

SOUTH RIBBLE

BOROUGH COUNCIL



*forward with
South Ribble*

STATEMENT OF ACCOUNTS FOR THE YEAR ENDING 31 MARCH 2007



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

We have audited the financial statements of South Ribble Borough Council for the year ended 31 March 2007 under the Audit Commission Act 1998, which comprise the Explanatory Foreword, the Income and Expenditure Account, the Statement of Movement on the General Fund Balance, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement, the Collection Fund, and the related notes. These financial statements have been prepared under the accounting policies set out within them.

This report is made solely to South Ribble Borough Council, as a body, in accordance with Part II of the Audit Commission Act 1998. Our audit work has been undertaken so that we might state to South Ribble Borough Council, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than South Ribble Borough Council, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Finance Officer and auditors

The Chief Finance Officer's responsibilities for preparing the financial statements, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006 are set out in the Statement of Responsibilities.

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

We report to you our opinion as to whether the financial statements present fairly the financial position of South Ribble Borough Council in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006.

We review whether the Statement on Internal Control reflects compliance with CIPFA's guidance The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003 published in April 2004. We report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider, nor have we considered, whether the statement on internal control covers all risks and controls. We are also not required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

We conducted our 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 financial statements. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

The financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006, the financial position of the Authority as at 31 March 2007 and its income and expenditure for the year then ended;

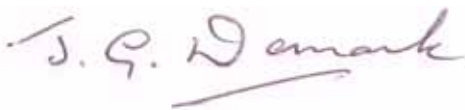


KPMG LLP
Chartered Accountants
Manchester
September 2007

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I confirm that these audited accounts were approved by the Accounts Committee at the meeting held on 26th September 2007

Signed on behalf of South Ribble Borough Council:



EXPLANATORY FOREWORD

Introduction

For the financial year 2006/07, the statements for South Ribble Borough Council (the Council) have been prepared in accordance with the new requirements of the 2006 Code of Practice on Local Authority Accounting in the United Kingdom as published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

The rationale for these developments is to align public sector accounting to a common framework which embraces generally accepted accounting practice, and these new requirements involve significant changes to the presentation of the following statements:

- The Consolidated Revenue Account and some supporting statements have been replaced by a “Performance Statement” comprising an Income and Expenditure Account, a Statement of Movement on the General Fund Balance and a Statement of Total Recognised Gains and Losses.
- The layout of the Balance Sheet and the Statement of Accounts as a whole has been changed to comply with the changes in accounting practises and the 2005/06 accounts have been restated to follow the new format.
-

A full note of the change in accounting policies and a breakdown of the restated figures is shown in Note 31 on page 46.

The Statement of Accounts comprises:

Page 3 - **Explanatory Foreword** – Provides a guide to the most significant matters reported in the accounts.

Page 7 - **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 8 - **Statement of Internal Control** – 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 14 - **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 15 - **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 16 - **Consolidated 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 17 - **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 18 - **Cash Flow Statement** – Summarises the inflows and outflows of cash arising from the transactions with third parties for revenue and capital purposes.

EXPLANATORY FOREWORD

Page 19 - **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 48 - **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 2006/07, as approved on 1st March 2006, was set at £13.961 million (including Parish Precepts of £0.206 million), and assumed net contributions to Earmarked Reserves of £0.709 million and a release from the General Reserve of £0.429 million. Contributions to Earmarked Reserves are necessary to support the Council's medium term financial strategy and address specific risks faced by the Council.

The Revised Budget, approved on 28th February 2007, forecast a lower net expenditure, with net contributions to earmarked reserves of £0.412 million and a release from the General Reserve of £0.298 million.

The actual net expenditure of the Council for 2006/07 amounted to £13.742 million (including Parish Precepts of £0.206 million), with net contributions to Earmarked Reserves of £0.874 million and a transfer to the General Reserve of £0.276 million.

A breakdown of the Earmarked Reserves is shown in note 20 of the Notes to the Main Financial Statements.

The Table below sets out the Council's net expenditure for 2006/07 and its funding.

<u>2006/07</u>	<u>Original Estimate</u>	<u>Revised Estimate</u>	<u>Actual</u>	<u>Variance to Revised Estimate</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Net Revenue Expenditure	13,331	13,453	12,507	946
Parish Council Precepts	206	206	206	0
Capital Contribution	62	189	98	91
Net additional amounts required*	791	412	875	(463)
Net Expenditure to be met by Government Grant and Local Taxpayers	<u>14,390</u>	<u>14,260</u>	<u>13,686</u>	<u>574</u>
Financed by:				
Revenue Support Grant	6,981	6,981	6,981	0
Parish Council Precepts	206	206	206	0
Precept on Collection Fund	<u>6,775</u>	<u>6,775</u>	<u>6,775</u>	<u>0</u>
Total Funding	<u>13,962</u>	<u>13,962</u>	<u>13,962</u>	<u>0</u>
Increase in General Fund Balance (Note 20)	(428)	(298)	276	(574)

* Net additional amounts required includes 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.

The main variation of actual Net Expenditure to the Revised Estimate was due to additional Government Grant allocation of £0.579 million announced after the budget was set.

EXPLANATORY FORWARD

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

	<u>£'000</u>	<u>£'000</u>
Borough Council Net Budget Requirement (Revised Estimate)		14,260
Higher Income Receivable:		
Government Grants – new funding announced after the budgets were set for Local Authority Business Growth Incentive (LABGI).	(579)	
Council Tax Collection – additional income from court and summons fees	(42)	
Increased income from Taxi licensing	(18)	
Increased income from Investment Properties	(12)	
Investment Interest	(70)	
Grant Main Rivers Work	(26)	
Increased Planning Fee Income	(26)	
Lower Costs:		
Employee Related Expenses - vacant posts	(27)	
Leisure Services – Energy Savings within Partnership	(45)	
Payroll Management Costs	(17)	
Insurance Premium Savings – renegotiation of contract	(20)	
Increased Costs:		
Increased Bad Debt Provision	35	
Housing Benefit Shortfall in Year	63	
Retention on Waste/Recycling Enterprise contract	33	
Concessionary Travel Costs	26	
Write off in year of Deferred Premium	191	
Other (net)	(76)	
Revenue Budget underspend carried forward to 2007/08	(336)	
Net savings		(946)
Reduced Capital Contributions		(91)
Higher / (lower) Net Contributions to General Reserves		<u>463</u>
(Increase)/Reduction in General Fund Balance for Year		(574)
Borough Council Outturn Net Budget Requirement		<u>13,686</u>

EXPLANATORY FORWARD

During the year there was one significant change to the Council's arrangements:

Highways

During 2006/07, 34 staff transferred to Lancashire County Council due to the Highways Agency agreement coming to an end.

Capital Expenditure and Borrowing

Capital expenditure incurred by the Council totalled £3.208 million for 2006/07 and was spent on the following:

	<u>£'000</u>
Asset Management	296
Housing Grants	678
Other Grants	20
Information Technology	322
Playgrounds, Recreation Areas and Open Spaces	603
Regeneration	221
Vehicles and Plant	84
Waste Management	73
Sub total	<u>2,297</u>
Leisure centre assets	911
Total Capital Expenditure 2006/07	<u><u>3,208</u></u>

The capital programme was funded by; grants and contributions (46%), deferred purchase (28%), earmarked reserves (16%), capital receipts (5%), contributions from revenue (3%) and borrowing (2%).

The Council had long term borrowing, at 31 March 2007 of £3.308 million, with the Public Works Loans Board, an increase of £1.200 million in the year.

Council Tax and Business Rate Collection

The in-year collection rates for Council Tax and Business Rates rose to 98% (97.8% -2005/06) and 98.7% (97.6% -2005/06) respectively.

Council Tax gross arrears at 31st March 2007 were £1.850 million which is £0.147 million (7.4%) lower than at 31st March 2006. Business Rates arrears at 31st March 2007 were £0.384 million which is £0.195 million (33.7%) lower than at 31st March 2006.

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.
- ◆ be responsible for ensuring that the financial management and accounting control systems are adequate and effective, including risk management arrangements.

