

# RIBBLE VALLEY BOROUGH COUNCIL REPORT TO ACCOUNTS AND AUDIT COMMITTEE

Agenda Item No 7

meeting date: 29 JUNE 2010  
title: STATEMENT OF ACCOUNTS FOR 2009/10  
submitted by: DIRECTOR OF RESOURCES  
principal author: LAWSON ODDIE

## 1 PURPOSE

- 1.1 To formally approve the statement of accounts for 2009/10 (subject to audit).

## 2 BACKGROUND

- 2.1 The Accounts and Audit Regulations 2003 require Members to approve the statutory statement of accounts by 30 June following the financial year end. The accounts are unaudited but certified by the Director of Resources as the Responsible Financial Officer (RFO) under the regulations.
- 2.2 As usual there have been a number of changes required in how we prepare the Statements, leading to additional work.
- 2.3 The Director of Resources retains responsibility for the preparation of the statement of accounts and must certify their fair presentation. The Members' role in approval is to demonstrate their ownership of the statements, their confidence in the Director of Resources (section 151 officer) and the process by which accounting records are maintained and the statements prepared.
- 2.4 Approval of the draft Statement of Accounts is within the terms of reference of this committee.
- 2.5 Our external auditors (Audit Commission) are due to commence their final accounts audit 5 July 2010. Public notice has been given of the audit informing local electors of their rights to inspect the accounts and ask questions of the auditor and/or make any objections relating to the accounts. Following the completion of the audit, the auditors will report back to this Committee at its meeting on 15 September 2010. At the same time details of any amendments to the draft statements agreed with the auditors will be reported.

## 3 CHANGES TO THE STATEMENT OF ACCOUNTS FOR 2009/10

### SORP Changes

- 3.1 There have been a number of changes in the preparation and presentation for local authority accounts for 2009/10. These are explained below:
- The accounting requirements for the Private Finance Initiative (PFI) and similar contracts are no longer based on the UK accounting standard FRS5 (Reporting the Substance of Transactions), but on International Financial Reporting Standards (IFRS). The requirements are based on IFRIC12 (Service Concession Arrangements)

- Changes in accounting for local taxes (i.e. Council Tax), recognising that the billing authority (Ribble Valley Borough Council) acts as the major preceptors' (Lancashire County Council, Lancashire Police Authority and Lancashire Fire and Rescue Authority) agent. Therefore both the billing authority and the preceptors must include appropriate shares of Council Tax debtors and creditors in their Balance Sheets. Previously this was shown only by the billing authority.
- The above change has also prompted a review of the treatment of National Non-Domestic Rates. There is now a requirement that billing authorities shall not show NNDR payers as debtors or creditors in their Balance Sheet but instead show a single creditor or debtor for the Department of Communities and Local Government (DCLG) recognising that the Council is acting as agent in the collection of NNDR for the Government. **Note 1 of the Statement of Accounts: page 37** provides details of the adjustments that have been needed to last year's Statement of Accounts as a result of these changes.

### Asset Revaluation

- 3.2 The council's freehold and leasehold properties were revalued on 1 March 2010 by the district valuer (**Statement of Accounts: page 51**). This has a major impact on the values that the council shows in the balance sheet. These assets must be valued, as a minimum, every five years. The previous valuation took place on 1 March 2005.
- 3.3 The table below summarises the impact that the valuation had on our different fixed asset categories. The table shows the resulting values at 1 March 2010, before any depreciation or additions are accounted for:

	Cost or Valuation at 1 April 2009	Upward Revaluation	Downward Revaluation	Value at 1 March 2010 before Additions and Depreciation
	£	£	£	£
<b><i>Operational Assets</i></b>				
Other Land and Buildings	10,461,130	2,945,684	-2,579,638	10,827,176
Vehicles, Plant and Equipment	5,042,960	0	0	5,042,960
Infrastructure	294,422	0	0	294,422
Community	1,560,472	599,551	-18,571	2,141,452
<b>Total Operational Assets</b>	<b>17,358,984</b>	<b>3,545,235</b>	<b>-2,598,209</b>	<b>18,306,010</b>
<b><i>Non-Operational</i></b>				
Investment	724,456	233,008	-109,214	848,250
<b>Total Non-Operational Assets</b>	<b>724,456</b>	<b>233,008</b>	<b>-109,214</b>	<b>848,250</b>
<b>TOTAL</b>	<b>18,083,440</b>	<b>3,778,243</b>	<b>-2,707,423</b>	<b>19,154,260</b>

#### 4 STATEMENT OF ACCOUNTS FOR 2009/10

- 4.1 The full statement of accounts for 2009/10 is attached at Annex 2. Obviously the accounts are very detailed and do contain a considerable amount of technical information. It is crucial however that members consider the important aspects of the various statements and therefore the highlights of the 2009/10 accounts are set out below.

#### 5 KEY FINANCIAL INFORMATION FOR THE 2009/10 ACCOUNTS

- 5.1 Whilst the statement of accounts sets out the accounting statements according to the SORP and the Best Value Accounting Code of Practice (***Income and Expenditure Account, Statement of Accounts: page 31***), we have shown below a comparison of the actual expenditure with the budget in our management reporting format (i.e. by service committees). This information will also be reported to individual service committees in the next cycle giving full details for individual over/underspends.

##### General Fund Outturn Performance:

Committee	Original Estimate	Revised Estimate	Actual	Original Estimate Compared to Actual	Revised Estimate Compared to Actual
	£'000	£'000	£'000	£'000	£'000
Community Services	3,743	3,813	3,715	28	98
Policy & Finance	3,197	3,109	1,708	1,489	1,401
Planning & Development	515	613	338	177	275
Health & Housing	656	714	649	7	65
<b>Committee Expenditure</b>	<b>8,111</b>	<b>8,249</b>	<b>6,410</b>	<b>1,701</b>	<b>1,839</b>
Interest Payable	30	30	30	0	0
Parish Precepts	368	368	368	0	0
Interest Received	-125	-15	-15	-110	0
<b>Net Operating Expenditure</b>	<b>8,384</b>	<b>8,632</b>	<b>6,793</b>	<b>1,591</b>	<b>1,839</b>
Precept from Collection Fund (including parish precepts)	-3,435	-3,435	-3,435	0	0
Deficit on Collection Fund	9	9	9	0	0
General Government Grants	-792	-786	-795	3	9
Business Rates Redistribution	-3,247	-3,247	-3,247	0	0
<b>Deficit for year</b>	<b>919</b>	<b>1,173</b>	<b>-675</b>	<b>1,594</b>	<b>1,848</b>
Depreciation	-768	-728	-728	-40	0
Minimum Revenue Provision	245	116	116	129	0
Net Transfer to/from earmarked reserves	-150	-149	2087	-2,237	-2,236
<b>Deficit for year</b>	<b>246</b>	<b>412</b>	<b>800</b>	<b>-554</b>	<b>-388</b>

- 5.2 You will see we have made a deficit of £800,000 during the year compared with the Revised Estimate of £412,000 and the Original Estimate of £246,000. When the Revised Estimates were considered in January we explained the main differences between the Original and Revised Estimates. During the preparation of the revised estimate a number of changes were made to the budget:

<b>Item</b>	<b>£'000</b>
Reduction in General Government Grants Receivable	6
Decrease in interest earned	110
Reduced use of earmarked reserves	1
Net increase in Service Committee costs	49
	<b>166</b>

### **Final Position Compared to the Revised Estimate**

- 5.3 During the 2009/10 financial year there are many variances that occur when we carry out our budget monitoring. The main variations affecting our final position compared with the revised estimate can be summarised as:

