97.98% in 2007/08) and 98.28% (98.7% in 2007/08) respectively.

Council Tax gross arrears at 31 March 2009 were £1.965 million which is £0.056 million (2.96%) higher than at 31 March 2008. Business Rates arrears at 31 March 2008 were £0.695 million which is a £0.034 million (4.93%) reduction above those at 31 March 2008.

Pension Liability

The accounts show that the Pension Fund liabilities exceed assets at 31 March 2009 by £20.6m (31 March 2008 £20.8m). This is an actuarially calculated figure explained in detail in note 11. This impacts on the Council through increases in the employer's contribution rate, from 16.5% in the year of account to 18.3% in 2010/11. These rates will next be reviewed when the fund is revalued, at 31/3/2010.

Overall Financial Position of the Authority

The financial position of the Council moving forward, and its ability to balance its budget, is becoming increasingly difficult. There still remains some risk in managing the budget and ensuring the continuity of resources to finance the Council's plans. The major future issue for the Council will be the consequences of the current global financial crisis and the need for the Council to prepare for more difficult financial circumstances affecting the whole public sector.

Some of the other key issues at hand include:

- The ability of the Authority to deliver the expected efficiency targets factored into the budget in 2009/10 and future years
- Proposals to change in the way concessionary travel is funded

STATEMENT OF RESPONSIBILITIES

The following responsibilities are placed upon the Council and the Corporate Director (Resources) in relation to the Council's financial affairs.

The Council's Responsibilities

The Council shall:

- ◆ make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Corporate Director (Resources).
- ◆ manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- ◆ approve the statement of accounts.

The Corporate Director (Resources) Responsibilities

As Corporate Director (Resources), I am responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the Chartered Institute of Public Finance and Accountancy (CIPFA)/Local Authority (Scotland) Accounts Advisory Committee (LASAAC), Code of Practice on Local Authority accounting in Great Britain ('the SORP').

In preparing this statement of account, I have:

- ◆ selected suitable accounting policies and applied them consistently;
- ◆ made judgements and estimates that were reasonable and prudent;
- ◆ complied with the local authority SORP.

I have also:

- ◆ kept proper accounting records which were up to date;
- ◆ taken reasonable steps for the prevention and detection of fraud and other irregularities.

Further Information

Because of statutory requirements, this Statement of Accounts deals mainly with the financial aspects of the Council's activities. Further details of services provided by the various departments of the Council are to be found in the Council's Performance Outturn Report, which is published as a companion document.

Further information about the accounts is available from the Shared Financial Services Team, Civic Centre, West Paddock, Leyland, Lancashire, PR25 1DH

I certify that the Statement of Accounts presents fairly the position of South Ribble Borough Council at the 31 March 2009 and its Income and Expenditure Account for the year ended 31 March 2009

M Nuttall

Corporate Director (Resources)

Date: 22nd September 2009

STATEMENT OF ACCOUNTING POLICIES

a. General Principles

The Statement of Accounts has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2008: a Statement of Recommended Practice and the Best Value Accounting Code of Practice 2007, published by the Chartered Institute of Public Finance and Accountancy (CIPFA). These statements explain the policies used to ensure the Council's financial position is fairly presented.

b. Accruals of Revenue Income and Expenditure

The Income and Costs of the Council are accounted for in the period to which they relate, regardless of when the cash is paid/received. This is in accordance with FRS18.

c. Provisions

Provisions are made where an event has taken place that gives the council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain.

Provisions are charged to the appropriate service revenue account in the year that the council becomes aware of the obligation, based on the best estimate of the likely settlement.

d. Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by charging amounts to the Statement of Movement on the General Fund Balance. When the expenditure is incurred, it is charged to the Income and Expenditure Account and the reserve is released back to the General Fund Balance.

e. Government Grants and Contributions

Revenue Grants and contributions are credited to income in the same period in which the revenue expenditure was charged.

Grants and other contributions relating to fixed assets are credited to a capital contributions deferred account and released to service accounts in line with depreciation.

f. Retirement Benefits

The Council has a defined benefits scheme, with Lancashire County Pension Fund, which is based on length of service and final pensionable pay. The contribution rate is determined periodically by a qualified actuary on a triennial basis. The last review was completed at 31 March 2007. Under Pension Fund Regulations the contribution rate is calculated at a level estimated to balance the pensions liabilities with investment assets.

Following full implementation of FRS17 '*Retirement Benefits*', the pension costs charged to the Net Cost of Services section of the Income and Expenditure Account reflect actual employer's contributions and the actuary's estimate of service performance during the financial year. These costs reflect the Council's commitment in the long term to increase contributions to make up any shortfall in attributable net assets in the pension fund.

STATEMENT OF ACCOUNTING POLICIES**g. VAT**

Value Added Tax is included in the accounts only to the extent that it is irrecoverable and therefore charged to service expenditure as appropriate.

h. Overheads and Support Services

All support service costs and overheads are fully allocated to the support service users, as defined by section 3 of the Best Value Accounting Code of Practice (BVACOP).

i. Intangible Fixed Assets

Expenditure on the acquisition of intangible assets (software licences) is capitalised on an accruals basis in the accounts. These assets are brought onto the balance sheet at cost and are amortised over the period benefit is received. Straight line amortisation has been adopted and it is assumed that residual value is insignificant or nil. Intangible assets are reviewed annually for impairment.

Any income derived from the sale of intangible assets is accounted for on an accruals basis. Gains and Losses on the disposal of fixed assets are recognised in the Income and Expenditure Account.

j. Tangible Fixed Assets***Recognition and measurement***

All expenditure on the acquisition, creation, or enhancement of fixed assets is capitalised on an accruals basis in the accounts. Expenditure on tangible assets is capitalised, provided it exceeds the 'de minimis' threshold of £5,000 and provides benefits to the Council for a period of more than one year.

Assets acquired under finance leasing are capitalised in the authority's accounts and included in the balance sheet on the basis of the outstanding obligation to make future rental payments.

Fixed assets are classified into the groupings required by the *Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice* and are valued in the Consolidated Balance Sheet on the following bases:-

- ◆ Land, operational properties, and other operational assets are included in the balance sheet on the basis of existing use value.
- ◆ Specialised operational properties should be valued on the basis of depreciated replacement cost.
- ◆ Community assets up to 31 March 2005 were included in the Balance Sheet at a nominal value of £1 each, as details of original costs were unknown. Since April 2005, all new Community Assets have been included in the balance sheet at historical cost.
- ◆ Non-operational assets, including investment properties and assets that are surplus to requirements, are included in the balance sheet on the basis of market value.

Fixed assets are valued on the basis recommended by CIPFA and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by the Royal Institution of Chartered Surveyors (RICS).

Revaluations of tangible fixed assets are planned at five yearly intervals as a minimum, although material changes to asset valuations will be adjusted in the interim period, as they occur.

STATEMENT OF ACCOUNTING POLICIES

k. Tangible Fixed Assets (Continued)

Depreciation

Depreciation is provided on all operational assets (excluding freehold land) on a straight line basis after deducting any residual value, over the periods displayed below. A full year's depreciation is charged in the year of acquisition. Assets are individually assessed within the categories listed. Revaluation gains are also depreciated.

	Useful Life of Asset (years)
Buildings	5 -70
Vehicles	3 -10
Computer equipment	3 - 5
Other	3 -15
Intangible assets	3 - 5

Impairment

A review for impairment of a fixed asset whether carried at historical cost or valuation is carried out if events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable. Examples of events and changes in circumstances that indicate an impairment may have incurred include:

- (i) a significant decline in a fixed asset's market value during the period
- (ii) evidence of obsolescence or physical damage to the fixed asset
- (iii) a significant adverse change in the statutory or other regulatory environment in which the authority operates
- (iv) a commitment by the authority to undertake a significant reorganisation.

Disposal

Capital receipts (Income) from the disposal of assets are accounted for on an accruals basis. The Council treats receipts of £10,000 or less as revenue income as required by legislation. and the balance of Capital receipts greater than £10,000 are retained in the Capital Receipts Reserve", and are available to support future capital investment. Gains and Losses on the disposal of fixed assets are recognised in the Income and Expenditure account.

Capital Charges to Revenue Account

Services receive a charge for depreciation and, where applicable, impairment, for all fixed assets used in the provision of services.

External interest payable, the provision for depreciation, impairment losses (where applicable) and amortisation costs are charged to the Income and Expenditure Account. Capital charges are reversed out in the Statement of Movement on the General Fund Balance and therefore have a neutral impact on the amounts required to be raised from local taxation.

Capital expenditure financed from revenue is charged to the Statement of Movement on the General Fund Balance.

STATEMENT OF ACCOUNTING POLICIES**I. Leasing**

Rental payments under finance leases are apportioned between the finance charge and the principal element, i.e. the reduction of the liability to pay future rentals. The finance element of rentals is charged to the Income and Expenditure Account.

Rentals payable under operating leases are charged to revenue on a straight line basis over the term of the lease.

m. Financial Liabilities

Borrowings are initially measured at fair value and carried at their amortised cost. The annual charge to the Income & Expenditure account is based on the carrying amount multiplied by the effective rate of interest. The amount presented in the balance sheet is the outstanding principal payable plus interest accrued at 31 March. Any gains or losses on premature redemption are charged to the Income & Expenditure account unless they are the result of a restructure in which case they are added to the amortised cost and charged over the life of the modified loan.

n. Financial Assets

Loans and receivables are initially measured at fair value and carried at amortised cost. The amount presented in the balance sheet is the outstanding principal receivable plus interest accrued at 31 March.

o. Stocks and Work In Progress

Stocks are included in the Balance Sheet at the lower of cost and net realisable value.

Works in progress on incomplete jobs is valued at cost and recognised in the accounts.

p. Interests in Companies and Other Entities

Details of companies in which the Council has an interest, and the nature of the relationship, are shown in the notes to the Balance Sheet. The Council has determined that Group Accounts are not required.

q. Provision for Bad and Doubtful Debts

The debtors figure in the balance sheet is reduced by the value of the provision of bad and doubtful debts. The provision is calculated based on a percentage of the total debtors' balances. The arrears balances are also reviewed for any specific areas, depending on the age and nature of the debt, to ensure the provision is adequate.