The Corporate Director (Resources) Responsibilities

As Corporate Director (Resources), I am responsible for the preparation of the Council's Statement of Accounts which, in terms of 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 Code'), is required to present fairly the financial position of the Council at the accounting date and its income and expenditure for the year ended 31 March 2007.

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 Code.

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 services of the Council are to be found in Council's Best Value Performance Plan, which is published as a companion document.

Further information about the accounts is available from the Financial and Asset Management Service, 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 2007 and its income and expenditure for the year ended 31 March 2007



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M Nuttall

Corporate Director (Resources) / Deputy Chief Executive

September 26th 2007

STATEMENT OF INTERNAL CONTROL

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 ensuring that there is a sound system of internal control that supports the achievement of the organisation's objectives including arrangements for the management of risk.

2. Purpose of the System of Internal Control

The system of internal control is designed to manage, rather than to eliminate all risk of failure to achieve the Council's objectives and 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. It should also meet the standards set out in the Chartered Institute of Public Finance and Accountancy (CIPFA)/Society of Local Authority Chief Executives and Senior Managers (SOLACE) framework "Corporate Governance in Local Government – A Keystone for Community Governance".

The Council's system of internal control has been in operation throughout the year ending 31 March 2007. Throughout and beyond this period, further development and improvements have continued, right up to the date of approval of the annual report and accounts on 27 June 2007.. Further quality improvements are also planned for next year as detailed in section 5.

3. The Internal Control Environment

The principal elements of the Council's internal control environment are described below:

3.1 Arrangements for establishing the achievement of the Council's objectives including risk management arrangements:

- The Council's vision and priorities were developed through joint working and extensive consultation with our partners and our local community.
- Our Corporate Plan details the objectives, supporting improvement actions and links into the wider Community Strategy and aligns with the country-wide strategy and Lancashire Local area agreements.
- The Corporate Plan is supported by financial, risk and other cross cutting strategies and further deployed through, Portfolio, Service and individual performance plans.
- The Council has a Risk Management Policy and Strategy that is endorsed by both the Leader of the Council and the Chief Executive and is reviewed annually.
- The strategy clearly outlines the responsibilities for risk, which affects members and officers throughout the Council.
- 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.

STATEMENT OF INTERNAL CONTROL

3.1 Arrangements for establishing the achievement of the Council's objectives including risk management arrangements: (Continued)

- The Senior Management Team (SMT) functions as the corporate risk management group and annually they agree and prioritise the corporate risk register.
- Progress was regularly reported to the Corporate Services Scrutiny Committee and appropriate training was provided for members and officers.
- The risk management framework is independently reviewed each year by the External Auditor through the Use of Resources inspection and by the work of internal audit.

3.2 Arrangements for the facilitation of policy and decision-making:

- The Council's constitution governs the way we conduct our business and is based on the principles of *accountability, transparency, efficiency and openness*.
- The Cabinet takes the lead in developing and delivering the Council's policies and plans. The Cabinet publishes a Forward Plan which contains details of key decisions to be made by the Cabinet and officers under their delegated powers.
- The Council and 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.
- Cabinet was supported and challenged by three strong Scrutiny Committees that played an active role in scrutinising decisions, monitoring performance, shaping policies and strategies and reviewing the effectiveness of partnerships and external organisations.
- There is a Standards Committee, which promotes and maintains high standards of conduct including instigating regular reviews of ethical governance.
- The eight area committees play an influential part in the decision making process as well as providing community leadership at the local level.

3.3 Arrangements for ensuring compliance with established policies, procedures, laws and regulations:

- The Council's constitution details the extent of delegated powers and includes procedural and contract standing orders and financial regulations.
- The responsibilities of statutory officers such as the Monitoring Officer and the Chief Financial Officer (Section 151) are clearly defined and a protocol assists with the effective exercise of those roles.
- The Council is subject to external inspection regimes.
- The Council maintains a robust Internal Audit service, which annually provides an independent and objective opinion on the internal control environment.
- The Internal Audit Service verifies compliance with policies, laws and regulations. It also evaluates and makes recommendations to improve the effectiveness of risk management, value for money, internal control and governance processes.
- A comprehensive, risk based audit programme and an annual report was presented to the Corporate Services Scrutiny Committee.

STATEMENT OF INTERNAL CONTROL

3.4 Arrangements for embedding a performance management culture that seeks to drive forward continuous improvement: (Continued)

- Corporate, community and country-wide strategies are linked and all parties have the opportunity to influence the planning process through widespread community consultation and debate.
- The Facing the Future visioning document highlights the national, regional and local issues and informs the annual review of the Council's Corporate Plan and the medium-term financial strategy.
- The Corporate Plan incorporates the Council's key improvement areas and focuses attention on corporate and community priorities.
- The Performance Management Framework drives the priorities down through portfolio, 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 and improve customer service.
- The Best Value Performance Plan details previous performance and future targets against key performance indicators.
- Cabinet, Scrutiny and Corporate Management Team monitor overall performance on priorities, plans, projects and partnerships on a quarterly basis and make recommendations for corrective action where necessary.

3.5 Arrangements for financial management of the authority and the reporting of financial management:

- The financial management of the Council is conducted in accordance with Financial Regulations set out in the Constitution.
- The Cabinet Member for Finance and Resources has portfolio responsibilities for strategic financial matters and the responsibility for the operation of financial support services.
- An Accounts Committee has been established that receives and approves the Council's statutory accounts, along with relevant reports from the External Auditor.
- The Medium Term Financial and Budget Planning process integrates with the corporate planning process which includes comprehensive community consultation to ensure alignment of resources with the corporate priorities. The process also considers and makes provision for the financial risks facing the Council.
- The Council's devolved financial management arrangements have clearly defined responsibilities to ensure comprehensive budget management.
- The budget monitoring and reporting procedure is embedded within the performance management regime.
- Financial monitoring reports are submitted quarterly to Committees.
- The Council has an objective and professional relationship with the external auditors and inspectors, and assurance of financial management and control is evidenced by the Use of Resources assessment, reported in the Annual Audit Letter and further supported by the work of Internal Audit.

STATEMENT OF INTERNAL CONTROL**4. Our Commitment to Excellence**

The Council has a responsibility to keep the effectiveness of the system of internal control under review and demonstrate continuous improvement. This is informed by the work of senior management further supported by the internal audit service and also by the work of external auditors and other review agencies and inspectorates. This year the strength of the system is reflected in the reports from external assessments on Data Quality, Use of Resources, European Foundation for Quality Management, Comprehensive Performance Assessment, and in addition the annual report from the Council's external auditors.

The Council's Performance, Risk and Financial Management Frameworks make a significant contribution to the review process. The annual corporate planning timetable ensures the timely integration of consultation, engagement, planning and reporting of the council's major plans and supporting documents.

The Performance Management Framework aligns delivery of the Council's priorities and objectives with portfolio and service improvement 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 and financial planning to ensure that resources are aligned to achieving the corporate objectives.

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

Risk Management continues to remain embedded. This year the Risk Management Strategy was revised, the strategic and operational risk registers reviewed, action plans developed to mitigate the key risks, further awareness and training sessions provided and progress was regularly reported to the Corporate Services Scrutiny Committee.

The Council actively seeks opportunities for other sources of funding and increases capacity by partnership working. This year shared service arrangements for Finance, Internal Audit and Risk Management are being explored to improve capacity, increase flexibility and resilience, and deliver value for money.

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 has excellent working relationships with Members, Senior Management and the Council's External Auditors to provide an integrated approach to the delivery of audit services and to facilitate strengthening of the internal control environment. 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. Internal Audit also assessed the Council's anti-fraud arrangements and completed investigations into the abuse of council systems.

The Internal Audit service is subject to regular inspection by the Council's external auditors and during 2006/7 they reviewed the effectiveness of Internal Audit against professional standards. Full compliance was reported on 8 out of 10 standards with partial compliance on the remaining 2. The report concludes that the service contributes to the overall internal control environment and has developed good practice in a number of areas.

STATEMENT OF INTERNAL CONTROL**4. Our Commitment to Excellence (Continued)**

During 2006/7 the Corporate Services Scrutiny Committee played a key role in the assurance gathering process by monitoring corporate governance and control matters. They reviewed the revised risk strategy, corporate risks and the mitigation action, received the external audit 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 and an annual internal audit report that provided assurance on the adequacy of the internal control environment.