<b>Variation</b>	<b>£'000</b>
Fleming VAT Claim	182
Housing and Planning Delivery	195
Increased income on Building Control and Planning	32
Increased income on Licensing and Land Charges	19
New Burdens Grant - Habitats and Climate Change	24
Performance Reward Grant	478
Retained Housing Subsidy	38
Savings on Clitheroe Castle Museum	13
Savings on Concessionary Travel	34
Savings on Council Tax and NNDR	13
Savings on Economic Development	16
Savings on Grants and Subscriptions (All committees)	23
Savings on Ribble Valley Parks	9
Savings on Ribblesdale Pool	31
Savings on Various Repairs and Maintenance	12
Savings on Waste Transfer Station, Refuse and Recycling	17
Other Service Underspends transferred to Reserves	28
VAT shelter monies received	675
	<b>1839</b>
Extra General Government Grant Received	9
Extra Transfers to Earmarked Reserves	-2236
<b>Increase in amount to take from balances</b>	<b>-388</b>

### **General Fund Balances**

- 5.4 It is obviously very important to maintain a healthy level of general fund balances to cover for unforeseen events and also provide a stable level of resources for future planning. However, this has to be balanced against meeting the council's spending priorities and also very importantly setting a low council tax.
- 5.5 We had originally planned to take £246,000 from general fund balances to help finance the 2009/10 spending plans. The final position shows that the council has needed to take £800,000 from general fund balances. However, there has been a large increase in the level of net transfers to earmarked reserves, including £400,000 set aside in respect of extra staff pension liabilities following the transfer of housing staff to Ribble Valley Homes on 31 March 2008 and the merging of HRA balances with General Fund balances in 2008/09. (**Statement of Accounts: page 32**).
- 5.6 In addition we are pleased that we have continued to set the lowest council tax in Lancashire and one of the lowest council taxes in the country and yet hold healthy levels of balances.

	<b>£'000</b>
General Fund Balances: Brought forward at 1 April 2009	<b>2,022</b>
Taken to fund deficit on 2009/10 income and expenditure account	<b>-800</b>
General Fund Balances: Carried forward at 31 March 2010	<b>1,222</b>

### **Collection Fund**

- 5.7 The Collection Fund (**Statement of Accounts: page 79**) has made an in year deficit of £18,000. This is added to the deficit of £228,000 brought forward from 2008/09. The £18,000 in year deficit will have to be recovered from precepting authorities in 2011/12, with the deficit brought forward of £228,000 being recovered in 2010/11. These amounts will be recovered pro-rata to the original precepts from each authority.
- 5.8 The Government have not yet published the council tax collection rates for 2009/10 however we know that our actual collection rate is 99.04%. (2008/09 financial year: 99.06% and 7<sup>th</sup> overall in the country). This is yet again an outstanding result.

### **Capital**

- 5.9 During the year the Council spent £1.504 million on capital schemes. The main areas of expenditure included:
- Clitheroe Castle Museum scheme
  - Replacement vehicles and plant
  - Computer hardware
  - Affordable housing initiatives
  - Renovation and disabled facilities grants

5.10 At the end of the financial year work on some schemes was still underway. This can be carried forward into the new financial year and is known as slippage. Slippage for a number of schemes has been agreed into 2010/11. These schemes include the following:

- Calderstones Open Space.
- Replacement Car Park Machines and Software.
- Repairs to Riverside Path at Brungerley.
- Salthill Play Area.
- Football Changing Rooms Refurbishment at Roefield.
- Energy Efficiency Measures at Ribblesdale Pool.
- Affordable Housing Initiatives.

How the Capital Programme was Financed	£'000
Borrowing	494
Government grants and contributions	948
Revenue contributions	62
	<b>1,504</b>

### **Balance Sheet**

5.11 The Balance Sheet (***Statement of Accounts: page 35***) shows our assets, liabilities and reserves. The net position at the 31 March 2010 shows the council with negative equity with a net worth of -£2.602 million, whilst at the 31 March 2009 the Council had a positive net worth of £0.747 million.

5.12 This position is due to the pension liability, which increased from £10.5 million at the end of 2008/09, to just over £15.6 million at the 31 March 2010. The liabilities show the underlying commitments that the council has in the long run to pay retirement benefits.

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

5.14 The two major factors affecting the net pension liability are the interest costs over the year and the change in actuarial assumptions. Interest will have added about 7% to the value of the liabilities, whilst the financial assumptions used for the calculations as at 31 March 2010 were much more conservative than those used as at 31 March 2009. This is driven particularly by the yields on corporate bonds falling substantially and the inflation assumption increasing slightly during the year. (***Statement of Accounts, Note 35: page 65***)

5.15 Other than the pension liability, the main changes on the balance sheet are:

- There has been a revaluation of the council's fixed assets on the 1 March 2010. This has seen a decrease in the value of some assets totalling £2.7m whilst others have increased in value by £3.8m.
- Debtors and Prepayments are substantially higher at the 31 March 2010 when compared to 31 March 2009, mainly due to payments due for receipt in respect of capital grants

- The Council had no short term investments at the 31 March 2010, compared to £1.585m short term investments at the end of 31 March 2009.
- On creditors there is a fall in amounts due to creditors at 31 March 2010 when compared to the 31 March 2009. This is largely due to a reduction in the level of receipts in advance and a lower level of the council's creditors awaiting payment at the end of 2009/10
- The Capital Adjustment Account has decreased substantially and reflects the downward revaluation of the councils fixed assets as previously referred to. Conversely there is now a large balance on the Revaluation Reserve, which reflects those assets which have seen an upward valuation.
- Earmarked Reserves have been substantially increased (**Statement of Accounts: Note 31, page 60**). This is partly due to a number of high value transactions being transferred from service committee actuals to earmarked reserves and include:
  - VAT shelter receipts (£675,000)
  - Fleming Claim VAT (£182,000)
  - Performance Reward Grant (£478,000)
  - Housing and Planning Delivery Grant (£204,000)
  - Retained Housing Revenue Subsidy (£38,000)

In light of the current economic climate and future commitments, a number of further transfers to earmarked reserves have been made, notably:

- Restructuring reserve (£200,000)
  - Future LSVT Pensions Liability (£400,000)
- As more transfers have been made to earmarked reserves, there has been an increased use of General Fund Balances. Use of General fund balances has increased to £800,000 compared to the revised estimate of £400,000. However, our general fund balances remain in a healthy position and will help the council tackle the difficult times that may lie ahead in the coming years.

## 6 CONCLUSION

- 6.1 A revaluation of the council's freehold and leasehold properties was carried out during the financial year. This resulted in a net upward revaluation of £1.071m.
- 6.2 The main change to the SORP which has impacted on this council for 2009/10 has been the changes to accounting for NNDR and Council Tax.
- 6.3 The final outturn of a deficit of £800,000 means that we have **taken £800,000** from general fund balances **instead of £400,000** which was estimated when we prepared the Revised Estimates. Despite the increased use of general fund balances this is largely due to increased transfers to earmarked reserves.