ANNUAL GOVERNANCE STATEMENT**1. Scope of Responsibility**

South Ribble Borough Council is responsible for ensuring that its business is conducted in accordance with the law and to high standards. Public money must be protected and properly accounted for. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the delivery of its services, having regard to a combination of economy, efficiency and effectiveness. This is more commonly referred to as providing value for money. In doing this, the Council is responsible for putting in place proper arrangements for the governance of its affairs to support the achievement of the organisation's objectives including arrangements for the management of risk.

The Council has approved and adopted a code of corporate governance (referred to as the local code) that is consistent with best practice governance principles for both public services and in particular for local government ¹.

This statement explains how the Council complies with our local code² and also meets its statutory requirements ³.

2. Purpose of the Governance Framework

The governance framework comprises the systems, processes, culture and values; by which the Council directs and controls its activities including those by which it accounts to, engages with and leads the community. It enables the Council to monitor its significant achievements and to demonstrate where this led to improved customer service and the delivery of cost effective services.

The system of internal control is a significant part of that framework and is designed to manage, rather than to eliminate all risk of failure to achieve the Council's objectives. It can therefore, only provide **reasonable and not absolute assurance** of effectiveness.

The system of internal control is based on an ongoing risk management process designed to identify and prioritise the principal risks to the achievement of the objectives of South Ribble Borough Council; to evaluate the nature and extent of those risks, and to manage them efficiently, effectively and economically.

The governance framework at South Ribble Borough Council has been in operation throughout the year ending 31 March 2009. During and beyond this period, further development and improvements have continued right up to the date of approval of the annual report and accounts (scheduled for 30 June 2009). Further quality improvements are also planned for next year as detailed in section 5.

3. Our Governance Environment

The Local Code of Corporate Governance, endorsed by Council in May 2008, promotes and demonstrates the Council's commitment to the principles of good governance. It incorporates the organisational Values that permeate all aspects of Council activity.

The principal elements of the Council's governance arrangements in 2008/9 and our commitment to our local code are described below:

3.1. Good governance means focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area

The Council's vision and priorities are developed through joint working and extensive consultation with our partners and our local community.

Our Corporate Plan sets out the priority objectives, key targets and supporting improvement actions and links into the wider Community Strategy and aligns with the county-wide strategy and Lancashire Local Area Agreement.

Corporate, community and county-wide strategies are linked and all parties have the opportunity to influence the planning process through widespread community consultation and engagement.

The Corporate Plan and the financial strategy incorporate the Council's key improvement areas and focuses attention on community and corporate priorities.

The Performance Management Framework drives the priorities down through service and individual action plans and facilitates continuous improvement, monitoring and reporting of achievements.

The Council is constantly examining its service delivery arrangements in order to achieve best value, improve customer service and take corrective action as necessary.

Our C-Smart transformation programme demonstrates the continued commitment to service improvement and financial savings and ensures that the customer is at the heart of changes to service delivery.

3.2. Good governance means members and officers working together to achieve a common purpose with clearly defined functions and roles

Council business is conducted in accordance with the Constitution which governs and controls its business responsibilities and activities. It is reviewed annually to ensure that it is fit for purpose and that we comply with changes to legislation.

The role and responsibilities of all members, senior officers and the Council's committee structure are clearly defined.

The constitution also details the extent of delegated powers and includes procedural and contract standing orders and financial regulations.

The responsibilities of statutory officers such as the Head of Paid Service, the Monitoring Officer and the Chief Financial Officer (Section 151) are clearly defined and a protocol assists with the effective exercise of those roles.

Cabinet is supported and challenged by the Scrutiny Committee (previously 2 committees) who play an active role in scrutinising decisions, policy and performance, including the performance of other organisations.

Each Cabinet Member has portfolio responsibilities for leading strategic matters and for championing specific services and cross cutting initiatives.

As evidenced by external assessments, the Council has strong political and managerial leadership and good relationships between members and officers.

Our values and integrated approach to performance, project, financial and risk management are key to sustained progress against priorities. This is also evidenced by external assessment.

Cabinet, Scrutiny and Senior Management Team monitor overall performance on priorities, plans, projects and partnerships on a quarterly basis to manage delivery of the Corporate Plan.

The Corporate Plan is supported by financial, risk and other cross cutting strategies and further deployed through service and individual performance plans to ensure that resources are focused on agreed priorities

3.3. Good governance means promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

The Council's constitution governs the way we conduct our business and is based on the principles of *accountability, transparency, efficiency and openness*.

The Council prides itself on maintaining and continually strengthening its culture of sound governance and ethical arrangements. This is supported by previous Use of Resources scores and feedback from auditors.

Our values of Integrity, Positive Attitude, Learning Organisation, Teamwork and Excellence are at the core of our business and they influence everything we do. They demonstrate that we are serious not just about - what is achieved, but equally as important - how business is done.

The most recent employee survey found that 89% of employees feel that the Council's core values are applied.

The Standards Committee promotes and maintains high standards of conduct including instigating regular reviews to strengthen the Council's ethical arrangements and dealing with allegations of misconduct against councillors.

Implementation of the new standards regime supported by publicity and training have been a priority this year.

Assurance of strong internal control arrangements and an effective Internal Audit service is reported in the Use of Resources assessment and the Annual Audit letter.

The Council takes a proactive approach to both prevent and detect fraud and this is supported by the Council's anti-fraud and whistleblowing policies, Internal Audit programmes, fraud investigations, participation in National Fraud Initiative exercises, and publication of proven cases.

3.4. Good governance means taking informed and transparent decisions which are subject to effective scrutiny and managing risk

The Cabinet takes the lead in developing and delivering the Council's policies and plans and the published Forward Plan contains details of the key decisions to be made.

Cabinet is supported and challenged by the Scrutiny Committee (previously 2 committees) who play an active role in scrutinising decisions, monitoring performance, shaping policies and strategies and reviewing the effectiveness of partnerships and external organisations.

In 2008/9 the Policy & Service Review Scrutiny Committee also received regular governance and risk reports and monitored progress on governance and control matters including the annual governance statement, the external and internal audit programmes and annual reports. These are now the responsibility of the new Governance Committee.

The Council has a comprehensive Risk Management Policy and Strategy that is reviewed annually. It clearly outlines the responsibilities for risk and is endorsed by both the Leader of the Council and the Chief Executive.

The Chief Executive has overall responsibility for risk management; a cabinet member has portfolio responsibility and is the member champion; operationally a Head of Service leads the risk management function and is recognised as the officer champion.

The Senior Management Team (SMT) functions as the corporate risk management group and annually they agree and prioritise the corporate risk register which is aligned with the corporate plan.

Officer and Member risk owners are identified in the corporate risk register and risk action plans are produced, monitored and reported on.

The governance framework is independently reviewed each year by the External Auditor through the Use of Resources inspection and by the work of internal audit.

The Council maintains a robust Internal Audit service, which annually provides an independent and objective opinion on the internal control environment, verifies compliance with policies, laws and regulations, evaluates and makes recommendations to improve the effectiveness of risk management, value for money and governance processes.

3.5. Good governance means developing the capacity and capability of members and officers to be effective

The Council has a strong record of investing in its workforce to develop the culture of the organisation and ensure that current and future strategic priorities are met.

There is strong political and managerial leadership and members and officers work in partnership to deliver the priorities, promote our values and work collaboratively across Lancashire.

Our People plan aligns workforce and organisational objectives with the Council's values and Corporate Plan.

Budget alignment with key priority areas provides capacity and investment.

The Our People plan identifies the priority areas for both member and officer development and half yearly monitoring is undertaken by the Senior Management Team and the Scrutiny Committee.

Progress is measured using the employee survey results and the achievement of well recognised standards and assessments; namely the North West Member Development Charter and Investors in People awards.

The Lancashire Leadership programme has helped enhance member and management skills and improve collaborative working.

All employees have an annual performance appraisal to ensure that the organisation has a skilled and trained workforce. The appraisal process evaluates skills, performance and application of the Council's values.

The Council is committed to increasing its capacity by working in partnership with a wide range of organisations including public, private, voluntary and community groups to build and share resources and deliver improving, efficient services.

Private sector partnerships provide investment and enhanced customer service for Leisure and Waste services.

A long term partnership with Chorley BC to deliver Financial and Assurance services both increases capacity and skills whilst delivering efficiency savings.

3.6. Good governance means engaging with local people and other stakeholders to ensure robust public accountability

The Council uses a range of mechanisms to understand the views and needs of its residents and partners. These include: citizens panel, residents survey, area committees, partnerships, multi agency working, community and voluntary groups.

As evidenced by external assessments our approach to community and corporate planning is well regarded.

The Citizens' panel survey highlights that the Council is good at asking for peoples views and treating people equally.

All committees have extensive levels of public participation and all agendas and decisions are available to the public except where personal or confidential matters are being disclosed.

The Council is subject to regular and rigorous external inspection regimes that focus on outcomes for local people.

The public annual report presents the Council's achievements against citizens' priorities and highlights the delivery of value for money services.

The residents' survey demonstrates satisfaction with Council services.

The Scrutiny Committee supports citizens in highlighting community matters by holding public inquiries into matters of local concern.

The area committees play an influential part in community leadership and decision making, consider local issues and make a difference to neighbourhoods.

The Council has a "You said – We did" campaign for residents to highlight investment and improvements to Council services over the year.

4. Our Commitment to Excellence

The Council has a responsibility to keep the effectiveness of its governance arrangements under review to demonstrate continuous improvement. This is informed by the work of members and senior management further supported by the internal audit service and also by the work of external auditors and other review agencies and inspectorates. The Council's Performance, Risk and Financial Management Frameworks and Our People strategy make a significant contribution to the review process.

Our robust governance arrangements are reflected in external assessments of Data Quality, Use of Resources, Investors in People, Customer Service Excellence and the Annual Audit Inspection report.

The annual corporate planning timetable ensures the timely integration of consultation, engagement, planning and reporting of the council's vision, emerging plans and supporting documents.

The Performance Management Framework aligns delivery of the Council's priorities and objectives with improvement projects and actions. It also imposes regular review and high level reporting of progress, which highlights those areas at risk of not being achieved so that remedial action can be taken. There are clear links between business, financial and organisational planning to ensure that resources are aligned to achieving the corporate objectives.

Key partnerships have been further developed to ensure they contribute to the achievement of both corporate and partnership objectives.

During 2008/9 risk management remained embedded and progress was regularly reported to Policy & Service Review Scrutiny Committee. Strategic and operational risk registers were reviewed and action plans developed to mitigate the key risks.