Other Scrutiny Committee reviews conducted last year covered childhood obesity and a value for money based review on the Council's approach to enforcement. Both of these were combined reviews involving Members from all three Scrutiny Committees and the findings will be made available in 2007. In 2006/7 Scrutiny task groups have also completed and reported on anti social behaviour, speeding traffic and managing attendance.

In 2006 a bi-annual ethical governance audit was completed and the findings were reviewed by the Standards Committee. It reported that we have good systems to promote high standards of conduct and the Council's approach to standards has also been cited by the Audit Commission as an example of best practice.

Assurance can be taken from the work of external inspectors and auditors that the Council maintains a strong financial position and satisfactory standards of control.

In 2006 the external auditors undertook a review of the Council's leisure partnership and concluded that "it is working effectively and is providing value for money. In particular, we found that the governance arrangements in place over the partnership are strong."

The Council's first review of its "data quality arrangements" in December 2006 reported that "Overall management arrangements are performing well achieving level three for the performance year 2005/6. An area of particular strength was governance arrangements which demonstrated some of the level four characteristics."

The audit memorandum received in 2006 reported "The Authority has achieved the required levels for all aspects of the value for money criteria and our conclusion is that the Authority has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources." In the same memorandum we also received an unqualified opinion on the Council's financial statements.

The EFQM assessors reported that "The Council has clearly embraced the EFQM Excellence Model as an instrument for managing cultural and structural change and achieving excellence in all that it does.

The second Use of Resources assessment reported an overall score of 3. The internal control element covering risk management, internal audit, anti fraud and ethical standards received a maximum score of 4. The report concluded that the Council is performing well and has arrangements in place that are consistently above minimum requirements.

STATEMENT OF INTERNAL CONTROL

Our stated aim is to move beyond excellent to exceptional and the agenda is ambitious; however the Council is committed to continuous improvement of its governance arrangements.

5. Enhancing the Internal Control System

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.

- Update the Council's Constitution and supporting documents and ensure appropriate Member and officer training is completed.
- Deliver the Council's Business Continuity Strategy
- Review the local code of Corporate Governance and supporting framework to strengthen the Council's governance status.
- Address the areas for improvement in the key partnership arrangements previously identified in the partnership evaluations.
- Address any areas for improvement in financial controls that may be identified by the External Auditor in the Audit Memorandum and the ISA260 Communication.
- Address any outstanding control aspects identified in the Internal Audit Annual Report.

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 16/8/07

(Signature of Chief Executive and Leading Member and date)

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

INCOME AND EXPENDITURE STATEMENT FOR YEAR ENDED 31 MARCH 2007

<u>2005/06</u>		<u>2006/07</u>		
<u>Previous Year Restated</u>	<u>Note</u>	<u>Gross Expenditure</u>	<u>Gross Income</u>	<u>Net Expenditure</u>
<u>£'000</u>		<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
2,039	31	21,982	(19,342)	2,640
8,509		12,871	(4,078)	8,793
902		3,235	(1,626)	1,609
1,160		1,459	(104)	1,355
1,334		1,432	(5)	1,427
(2,147)	9	1,286	(1,488)	(202)
11,797	Net Cost of Services	42,265	(26,643)	15,622
(240)		0	0	0
(407)	2	1,118	(1,540)	(422)
166		494	0	494
(933)		0	(1,065)	(1,065)
428	12	3,256	(3,088)	168
0		2	0	2
179	10	206	0	206
10,990	Net Operating Expenditure	47,341	(32,336)	15,005
(6,660)				(6,980)
(3,055)				(1,130)
(3,035)				(5,851)
(1,760)	(Surplus)/Deficit for the Year			1,044

STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

<u>2005/06</u> <u>Restated</u> <u>£000s</u>	<u>Note</u>		<u>2006/07</u> <u>£000s</u>
(1,760)		(Surplus)/Deficit for the year on the Income and Expenditure Account	1,044
1,551	11	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	(1,320)
<hr/> (209)		(Increase)/Reduction in General Fund Balance for the year	<hr/> (276)
(2,695)	20	General Fund Balance brought forward	(2,904)
<hr/> (2,904)		General Fund Balance carried forward	<hr/> (3,180)

CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2007

<u>Restated</u> <u>2005/06</u>	<u>Note</u>		<u>2006/07</u>	
<u>£'000</u>			<u>£'000</u>	<u>£'000</u>
321	15	Fixed Assets		
		<i>Intangible Fixed Assets</i>		303
		<i>Tangible Fixed Assets</i>		
		<u>Operational Assets:</u>		
24,709		Other Land and Buildings	23,729	
3,769		Vehicles, Plant, Furniture & Equipment	4,172	
24		Community Assets	87	
		<u>Non-operational Assets:</u>		
11,801		Investment Properties	13,306	
1,515		Surplus Assets Held for Disposal	1,515	
41,818		Total Tangible Fixed Assets	42,809	
42,139		Total Fixed Assets		43,112
9,251	17	Long Term Investments	50	
119		Long Term Debtors	114	
233	26	Deferred Premium	0	164
51,742		Total Long Term Assets	43,276	
166		Current Assets		
5,314	18	Stock and Work in Progress	134	
6,772		Debtors	4,687	
5		Investments	18,446	
		Cash in Hand	6	
12,257			23,273	
		Current Liabilities		
(4,123)	19	Creditors	(4,647)	
(889)		Bank Overdraft	(333)	
(5,012)			(4,980)	
7,245		Net Current Assets/(Liabilities)		18,293
58,987		Total Assets less Current Liabilities		61,569
(18)	22	Deferred Credits	(12)	
(2,221)		Government Grants - Deferred	(2,334)	
(1,437)	21	Deferred Liability	(1,901)	
(2,108)	23	Long Term Borrowing	(3,308)	
(15,523)	12	Net Liability Related to Defined Benefit Pension Schemes	(12,861)	
(21,307)				(20,416)
37,680		Total Assets less Liabilities		41,153
		Financed by:		
26,126	25	Fixed Asset Restatement Account		26,495
10,134		Capital Financing Account		9,875
4,248		Usable Capital Receipts Reserve		3,910
(15,523)	12	Pensions Reserve		(12,861)
9,422	20	Earmarked Reserves		10,397
3,273	20	General Fund Balance		3,337
37,680		Total Net Worth		41,153

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

<u>2005/06</u> <u>£'000s</u>	<u>Note</u>		<u>2006/07</u> <u>£'000</u>
(1,760)		(Surplus)/Deficit for the year on the Income and Expenditure Account	1,044
(9,675)	25	Surplus arising on revaluation of fixed assets	(407)
(459)	12	Actuarial (gains)/losses on pension fund assets and liabilities	(3,007)
(77)		Movement on collection Fund Balance	214
(981)		Any other gains and losses required to be included	(1,317)
<u>(12,952)</u>		Total recognised gains for the year	<u>(3,473)</u>

NOTES TO THE MAIN FINANCIAL STATEMENTS

1 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 2006: a Statement of Recommended Practice and the Best Value Accounting Code of Practice 2006, 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. Contingent Liabilities

A contingent liability relates to a potential commitment at the balance sheet date, which will only arise upon the occurrence of one or more uncertain events. Contingent liabilities are not accrued in the accounting statements, but are disclosed by way of a note to the consolidated balance sheet, if applicable.

d. Debtors and Creditors

Both Revenue and Capital transactions are maintained on an accruals basis in accordance with the Code of Accounting Practice.

The debtors in the balance sheet represent amounts due to the Council during the year, which remain unpaid at the year end. Creditors represent the actual or estimated cost of goods and services received but not paid for.

e. Deferred Charges

Deferred charges represent expenditure which has been properly capitalised but does not result in, or remain matched with, tangible fixed assets. Deferred charges are written out to the revenue account in the year they are incurred.

f. 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.

g. 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 and is credited to the Usable Capital Receipts Reserve.

h. Interest

Interest paid on external borrowings is accrued and charged in the accounts in the period to which it relates.

Interest earned on the external investment of surplus funds is accrued and credited to the Income and Expenditure Account.