## 7 RECOMMENDED THAT THE ACCOUNTS AND AUDIT COMMITTEE

- 7.1 Approve the Statement of Accounts for 2009/10 as attached at Annex 2

**SUMMARY OF COMPARISON BETWEEN REVISED ESTIMATE AND ACTUAL OUTTURN  
2009/10**

<b>ACTUAL POSITION</b>	<b>£'000</b>	<b>£'000</b>
Good News: Committee expenditure down by (compared with Revised Estimate)		272
Add net transfers to Earmarked Reserves		2
Less Capital Expenditure charged to Revenue		-62
<b>Net Saving</b>		<b>212</b>
Plus extra income received (over and above Revised Estimate)		
VAT Shelter	675	
Fleming VAT Credits	182	
Housing Subsidy	38	
<b>Total</b>		<b>895</b>
<b>∴ Better off compared with Revised Estimate</b>		<b>1,107</b>

Of the above £1.107m

<b>USED AS FOLLOWS</b>	<b>£'000</b>	<b>£'000</b>
<b>∴ Better off compared with Revised Estimate</b>		<b>1,107</b>
<b>New Earmarked Reserves set up</b>		
• Vat Shelter	-675	
• Fleming Vat Credits	-182	
• Post LSVT (ex subsidy)	-38	
• Post LSVT (HRA Pensions)	-400	
• Restructuring Reserve	-200	
<b>Total</b>		<b>-1,495</b>
<b>Balance (i.e. Worse Off compared with Revised Estimate)</b>		<b>-388</b>

<b>RESULTING USE OF GENERAL FUND BALANCES</b>	<b>£'000</b>
At Revised Estimate planned to take from balances	412
Actual Expenditure (Deficit)	800
<b>Difference (i.e. extra to take from General Fund Balances)</b>	<b>388</b>




# Statement of Accounts [draft] 2009/2010


Ribble Valley Borough Council



This document can be made available in alternative formats or languages. Anyone wishing to request this document in an alternative format or language should contact the Financial Services Manager

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STATEMENT OF ACCOUNTS 2009/10

**Independent Auditors' Report to members of Ribble Valley Borough Council**

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STATEMENT OF ACCOUNTS 2009/10

**Independent Auditors' Report to members of Ribble Valley Borough Council**

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# Annual Governance Statement

## **1 SCOPE OF RESPONSIBILITY**

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Ribble Valley Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs and for ensuring that there is a sound system of internal control which facilitates the effective exercise of its functions and which includes arrangements for the management of risk.

The Council has approved and adopted a local code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Good Governance in Local Government. This Annual Governance Statement explains how the Council has complied with the local code and also meets the requirements of Regulation 4 of the Accounts and Audit Regulations 2003 (amended 2006) in relation to the publication of a statement on internal control.

## **2 THE PURPOSE OF THE GOVERNANCE FRAMEWORK**

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The governance framework comprises the systems and processes for the direction and control of the authority and its activities through which it accounts to, engages with and leads the community.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at the Council for the year ended 31 March 2010 and up to the date of approval of the annual report and statement of accounts.

### 3 THE GOVERNANCE ENVIRONMENT

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#### ***Establishing & Monitoring the Achievement of Objectives***

The Council's priorities are derived from consultation on the Sustainable Community Strategy and the approved Corporate Performance and Improvement Plan clearly sets out the Council's priorities and strategic objectives.

Long term outcomes and interim performance targets have been established for each strategic objective. These are in turn transferred into individual service plans and performance monitoring reports are produced on a quarterly basis. This is supported by a system of individual staff performance appraisals.

#### ***The Conduct of Behaviour***

The Council's Constitution contains formal Codes of Conduct that articulate the standards of ethical behaviour that are expected from members and officers. These incorporate procedures for the disclosure of pecuniary interests and offers of gifts and hospitality.

#### ***Policy & Decision Making***

The Council has adopted a constitution, which sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people.

Policy and decision-making is facilitated through a Committee System including Overview & Scrutiny Committee, Accounts and Audit Committee and a Standards Committee.

Meetings are open to the public except where personal or confidential matters are being disclosed. In addition, senior officers of the Council can make decisions under delegated authority.

#### ***Compliance***

The Council aims to ensure compliance with established policies, procedures, laws and regulations through a variety of mechanisms, including:

- Monitoring Officer;
- Section 151 Officer;
- Internal Audit;
- External Audit;
- Performance management system.

The Council has designated the Legal Services Manager as Monitoring Officer, who plays a key role in ensuring compliance. After consulting with the Chief Executive, the Monitoring Officer will report to the full Council if she considers that any proposal, decision or omission would give rise to unlawfulness or maladministration. Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered.

***Risk Management***

The Council has embedded a robust structure and system for identifying and evaluating all significant business risks at both the strategic and operational / service levels. The key elements of which are a Strategic Risk Register and service level risk assessments built into the business planning process.

***Economy, Efficiency & Effectiveness***

The Council has constantly sought ways of ensuring the economical, effective and efficient use of resources, and for securing continuous improvement in the way in which its functions are exercised. These now include:

- Budget working Group
- Overview & scrutiny Committee
- External Audit
- Internal Audit

***Financial Management***

The Council has designated the Director of Resources as chief finance officer under Section 151 of the Local Government Act 1972.

The financial management of the Council is conducted in accordance with the Financial Procedure Rules set out in the Council's Constitution. The Council has also adopted and implemented the relevant financial codes of practice covering such areas as treasury management and the Prudential Code.

The Council has in place a three-year Financial Strategy, updated annually, to support the medium-term aims of the Corporate Performance and Improvement Plan.

The Council maintains a sound Internal Audit function which operates to the standards set out in the 'Code of Practice for Internal Audit in Local Government in the UK'. Internal Audit report four times annually to the Accounts and Audit Committee and are a prime source of assurance to the authority regarding its financial management (including the adequacy of its financial systems, budgetary control and the efficient and effective use of resources). Internal Audit also provides assurance in the areas of governance, risk management and compliance.

The Council has an objective and professional relationship with its external auditors and statutory inspectors.

***Performance Management***

The Council's Performance Management Framework is underpinned by the Sustainable Community Strategy which clearly articulates a shared vision for the Borough. Derived from this is our Corporate Performance and Improvement Plan which articulates our corporate vision, priorities, strategic objectives and anticipated outcomes. Individual Service Plans contain key projects which are geared towards achieving overall corporate objectives. This system is in turn supported by individual staff performance reviews to ensure that everyone understands their individual and sections contribution to corporate goals.

## Annual Governance Statement

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Separate detailed guidance exists for Service Planning and the Performance Review processes. Performance against targets is monitored by the Corporate Management Team, Service Committees, the Overview & Scrutiny function and the Accounts and Audit Committee. Where necessary corrective action is identified and implemented.

The Council uses a bespoke performance management software system, Covalent. The system uses a traffic light system to monitor not only individual performance indicators, but also their combined effect on the achievement of corporate objectives. These reports are produced to ensure that trends in performance can be identified and corrective action introduced if appropriate

### 4 REVIEW OF EFFECTIVENESS

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Ribble Valley Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of Directors within the authority who have responsibility for the development and maintenance of the governance environment, the Internal Audit Annual Report and also by comments made by the external auditors and other review agencies and inspectorates.

The following paragraphs explain the various roles and responsibilities that have been applied in maintaining and reviewing the effectiveness of the Council's system of governance and internal control:

#### ***Corporate Level Review***

The Corporate Management Team consisting of the following officers oversees the compilation of the Annual Governance Statement.

- Chief Executive;
- Director of Resources (S.151 Officer);
- Director of Community Services;
- Director of Development

The group has considered a detailed corporate level review of the Council's system of governance in accordance with the guidance provided by CIPFA / SOLACE.

#### ***Directorate Level Review***

The Council has also in place Directorate Assurance Statements requiring Directors to review the operation of a range of governance systems and procedures within their service areas and indicate whether there are any significant non-compliance issues. These are analysed to ascertain whether there are any common areas of concern, and if so, whether these constitute significant governance issues and as such need to be included in the Annual Governance Statement.