The Council actively seeks opportunities for other sources of funding and increases capacity by partnership working. This year shared service arrangements for Finance and Assurance Services (Synergy) have been implemented and are planned to improve capacity, increase flexibility and resilience, and deliver value for money.

ANNUAL GOVERNANCE STATEMENT

South Ribble Borough Council has a strong record of investing in its workforce to develop the culture of the organisation and ensure that current and future strategic priorities are met. The new Values Framework is being introduced to the officers' performance appraisal process, which demonstrates that we are serious about the culture of our Council and how business is done. The Council has been recognised as an Investor in People for some ten years. The Investors in People assessor reported in November 2008 "South Ribble is, in the experience of the assessor, the very essence of an Investor in People organisation." "The culture across the whole organisation is one of continuous improvement and a desire to achieve exceptional performance".

The completion of management self assurance statements and the continued development of the senior officer Governance group have strengthened the Council's assurance framework.

Internal Audit maintains excellent working relationships with Members, Senior Management and the Council's External Auditors to provide an integrated approach to the delivery of audit services. The Internal Audit Service adds value to the Council by reviewing financial and operational systems. It provides an independent opinion on the adequacy of risk control and, where necessary, makes recommendations to improve governance arrangements and the internal control system. All recommendations and improvement actions are agreed with senior management and Corporate Management Team monitors this continuous improvement process.

During 2008/9 the Policy & Service Review Scrutiny Committee played a key role in the assurance gathering process by monitoring corporate governance and control matters. They reviewed the corporate risk register, risk mitigation action, received the external audit plan and report, challenged the governance improvement plan and monitored the delivery of the corporate objectives through regular progress reports.

The Committee also received the annual and interim internal audit plan, an annual internal audit report and approved the Annual Governance Statement that provided assurance on the adequacy of the Council's control environment.

Last year the reviews of the Community Watchdog Scrutiny Committee covered the condition of local roads and pavements and fuel poverty in South Ribble. They were also involved in several consultation exercises on – Access to Health, Fluoridation of Water and Call for Action.

Overall the Council has an excellent standards regime in place and this is evidenced by the results of the previous Use of Resources assessments. During 2008/9 the role of the Standards Committee and its procedures were revised to meet changes in legislation with the introduction of the local referral regime. Appointment of high calibre independent members, extensive training and promotion of standards in the press and on the Council website, have been provided to further strengthen the Council's ethical arrangements.

The Council's positive approach to ensuring the quality of its data has been acknowledged in Data Quality Audits by the Audit Commission. The reports received over the last three years have placed the authority as performing 'consistently above minimum requirements.'

Assurance can be taken from the work of the Council's external auditors as they issued an unqualified opinion on the Council's financial accounts and a positive conclusion on value for money arrangements in September 2008.

The fourth annual Use of Resources assessment reported, yet again, an overall score of 4. Both the financial reporting and internal control elements received a maximum score of 4 demonstrating strong performance in these areas. All other elements scored 3 (performing well). The report concluded that "the Council continues to demonstrate improvements in the way it manages its use of resources."

The annual audit and inspection letter received in March 2009 reported “South Ribble Borough Council has continued its good track record of improvement. Performance information shows strong performance, Value for Money is good and the Council has again demonstrated that it continues to strive for and achieve excellence in the way it manages its use of resources.”

In line with the Local Code; the Council is committed to continuous improvement of its governance arrangements.

5. Enhancing our Governance Arrangements

The Council has plans in place for the coming year to take further steps to improve the following areas in order to build and strengthen our corporate governance arrangements.

Continue to review governance arrangements for key partnerships, including risk, finance, business continuity and ethical arrangements.

Produce and implement action plans to strengthen the partnership arrangements and monitoring and reporting aspects.

Enhance transaction and unit costing to improve value for money.

Revise and educate officers on the standing orders for contracts.

Further embed project management disciplines.

Address any areas for improvement in financial controls that may be identified by the External Auditor in the Audit Memorandum and the ISA260 Communication.

The Council is satisfied that these actions will further enhance our corporate governance status and we will continue to review their implementation and operation.

.....
Leader of the Council

.....
Chief Executive

Date: 30th September 2009

On behalf of the Members and Senior Officers of South Ribble Borough Council.

ANNUAL GOVERNANCE STATEMENT

References

1 The CIPFA / SOLACE (Chartered Institute of Public Finance and Accountancy / Society of Local Authority Chief Executives and Senior Managers) framework “Delivering Good Governance in Local Government”.

2 South Ribble Borough Council has approved and adopted a code of governance that is consistent with the principles of the CIPFA/SOLACE Framework. A copy of the local code is available on line at www.southribble.gov.uk or can be obtained by contacting M Wood, Head of Corporate Governance, Civic Centre, West Paddock, Leyland, Lancashire, PR25 1DH

3 Regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006.

GLOSSARY

AAL Audit Memorandum	Annual Audit Letter–An External Audit report presented to Council and containing the findings of the Audit Commission’s work. It is a requirement of the Code of Practice for Auditors.
Assurance	An evaluated opinion based on evidence and gained from review.
CIPFA	Chartered Institute of Public Finance and Accountancy
Head of Paid Service	The Chief Executive
Control Environment System of Internal Control	Comprises the organisation’s policies, procedures and operations in place to: Establish and monitor the achievement of the organisation’s priorities; Identify, assess and manage the risks to achieving the organisation’s objectives; Facilitate policy and decision making; Ensure the economical, effective and efficient use of resources; Ensure compliance with policies, legislation and regulations; Safeguard the organisation’s assets; Ensure the integrity and reliability of information, accounts and data.
Corporate Governance	Corporate governance is the system by which local authorities direct and control their functions and relate to their communities.
Corporate Governance Group	Corporate Director (Resources) the Council’s Section 151 Officer; Corporate Director (Policy & Neighbourhoods) the Councils Monitoring Officer; Heads of Service with responsibility for Governance, Assurance, Finance and Policy
HOS	Head of Service
SOLACE	Society of Local Authority Chief Executives
SMT	Senior Management Team includes the corporate directors and heads of service.
Statement on Internal Control (SIC)	Regulation 4 of the Accounts and Audit Regulations 2003 requires the Council to conduct a review (at least once a year) of the effectiveness of the internal control environment and to publish a statement on the adequacy of the system with its annual accounts.
UOR	Use of Resources - This is a key part of the Audit Commission’s Comprehensive Performance Assessment. It assesses how well a Council manages and uses its resources.

SOUTH RIBBLE BOROUGH COUNCIL – STATEMENT OF ACCOUNTS 2008/09

INCOME AND EXPENDITURE STATEMENT FOR YEAR ENDED 31 MARCH 2009

2007/08 Net Expenditure £'000		Gross expenditure £'000	2008/09 Gross Income £'000	Net Expenditure £'000	Note
2,774	Central Services to the Public	24,826	(22,209)	2,617	
9,382	Cultural, Environmental and Planning Services	14,156	(4,147)	10,009	
1,530	Highways, Roads and Transport Services	2,604	(1,416)	1,188	
882	Housing Services	1,053	(213)	840	
1,301	Corporate and Democratic Core	1,179	(6)	1,173	
441	Non Distributed Costs	2,180	(1,195)	985	8
16,310	Net Cost of Services	45,998	(29,186)	16,812	
(3)	(Surpluses)/deficits on trading undertakings			566	1
307	Interest payable and similar charges			1,865	
(1,352)	Interest and investment income			(1,078)	
71	Pension interest cost and expected return on pension assets			987	11
1	Housing capital receipts contribution to Government pool			1	
223	Parish Council precepts			232	9
15,557	Net Operating Expenditure			19,385	
(7,279)	Demand on the Collection Fund			(7,552)	
(1,037)	General Government Grant			(902)	20
(6,181)	Non Domestic Rates Redistribution			(6,482)	
1,060	(Surplus)/deficit for the year			4,449	

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

The Income and Expenditure Account shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the authority is required to raise Council tax on a different accounting basis, the main differences being:-

- For Council tax purposes capital investment is accounted for as it is financed, rather than when the fixed assets are consumed
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

These differences, and movements in earmarked reserves, are adjusted by movements in the General Fund balance. The increase or decrease in the General Fund balance represents the true financial surplus or deficiency for the year. Full details of the movements are shown in Note 10 to the Core Financial Statements.

2007/08		2008/09	Note
£'000		£'000	
1,060	(Surplus)/deficit for the year on the Income & Expenditure Account	4,449	
(1,418)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund balance	(4,303)	10
(358)	(Increase)/Reduction in the General Fund Balance for the year	146	
(3,180)	General Fund balance brought forward	(3,538)	
(3,538)	General Fund balance carried forward	(3,392)	

SOUTH RIBBLE BOROUGH COUNCIL – STATEMENT OF ACCOUNTS 2008/09

THE BALANCE SHEET AS AT 31 MARCH 2009

2007/08			2008/09	
£'000			£'000	£'000
174	13	Fixed Assets		
		Intangible Fixed Assets		325
		Tangible Fixed Assets		
		<u>Operational Assets:</u>		
23,610		Other Land and Buildings	23,592	
4,126		Vehicles, Plant, Furniture & Equipment	4,646	
86		Community Assets	86	
		<u>Non-operational Assets:</u>		
13,189		Investment Properties	12,891	
1,515		Surplus Assets Held for Disposal	1,235	
42,526		Total Tangible Fixed Assets	42,450	
42,700		Total Fixed Assets		42,775
9,466	14a	Long Term Investments		3,354
91		Long Term Debtors		85
52,257		Total Long Term Assets		46,214
		Current Assets		
215		Stock and Work in Progress	155	
4,629	15	Debtors	4,483	
7,414	14a	Investments	9,696	
7		Cash in Hand	955	
12,265			15,289	
		Current Liabilities		
(3,922)	16	Creditors	(4,559)	
(537)		Bank Overdraft	0	
(4,459)			(4,559)	
7,806		Net Current Assets/(Liabilities)		10,730
60,063		Total Assets less Current Liabilities		56,944
(11)	19	Deferred Credits	(9)	
(2,149)		Government Grants - Deferred	(2,352)	
(2,554)	21	Government Grants Unapplied	(2,183)	
(2,241)	18	Deferred Liability	(1,864)	
(3,332)	14e	Long Term Borrowing	(3,332)	
(20,775)	11	Net Liability Related to Defined Benefit Pension Schemes	(20,631)	
(31,062)			(30,371)	
29,001		Total Assets less Liabilities		26,573
		Financed by:		
143	17	Revaluation Reserve	623	
35,328	17	Capital Adjustment Account	34,215	
0	17	Financial Instruments Adjustment Account	(1,140)	
3,174	17	Usable Capital Receipts Reserve	3,070	
(20,775)	17	Pensions Reserve	(20,631)	
8,351	17	Earmarked Reserves	7,472	
2,780	17	General Fund Reserves	2,964	
29,001		Total Net Worth	26,573	