NOTES TO THE MAIN FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES (Continued)**i. Investments**

Investments are shown in the Consolidated Balance Sheet at cost. If the value of the investment falls below its cost, the investment is written down to market value and a provision for the unrealised loss made in the Income and Expenditure Account, if this is unlikely to be a temporary fall.

j. 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.

k. 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 2004. 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 Consolidated Revenue 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.

l. Prior Year Adjustments

Material prior year adjustments arising from changes in accounting policies or from the correction of fundamental errors are accounted for by restating the comparative figures in the financial statements and notes. The new disclosure on Gains and losses on disposal of fixed assets required by the 2006 SORP requires a retrospective calculation of a comparative figure for 2005/06.

m. Post Balance Sheet Events

Any material post balance sheet events which provide additional evidence relating to conditions existing at the balance sheet date, or indicate that application of the going concern concept is not appropriate, have been included in the accounts.

Any material post balance sheet events which relate to conditions which did not exist at the balance sheet date have been disclosed as a separate note to the accounts.

n. 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.

o. 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.

NOTES TO THE MAIN FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES (Continued)**p. 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 Statement of Movement on the General Fund Balance.

q. Stocks and Work In Progress

Stocks are held in the Consolidated 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.

r. 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).

s. 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 of 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 at the lower of net current replacement cost or net realisable value in existing use.
- ◆ 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 at the lower of net current replacement cost and net realisable value. In the case of investment properties, this is normally open 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.

NOTES TO THE MAIN FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES (Continued)**s. 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. A full year's depreciation being charged in the year of acquisition. Assets are individually assessed within the categories listed.

	<u>Useful Life of Asset (years)</u>
Buildings	20 -70
Vehicles	3 -10
Computer equipment	3 - 5
Other	5 -15
Intangible assets	5

Services receive a capital charge for all fixed assets used in the provision of the service. Depreciation charges for non-operational assets are charged to non-distributable costs. For tangible assets, the charge covers the provision for depreciation, where appropriate.

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 Capital receipts greater than £10,000 are retained in the "Usable Capital Receipts Reserve", and are available to support future capital investment. Gains and Loses on the disposal of fixed assets are recognised in the Income and Expenditure account.

Capital Charges to Revenue Account

All services incur a capital charge and any impairment, where applicable, for all fixed assets used in the provision of services. The charge in the Income and Expenditure Account comprises of a provision for depreciation (where applicable).

External interest payable, the provision for depreciation 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.

Revenue contributions to Capital are no longer charged to service accounts, support services and trading accounts. This cost is accounted for as capital expenditure charged in year when determining the General Fund balance for the year.

t. 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.

NOTES TO THE MAIN FINANCIAL STATEMENTS

2. TRADING ACCOUNTS

<u>2005/06</u> <u>restated</u>		<u>2006/07</u>	<u>Investment</u>	
<u>Total</u> <u>£'000</u>	<u>Catering</u> <u>£'000</u>	<u>Markets</u> <u>£'000</u>	<u>Properties</u> <u>£'000</u>	<u>Total</u> <u>£'000</u>
Income				
162	166	0	0	166
Charges to Internal Users				
1,285	250	142	982	1374
Charges to external Users				
<u>1,447</u>	<u>416</u>	<u>142</u>	<u>982</u>	<u>1540</u>
Total Income				
Expenditure				
173	216	7	0	223
Staff Costs				
364	15	48	307	370
Premises				
1	2	0	0	2
Transport				
123	133	0	0	133
Direct Purchases				
60	31	7	0	38
Materials				
<u>721</u>	<u>397</u>	<u>62</u>	<u>307</u>	<u>766</u>
Total Direct Costs				
319	162	14	176	352
Overheads				
<u>1,040</u>	<u>559</u>	<u>76</u>	<u>483</u>	<u>1,118</u>
Total Costs				
<u>407</u>	<u>(143)</u>	<u>66</u>	<u>499</u>	<u>422</u>
Net Surplus/(Deficit)				

3. AGENCY OPERATIONS

In addition to the service activities disclosed in the Consolidated Revenue Account, the Council undertook certain other work on an agency basis. Since 1 July 2003, the Council was engaged in a partnership arrangement with Lancashire County Council (LCC). The agency arrangement ceased on the 1st July 2006 and from that date LCC has provided the Highways service directly. The income and costs as a result of this arrangement are treated as part of the Income and Expenditure Account, and the net costs are reimbursed to the Council.

Expenditure and income in respect of Highways Partnership activities are summarised below:

As at 31 March	<u>2006</u> <u>£'000</u>	<u>2007</u> <u>£'000</u>
Direct Works Expenditure Reimbursed	<u>87</u>	<u>0</u>
Administration Costs	566	156
Reimbursement	(408)	(110)
Net Administration Costs Charged to Revenue	<u>158</u>	<u>46</u>

NOTES TO THE MAIN FINANCIAL STATEMENTS

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

Section 137 of the Local Government Act 1972, as amended 2000, 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's expenditure under this power was £115,620 mainly on donations to voluntary bodies working in the local area compared to £109,890 in 2005/06.

5. 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	<u>2006</u> <u>£'000</u>	<u>2007</u> <u>£'000</u>
<i>Purpose of Publicity</i>		
Required by Statute	72	26
Promotion of Economic Development	8	14
Recreational Facilities	21	15
Public Relations	33	30
Environmental Protection	1	1
Employee Recruitment	<u>31</u>	<u>22</u>
	<u>166</u>	<u>108</u>

6. 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 2006/07, the deficit of £60,830 has been transferred to the Building Control Reserve.

The council's computer information system for Land and Property, which is used in the provision of the Building Control Service, was upgraded in 2006/07. Funding of £42,723 was released from the reserve towards the cost of implementation. The balance at 31 March 2007 is £86,463.

Building Control Fee-earning Account – Summary

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

<u>2006/07</u>	<u>Fee</u> <u>Earning</u> <u>£'000</u>	<u>Non Fee</u> <u>Earning</u> <u>£'000</u>	<u>Total</u> <u>£'000</u>
Income	250	0	250
Expenditure	(311)	(80)	(391)
Surplus/(Deficit) for Year	<u>(61)</u>	<u>(80)</u>	<u>(141)</u>

NOTES TO THE MAIN FINANCIAL STATEMENTS

7. LOCAL AUTHORITY (GOODS AND SERVICES) ACT 1970

The Council is empowered by this Act to provide goods and services to other public bodies. In 2006/07 the income generated from the provision of goods and services under this Act amounted to £163,798 and the related expenditure was £132,308.

8. 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 2006/07 financial year, there were four employees to whom the requirement relates:

Year ended 31 March	<u>2006</u> <u>£'000</u>	<u>2007</u> <u>£'000</u>
50,000 – 59,999	0	0
60,000 – 69,999	4	3
70,000 – 79,999	0	0
80,000 – 89,999	0	0
90,000 – 99,999	1	1

9. 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.

10. PARISH COUNCIL PRECEPTS

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

Year ended 31 March	<u>2006</u> <u>£'000</u>	<u>2007</u> <u>£'000</u>
Farington	40	40
Hutton	7	13
Longton	12	18
Penwortham	105	120
Much Hoole	5	5
Little Hoole	7	7
Samlesbury and Cuerdale	<u>3</u>	<u>3</u>
Total	<u>179</u>	<u>206</u>

NOTES TO THE MAIN FINANCIAL STATEMENTS

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

The General Fund Balance compares the council's spending against the council tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

The reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance, and the statement below gives the breakdown of the amounts additional to the surplus 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.

2005/06 £000s		2006/07 £000
	Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year	
(103)	Amortisation of intangible fixed assets	(133)
(1,369)	Depreciation and impairment of fixed assets	(1,589)
355	Government Grants Deferred amortisation	443
(791)	Write down of deferred charges to be financed from capital resources	(882)
240	Net Profit/(Loss) on sale of fixed assets	0
679	Net charges made for retirement benefits in accordance with FRS17	(1,563)
(989)		(3,724)
	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	
0	Minimum Revenue Provision for capital financing	124
223	Capital Expenditure charged in-year to the General Fund Balance	98
1,200	Employer's contributions payable to Lancashire County Pension Fund and retirement benefits payable direct to pensioners	1,218
1,423		1,440
	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	
90	Voluntary Revenue Provision for capital financing	90
1,027	Net transfer to/from earmarked reserves	874
1,117		964
1,551	Net additional amount required to be credited to the General Fund Balance for the year	(1,320)

NOTES TO THE MAIN FINANCIAL STATEMENTS**12. PENSION COSTS**

As part of the terms and conditions of employment of its officers and other employees, the Council offers retirement benefits through the Local Government Pension Scheme.