**Monitoring Officer**

As the Council's Monitoring Officer, The Legal Services Manager has a duty to monitor and review the operation of the Constitution to ensure its aims and principles are given full effect. The Council reviews the Constitution each year at its Annual Meeting.

**Scrutiny Committee**

The Council has an Overview and Scrutiny Committee which can challenge a decision made by Service Committees but not yet implemented, to enable them to consider whether the decision is appropriate.

**Accounts and Audit Committee**

The Council has appointed an Accounts and Audit Committee whose terms of reference comply with the latest CIPFA guidelines. These extend to monitoring the Council's governance and risk management framework and include reviewing the adequacy of the governance framework.

**Standards Sub-Committee**

The Council has appointed a Standards Committee whose terms of reference comply with the guidance set out by the Standards Board for England, including the statutory functions in respect of the local Code of Conduct for Members.

**Internal Audit**

Internal Audit is responsible for monitoring the quality and effectiveness of the system of governance and internal control. A risk-based Internal Audit Plan is produced each financial year. The reporting process for Internal Audit requires a report of each audit to be submitted to the relevant Directorate. The report includes recommendations for improvements that are included within an Action Plan and require agreement or rejection by service managers. The process includes follow-up reviews of agreed recommendations to ensure that they are acted upon.

The Internal Audit Annual Report contains an opinion on the overall levels of internal control (a view based on the relative significance of the systems reviewed during the year, in the context of the totality of the control environment). The annual audit opinion given for the 2009/10 financial year was as follows:

*'Reasonable i.e. the Authority can place reasonable (i.e. sufficient) reliance on the arrangements/controls in place. Only relatively minor control weaknesses exist.'*

**Internal Audit**

## Annual Governance Statement

This opinion was reached after carrying out audit reviews of the following areas:

Data Matching of Housing Benefits to Electoral Register	Employees – Council Tax and Single Person Discount Check
Visitors Information Centre	Building Control
Payroll System	Platform Gallery
Sundry Debtors System	Creditors System
Creditors System	Deductions from Payroll
Private Drain Clearances	Petty Cash Floats
Temporary Loans & Investments	Land Charges
Clitheroe Cemetery	Salthill Depot Stores
Flexi-time System Operation	Car Mileage Claims
Printing and Stationery	Rechargeable Works
Car Insurances	Clitheroe Market
Housing Benefit Cheque Delivery	

#### **External Audit**

In accordance with the Audit Commission's Code of Audit Practice, the Council receive regular reports on elements of its internal control environment, including performance management, risk management, financial management and governance.

## **5 AUDIT COMMISSION NATIONAL REPORT**

In September 2009 the Audit Commission released a report entitled 'Protecting the Public Purse' which focused on the damaging impact that fraud has on the economy and on citizens.

The report highlighted the significant benefits to both councils and taxpayers that can be achieved where councils adopt good practice and focus counter-fraud activities and resources on those areas of greatest financial risk and/or social harm.

The report included a checklist, which it encouraged councils to use to assess their organisations defences against the good practice that has been identified because:

*'fraud is likely to increase as a result of a recession as economic distress can increase the incentive to commit fraud and controls to prevent fraud can come under pressure as councils reduce their costs'*

**Audit Commission**

This checklist was used and completed for this council without any areas of concern being highlighted. The purpose of the checklist was to ensure that the Council is doing all that it can to:

- address housing tenancy, single person discount (SPD) and recruitment fraud
- satisfy themselves that their vetting procedures for recruiting permanent and temporary staff accord with good practice
- consider whether they have properly vetted staff already in post and take appropriate risk based action
- ensure that their arrangement for tackling housing and council tax benefit fraud are up to date, effective and address increased service demands
- ensure current arrangements are sufficiently robust to reduce the risk of procurement fraud and follow the latest Office of Fair Trading guidance to lessen the risk of unlawful practices affecting their awarding and allocation of contracts
- use information from the Audit Commission's National Fraud Initiative (NFI) to the full to help focus their fight against fraud
- test their whistle-blowing arrangements against good practice guidance and ensure staff understand and trust them
- improve staff awareness of money laundering regulations and how they can report suspicions of money laundering and criminal activities
- Identify areas where internal controls may not be effective or operating as intended

## **6 SIGNIFICANT GOVERNANCE ISSUES**

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We have been advised of the result of the review of the effectiveness of the governance framework and system of internal control by the Corporate Improvement Board and are pleased to report that no significant improvement opportunities have been highlighted.

**CLLR E. M. H. RANSON**

Leader of the Council

On behalf of Ribble Valley Borough Council

**M. H. SCOTT**

Chief Executive

# Explanatory Foreword

## 1 INTRODUCTION

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The Council's statement of accounts for the year ended 31 March 2010 is set out on the following pages. These have been prepared in accordance with the Chartered Institute of Public Finance and Accountancy's Code of Practice on Local Authority Accounting in the United Kingdom. The statements produced for 2009/10 are:

### Core Financial Statements

**Income and Expenditure Account** *This reports on the net cost for the year of all of the functions for which the council is responsible and demonstrates how this net cost has been financed from local tax payers and central government grant. It is the best measure of the council's financial results according to generally accepted accounting principles (GAAP)*

**Statement of Movement on the General Fund Balance** *This statement is based upon the income and expenditure account but contains certain amendments required by statute and non-statutory proper accounting practices.*

**Statement of Total Recognised Gains and Losses** *The income and expenditure account will not contain certain gains and losses such as those arising from the revaluation of fixed assets. This statement takes the income and expenditure account and adjusts it for these additional gains and losses.*

**Balance Sheet** *This shows the council's financial position at the beginning and end of the financial year and shows the assets and liabilities of the council.*

**Cash Flow Statement** *Here is summarised the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.*

### Supplementary Statements

**Collection Fund Account** *This shows the transactions of the council as a billing authority in relation to non-domestic rates and council tax collection. It also shows the way in which the money collected has then been distributed to precepting authorities and the general fund.*

**The Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice 2009 (SORP)**

The Statement of Recommended Practice (SORP) is produced annually and shows how the UK Generally Accepted Accounting Principles (GAAP) is applied to the production of the Statement of Accounts.

The SORP specifies the principles and practices of accounting required to prepare a Statement of Accounts which 'present fairly' the financial position and transactions of the council. The SORP also ensures that the financial reports of local authorities are standardised, allowing their performance to be measured and compared.

The 2009 SORP applies to the production of the 2009/10 Accounts within Local Government. The substantive changes introduced into the 2009 SORP are:

- The accounting requirements for the Private Finance Initiative (PFI) and similar contracts are no longer based on the UK accounting standard FRS5 (Reporting the Substance of Transactions), but on International Financial Reporting Standards (IFRS). The requirements are based on IFRIC12 (Service Concession Arrangements)
- Changes in accounting for local taxes (i.e. Council Tax), recognising that the billing authority (Ribble Valley Borough Council) acts as the major preceptors' (Lancashire County Council, Lancashire Police Authority and Lancashire Fire and Rescue Authority) agent. Therefore both the billing authority and the preceptors must include appropriate shares of Council Tax debtors and creditors in their Balance Sheets. Previously this was shown only by the billing authority.
- The above change has also prompted a review of the treatment of National Non-Domestic Rates. There is now a requirement that billing authorities shall not show NNDR payers as debtors or creditors in their Balance Sheet but instead show a single creditor or debtor for the Department of Communities and Local Government (DCLG) recognising that the Council is acting as agent in the collection of NNDR for the Government.