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

This statement brings together all the gains and losses of the Council for the year and shows the aggregate increase in its net worth. In addition to the surplus generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

2007/08	Note	2008/09
£'000		£'000
1,060	(Surplus)/Deficit for the year on the Income and Expenditure Account	4,449
(143)	Surplus arising on revaluation of fixed assets	(481)
7,588	11 Actuarial (gains)/losses on pension fund assets and liabilities	(1,255)
913	Movement on Collection Fund Balance	(330)
(72)	Any other gains and losses required to be included	45
9,346	Total recognised (gains)/losses for the year	2,428

CASH FLOW STATEMENT

This consolidated statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

2007/08 £'000	Note		2008/09 £'000	£'000
(1,518)	25	Net Cash Inflow/(Outflow) from Operating Activities		1,195
		<u>Returns on Investments and Servicing of Finance</u>		
		Cash Outflows		
(139)		Interest Paid	(145)	
(164)		Interest element of finance lease rental payments	(156)	
		Cash Inflows		
976		Interest Received	825	
673		Net Cash Flow from Returns on Investment and Servicing of Finance		524
		<u>Capital Activities</u>		
		Cash Outflows		
(1,008)		Purchase of Fixed Assets	(2,325)	
(918)		Other Capital Cash Payments	(907)	
		Cash Inflows		
0		Proceeds from Long Term Investments matured in the year	3,050	
721		Capital Grants Received	895	
248		Other Capital Cash Receipts	6	
(957)		Net Cash Flow from Capital Activities		719
(1,802)		Net Cash Inflow/(Outflow) Before Financing		2,438
		<u>Management of Liquid Resources</u>		
11,065		Net (increase)/decrease in Short Term Deposits	0	
(9,000)		Net increase/(decrease) in other liquid resources	(480)	
2,065				(480)
		<u>Financing</u>		
		Cash outflows		
0		Repayment of amounts borrowed	0	
(466)		Capital Element of Finance Lease/Deferred Purchase Payments	(473)	
		Cash inflows		
0		New Loans Raised	0	
(466)		Net Cash Flow Inflow/(Outflow) from Financing		(473)
(203)		Net Increase/(Decrease) in Cash		1,485

NOTES TO THE MAIN FINANCIAL STATEMENTS

1. TRADING ACCOUNTS

2007/08		2008/09			
Total £'000		Catering £'000	Markets £'000	Investment Properties £'000	Total £'000
Income					
175	Charges to Internal Users	218	0	0	218
1,309	Charges to external Users	256	139	1,043	1,438
<u>1,484</u>	Total Income	<u>474</u>	<u>139</u>	<u>1,043</u>	<u>1,656</u>
Expenditure					
256	Staff Costs	288	27	0	315
319	Premises	19	47	253	319
1	Transport	2	0	0	2
126	Direct Purchases	128	0	0	128
45	Materials	41	8	7	56
<u>747</u>	Total Direct Costs	<u>478</u>	<u>82</u>	<u>260</u>	<u>820</u>
603	Overheads	218	10	366	594
130	Capital Charges	0	0	808	808
<u>1,480</u>	Total Costs	<u>696</u>	<u>92</u>	<u>1,434</u>	<u>2,222</u>
<u>4</u>	Net (Surplus)/Deficit	<u>222</u>	<u>(47)</u>	<u>391</u>	<u>566</u>

2. AUDIT COSTS

The Council incurred the following fees relating to external audit and inspection:

	2008 £'000	2009 £'000
Fees Payable in respect of external services carried out by the Appointed Auditor	93	98
Grant Claim Certification	20	18

NOTES TO THE MAIN FINANCIAL STATEMENTS

3. SECTION 137(3), LOCAL GOVERNMENT ACT 2000

Section 137 of the Local Government Act 1972, as amended, empowers local authorities to make contributions to certain charitable funds, not-for-profit bodies providing a public service in the United Kingdom and mayoral appeals. The Council made no contributions pursuant to this power in 2008/09 (2007/08 restated nil).

4. EXPENDITURE ON PUBLICITY

Section 5(1) of the Local Government Act 1986 requires each Local Authority to keep a separate account of certain categories of expenditure referred to as publicity.

The relevant amounts are as follows:

Year ended 31 March	2008 £'000	2009 £'000
<i>Purpose of Publicity</i>		
Required by Statute	39	37
Promotion of Economic Development	11	10
Recreational Facilities	25	16
Public Relations	35	32
Environmental Protection	5	0
Employee Recruitment	<u>42</u>	<u>41</u>
	<u>157</u>	<u>136</u>

5. BUILDING CONTROL STATEMENT

The Building (Local Authority) Charges Regulations 1998 gave Local Authorities the authority to set their Building Control Fees. The regulations require that full recovery of the cost of providing the building control service should be achieved over a three year continuous accounting period with effect from 1 April 1999, when the regulations came into force. In 2008/09, the fee earning deficit of £68,980 has been transferred to the Building Control Reserve. The balance on this reserve at 31 March 2009 is an accumulated surplus of £4,622.

Building Control Fee-earning Account – Summary

The statement below shows the total cost of operating the building control service divided between the fee earning and non-fee earning accounts:

2008/09	Fee Earning £'000	Non Fee Earning £'000	Total £'000
Income	230	0	230
Expenditure	(299)	(83)	(382)
Surplus/(Deficit) for Year	<u>(69)</u>	<u>(83)</u>	<u>(152)</u>

NOTES TO THE MAIN FINANCIAL STATEMENTS

6. LOCAL AUTHORITY (GOODS AND SERVICES) ACT 1970

The Council is empowered by this Act to provide goods and services to other public bodies. In 2008/09 the income generated from the provision of goods and services under this Act amounted to £179,681 and the related expenditure was £193,584.

7. DISCLOSURE OF REMUNERATION OF SENIOR STAFF

The Council is required under Regulation 7, paragraph (2), of the Accounts and Audit Regulations 2003 to disclose the remuneration of all employees of the Authority in excess of £50,000.

In the 2008/09 financial year, there were eleven employees to whom the requirement relates:

Year ended 31 March	2008 £'000	2009 £'000
50,000 – 59,999	5	7
60,000 – 69,999	2	0
70,000 – 79,999	1	3
80,000 – 89,999	0	0
90,000 – 99,999	0	0
100,000 – 109,999	1	1

8. NON DISTRIBUTED COSTS

The Non Distributed Costs contained within the Income and Expenditure Account are prepared in accordance with Section 2 (Annex F) of the Best Value Accounting Code of Practice - Retirement Benefits Accounting and the Treatment of Non Distributed Costs. The requirement states that only current pension costs are included within service expenditure. Past service costs, settlements and curtailments are excluded from the definition of total costs of services and defined as Non Distributed Costs on the face of the Income and Expenditure Account.

9. PARISH COUNCIL PRECEPTS

Precepts levied by Parishes and the Town Council are detailed below:

Year ended 31 March	2008 £'000	2009 £'000
Farington	50	50
Hutton	14	19
Longton	19	20
Penwortham	125	128
Much Hoole	5	6
Little Hoole	7	6
Samlesbury and Cuerdale	3	3
Total	<u>223</u>	<u>232</u>

NOTES TO THE MAIN FINANCIAL STATEMENTS

10. RECONCILING ITEMS FOR THE STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

This statement shows in detail the amounts additional to the surplus or deficit on the Income and Expenditure Account that are required by statute and non-statutory proper practices to be debited or credited to the General Fund for the year..

2007/08		2008/09
£000		£000
Amounts included in the Income and Expenditure Account but required or permitted by statute to be excluded when determining the Movement on the General Fund Balance for the year		
(135)	Amortisation of intangible fixed assets	(147)
(2,111)	Depreciation and impairment of fixed assets	(2,805)
455	Government Grants Deferred amortisation	475
(186)	Revenue Expenditure Funded from Capital Under Statute – net cost	(202)
0	Net Profit/(Loss) on sale of fixed assets	0
0	Net charges relating to the impairment of financial assets	(1,140)
(1,719)	Net charges made for retirement benefits in accordance with FRS17	(2,627)
(3,696)		(6,446)
Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year		
178	Minimum Revenue Provision for capital financing	205
17	Capital Expenditure charged in-year to the General Fund Balance	72
(1)	Transfer from Capital Receipts Reserve equal to the amount payable into the Housing Capital Receipts Pool	(1)
1,393	Employer's contributions payable to Lancashire County Pension Fund and retirement benefits payable direct to pensioners	1,516
1,587		1,792
Transfers to/from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year		
274	Voluntary Revenue Provision for capital financing	255
417	Net transfer to/from earmarked reserves	96
691		351
(1,418)	Net additional amount required to be credited to the General Fund Balance for the year	(4,303)

NOTES TO THE MAIN FINANCIAL STATEMENTS

11. PENSION COSTS

Participation in the scheme

As part of the terms and conditions of employment of its officers and other employees, the Authority offers retirement benefits through the Local Government Pension Scheme. This scheme is administered by Lancashire County Council and is a funded, defined benefit, scheme, meaning that the authority and employees pay contributions calculated at a level intended to balance the pension liabilities with investment assets.