In 2006/07 the Council paid employer's pension contributions of £1,011,045 representing 13.9% of employees pensionable pay.

The Council also makes pension payments relating to added years' benefits, together with related increases. In 2006/07 these amounts totalled £195,341 which was equivalent to 2.7% of pensionable pay.

During 2006/07 there was an additional general payment to the fund, of £11,731, relating to non funded payments to employees made redundant as part of a staff rationalisation programme previously granted by the Council. This was equivalent to 0.2% of pensionable pay.

The Local Government Pension Scheme is administered by Lancashire County Council (LCC) and is a funded scheme, meaning that the employer (the Council) and employees pay contributions into a fund calculated at a level estimated to balance the pensions liabilities with investment assets. The scheme is a "defined benefits scheme" in that the scheme rules define the benefits payable quite independently of the contributions payable i.e. the benefits are not directly related to the investments of the scheme. Employers must contribute to any deficit where assets are insufficient to meet retirement benefits.

Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments, which needs to be recognised in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Council is required to make against council tax is based on cash payable in the year, so the real cost of retirement benefits is reversed out of the Income and Expenditure Account after Net Operating Expenditure. The following transactions, in relation to the Local Government Pension Scheme, have been made in the Income and Expenditure Account during the year:

NOTES TO THE MAIN FINANCIAL STATEMENTS

12. PENSION COSTS (Continued)

	Restated	
Year ended 31 March	<u>2006</u>	<u>2007</u>
	<u>£'000</u>	<u>£'000</u>
Net Cost of Services:		
-Current Service Cost	(1,256)	(1,395)
-Curtailment / Settlement Gain	1,490	0
-Past Service Cost	873	0
Total Cost	<u>1,107</u>	<u>(1,395)</u>
Net Operating Expenditure		
-Interest Cost	(3,124)	(3,256)
-Expected Return on Assets in the Scheme	2,696	3,088
Pension Interest and Expected Return	<u>(428)</u>	<u>(168)</u>
Total Costs	679	(1,563)
Employers' Contributions Payable to the Scheme	1,200	1,218
Movement on Pensions Reserve	<u><u>1,879</u></u>	<u><u>(345)</u></u>

The underlying assets and liabilities for retirement benefits attributable to the Council are as follows

	Restated	
As at 31 March	<u>2006</u>	<u>2007</u>
	<u>£'000</u>	<u>£'000</u>
Estimated Liabilities in Scheme	(66,606)	(66,028)
Estimated Assets in Scheme	51,083	53,167
Net Asset / (Liability)	<u><u>(15,523)</u></u>	<u><u>(12,861)</u></u>

The liabilities show the underlying commitments that the Council has in the long term to pay retirement benefits. The total liability of £12.86 million has a substantial impact by reducing the net worth of the Council as recorded in the balance sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy, with the deficit being made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

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 assets and liabilities of the LCC Pension Fund were assessed by Mercer Human Resources Consulting Limited, an independent firm of actuaries, estimates for the fund being based on the latest full valuation of the scheme as at 31 March 2004.

NOTES TO THE MAIN FINANCIAL STATEMENTS

12. PENSION COSTS (Continued)

The main assumptions used in their calculations are as follows:

As at 31 March	<u>2006</u> %	<u>2007</u> %
Financial Assumptions		
Rate of Inflation	2.90	3.10
Rate of Increase in Salaries	4.65	4.85
Rate of Increase in Pensions	2.90	3.10
Rate for Discounting Scheme Liabilities	2.90	5.40
Expected Rate of Return on Assets		
Equities	7.00	7.50
Government Bonds	4.30	4.70
Other Bonds	4.90	5.40
Property	6.00	6.50
Cash/Liquidity	4.50	5.25
Other	7.00	7.50

During 2006/2007, 34 staff transferred to Lancashire County Council due to the withdrawal of the Highways Agency agreement. This transfer took place with effect from 1st July 2006 and 31 staff were in the pension scheme.

Assets in LCC's Pension Fund are valued at fair value, principally market value for investments, and consist of the following categories, by proportion of the total assets held by the Fund:

As at 31 March	<u>2006</u>		<u>2007</u>	
	<u>£'000</u>	<u>%</u>	<u>£'000</u>	<u>%</u>
Equities	32,949	64.5	34,186	64.3
Government Bonds	3,729	7.3	4,466	8.4
Bonds	8,020	15.7	6,646	12.5
Property	3,065	6.0	3,721	7.0
Cash Liquidity	1,941	3.8	2,393	4.5
Other	1,379	2.7	1,755	3.3
	51,083	100.0	53,167	100.0

The FRS17 deficiency shows the excess of the accrued pension liabilities, assessed on a prescribed basis, compared with the market value of assets at a single point in time (i.e. 31 March 2006). It represents an actuarially calculated figure for accounting purposes, and uses different actuarial assumptions from the full valuation of the fund. Whilst successive year on year FRS17 figures can normally be expected to give a general indication of how the finances of the fund are progressing, they do not purport to give any indication of the outcome of the full valuation of the Pension Fund, which was carried out from April 2004 with its effects to be implemented from April 2005. The deficit for accounting purposes also includes liabilities in respect of added years enhancements for non-ill health early retirements, which are a charge directly on the Council's revenue account and not a charge to the Pension Fund.

NOTES TO THE MAIN FINANCIAL STATEMENTS

12. PENSION COSTS (Continued)

The actuarial losses identified as movements on the Pensions Reserve in 2006/07 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2007:

	<u>£'000</u>	<u>%</u>
Differences between the expected and actual return on assets	(364)	0.7
Differences between actuarial assumptions about liabilities and actual experience	0	0
Changes in the demographic and financial assumptions used to estimate liabilities	3,371	5.1
	<u>3,007</u>	

Comparative totals for 2005/06 459

Employer's pension costs increased based on a triennial actuarial review as at 31st March 2004 from 12.4% in 2005/06 to 14% in 2006/07. The rate increases to 15.6% for 2007/08. The next triennial actuarial review will be as calculated at 31st March 2007.

Movements on the Pension Reserve	<u>Restated</u>	<u>Restated</u>
	<u>2005/06</u>	<u>2006/07</u>
	<u>£'000</u>	<u>£'000</u>
Pension reserve brought forward	(17,861)	(15,523)
Actuarial gains/(losses) relating to pensions	459	3,007
Appropriation (from)/to the pension reserve	1,879	(345)
	<u>(15,523)</u>	<u>(12,861)</u>

Changes to the local government pension scheme:

Changes to the Local Government Pension Scheme permitted employees retiring on or after 6 April 2006 to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. The pension scheme actuary assumed that 50% of employees retiring after 6 April 2006 would take advantage of this change to the pension scheme. The actuary advised that this will reduce the value of the Council's pension liabilities by £0.873 million in 2005/2006. The Council took the view that in 2005/2006 there was insufficient reliable evidence to support the actuary's assumption of 50% take-up and consequently, did not include any allowance for this change in the pension scheme figures for 2005/2006. The 2007/2008 actuary advice continues to propose the 50% take-up assumptions and on that basis the Council has taken the view that the advice from the actuary should be recognised and has restated its pension liabilities in 2005/2006 by £0.873 million. The restatement is included in Note 31 Prior Period Adjustments.

13. AUDIT COSTS

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

Year ended 31 March	<u>2006</u>	<u>2007</u>
	<u>£'000</u>	<u>£'000</u>
Fees Payable in respect of external services carried out by the Appointed Auditor	68	78
Grant Claim Certification	20	20
Other services provided by the Appointed Auditor	0	10

NOTES TO THE MAIN FINANCIAL STATEMENTS

14. 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 2006/07, the Grants Committee paid grants totalling £115,620 (£109,890 – 2005/06) to voluntary organisations in which 3 members declared an interest.

Councillors' allowances for the year 2006/07 totalled £174,520 (£172,617 – 2005/06). 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. There were no declarations made during the year to 31 March 2007.