## Explanatory Foreword

### 2 GENERAL FUND

Whilst the Income and Expenditure Account is presented in accordance with the Best Value Accounting Code of Practice (BVACOP) it is also possible to analyse our spending in accordance with the Council's committee structure.

The Council's General Fund services are partly paid for by government grants and contributions from pooled business rates with the balance being funded from council tax. Shown below is a summary of the general fund accounts comparing actual expenditure with the original and revised budgets for the year.

Committee	Original Estimate	Revised Estimate	Actual	Original Estimate Compared to Actual	Revised Estimate Compared to Actual
	£'000	£'000		£'000	£'000
Community Services	3,743	3,813	3,715	28	98
Policy & Finance	3,197	3,109	1,708	1,489	1,401
Planning & Development	515	613	338	177	275
Health & Housing	656	714	649	7	65
<b>Committee Expenditure</b>	<b>8,111</b>	<b>8,249</b>	<b>6,410</b>	<b>1,701</b>	<b>1,839</b>
Interest Payable	30	30	30	0	0
Parish Precepts	368	368	368	0	0
Interest Received	-125	-15	-15	-110	0
<b>Net Operating Expenditure</b>	<b>8,384</b>	<b>8,632</b>	<b>6,793</b>	<b>1,591</b>	<b>1,839</b>
Precept from Collection Fund (including parish precepts)	-3,435	-3,435	-3,435	0	0
Deficit on Collection Fund	9	9	9	0	0
General Government Grants	-792	-786	-795	3	9
Business Rates Redistribution	-3,247	-3,247	-3,247	0	0
<b>Deficit for year</b>	<b>919</b>	<b>1,173</b>	<b>-675</b>	<b>1,594</b>	<b>1,848</b>
Depreciation	-768	-728	-728	-40	0
Minimum Revenue Provision	245	116	116	129	0
Net Transfer to/from earmarked reserves	-150	-149	2,087	-2,237	-2,236
<b>Deficit for year</b>	<b>246</b>	<b>412</b>	<b>800</b>	<b>-554</b>	<b>-388</b>

**Amendments to our budget in the year**

During the preparation of the revised estimate a number of changes were made to the budget. These were:

Item	£'000
Reduction in General Government Grants Receivable	6
Decrease in interest earned	110
Reduced use of earmarked reserves	1
Net increase in Service Committee costs	49
<b>Net increase in amount to take from balances for the year</b>	<b>166</b>

**Financial Performance and Outlook**

Once again the council's sound financial management and careful monitoring of budgets throughout the year has resulted in an underspend for the financial year on committee expenditure.

Through the continued use of collaborative procurement in 2009/10 the council was able to see substantial service cost savings, most notably a highly competitive energy contract for gas and electric which has seen particularly the Ribblesdale Pool and Clitheroe Castle Museum benefit from reduced unit costs.

The council has seen the impact of the current economic climate affect many of its services, and prudent budget setting for the revised estimate forecast substantial reductions in income streams, particularly in the areas of planning, building control, land charges and licensing. Fortunately the outturn was not as bleak as forecast, with some services realising income in excess of the low revised estimate. Nonetheless, this has prepared the council for what will undoubtedly be difficult times in the coming years.

In the past, investment income has provided valuable support to the budget with £210,000 earned in 2008/09 and £286,000 in 2007/08. With the disappointing interest rates currently available the council was only able to achieve investment income of £15,000 in 2009/10 and forecasts that this will continue, with a budget for investment income for 2010/11 also set at £15,000.

Reductions in income inevitably put a strain on services to identify savings in order to achieve an affordable and balanced budget. With government aims to substantially reduce Britain's budget deficit, local government will inevitably be required to identify further savings still. The council is currently undergoing a structure review, which will better place it in facing the challenges that will be approaching in the coming years.

In light of this outlook, the council has taken the opportunity to prepare, with substantial transfers made in 2009/10 to a number of earmarked reserves. The revised estimate for the

## Explanatory Foreword

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council forecast £149,000 would be transferred to earmarked reserves; however the Statement of Accounts shows a greatly increased £2.087m transferred to earmarked reserves. There are a variety of reasons for these transfers, and a breakdown can be seen in note 31 to the Core Financial Statements

In the 2009/10 financial year the council saw its first visitors to the newly completed, award winning Clitheroe Castle Museum, opened by HRH the Duke of Gloucester. Visitor numbers far exceeded those originally anticipated, drawing visitors to the wider borough as well as the castle site itself.

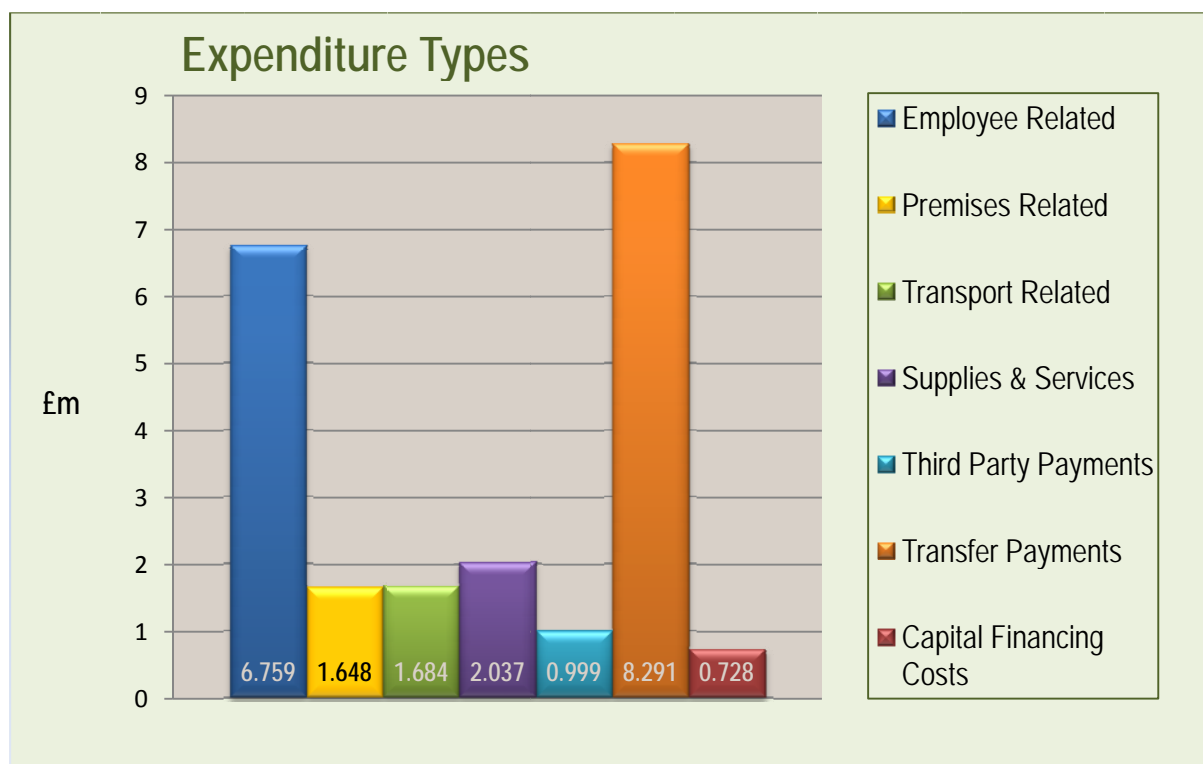
During 2009/10 there were many variances identified when we monitored our budget. The main variations affecting our final position compared with the revised estimate can be summarised as:

Variation	£'000
Fleming VAT Claim	182
Housing and Planning Delivery	195
Increased income on Building Control and Planning	32
Increased income on Licensing and Land Charges	19
New Burdens Grant - Habitats and Climate Change	24
Performance Reward Grant	478
Retained Housing Subsidy	38
Savings on Clitheroe Castle Museum	13
Savings on Concessionary Travel	34
Savings on Council Tax and NNDR	13
Savings on Economic Development	16
Savings on Grants and Subscriptions (All committees)	23
Savings on Ribble Valley Parks	9
Savings on Ribblesdale Pool	31
Savings on Various Repairs and Maintenance	12
Savings on Waste Transfer Station, Refuse and Recycling	17
Other Service Underspends transferred to Reserves	28
VAT shelter monies received	675
	<b>1,839</b>
Extra General Government Grant Received	9
Extra Transfers to Earmarked Reserves	-2,236
<b>Increase in amount to take from balances</b>	<b>-388</b>

***Analysis of our Expenditure by Type***

We have shown in the graph below how our total general fund **expenditure** is broken down by **type**:

Type	£'000
Employee Related	6,759
Premises Related	1,648
Transport Related	1,684
Supplies & Services	2,037
Third Party Payments	999
Transfer Payments	8,291
Capital Financing Costs	728
<b>Total Expenditure</b>	<b>22,146</b>

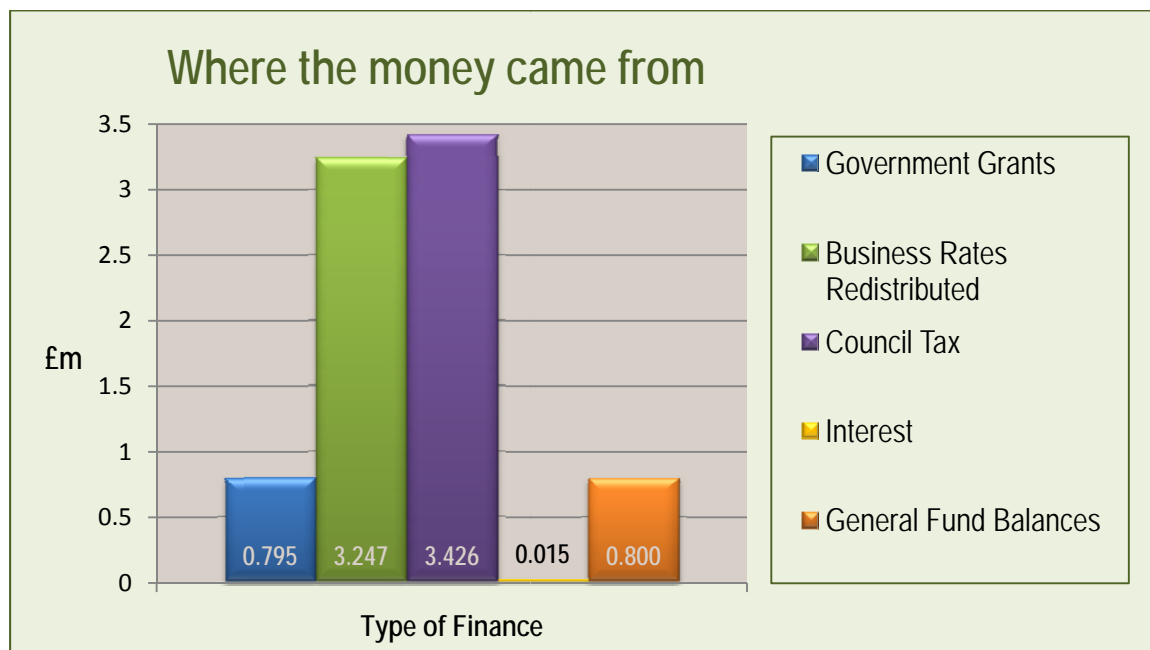


You can see that the two biggest types of expenditure are our employee costs and transfer payment. Transfer payments are payments such as housing benefits which we make on behalf of the Government.

## Explanatory Foreword

### How our general fund budget is financed

As shown earlier our total net expenditure for committees is £6.41m. A number of adjustments are then made to this total including the removal of depreciation from our accounts, interest payable and the transfers to/from earmarked reserves. After these adjustments we are left with expenditure to be financed for the year of £8.283m. We finance this as follows:



### General Fund Balances

It is obviously very important to maintain a healthy level of general fund balances to cover for unforeseen events and also provide a stable level of resources for future planning. This however has to be balanced against meeting the council's spending priorities and also very importantly setting a low council tax.

We had originally planned to take £246,000 from general fund balances to help finance the 2009/10 spending plans. The final position shows that the council has needed to take £800,000 from general fund balances. However, there has been a large increase in the level of net transfers to earmarked reserves, including £400,000 set aside in respect of extra staff pension liabilities following the transfer of housing staff to Ribble Valley Homes on 31 March 2008 and the merging of HRA balances with General Fund balances in 2008/09.

In addition we are pleased that we have continued to set the lowest council tax in Lancashire and one of the lowest council taxes in the country and yet hold healthy levels of balances.

	£'000
General Fund Balances: Brought forward at 1 April 2009	2,022
Taken to fund deficit on 2009/10 income and expenditure account	-800
General Fund Balances: Carried forward at 31 March 2010	1,222

### 3 PENSIONS

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The statement of accounts reflects the full adoption of Financial Reporting Standard 17 Retirement Benefits (FRS17), following its full implementation in 2003/04. This requires that:

- Pension costs charged to services are based on the cost of providing retirement benefits to employees in the period that the benefits are earned by the employee rather than the actual cash contributions to the Lancashire County Pension Fund. This cost referred to as the current service cost is calculated by the fund's actuary, Mercer Ltd.
- The net pension asset/liability in respect of the surplus/deficit on the pension fund, as calculated by the fund's actuary, is included in the Authority's balance sheet. In Ribble Valley Borough Council's case the net liability as at 31 March 2010 increased to £15.603m (31 March 2009 £10.555m).

When looking at the balance sheet on page 35, it can be seen that the council has a negative balance sheet. This is as a direct result of the increased net pension liability. The two major factors affecting the net pension asset/liability are the interest costs over the year and the change in actuarial assumptions. Interest will have added about 7% to the value of the liabilities, whilst the financial assumptions used for the calculations as at 31 March 2010 were much more conservative than those used as at 31 March 2009. This is driven particularly by the yields on corporate bonds falling substantially and the inflation assumption increasing slightly during the year.

Whilst the council's balance sheet shows a net liability rather than net assets, this is solely due to the accounting entries that are needed to be made for FRS17 (Retirement Benefits). Statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy.

### 4 CAPITAL

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We keep a separate account of all our capital expenditure and income transactions, examples of such transactions would be:

- Buying or selling land or property.
- Improvements to our existing assets.
- Building new properties.
- Purchase of refuse vehicles & plant.
- Awarding improvement grants for private sector renewal.

We have a five year capital programme which is revised each year depending on our priorities and the resources we expect to be available to fund the capital schemes.