Change of accounting policy

Under the 2008 SORP the Council has adopted the amendments to FRS17 "Retirement Benefits". As a result quoted securities held as assets in the defined benefit pension scheme are now valued at bid price rather than mid market value. The effect of this change is that the value of the scheme assets at 31 March 2008 has been restated from £48,496 to £48,397

Transactions relating to retirement benefits

The Council recognises the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are actually paid as pensions. However, the charge required to be made against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the Income & Expenditure Account after Net Operating Expenditure. The following statement shows the transactions during the year

Income & Expenditure Account	2007/08	2008/09
	£'000	£'000
Net Cost of Services		
Current service costs	(1,196)	(1,410)
Curtailment/Settlement gain	0	(147)
Past service costs	(452)	(83)
Net Operating Expenditure		
Interest costs	(3,543)	(4,200)
Expected return on assets in the scheme	3,472	3,213
Net Charge to the Income & Expenditure Account	<u>(1,719)</u>	<u>(2,627)</u>

Statement of Movement in the General Fund Balance

Reversal of net charges made for retirement benefits in accordance with FRS17	<u>1,719</u>	<u>2,627</u>
Actual amount charged against the General Fund Balance for pensions in the year – being employers contributions payable to the scheme	<u>1,393</u>	<u>1,516</u>

In addition to the recognised gains and losses included in the Income & Expenditure Account, actuarial gains of £1.255m (2007/8 loss £7.588m) were included in the Statement of Total Recognised Gains and Losses. The cumulative amount of actuarial losses recognised in the Statement of Total Recognised Gains and Losses is £21.255m

NOTES TO THE MAIN FINANCIAL STATEMENT

Assets and liabilities in relation to retirement benefits

Reconciliation of present value of the scheme liabilities

	Funded liabilities	
	Local Government Pension Scheme	
	2007/8	2008/9
	£'000	£'000
1 April	(66,028)	(69,273)
Current service cost	(1,196)	(1,410)
Interest cost	(3,543)	(4,200)
Contributions by scheme participants	(451)	(494)
Actuarial gains and losses	(78)	14,425
Benefits paid	2,475	2,749
Curtailement	0	(147)
Past service costs	(452)	(83)
31 March	(69,273)	(58,433)

Reconciliation of fair value of the scheme assets

	Local Government Pension Scheme	
	2007/8 as restated	2008/9
	£'000	£'000
1 April	53,061	48,399
Expected return on plan assets	3,465	3,213
Actuarial gains & (losses)	(7,496)	(13,071)
Employer contributions	1,393	1,516
Contributions by scheme participants	451	494
Benefits paid	(2,475)	(2,749)
31 March	48,399	37,802

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields at the balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets. The actual (loss) on scheme assets in the year was (£9.858m)

Analysis of scheme assets

	Proportion of total Assets 2007/08	Proportion of total Assets 2007/08
	%	%
Equity investments	62.2	61.2
Government Bonds	7.1	7.8
Other Bonds	15.0	12.3
Property	6.0	7.4
Cash/liquidity	3.3	4.9
Other assets	6.4	6.4
	100.0	100.0

NOTES TO THE MAIN FINANCIAL STATEMENT

Scheme history

	2004/05	2005/06	2006/07	2007/08	2008/09
	£'000	£'000	As restated £'000	As restated £'000	£'000
Present value of liabilities	(58,967)	(66,673)	(66,028)	(69,273)	(58,433)
Fair value of assets	41,059	50,439	53,061	48,399	37,802
Surplus/(deficit) in the scheme	(17,908)	(16,234)	(12,967)	(20,874)	(20,631)

The Council has not restated the fair value of scheme assets for the years 2004/05 and 2005/06 as permitted by FRS17 (as revised)

The liabilities show the underlying commitments that the authority has in the long term to pay retirement benefits. The total liability of £20.6m has a substantial impact on the net worth of the authority as recorded in the balance sheet.

Statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy. The deficit on the Local Government Scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2010 is £1.529m

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The County Council Fund liabilities have been assessed by Mercers, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31 March 2007.

The main assumptions used in their calculations have been

	Local Government Pension Scheme	
	2007/08	2008/09
Long term expected rate of return on assets in the scheme		
Equity investments	7.50%	7.50%
Government bonds	4.60%	4.00%
Other bonds	6.10%	6.00%
Property	6.50%	6.50%
Cash/liquidity	5.25%	0.50%
Other	7.50%	7.50%
Mortality assumptions		
Longevity at 65 for current pensioners		
Men	21.10	21.20
Women	24.00	24.00
Longevity at 65 for future pensioners		
Men	22.20	22.20
Women	25.00	25.00
Rate of inflation	3.60%	3.30%
Rate of increase in salaries	5.35%	5.05%
Rate of increase in pensions	3.60%	3.30%
Rate for discounting scheme liabilities	6.10%	7.10%
Take up option to convert pension into lump sum	50%	50%

History of experience gains and losses

The actuarial gains identified as movements on the Pensions Reserve in 2008/09 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March in each year.

	2004/05	2005/06	2006/07	2007/08	2008/09
			As restated	As restated	
	%	%	%	%	%
Difference between the expected and actual return on assets	4.8	12.6	(0.7)	(15.5)	(34.6)
Experience gains and (losses) on liabilities	0.6	1.8	0	5.5	0

Prepaid or Accrued Pension Contributions

An amount of £0.142m is included in the creditors section of the Balance Sheet. This represents accrued pension contributions as at 31 March 2009. These were paid to the Lancashire County Pension Fund in April 2009.

12. RELATED PARTY TRANSACTIONS

In accordance with FRS8, the financial statements must disclose material transactions with related parties, to draw attention to the possible extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the council.

◆ Central Government

Central government has effective control over the general operations of the council as it provides the majority of its funding in the form of grants. Details of transactions with government departments are set out in a note to the Cash Flow Statement.

- ◆ **Members of the Council** have direct control over the council's financial and operating policies. Elected members are required to complete a Notice of Registerable Interests and notify the council of any changes within 28 days. Declarations of interests in meetings which include the personal interest of partners, relatives or friends, are also both recorded in the minutes of the meeting and signed in a book, which are open to public inspection.

During 2008/09, the Grants Committee paid grants totalling £98,264 (£117,410 – 2007/08) to voluntary organisations in which no members declared an interest.

Councillors' allowances for the year 2008/09 totalled £166,016 (£171,727 – 2007/08). A detailed breakdown of these figures can be found in the Council's newspaper – Forward, which is distributed to all residents.

◆ Officers

If appropriate, Directors of the Council should complete a voluntary declaration of transactions involving related parties. The returns showed that in respect of the declarations made during the year to 31 March 2009 there were no material transactions.

◆ Other Local Authorities and Precepting Bodies

Details of Precepts in relation to the Lancashire Police Authority, Combined Fire Authority and Lancashire County Council are shown in the Collection Fund

◆ Pension Fund

Details of payments to the Local Government Pension Scheme are set out in note 11 of the Financial Statements.

◆ New Progress Housing Association (NPHA)

Right to Buy – The Right to Buy Clawback agreement provides that payment is due to the Council where sales of housing stock transferred to NPHA exceed an agreed threshold. In 2008/09 this threshold was not exceeded and hence no monies were received.

◆ Partnerships, Companies and Trusts

Affordable Housing Partnership – with South Ribble Borough Council (SRBC), Chorley Borough Council and West Lancashire Council. SRBC manages the finances for the 'First Steps Grant Scheme' for the partnership. The grant for 2005/06 was £300,000 of which £61,590 was unallocated at 31 March 2009.

NOTES TO THE MAIN FINANCIAL STATEMENTS

12. RELATED PARTY TRANSACTIONS *(Continued)*

Financial & Assurance Shared Services Partnership. – In January 2009 this partnership was established under an Administrative Collaboration Agreement entered into by South Ribble and Chorley Borough Councils. This provides for the provision of accountancy, exchequer, treasury Management, procurement and assurance services across the administrative areas of the two Councils.

A Shared Services Joint Committee has been established to discharge the Chorley and South Ribble Councils' functions of providing the services detailed in the Shared Services Agreement. In 2008/09 gross expenditure of £399,210 was incurred on the shared services which was fully funded by recharges of £191,857 to South Ribble Borough Council and £207,353 to Chorley Borough Council.

Other partnerships which fall below the de-minimus level, include:
 Domestic Violence Project
 Community Safety Partnership and Drug Prevention initiatives.

◆ **Simple Investment**

In 2005/06 the Council's leisure centre operation transferred to South Ribble Community Leisure Limited (SRCLL), which is a company with charitable objectives. The Council pay SRCLL a Leisure Services Fee (LSF) for the running of its leisure centres. The contract with SRCLL is for a period of 15 years and 10 months which commenced on 1st June 2005.

Name of Undertaking	South Ribble Community Leisure Limited
Type of Organisation	Limited liability.
Nature of Business	Provision and Development of leisure facilities in South Ribble
SRBC share holding	14.2%
Grant Paid in the Year	£16,327
Leisure Services Fee	£428,565

NOTES TO THE MAIN FINANCIAL STATEMENTS

13. FIXED ASSETS

(a) Intangible Fixed Assets

Purchased Software Licences	£'000
Cost	
Cost brought forward as at 1 April 2008	530
Additions	305
Disposals	0
Cost carried forward as at 31 March 2009	<u>835</u>
Amortisation	
Accumulated Amortisation brought forward as at 1 April 2008	(363)
Charge for the year	(147)
Disposals	0
Accumulated Amortisation carried forward as at 31 March 2009	<u>(510)</u>
Impairment	
Balance at start of year	7
Charge for the year	(7)
Cost carried forward as at 31 March 2009	<u>0</u>
Net Book Value	
Net Book Value as at 31 March 2008	174
Net Book Value as at 31 March 2009	325

NOTES TO THE MAIN FINANCIAL STATEMENTS

13. FIXED ASSETS (Continued)

(b) Tangible fixed assets

	Operational Assets			Non-Operational Assets		Total £'000
	Other Land and Buildings £'000	Vehicles Plant & Equip't £'000	Community Assets £'000	Investment Assets £'000	Surplus Assets held for disposal £'000	
Certified valuation as at 1 April 2008	25,477	7,259	230	13,198	1,515	47,679
Additions	632	1,571	35	1	0	2,239
Disposals	(38)	(50)	0	0	0	(88)
Revaluation – General fall in Market price	(183)	0	0	(264)	(280)	(727)
Revaluation	76	0	0	229	0	305
Reclassification	0	0	0	0	0	0
Cost carried forward as at 31 March 2009	25,964	8,780	265	13,164	1,235	49,408
Depreciation						
Accumulated Depreciation at 1 April 2008	(1,541)	(3,129)	0	0	0	(4,670)
Charge for the year	(507)	(1,055)	0	0	0	(1,562)
Disposals	15	50	0	0	0	65
Reclassification	0	0	0	0	0	0
Revaluations	176	0	0	0	0	176
Accumulated Depreciation at 31 March 2009	(1,857)	(4,134)	0	0	0	(5,991)
Impairment						
Accumulated impairment at 1 April 2008	(326)	(4)	(144)	(9)	0	(483)
Charge for the year	(189)	4	(35)	(264)	0	(484)
Accumulated Impairment at 31 March 2009	(515)	(0)	(179)	(273)	0	(967)
Net Book Value						
as at 31 March 2008	23,610	4,126	86	13,189	1,515	42,526
as at 31 March 2009	23,592	4,646	86	12,891	1,235	42,450

NOTES TO THE MAIN FINANCIAL STATEMENTS

(c) The Revaluation of Fixed Assets

During 2008/09 the valuations were carried out primarily by R Handscombe FRICS, who is the Council's Estates Surveyor. However because of the number and diversity of the assets the District Valuer's service was commissioned to carry out a number of valuations. The basis of valuation is set out in the Statement of Accounting Policies.