◆ **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 12 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 2006/07 this amounted to £21,128.

◆ **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 £133,910 was unallocated at 31st March 2007.

NOTES TO THE MAIN FINANCIAL STATEMENTS

14. RELATED PARTY TRANSACTIONS *(Continued)*

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	£15,330
Leisure Services Fee	£406,706

NOTES TO THE MAIN FINANCIAL STATEMENTS

15. FIXED ASSETS**Intangible Fixed Assets****Purchased Software Licences****£'000*****Cost***

Cost brought forward as at 1 April 2006	428
Additions	115
Cost carried forward as at 31 March 2007	543

Depreciation

Accumulated Depreciation brought forward as at 1 April 2006	107
Charge for the year	133
Accumulated Depreciation carried forward as at 31 March 2007	<u>240</u>

Net Book Value

Net Book Value as at 31 March 2006	<u>321</u>
Net Book Value as at 31 March 2007	<u>303</u>

NOTES TO THE MAIN FINANCIAL STATEMENTS

15. FIXED ASSETS (Continued)

Tangible fixed assets

	<u>Operational Assets</u>			<u>Non-Operational Assets</u>		<u>Total</u> <u>£'000</u>
	<u>Other Land and Buildings</u> <u>£'000</u>	<u>Vehicles Plant & Equip't</u> <u>£'000</u>	<u>Community Assets</u> <u>£'000</u>	<u>Investment Assets</u> <u>£'000</u>	<u>Surplus Assets held for disposal</u> <u>£'000</u>	
Cost						
Cost brought forward as at 1 April 2006	26,640	5,056	24	11,801	1,515	45,036
Adjustment to balance brought forward 05/06	73	0	0	(73)	0	0
Additions	1,364	1,326	63	87	0	2,840
Disposals	(43)	(89)	0	0	0	(132)
Change in certified value - Revaluation	(1,896)	0	0	(163)	400	(1,659)
Reclassification	(1,254)	0	0	1,654	(400)	0
Cost carried forward as at 31 March 2007	<u>24,884</u>	<u>6,293</u>	<u>87</u>	<u>13,306</u>	<u>1,515</u>	<u>46,085</u>
Depreciation						
Accumulated Depreciation brought forward as at 1 April 2006	1,931	1,287	0	0	0	3,218
Charge for the year	683	906	0	0	0	1,589
Disposals	(23)	(72)	0	0	0	(95)
Reclassification	(260)	0	0	0	0	(260)
Change in certified value – Revaluation	(1,175)	0	0	0	0	(1,175)
Roundings	(1)	0	0	0	0	(1)
Accumulated Depreciation carried forward as at 31 March 2007	<u>1,155</u>	<u>2,121</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,276</u>
Net Book Value						
as at 31 March 2006	<u>24,709</u>	<u>3,769</u>	<u>24</u>	<u>11,801</u>	<u>1,515</u>	<u>41,818</u>
as at 31 March 2007	<u>23,729</u>	<u>4,172</u>	<u>87</u>	<u>13,306</u>	<u>1,515</u>	<u>42,809</u>

NOTES TO THE MAIN FINANCIAL STATEMENTS

The Revaluation of Fixed Assets

The property valuations pre March 2005 were carried out by S Hird, BA.Hons., FRICS. who was the Council's Corporate Property Officer. During 2006/07 the valuations were carried out by R Kneale Bsc Hons MRICS, who is the Council's Acting Corporate Property Officer. However because of the number and diversity of the assets several external valuers such as Tony Snape BA MRICS from Valuation Office have carried out a number of valuations. The basis of valuation is set out in the Statement of Accounting Policies.

Operational Assets

Non-Operational Assets

	<u>Land & Bldgs</u> <u>£'000</u>	<u>Plant & Equip</u> <u>£'000</u>	<u>Community Assets</u> <u>£'000</u>	<u>Investment Assets</u> <u>£'000</u>	<u>Assets under construction</u> <u>£'000</u>	<u>Assets held for disposal</u> <u>£'000</u>	<u>Total</u> <u>£'000</u>
31 March 2007	23,729	4,172	87	13,306	0	1,515	42,809
31 March 2006	24,709	3,769	24	11,801	0	1,515	41,818
31 March 2005	18,821	1,309	0	9,049	0	0	29,179
31 March 2004	20,069	656	0	9,894	80	0	30,699
31 March 2003	21,243	152	0	9,824	0	0	31,219
31 March 2002	22,553	124	0	10,628	0	0	33,305

NOTES TO THE MAIN FINANCIAL STATEMENTS

15. FIXED ASSETS (Continued)

Overall Capital Expenditure and Financing

	<u>2005/06</u>		<u>2006/07</u>	
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Opening Capital Financing Requirement		1,776		3,698
Capital Investment				
Fixed Assets	3,872		2,326	
De Minimis	7		0	
Deferred Charges	<u>779</u>		<u>882</u>	
		4,658		3,208
Sources of Finance				
Capital Receipts		(745)		(152)
Government Grants and Other Contributions		(1,310)		(1,483)
Sums Set Aside from Revenue				
Earmarked Reserves	(368)		(510)	
Revenue Financing	(223)		(99)	
Minimum Revenue Provision (MRP)	0		(124)	
Voluntary Revenue Provision (VRP)	<u>(90)</u>		<u>(90)</u>	
		<u>(681)</u>		<u>(823)</u>
Closing Capital Financing Requirement		<u>3,698</u>		<u>4,448</u>

	<u>2005/06</u>	<u>2006/07</u>
	<u>£'000</u>	<u>£'000</u>
Explanation of movements in year		
Increase in underlying need to borrowing (supported by Government Financial Assistance)	384	52
Increase in underlying need to borrowing (unsupported by Government Financial Assistance)	<u>1,538</u>	<u>698</u>
Increase / Decrease in Capital Financing Requirement	<u>1,922</u>	<u>750</u>

Commitments under Capital Contracts

	<u>£'000</u>
Commitments under Capital Contracts as at 31 March 2007	
Playgrounds	205
Other	<u>17</u>
	<u>222</u>

NOTES TO THE MAIN FINANCIAL STATEMENTS

15. FIXED ASSETS (Continued)

Information on Leased Assets

The Council was committed to making operating lease payments of £0.132 million in relation to Vehicles, Plant and Equipment and £0.050 million in relation to Land and Buildings at 31 March 2007 for 2007/08, in respect of leases expiring.

	<u>Other Land and Buildings</u>	<u>Vehicles, Plant and Equipment</u>
	<u>£'000</u>	<u>£'000</u>
Within one year	0	23
Between one and five years	0	109
After five years	50	0

Future minimum operating lease payments for the Council at 31 March 2007 were as follows:

Payable in the year ended 31 March	<u>£'000</u>	<u>£'000</u>
2007	50	132
2008	50	109
2009	50	38
2010	50	28
2011	50	13
Thereafter	50	0

Finance Leases

The following values of assets are held under finance leases by the authority, accounted for as part of Tangible Fixed assets.

<u>Vehicles, Plant and Equipment</u>	<u>Cost</u>	<u>Depreciation</u>	<u>Net Book Value</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Value at 1 April 2006	1,193	(175)	1,018
Additions	0	0	0
Depreciation	0	(175)	(175)
Value at 31 March 2007	<u>1,193</u>	<u>(350)</u>	<u>843</u>

Outstanding obligations to make payments under these finance leases (excluding finance costs) as at 31 March 2007, accounted for as part of long-term liabilities, are as follows:

	<u>Vehicles, Plant and Equipment</u>
	<u>£'000</u>
Obligations Payable in 2007/08	150
Obligations Payable between 2008/09 and 2011/12	695
Obligations Payable after 2011/12	17
Total Liabilities at 31 March 2007	<u>862</u>

NOTES TO THE MAIN FINANCIAL STATEMENTS

15. FIXED ASSETS (Continued)

Statement of Major Fixed Assets

Major fixed assets held as at 31 March	<u>2006</u>	<u>2007</u>
	<u>No.</u>	<u>No.</u>
Operational Buildings		
Depots	2	2
Administration Offices	4	4
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	16	14
Worden Park/Arts and Crafts	1	1
Car Parks	24	26
Museum	1	1
Community Assets		
Parks	3	3
Nature Reserves	2	2
Recreation Grounds/Playgrounds and Major Areas of Public Open Space	63	63
Non-Operational General – Investment Property		
Shops	11	11
Industrial Units (i)	68	68
Office Accommodation	12	13
Ground Leases (ii)	20	20
Market Premises	1	1
Surplus Assets for Disposal	4	4

16. Deferred Charges

The table below summaries the movements in deferred charges during the year.