## Explanatory Foreword

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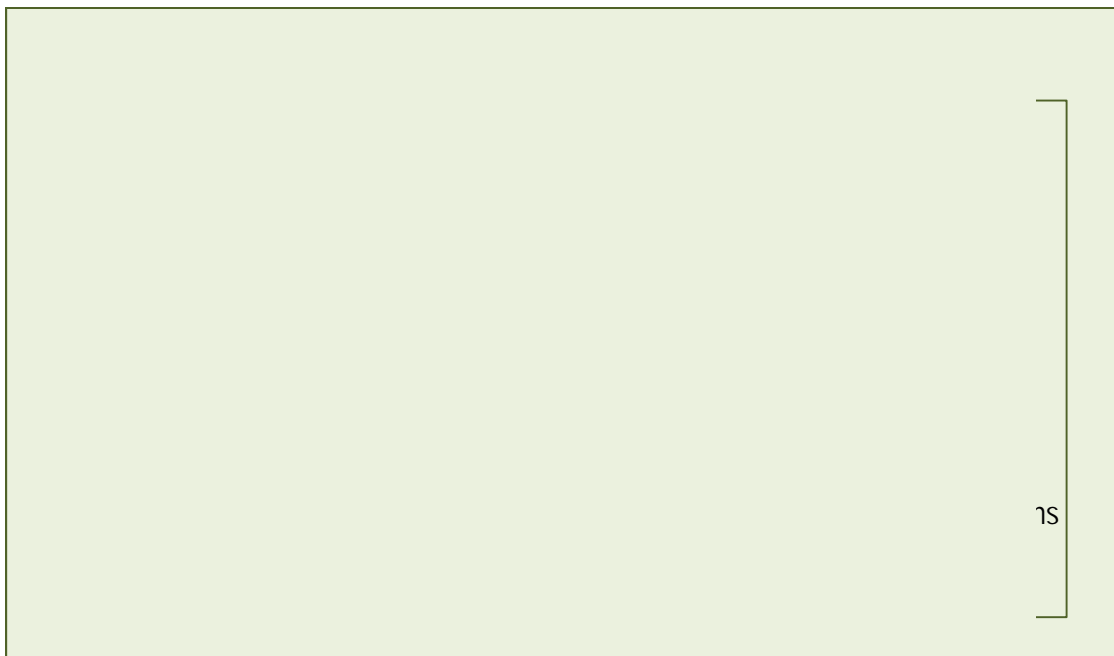
During the year the Council spent £1.504 million on capital schemes. The main areas of expenditure included:

- Clitheroe Castle Museum scheme.
- Replacement vehicles and plant.
- Computer hardware.
- Affordable housing initiatives.
- Renovation and disabled facilities grants.

At the end of the financial year work on some schemes was still underway. This can be carried forward into the new financial year and is known as slippage. Slippage for a number of schemes has been agreed into 2010/11. These schemes include the following:

- Calderstones Open Space.
- Replacement Car Park Machines and Software.
- Repairs to Riverside Path at Brungerley.
- Salthill Play Area.
- Football Changing Rooms Refurbishment at Roefield.
- Energy Efficiency Measures at Ribblesdale Pool.
- Affordable Housing Initiatives.

How the Capital Programme was Financed	£'000
Borrowing	494
Government grants and contributions	948
Revenue contributions	62
	<b>1,504</b>



## Explanatory Foreword

The Council financed capital expenditure totalling £494,000 from borrowing during 2009/10. We continue to make full use of advantageous lending terms that are offered by the Public Works Loan Board (PWLB).

The total PWLB loans outstanding at 31 March 2010 is £0.507m. These are included in the Balance Sheet under Short Term Borrowing and Long Term Borrowing. A detailed analysis of the Council's long term borrowing is shown in note 22 to the core financial statements.

#### 4 REVALUATION OF ASSETS

The council's freehold and leasehold properties were revalued on 1 March 2010 by the district valuer. This has a major impact on the values that the council shows in the balance on page 35 as Fixed Assets. These assets must be valued, as a minimum, every five years. The previous valuation took place on 1 March 2005.

The table below summarises the impact that the valuation had on our different fixed asset categories. The table shows the resulting values at 1 March 2010, before any depreciation or additions are accounted for:

	Cost or Valuation at 1 April 2009	Upward Revaluation	Downward Revaluation	Value at 1 March 2010 before Additions and Depreciation
	£	£	£	£
<b><i>Operational Assets</i></b>				
Other Land and Buildings	10,461,130	2,945,684	-2,579,638	10,827,176
Vehicles, Plant and Equipment	5,042,960	0	0	5,042,960
Infrastructure	294,422	0	0	294,422
Community	1,560,472	599,551	-18,571	2,141,452
<b>Total Operational Assets</b>	<b>17,358,984</b>	<b>3,545,235</b>	<b>-2,598,209</b>	<b>18,306,010</b>
<b><i>Non-Operational</i></b>				
Investment	724,456	233,008	-109,214	848,250
<b>Total Non-Operational Assets</b>	<b>724,456</b>	<b>233,008</b>	<b>-109,214</b>	<b>848,250</b>
<b>TOTAL</b>	<b>18,083,440</b>	<b>3,778,243</b>	<b>-2,707,423</b>	<b>19,154,260</b>

# Statement of Responsibilities

The following responsibilities are placed upon the Authority and the Director of Resources in relation to the Council's financial affairs:

## **The Authority's Responsibilities**

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The authority is required to:

- 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 authority, that officer is the Director of Resources.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

## **The Director of Resources' Responsibilities**

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The Director of Resources is responsible for the preparation of the authority's statement of accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the SORP).

In preparing this statement of accounts the, Director of Resources has:

- Selected suitable accounting policies and then applied them consistently.
- Made judgements and estimates that were reasonable and prudent.
- Complied with the local authority SORP

The Director of Resources has also:

- Kept proper accounting records which were up to date.
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

I hereby certify that the Statement of Accounts gives a true and fair view of the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2010.

Jane L Pearson  
Director of Resources CPFA

# Approval of the Statement of Accounts

I confirm that these accounts, including the Income and Expenditure Account on page 31 and the Balance Sheet on page 35, were approved by the Accounts and Audit Committee at its meetings held on 29 June 2010 (unaudited)

Signed by:

Cllr John Hill  
Chairman of Accounts and Audit Committee

29 June 2010

# Statement of Accounting Policies

## 1 GENERAL PRINCIPLES

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The Statement of Accounts summarises the Council's transactions for the 2009/10 financial year and its position at the year end of 31 March 2010. It has been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice (SORP)*. The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.

## 2 ACCRUALS OF INCOME AND EXPENDITURE

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Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Fees, charges and rents due from customers are accounted for as income at the date the council provides the relevant goods or services.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as stocks on the Balance Sheet.
- Works are charged as expenditure when they are completed, before which they are carried as works in progress on the Balance Sheet.
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

## 3 PROVISIONS

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

Provisions are charged to the appropriate service revenue account in the year that the council becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up on the Balance Sheet

Provisions for bad debts have been made within the accounts for expected losses of income in respect of sums due but not received from debtors.

#### 4 RESERVES

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The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts in the Statement of Movement on the General Fund Balance. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year to score against the Net Cost of Services in the Income and Expenditure Account. The reserve is then appropriated back into the General Fund Balance statement so that there is no charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for tangible fixed assets and retirement benefits and do not represent usable resources for the council. These reserves are explained in the relevant policies below.

#### 5 GOVERNMENT GRANTS AND CONTRIBUTIONS (REVENUE)

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Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as income at the date that the Council satisfies the conditions of entitlement to the grant/contribution, there is reasonable assurance that the monies will be received and the expenditure for which the grant is given has been incurred. Revenue grants are matched in service revenue accounts with the service expenditure to which they relate. Grants to cover general expenditure (e.g. Revenue Support Grant) are credited to the foot of the Income and Expenditure Account after Net Operating Expenditure.