The following table analyses assets by valuation date

	Operational Assets			Non-Operational Assets		Total £'000
	Land & Buildings	Plant & Equip	Community Assets	Investment Assets	Assets held for disposal	
	£'000	£'000	£'000	£'000	£'000	
Valued at historic cost	19	8,780	265	0	0	9,064
Current cost – valuation date						
2008-9	1,199	0	0	2,331	0	3,530
2007-8	4,426	0	0	88	0	4,514
2006-7	3,963	0	0	3,692	1,235	8,890
2005-6	16,357	0	0	5,399	0	21,756
2004-5	0	0	0	1,654	0	1,654
Total	25,964	8,780	265	13,164	1,235	49,408

NOTES TO THE MAIN FINANCIAL STATEMENTS

13. FIXED ASSETS (Continued)

(d) Overall Capital Expenditure and Financing

	2007/08		2008/09	
	£'000	£'000	£'000	£'000
Opening Capital Financing Requirement		4,448		5,121
Capital Investment				
Fixed Assets	1,819		2,546	
De Minimis	5		1	
Revenue Expenditure Funded from Capital Under Statute	918		867	
		<u>2,742</u>		<u>3,414</u>
Sources of Finance				
Capital Receipts		(267)		(108)
Government Grants and Other Contributions		(692)		(1,348)
Sums Set Aside from Revenue				
Earmarked Reserves	(641)		(970)	
Revenue Financing	(17)		(72)	
Minimum Revenue Provision (MRP)	(178)		(205)	
Voluntary Revenue Provision (VRP)	(274)		(255)	
		<u>(1,110)</u>		<u>(2,958)</u>
Closing Capital Financing Requirement		<u>5,121</u>		<u>5,577</u>

Explanation of movements in year

	2007/08	2008/09
	£'000	£'000
Increase in underlying need to borrow (supported by Government Financial Assistance)	0	0
Increase in underlying need to borrow (unsupported by Government Financial Assistance)	673	456
Increase/(Decrease) in Capital Financing Requirement	<u>673</u>	<u>456</u>

Commitments under Capital Contracts

Commitments under Capital Contracts as at 31 March 2009 (> £10,000):

	£000
Bamber Bridge Leisure Centre – External Painting	15
South Ribble Tennis Centre - replacement playing surface	27
Moss Side Community Centre - roofs and windows	19
Play Areas: Much Hoole	15
Kingsfold Drive, Penwortham	<u>27</u>
	<u>103</u>

NOTES TO THE MAIN FINANCIAL STATEMENTS

13. FIXED ASSETS (Continued)

(e) Information on Leased Assets

Lease rental payments made in 2008/09

Payments in 2007/08			Payments in 2008/09	
Finance leases £'000	Operating leases £'000		Finance leases £'000	Operating leases £'000
0	50	Land and other buildings	0	50
194	132	Vehicles plant and equipment	194	113
<u>194</u>	<u>182</u>		<u>194</u>	<u>163</u>

Operating lease rental payments due to be made in 2009/10

The Council was committed to making operating lease payments, in respect of leases expiring:-

	Other Land and Buildings £'000	Vehicles, Plant and Equipment £'000
Within one year	0	48
Between one and five years	0	28
After five years	50	0

Outstanding finance lease obligations

The following obligations (excluding finance costs) are accounted for as part of long-term liabilities:-

	Vehicles, Plant and Equipment £'000
Obligations Payable in 2009/10	166
Obligations Payable between 2010/11 and 2013/14	297
Obligations Payable after 2013/14	0
Total Liabilities at 31 March 2009	<u>463</u>

Assets held under finance leases

The following values of assets are accounted for as part of Tangible Fixed assets.

Vehicles, Plant and Equipment	Cost £'000	Depreciation £'000	Net Book Value £'000
Value at 1 April 2008	1,192	(525)	667
Additions in 2008/09	0		0
Depreciation in 2008/09		(175)	(175)
Value at 31 March 2009	<u>1,192</u>	<u>(700)</u>	<u>492</u>

The aggregate finance charges allocated in 2008/09 in respect of finance leases is £0.044 million

NOTES TO THE MAIN FINANCIAL STATEMENTS

13. FIXED ASSETS (Continued)

(f) Statement of Major Fixed Assets

Major fixed assets held as at 31 March	2008 No.	2009 No.
Operational Buildings		
Depots	2	2
Administration Offices	3	3
Leyland Leisure Centre	1	1
Bamber Bridge Leisure Centre	1	1
Penwortham Leisure Pool	1	1
Penwortham Holme Recreation Centre	1	1
Tennis Centre	1	1
Community Centres	4	4
Changing Pavilions	15	17
Worden Park/Arts and Crafts	1	1
Car Parks	24	24
Museum	1	1
Community Assets		
Parks	3	3
Nature Reserves	2	2
Recreation Grounds/Playgrounds and Major Areas of Public Open Space	63	64
Non-Operational General – Investment Property		
Shops	12	12
Industrial Units (i)	67	68
Office Accommodation	13	13
Ground Leases (ii)	23	22
Market Premises	1	1
Club Premises	0	1
Surplus Assets for Disposal	4	4

NOTES TO THE MAIN FINANCIAL STATEMENTS

14. FINANCIAL INSTRUMENTS

a. Financial Instruments Balances

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments:

As at 31 March	Long-Term		Current	
	2008 £'000	2009 £'000	2008 £'000	2009 £'000
Financial Liabilities at amortised cost	3,417	3,332	0	0
Total Borrowings	3,417	3,332	0	0
Loans and Receivables	9,466	3,354	7,414	9,696
Total Investments	9,466	3,354	7,414	9,696

There has been no reclassification of assets and no pledges of collateral have been made.

b. Amounts charged to the Income & Expenditure Account and the Statement of Total Recognised Gains and Losses

	Financial Liabilities Measured at amortised cost		Financial assets Loans & Receivables	
	2008 £'000	2009 £'000	2008 £'000	2009 £'000
Interest expenses	307	301	0	0
Impairment losses	0	0	0	1,788
Interest income	0	0	(1,352)	(1,078)
	307	301	(1,352)	710

The impairment losses include those arising on the Icelandic investments, and the provision for other debtor write offs.

c. Comparison of Carrying Amount and Fair Value

Financial liabilities and financial assets represented by loans and receivables are carried on the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present values of cash flows that take place over the remaining life of the instruments, using the following assumptions:-

- The fair value for financial liabilities and long term investments have been determined by reference to the Public Works Loans Board (PWLB) redemption rules and prevailing PWLB redemption rates as at each Balance Sheet date, and include accrued interest.
- Where an instrument has a maturity of less than one year or is a trade or other receivable, the fair value is taken to be the principal outstanding or the billed amount.

NOTES TO THE MAIN FINANCIAL STATEMENTS

	Carrying amounts		Fair Values	
	2008 £'000	2009 £'000	2008 £'000	2009 £'000
Financial Assets				
Loans and receivables				
Investments	9,466	3,354	9,465	3,548
Short term Investments	7,414	9,966	7,414	9,696
Long Term Debtors	91	85	91	85
Current Debtors	4,629	4,483	4,629	4,483
Total	21,600	17,888	21,599	15,121
Financial liabilities				
Short & long term borrowings	3,308	3,332	3,417	3,499
Creditors	3,922	4,559	3,922	4,559
Total	7,230	7,891	7,339	8,058

d. Impairment

In October 2008 various Icelandic banks went into administration. The authority has the following deposits with these institutions.

Bank	Date Invested	Maturity Date	Amount Invested	Interest rate	Carrying amount at 31/3/2009	Impairment
Landsbanki	26/06/2007	22/06/2009	£3,000,000	6.65%	£2,403,496	£949,046
Heritable	22/07/2008	23/10/2008	£1,000,000	5.85%	£733,029	£307,680
Heritable	23/09/2008	21/11/2008	£1,000,000	6.00%	£723,958	£307,275

The current situation regarding recovery of these deposits, and the action taken in preparing these accounts, is detailed below. As the available information is not definitive, it is likely that further adjustments will be required in future years.

The Capital Finance Regulations permit authorities to defer the impact of the impairment on the General Fund until, at the latest, 2010/11. The authority has taken advantage of this resulting in both the impairment charges and the interest credits to 31 March 2009 being transferred to the Financial Instrument Adjustment Account.

Landsbanki

The banks domestic assets and liabilities have been transferred to “New Landsbanki”. The old banks’s affairs are being administered under Icelandic law. The latest presentation of its affairs was made to creditors on 20 February 2009 and since then the Landsbanki Resolution Committee has indicated that the best estimate of the amount that will be recovered is 83%.by December 2012. The Council's claim includes both principal and interest accrued up to April 22 2009.

Recovery is subject to the following risks and uncertainties

- Confirmation that deposits enjoy preferential creditor status which is likely to have to be tested through the Icelandic courts
- The impact of exchange rate fluctuations on asset recovery (by the administrator) and settlement of the authority’s claim.
- Settlement of the terms of a bond which will allow old Landsbanki creditors to enjoy rights in new Landsbanki.
- The impact (if any) of the freezing order made by the UK Government over Landsbanki’s London branch assets.

Failure to secure preferential creditor status would have a significant effect, reducing the recoverable amount from 83% to possibly 33%.

No information has been provided about the timing of payments to depositors, but it is assumed that this will be phased as the banks assets are realised. This has resulted in the assumption that repayments will be made in roughly even percentages, at the end of March 2010, December 2010, December 2011 and December 2012. This is similar to the assumptions made about two other failed Icelandic banks, Heritable and KS&F. The carrying amount of the investment is the present value of the expected repayments, on these dates, discounted at the investment's original interest rate.