	<u>Balance at</u> <u>31st March</u> <u>2006</u> <u>£'000</u>	<u>Expenditure</u> <u>in year</u> <u>£'000</u>	<u>Written off</u> <u>to revenue</u> <u>in year</u> <u>£'000</u>	<u>Balance at</u> <u>31 March</u> <u>2007</u> <u>£'000</u>
Disabled Facilities Grants	0	265	(265)	0
Other Housing Grants	0	413	(413)	0
Other	0	204	(204)	0
	0	882	(882)	0

NOTES TO THE MAIN FINANCIAL STATEMENTS

17. Long Term Investments

The Council held the following long-term investments

As at 31 March	<u>2006</u> <u>£'000</u>	<u>2007</u> <u>£'000</u>
External Investment Fund	9,201	0
Association of District Councils (ADC) Debenture	50	50
	<u>9,251</u>	<u>50</u>

The balance of funds held in the Investment Fund were repaid to the Council in full in March 2007 in line with the Council's Treasury Management Strategy. The funds were held as short-term investment at 31 March 2007.

18. Debtors

Analysis of debtors as at 31 March	<u>2006</u> <u>£'000</u>	<u>2007</u> <u>£'000</u>
Government Departments	1,559	982
Other Local Authorities	1,268	755
Taxpayers	2,270	1,981
Other Debtors	<u>1,169</u>	<u>1,901</u>
	6,266	5,619
Less: Provision for Doubtful Debts	<u>(952)</u>	<u>(932)</u>
	<u>5,314</u>	<u>4,687</u>

19. Creditors

Analysis of creditors as at 31 March	<u>2006</u> <u>£'000</u>	<u>2007</u> <u>£'000</u>
Government Departments	1,317	1,546
Other Local Authorities	308	587
Tax Payers	1,209	1,080
Other Creditors	<u>1,289</u>	<u>1,434</u>
	<u>4,123</u>	<u>4,647</u>

NOTES TO THE MAIN FINANCIAL STATEMENTS

20. FUND BALANCES AND RESERVES

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

	<u>Balance at 1 April 2006</u>	<u>Net Movement in Year</u>	<u>Balance at 31 March 2007</u>	<u>Further Detail of Movement</u>
<u>Reserve</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>Note</u>
Fixed Asset Restatement Account	26,126	369	26,495	25
Capital Financing Account	10,134	(259)	9,875	
Usable Capital Receipts	4,248	(338)	3,910	
Pensions Reserve	(15,523)	2,662	(12,861)	12
Sub Total	24,985	2,434	27,419	
General Fund Reserves:				
General Fund Balance	2,904	276	3,180	
Collection Fund	369	(214)	155	
Sub Total	3,273	62	3,335	
Earmarked Reserves:				
				<u>Note 20</u>
Area Committee	59	(1)	58	a
Asset Management	1,925	377	2,302	b
Borough Council Elections	52	16	68	c
Building Control	190	(104)	86	d
Housing Needs Survey	24	(12)	12	e
Information Communications Technology Strategy	1,153	293	1,446	f
Local Development Framework	265	(50)	215	g
Other Earmarked Reserves	413	39	452	h
Pension Fund	127	(29)	98	i
Public Open Space				j
Commuted Sums	2,564	(104)	2,460	
Single Status/Equal Pay	1,180	16	1,196	k
Vehicle and Plant Replacement	79	(73)	6	l
Section 106 Planning Agreement Developers Contributions	1,391	607	1,998	m
Sub Total	9,422	975	10,397	
Total Reserves	37,680	3,471	41,151	

NOTES TO THE MAIN FINANCIAL STATEMENTS

20. 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 for 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 2007.

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.

m) Section 106 Planning Agreement Developers Contribution

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 2006</u> <u>£'000</u>	<u>Income</u> <u>£'000</u>	<u>Expenditure</u> <u>£'000</u>	<u>Balance at 31 March</u> <u>2007</u> <u>£'000</u>
Open space schemes	(1,010)	(659)	439	(1,230)
Other	(380)	(561)	173	(768)
	<u>(1,390)</u>	<u>(1,220)</u>	<u>612</u>	<u>(1,998)</u>

NOTES TO THE MAIN FINANCIAL STATEMENTS

21. 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:

	<u>Deferred Purchase</u> <u>£'000</u>	<u>Finance Leases</u> <u>£'000</u>	<u>Total</u> <u>£'000</u>
Balance as at 1 April 2006	432	1,005	1,437
Additions in the year	911	0	911
Principal repaid during the year	<u>(304)</u>	<u>(143)</u>	<u>(447)</u>
Balance as at 31 March 2007	<u>1,039</u>	<u>862</u>	<u>1,901</u>

22. 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:

	<u>Mortgage Advances</u> <u>£'000</u>
Balance as at 1 April 2006	18
Principal repaid during the year	<u>(6)</u>
Balance as at 31 March 2007	<u>12</u>

23. LONG TERM BORROWING

Details of fixed rate long term borrowing:

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

NOTES TO THE MAIN FINANCIAL STATEMENTS

24. POST BALANCE SHEET EVENTS

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

25. FIXED ASSET RESTATEMENT ACCOUNT

	<u>£'000</u>
Balance as at 1 April 2006	26,126
Gains/(Losses) on the Revaluation of Fixed Assets in 2006/07	407
Amounts Written-off Fixed Asset Balances for Disposal in 2006/07	(38)
Balance as at 31 March 2007	<u>26,495</u>

26. DEFERRED PREMIUM

In 1994/95 the Council repaid the remainder of its outstanding long-term borrowing and became 'debt-free'. As the debt of £7.2 million was repaid to maturity, the Council incurred premiums totalling £1.2 million. In previous years, these premiums were amortised to the Council's Income and Expenditure account over the period the loans would normally have been repaid, had they been allowed to mature naturally. The premium balance was written off to revenue in 2006/07.

	<u>£'000</u>
Balance at 1 April 2006	233
Revenue Charge	<u>(233)</u>
Balance as at 31 March 2007	<u>0</u>

NOTES TO THE MAIN FINANCIAL STATEMENTS

27. CASH FLOW - RECONCILIATION OF REVENUE (DEFICIT)/ SURPLUS TO NET CASH FLOW FROM REVENUE ACTIVITIES

<u>2005/06</u>		<u>2006/2007</u>	<u>£'000</u>
<u>£'000</u>		<u>£'000</u>	<u>£'000</u>
1,760	Net (Deficit)/Surplus for Year per Income and Expenditure Account	(1,044)	
82	Add Collection Fund Surplus/(Deficit)	(214)	
<u>1,842</u>			(1,258)
	Non-cash Transactions		
53	Written Down Premium	233	
(1,879)	Net Increase/(Decrease) in Pensions Reserve	345	
(238)	Net Movement in Bad Debt Provision	(21)	
1,472	Depreciation of Fixed Assets	1,722	
(355)	Government Grants Deferred Amortisation	(443)	
791	Deferred Charges	882	
(240)	Loss/(Profit) on Disposal of Fixed Assets	0	
0	Balance Sheet Transfer	(215)	
<u>(396)</u>			2,503
	Items on an Accrual Basis (*)		
(1,459)	(Decrease)/Increase in Creditors	357	
97	Decrease/(Increase) in Debtors	582	
51	Decrease/(Increase) in Stocks/ WIP	31	
<u>(1,311)</u>			970
	Items within another classification		
(824)	Add/(Less) Servicing of Net Finance Costs		(735)
<u>(689)</u>	Net Cash Flow from Revenue Activities		<u>1,480</u>

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

NOTES TO THE MAIN FINANCIAL STATEMENTS

28. CASH FLOW - GOVERNMENT GRANTS

<u>2005/06</u> <u>£'000</u>		<u>2006/07</u> <u>£'000</u>	<u>£'000</u>
	Revenue		
(3,055)	Revenue Support Grant		(1,177)
	DWP Grants for Rebates:		
(13,065)	Rent Allowances	(13,471)	
	Rent Rebates	(7)	
(4,444)	Council Tax	(4,898)	
(586)	Housing Benefit Admin.	(661)	
0	Fraud Investigation	(28)	
<hr/>		<hr/>	(19,065)
(18,095)			
	Other Government Grants:		
(29)	Housing Subsidy - Defects	(29)	
0	Contaminated Land	(1)	
	Implementation of Smoke free legislation	(9)	
(177)	Safer Communities/Domestic Violence	(56)	
(91)	Planning Grant	0	
(36)	Homelessness	(34)	
(193)	Local Authority Business Growth Initiative (LABGI)	(629)	
0	Performance Reward Grant – Revenue	(35)	
(47)	Arson Control	0	
(118)	National Non Domestic Rates Pool Admin.	(120)	
<hr/>		<hr/>	(913)
(691)			
	Capital		
(245)	Housing Subsidy	(201)	
0	Housing Capital Grant	(397)	
0	Performance Reward Grant – Capital	(35)	
(33)	DEFRA Green Waste	(86)	
(253)	Implementing Electronic Government	0	
(98)	Planning Delivery Grant	(132)	
0	DWP Funding (Customer Relationship Management)	(189)	
<hr/>		<hr/>	(1,040)
(629)			
<hr/>		<hr/>	
<u>(22,470)</u>	Total Government Grants	<u>(22,195)</u>	

NOTES TO THE MAIN FINANCIAL STATEMENTS

29. RECONCILIATION OF THE NET CASH FLOW

The Cash Flow Statement summarises the inflows and outflows of cash arising from transactions with third parties. This movement in cash should be reflected in the increase or decrease in cash and cash equivalent between the 2005/06 and 2006/07 Consolidated Balance Sheet

The table below reconciles these movements in cash and cash equivalent:

Movement in Cash 2005/06 £000		2006 £000	2007 £000	Movement in Cash £000
<u>Management of liquid resources</u>				
228	Investments	6,772	18,446	11,674
0	Long-Term Investments	9,251	50	(9,201)
228		16,023	18,496	2,473
<u>Financing</u>				
(908)	Long-Term Borrowing	(2,108)	(3,308)	(1,200)
(1,350)	Deferred Liability	(1,437)	(1,901)	(464)
1,628	<i>Less: capital additions</i>			911
278				447
<u>Movement in cash balances</u>				
(31)	Cash in hand and at bank	5	6	1
(445)	Bank overdraft	(889)	(333)	556
(476)				557
(878)	TOTAL			2,277

30. CONTINGENT LIABILITY

In 2006/07, the Council received notification of an alleged breach of contract in relation to one of the residual contracts related to the leisure transfer. The Council is denying this liability and accordingly, no provision has been made in these accounts.

NOTES TO THE MAIN FINANCIAL STATEMENTS

31. PRIOR PERIOD ADJUSTMENTS

In the 2006/07 Statement of Accounts, the council has adopted five new accounting policies that impact on the comparative figures for 2005/06 in the Income and Expenditure Account

- Credits for Government Grants deferred are now posted to Service Revenue accounts, Support Services and trading accounts.
- Capital Financing charges for the use of assets are no longer made to service accounts, support services and trading accounts.
- Revenue Contributions to capital is no longer charged to service accounts, support services and trading accounts.
- Depreciation charges for Non-Operational Assets are now posted to Non-Distributed Costs.
- Gains and losses on the disposal of fixed assets are recognised in the Income and Expenditure Account.

The FRS17 restatement relates to Note 12 and not the changes in accounting policies above.

Consolidated Revenue Account 2005/06	Relocation of Capital Contributions Deferred	Removal of Capital Financing Charges	Relocation of Capex Charged to Revenue	Relocation of Non-Op. Assets Depn	Gains & Losses on Disposal of Fixed Assets	Interest Payable	FRS17 Pension restatement	2005/06 Comparatives in Income & Expenditure Account
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Central Services to the Public	2,113	(73)	(1)	0	0	0	0	2,039
Cultural , Env, Planning Services	9,693	(249)	(730)	(205)	0	0	0	8,509
Highways, Roads, Transport Services	929	(12)	(15)	0	0	0	0	902
Housing Services	1,164	(4)	0	0	0	0	0	1,160
Corporate and Democratic Core	1,344	(10)	0	0	0	0	0	1,334
Non Distributed costs	(1,167)	(3)	(94)	(18)	8	0	(873)	(2,147)
Impact on Net Cost of Services	14,076	(351)	(840)	(223)	8	0	(873)	11,797
Loss/(Profit) on the Disposal of Fixed Assets	0	0	0	0	0	(240)	0	(240)
Parish Council Precepts	179	0	0	0	0	0	0	179
Trading Account (Surpluses)/Deficit	(390)	(4)	(5)	0	(8)	0	0	(407)
Interest Payable & Similar Charges	0	0	0	0	0	0	166	166
Asset Management Revenue Account	(1,034)	355	845	0	0	0	(166)	0
Interest & Investment Income	(933)	0	0	0	0	0	0	(933)
Pension Interest & Expected RT	428	0	0	0	0	0	0	428
Impact on Net Operating Expenditure	12,326	0	0	(223)	0	(240)	(873)	10,990

COLLECTION FUND ACCOUNT

Income and Expenditure Account for the year ended 31 March 2007

<u>2005/06</u>	See Note	<u>2006/07</u>	
<u>£'000</u>		<u>£'000</u>	<u>£'000</u>
<u>Income</u>			
42,310	2 Income from Council Tax	44,726	
	<i>Transfers from General Fund</i>		
4,532	Council Tax Benefits	4,778	
46,842			49,504
23,643	3 Income Collectable from Business Ratepayers		25,675
70,485			75,179
<u>Expenditure</u>			
Precepts and Demands			
34,154	Lancashire County Council	36,362	
6,648	South Ribble Borough Council	6,953	
3,872	Lancashire Police Authority	4,125	
1,872	Combined Fire Authority	1,995	
46,546			49,435
Distribution of Collection Fund Surplus/(Deficit)			
63	Lancashire County Council	148	
12	South Ribble Borough Council	28	
7	Lancashire Police Authority	17	
3	Combined Fire Authority	8	
85			201
Business Rates			
23,530	Payment to National Pool	25,540	
118	Cost of Collection Allowance	120	
23,648			25,660
Bad and Doubtful debts/appeals			
119	Write-offs	152	
10	Provisions	(55)	
129			97
70,408			75,393
77	Surplus/(deficit) for year		(214)
292	Surplus/(deficit) at 1 April 2006		369
369	Surplus/(deficit) at 31 March 2007		155

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: £36,476.60 for 2006/07 £35,940.98 for 2005/06). This basic amount of council tax for a Band D property (excluding Parish Precepts £1,349.61 for 2006/07 and £1,288.82 for 2005/06) 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:

<u>Band</u>	<u>Proportion of Band D Charge</u>	<u>Council Tax Levied Excluding Parish Precepts</u>	
		<u>2005/2006</u>	<u>2006/2007</u>
		<u>£</u>	<u>£</u>
A	0.67	859.21	899.74
B	0.78	1,002.41	1,049.70
C	0.89	1,145.61	1,199.65
D	1.00	1,288.82	1,349.52
E	1.22	1,575.23	1,649.52
F	1.44	1,861.64	1,949.43
G	1.67	2,148.03	2,249.35
H	2.00	2,577.64	2,699.22

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 at 42.6p in 2006/07 and one for larger businesses at 43.3p. 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 £25.7 million for 2006/07 (£23.6 million for 2005/06).

The rateable value for the Council's area at the end of the financial year 2006/07 was £69.6 million (£67.8 million in 2005/06).

NOTES TO THE COLLECTION FUND ACCOUNT

4. CONTRIBUTIONS TO COLLECTION FUND SURPLUSES AND DEFICITS

The surplus of £0.2 million which is carried forward on the Collection Fund at 31 March 2007 includes a surplus on Community Charge brought forward from previous years of £0.1 million.

After allowing for this there is a surplus of £0.1 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.