Heritable Bank

Heritable is a UK registered bank under English law which went into administration on 7 October 2008. The creditor progress report dated 13 August 2009 projected a return to creditors of 80% following the run down of the business by the end of 2012. A first payment of 16.13p in the £ was made in July 2009. The impairment calculation has assumed further dividend payments – December 2009 (10%), July 2010 (20%), July 2011 (20%), July 2012 (7%), July 2013 (7%). The claim includes both principal and interest accrued up to 6 October 2008.

e. Nature and extent of risks arising from financial instruments

Key risks

The authority's activities potentially expose it to a variety of financial risks:

- Credit risk – that other parties might fail to pay amounts due to the Council
- Liquidity risk – that the Authority might not have liquid funds available to make payments when due
- Re-financing risk – that the Council might have to renew a financial instrument on maturity at disadvantageous terms
- Market risk – the possibility of financial loss arising from movements in interest rates

Overall procedures for managing risk

In managing investment risk the Council works within the legal framework set out in the Local Government Act 2003 and associated regulations. This requires compliance with the CIPFA Code of Practice, the Prudential Code, and investment Guidance issued through the Act. A key requirement is that the council should annually consider its Treasury Management Strategy which incorporates the following

Prudential indicators specifying

- Maximum and minimum exposure to fixed and variable rates
- Limits on the maturity structure of the debt portfolio
- Limits on total borrowing

An Investment Strategy specifying

- The use that should be made of credit ratings to determine the financial standing of counterparties
- The use of sovereign ratings to limit investments to specific countries
- The maximum amounts that might be deposited with any institution
- The lengths of time for which deposits can be made

NOTES TO THE MAIN FINANCIAL STATEMENT

Credit risk

This exists in relation to debtors, and investments, made as a result of the Council's treasury operations. The following table analyses relevant investments and debtors as at the date of account

	Amount at 31 March £'000	Default risk	Exposure to default £'000
Investments			
Impaired bank deposits	3,813		1,473
Other long term deposits with banks and financial institutions	3,353		0
Other short term deposits with banks and financial institutions	5,883		0
Debtors	2,055	15%	313
	15,104		1,786

The Council seeks to mitigate credit risk through the limits determined in the investment Strategy. These restrictions have been further tightened as a result of the current "credit crunch" and in light of the impairment of the Icelandic investments.

In the above table the further default exposure of £1.473m is the potential additional impairment if the recoverable amount of the Landsbanki loan fell from 83% to 33%.

The sundry debtors are further analysed in the following table

	£'000
Not yet past due date	1,122
Up to three months past due date	110
Three to six months past due date	17
Six months to one year past due date	241
Beyond one year	565
	2,055

No collateral is held as security.

Liquidity risk

The authority has ready access to borrowing from the Public Works Loan Board and the money markets. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The Council manages its liquidity position through the risk management procedures outlined above as well as through cash flow management procedures required by the Council.

NOTES TO THE MAIN FINANCIAL STATEMENT

Refinancing risk

The approved prudential limits for the maturity structure of debt, and the limits placed on investments greater than one year in duration, are the key parameters used to address this risk.

The maturity analysis of financial liabilities is as follows:

<u>Lender</u>	<u>Maturity</u>	<u>Loan Principal £'000</u>
Public Works Loan Board	Between one and two years	472
Public Works Loan Board	Between two and five years	0
Public Works Loan Board	Between five and ten years	0
Public Works Loan Board	In ten years or more	2,836
	Total	3,308

The amount presented in the balance sheet is the outstanding principal payable plus interest accrued at 31 March 2009

Market risk

Interest rate risk – The Council has limited exposure to interest rate movements on its borrowings and investments. Borrowings and short term investments are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings and investments do not impact on the Income and Expenditure Account or the Statement of Total Recognised Gains and Losses

To mitigate risk the Treasury Strategy reviews interest rate forecasts and fixes prudential indicators for fixed and variable interest rate exposure.

If all interest rates had been 1% higher (with all other variables held constant) the financial effect would have been

	£'000
Gain - Increase in interest payable on variable rate borrowings	0
Gain - Increase in interest receivable on variable rate investments	(52)
Gain - Impact on Income and Expenditure Account	(52)
Loss - Decrease in fair value of fixed rate investments (no impact on Statement of Total Recognised Gains and Losses)	69
Gain - Decrease in fair value of fixed rate borrowing (no impact in I&E Account or STRGL)	(456)

Price risk – The Council has no exposure to this risk, having no available for sale assets.

NOTES TO THE MAIN FINANCIAL STATEMENTS

15. DEBTORS

	2008	2009
	£'000	£'000
Analysis of debtors as at 31 March		
Government Departments	809	843
Other Local Authorities	186	166
Taxpayers	2,416	2,634
Other Debtors	2,261	2,055
	<u>5,672</u>	<u>5,698</u>
Less: Provision for Doubtful Debts	<u>(1,043)</u>	<u>(1,215)</u>
	<u>4,629</u>	<u>4,483</u>

16. CREDITORS

	2008	2009
	£'000	£'000
Analysis of creditors as at 31 March		
Government Departments	1,509	1,519
Other Local Authorities	506	662
Tax Payers	845	1,121
Other Creditors	1,062	1,257
	<u>3,922</u>	<u>4,559</u>

NOTES TO THE MAIN FINANCIAL STATEMENTS

17. FUND BALANCES AND RESERVES

The table below summarises the movements within the fund balances during the year:

	Balance at 1 April 2008	Net Movement in Year	Balance at 31 March 2009	Further Detail of Movement
Reserve	£'000	£'000	£'000	Note
Revaluation Reserve	143	480	623	
Capital Adjustment Account	35,328	(1,113)	34,215	
Capital Receipts Reserve	3,174	(104)	3,070	
Financial Instruments Adjustment Account	0	(870)	(1,140)	
Pensions Reserve	(20,775)	144	(20,631)	12
Sub Total	17,870	(1,463)	16,137	
General Fund Reserves:				
General Fund Balance	3,538	(146)	3,392	
Collection Fund	(758)	330	(428)	
Sub Total	2,780	184	2,964	
Earmarked Reserves:				
Area Committee	56	(3)	53	a
Asset Management	2,407	(308)	2,099	b
Borough Council Elections	30	30	60	c
Building Control	74	(69)	5	d
Housing Needs Survey	8	9	17	e
Information Communications Technology Strategy	1,599	(115)	1,484	f
Local Development Framework	162	(10)	152	g
Other Earmarked Reserves	531	17	548	h
Pension Fund	68	(30)	38	i
Public Open Space	2,125	(59)	2,066	j
Single Status/Equal Pay	1,196	(414)	782	k
Vehicle and Plant Replacement	46	30	76	l
Leisure Sites Repair & Mtne	49	43	92	m
Sub Total	8,351	(879)	7,472	
Total Reserves	29,001	(2,158)	26,573	

NOTES TO THE MAIN FINANCIAL STATEMENTS**17. FUND BALANCES AND RESERVES (continued)****Earmarked Reserves****a) Area Committee**

This reserve represents an accumulation of unspent revenue balances allocated to be spent in accordance with the local priorities determined by each of the Area Committees.

b) Asset Management

Sums set aside to support the Council's property management.

c) Borough Council Elections

An annual transfer from revenue is made to cover the four yearly Borough Elections. The election took place in May 2007, and the next one is due to take place in May 2011.

d) Building Control

This reserve holds the accumulated balances for surpluses on fee earning activities in the Building Control Service. The Building (Local Authority) Charges Regulations 1998 states that full recovery of costs should be achieved over a three year continuous accounting period by allowing the Authority to set its own fees.

e) Housing Needs Survey

An amount of £8,000 per year is accumulated to fund the next Housing Needs Survey in 2010.

f) Information Technology Communications Strategy

This reserve will be used to fund the IT replacement programme and other technologically based service transformational projects.

g) Local Development Framework

Used to fund the ongoing process of development of the Local Development Framework plan

h) Other Earmarked Reserves

This reserve was set up to allow the carry forward of specific funding where the revised expenditure plans mean it will fall in subsequent years.

i) Pension Fund. This reserve has been earmarked to fund any increased pensions costs payable to SRCLL arising from the Leisure Services Agreement.

j) Public Open Space Commuted Sums

The balance on this reserve represents cash endowments for the maintenance of assets transferred from the Central Lancashire New Town

k) Single Status/Equal Pay. This reserve will be used to assist in funding the results of job evaluation and the impact of single status.

l) Vehicle and Plant Replacement

Sums set aside to fund the replacement of vehicles, plant and equipment.

NOTES TO THE MAIN FINANCIAL STATEMENTS

m) Leisure Sites

This reserve was set up to allow the carry forward of unspent repair and maintenance budgets for the Leisure sites managed by the Council's Leisure Partner (South Ribble Community Leisure Ltd). This will be used to fund any future repair costs for which the Council is committed to under the contract with the Leisure Trust.

18. DEFERRED LIABILITY

Finance leases and deferred purchase arrangements taken out by the Council, which are payable in the future. The movement during the year is:

	Deferred Purchase	Finance Leases	Total
	£'000	£'000	£'000
Balance as at 1 April 2008	1,529	712	2,241
Additions in the year	96	0	96
Principal repaid during the year	(316)	(157)	(473)
Balance as at 31 March 2009	1,309	555	1,864

19. DEFERRED CREDITS

Mortgage Advances

Deferred credits arise in respect of mortgage advances made by the Council and represent the extent to which the advances are funded. The movement during the year is:

	Mortgage Advances
	£'000
Balance as at 1 April 2008	11
Principal repaid during the year	(2)
Balance as at 31 March 2009	9

20. GENERAL GOVERNMENT GRANTS

The General Government Grant of £902k shown in the Income & Expenditure Account consists of the Revenue Support Grant.

NOTES TO THE MAIN FINANCIAL STATEMENTS

21. UNAPPLIED GRANTS AND CONTRIBUTIONS

Section 106 receipts are monies paid to the Council by developers as a result of the grant of planning permission where works are required to be carried out or new facilities provided as a result of that permission. The sums are restricted to being spent only in accordance with the agreement concluded with the developer. The major balances of section 106 receipts held by the Council during the year were as follows:

	<u>Balance at 31</u> <u>March 2008</u> <u>£'000</u>	<u>Income</u> <u>£'000</u>	<u>Expenditure</u> <u>£'000</u>	<u>Balance at 31</u> <u>March 2009</u> <u>£'000</u>
1. S106 Contributions				
Open space schemes	(993)	(61)	388	(666)
Other	(660)	0	54	(606)
2. Other Grants & Contributions	(901)	(906)	896	(911)
Total	<u>(2,554)</u>	<u>(967)</u>	<u>1,338</u>	<u>(2,183)</u>

22. CONTINGENT ASSETS AND LIABILITIES

Contingent Assets and Liabilities are not recognised in the accounting statements but are disclosed as a note to the accounts.

Contingent Asset – The Council has made a claim to return VAT paid due to a change in the treatment of VAT mainly at Leisure Centres. There is no indication at the moment as to whether it will be successful, although other authorities have received settlement for similar claims.

Contingent Liabilities - None

23. POST BALANCE SHEET EVENTS

There were no events arising after the Balance Sheet date which would affect the financial results of the past year.

24. DATE OF AUTHORISATION FOR ISSUE

The statement of Accounts includes any necessary disclosures in respect of events after the balance sheet date up to the date indicated below:

_____ Mike Nuttall BA (Hons) CPFA

Date: 15 September 2009

NOTES TO THE MAIN FINANCIAL STATEMENTS

25. CASH FLOW - RECONCILIATION OF REVENUE (DEFICIT)/ SURPLUS TO NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES

2007/2008	2008/2009	
£'000	£'000	£'000
Surplus/(Deficit) for the Year		
(1,060) Income and Expenditure Account	(4,449)	
(913) Collection Fund	330	
<u>(1,973)</u>		<u>(4,119)</u>
Non-cash Transactions		
1,594 Depreciation & Impairment	1,985	
652 Revaluation decreases written off to I&E Account during year	1,239	
(455) Deferred Grants amortised in year	(476)	
(735) Grants funding REFfCUS amortised/written off in year (1)	(664)	
326 Pensions fund adjustment	1,111	
	<u>1</u>	
<u>1,382</u>		<u>3,195</u>
Adjustments for items reported separately on the Cash Flow		
(1,853) Interest and Investment Income		(1,078)
331 Interest payable and similar charges		1,439
164 Interest element of finance lease rental payments		156
921 Revenue Expenditure Funded from Capital Under Statute		866
Items on an Accrual Basis (2)		
(80) (Increase)/Decrease in Stock		60
288 (Increase)/Decrease in Debtors		225
(698) Increase/(Decrease) in Creditors		450
<u>(1,518) Net Cash Inflow/(Outflow) from Operating Activities</u>		<u>1,195</u>

(1) REFfCUS is Revenue Expenditure Funded from Capital Under Statute

(2) Items in this section of the reconciliation exclude debtors/creditors relating to financing or capital transactions

NOTES TO THE MAIN FINANCIAL STATEMENTS

26. ANALYSIS OF NET DEBT (RECONCILIATION OF NET DEBT TO RELATED ITEMS IN THE BALANCE SHEET)

	Cash £'000	Short term deposits/ investme nts £'000	Total	Loans due after more than one year £'000	Deferred Liabilities £'000	Net Debt £'000
Balance at 1 April 2008	(530)	7,414	6,884	(3,332)	(2,241)	1,311
Receipt/payment of interest accrued at last Balance Sheet date	0	(33)	(33)	0	2	(31)
Other Cash flows in year	1,485	480	1,965	0	473	2,438
Other Non Cash changes	0	1,835	1,835	0	(98)	1,737
Balance at 31 March 2009	955	9,696	10,651	(3,332)	(1,864)	5,455

27. RECONCILIATION OF CHANGES IN CASH TO MOVEMENT IN NET DEBT

2007/08 £000		2008/09 £000
(203)	Increase/(decrease) in cash in year	1,485
(11,065)	Cash inflow/(outflow) from management of liquid resources	447
0	Cash inflow from:	
	0 New loans raised	0
	Cash outflow from	
0	0 Loans repaid	0
1	2 Payment of interest accrued at last balance sheet date	2
340	473 Deferred liabilities repaid	473
(10,927)		2,407
	Other non-cash changes	
135	47 Investment accrued at year end on short term investments	47
0	2,690 Transfers to/from long term investments	2,690
0	(902) Impairment of short term investments	(902)
(806)	(96) New deferred liabilities	(96)
(1)	(2) Interest accrued at year end on loans & finance leases	(2)
(672)		1,737
12,910	Net debt brought forward	1,311
1,311	Net debt carried forward	5,455

NOTES TO THE MAIN FINANCIAL STATEMENTS

28. ANALYSIS OF CHANGES IN CASH AND LIQUID RESOURCES IN THE YEAR

	2009	2008	Movement
	£'000	£'000	in the Year
			£'000
Short term investments	9,696	7,414	2,282
Short term deposits	0	0	0
Cash	955	7	948
Bank overdraft	0	(537)	537
Increase/(decrease) in year	10,651	6,884	3,767

29. CASH FLOW – ANALYSIS OF GOVERNMENT GRANTS

i) The categories of government grants in the Cash Flow Statement

2007/08		2008/09
£'000		£'000
631	Capital activities	877
27,812	Revenue activities	29,788
0	European grants	0
28,443	Total government grants	30,665

ii) Analysis of revenue governments grants

2007/08		2008/09
£'000		£'000
20,593	Community services	22,404
1	Environmental health	0
6,181	NNDR receipt from the pool	6,482
1,037	Revenue Support Grant	902
27,812		29,788

SOUTH RIBBLE BOROUGH COUNCIL – STATEMENT OF ACCOUNTS 2008/09

COLLECTION FUND

Income and Expenditure Account for the year ended 31 March 2009

2007/08	See Note		2008/09	
£'000			£'000	£'000
Income				
47,194	2	Income from Council Tax		49,236
		<i>Transfers from General Fund</i>		
5,012		Council Tax Benefits	5,331	
0		Transitional Relief	(2)	
5,012				5,329
26,765	3	Income Collectable from Business Ratepayers		29,125
78,971				83,690
Expenditure				
Precepts and Demands				
38,689		Lancashire County Council	39,913	
7,261		South Ribble Borough Council	7,552	
4,658		Lancashire Police Authority	5,039	
2,124		Combined Fire Authority	2,229	
52,732				54,733
Distribution of Collection Fund Surplus/(Deficit)				
91		Lancashire County Council	(431)	
17		South Ribble Borough Council	(81)	
10		Lancashire Police Authority	(52)	
5		Combined Fire Authority	(24)	
123				(588)
0		Adjustment to Previous Years Community Charge		81
Business Rates				
26,715		Payment to National Pool	28,933	
121		Cost of Collection Allowance	121	
26,836				29,054
Bad and Doubtful debts/appeals				
231		Write-offs	112	
(38)		Provisions	(32)	
193				80
79,884				83,360
(913)		Surplus/(deficit) for year		330
155		Surplus/(deficit) at 1 April 2008		(758)
(758)		Surplus/(deficit) at 31 March 2009		(428)

NOTES TO THE COLLECTION FUND ACCOUNT

1. GENERAL

The Collection Fund Income and Expenditure account is a statutory requirement of the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992) which requires councils to establish and maintain a separate fund for the collection and distribution of amounts due in respect of Council Tax and National Non-Domestic Rates. Collection Fund balances are consolidated in the Council's Consolidated Balance Sheet.

2. COUNCIL TAX

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into eight valuation bands. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by the precepting authorities for the forthcoming year and dividing this by the council tax base (the total number of properties in each band multiplied by a factor to convert the number to a Band D equivalent adjusted for discounts: £37,057.55 for 2008/09 £36,980.32 for 2007/08). This basic amount of council tax for a Band D property (excluding Parish Precepts £1,470.73 for 2008/09 and £1,419.91 for 2007/08) is multiplied by the proportion specified for the particular band to give an individual amount due.

Council Tax bills were based on the following for Bands A to H:

Band	Proportion of Band D Charge	Council Tax Levied Excluding Parish Precepts	
		2007/2008 £	2008/2009 £
A	0.67	946.61	980.49
B	0.78	1,104.38	1,143.90
C	0.89	1,262.15	1,307.32
D	1.00	1,419.91	1,470.73
E	1.22	1,735.44	1,797.56
F	1.44	2,050.99	2,124.39
G	1.67	2,366.52	2,451.22
H	2.00	2,839.82	2,941.46

Calculation of the Council tax base, based on the number of chargeable dwellings in each valuation band (adjusted for dwellings where discounts apply) converted to an equivalent number of band D dwellings.

Band	Dwellings	Total Equivalent dwellings	Proportion of Band D Charge	Band D Equivalent
A (disabled)	0	15.75	5:9	8.75
A	9,352	8,062.50	6:9	5,375.00
B	11,911	10,781.75	7:9	8,385.80
C	11,490	10,605.50	8:9	9,427.11
D	7,179	6,733.25	9:9	6,722.25
E	3,737	3,571.50	11:9	4,365.16
F	1,430	1,371.50	13:9	21,981.06
G	470	438.25	15:9	730.42
H	18	12.50	18:9	25.00
Total	45,587	41,592.50		37,031.55

NOTES TO THE COLLECTION FUND ACCOUNT**3. BUSINESS RATES**

Business Rates are organised on a national basis. In 2005/2006 the Government introduced a Small Business Rate Relief Scheme. This results in there being two multipliers – one for small businesses 45.8p in 2008/09 and one for larger businesses at 46.2p. The Council is responsible for collecting rates due from the ratepayers in its areas but pays the proceeds into a Business Rates pool administered by the Government. The Government redistributes the sums paid into the pool back to local authorities' General Funds on the basis of a fixed amount per head of population.

The Business Rates income, after reliefs and provisions was £29.0 million for 2008/09 (£26.8 million for 2007/08).

The rateable value for the Council's area at the end of the financial year 2008/09 was £69.2 million (£70.1 million in 2007/08).

4. CONTRIBUTIONS TO COLLECTION FUND SURPLUSES AND DEFICITS

The deficit of £0.428 million which is carried forward on the Collection Fund at 31 March 2009 includes a surplus on Community Charge of £0.034 million.

After allowing for this there is a deficit of £0.462 million on the Collection Fund attributable to Council Tax. This will be distributed to the precepting authorities in proportion to the value of their respective precepts on the Collection Fund.

The authorities who make a significant precept on the Collection Fund are:

	2008/09
	£000
Lancashire County Council	39,913
Lancashire Police Authority	5,039
Combined Fire Authority	2,229