#### 6 RETIREMENT BENEFITS

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Employees of the Council are eligible to join the Local Government Pension Scheme, administered by Lancashire County Council. The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

##### *The Local Government Pension Scheme*

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Lancashire County Pension Scheme attributable to Ribble Valley Borough Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on high quality (AA rated) corporate bonds. At 31 March 2010 the discount rate was around 5.6% (7.1% 31 March 2009).

## Statement of Accounting Policies

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- The assets of the Lancashire County Pension Fund attributable to Ribble Valley Borough Council are included in the Balance Sheet at their fair value:
  - Quoted securities – current bid price
  - Unquoted securities – professional estimate
  - Unitised securities – current bid price
  - Property – market value
- The Change in the Net Pensions Liability is analysed into seven components:
  - Current Service Cost – the increase in liabilities as a result of years of service earned this year – allocated in the Income and Expenditure Account to the revenue accounts of services for which the employees worked.
  - Past Service Cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs.
  - Interest Cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Net Operating Expenditure in the Income and Expenditure Account.
  - Expected Return on Assets – the annual investment return on the fund assets attributable to Ribble Valley Borough Council, based on an average of the expected long term return - credited to Net Operating Expenditure in the Income and Expenditure Account.
  - Gains/Losses on Settlements and Curtailments – where a restructuring has occurred within the employer's staff base and a number of staff have transferred from the employer in an accounting period, i.e. a settlement has occurred in terms of the assets and liabilities lost (transferred out) to either another employer in the fund or to a different pension scheme – debited/credited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs.
  - Actuarial Gains and Losses – changes in the Net Pensions Liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited/credited to the Statement of Total Recognised Gains and Losses.
  - Contributions paid to the Lancashire County Pension Fund – cash paid as employer's contributions to the pension fund.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the Pension Fund in the year, not the amount calculated according to the relevant accounting standards. In the Statement of Movement on the General Fund Balance this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the Pension Fund and any amounts payable to the fund but unpaid at the year end.

### **Discretionary Benefits**

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

## **7 VAT**

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Income and Expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue and Customs and all VAT paid is recoverable from it.

## **8 OVERHEADS AND SUPPORT SERVICES**

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The cost of support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Best Value Accounting Code of Practice 2008* (BVACOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the council's status as a multi-functional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on non-operational properties.

These two categories are defined in BVACOP and accounted for as separate headings in the Income and Expenditure Account, as part of Net Cost of Services.

## **9 INTANGIBLE FIXED ASSETS**

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Expenditure on assets that do not have physical substance but are identifiable and controlled by the Council (e.g. software licences) is capitalised when it will bring benefits to the Council for more than one financial year. The balance is amortised to the relevant service revenue account over the economic life of the investment to reflect the pattern of consumption of benefits.

## 10 TANGIBLE FIXED ASSETS

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Tangible fixed assets are assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis.

### Recognition

Expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis, provided that it yields benefits to the Council and the services that it provides for more than one financial year. Expenditure that secures but does not extend the previously assessed standard of performance of an asset (e.g. repairs and maintenance) is charged to revenue as it is incurred.

### Measurement

Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the Balance Sheet using the following measurement bases:

- Investment properties and assets surplus to requirements – lower of net current replacement cost or net realisable value
- Dwellings, other land and buildings, vehicles, plant and equipment – lower of net current replacement cost or net realisable value in existing use.
- Infrastructure assets and community assets – depreciated historical costs, with some community assets valued at £1

Net current replacement cost is assessed as:

- Non-specialised operational properties – existing use value
- Specialised operational properties – depreciated replacement cost
- Investment properties and surplus assets – market value

Assets included in the Balance Sheet at current value are revalued where there have been material changes in the value, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

### Impairments

The values of each category of assets and of material individual assets that are not being depreciated are reviewed at the end of each financial year for evidence of reductions in value. Where impairment is identified as part of this review or as a result of a valuation exercise, this is accounted for by:

- Where attributable to the clear consumption of economic benefits – the loss is charged to the relevant service revenue account

## Statement of Accounting Policies

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- Otherwise – written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account.

Where an impairment loss is charged to the Income and Expenditure Account but there were accumulated revaluation gains in the Revaluation Reserve for that asset, an amount up to the value of the loss is transferred from the Revaluation Reserve to the Capital Adjustment Account.

### Disposals

When an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Expenditure Account as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts categorised as Capital Receipts are credited to the Capital Receipts Reserve. These can only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the reserve from the Statement of Movement on the General Fund Balance.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the Statement of Movement on the General Fund Balance.

### Depreciation

Depreciation is provided for on all fixed assets with a determinable finite useful life. Provision for depreciation is made by allocating the cost (or revalued amount) less estimated residual value of the assets. Assets are not depreciated in the year of acquisition.

The Council operates a straight-line method for depreciation over the useful economic life of the asset as follows:

	Years
Buildings	50
Infrastructure	40
Large Equipment	10
Council Houses	60
Large Vehicles	8
Small Vehicles	5
Small Plant/Equipment	3

## Statement of Accounting Policies

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Where an asset has major components with different estimated useful lives, these are depreciated separately. Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

### Grants and Contributions

Where grants and contributions are received that are identifiable to fixed assets with a finite useful life, the amounts are credited to the Government Grants Deferred Account. The balance is then written down to revenue to balance depreciation charges made for the related assets in the relevant service revenue account, in line with the depreciation policy applied to them.

## **11 CHARGES TO REVENUE FOR FIXED ASSETS**

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Service revenue accounts, support services and trading accounts are debited with the following amounts to record the real cost of holding fixed assets during the year.

- Depreciation attributable to the assets used by the relevant service.
- Impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off.
- Amortisation of intangible fixed assets attributable to the service

The Council is not required to raise council tax to cover depreciation, impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement (equal to at least 4% of the underlying amount measured by the adjusted capital financing requirement). Depreciation, impairment losses and amortisations are therefore replaced by Minimum Revenue Provision in the Statement of Movement on the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

## **12 REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUE**

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Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of fixed assets has been charged as expenditure to the relevant service revenue account in the year.

Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account then reverses out the amounts charged in the Statement of Movement on the General Fund Balance so that there is no impact on council tax.

## 13 LEASES

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### Finance Leases

The council accounts for leases as finance leases when substantially all the risks and rewards relating to the leased property transfer to the council. Rentals payable are apportioned between:

- A charge for the acquisition of the interest in the property recognised as a liability in the Balance Sheet at the start of the lease, matched with a tangible fixed asset – the liability is written down as the rent becomes payable), and
- A finance charge (debited to Net Operating Expenditure in the Income and Expenditure Account as the rent becomes payable).

Fixed assets recognised under finance leases are accounted for using the policies applied generally to Tangible Fixed Assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life. The Council does not hold any Finance Leases.

### Operating Leases

Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals payable are charged to the relevant service revenue account on a straight-line basis over the term of the lease, generally meaning that rentals are charged when they become payable.

## 14 FINANCIAL LIABILITIES

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Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. For most of the borrowings that the council has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest) and interest charged to the Income and Expenditure Account is the amount payable for the year in the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to Net Operating Expenditure in the Income and Expenditure Account and the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Income and Expenditure Account is spread over the life of the loan by an adjustment to the effective interest rate.

## Statement of Accounting Policies

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Where premiums and discounts have been charged to the Income and Expenditure Account, regulations allow the impact on the General Fund Balance to be spread over future years. The reconciliation of the amounts charged to the Income and Expenditure Account to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Statement of Movement on the General Fund Balance.

### 15 FINANCIAL ASSETS

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Financial assets are classified in two types:

- Loans and receivables: assets that have fixed or determinable payments but are not quoted in an active market.
- Available-for-sale-assets: assets that have a quoted market price and/or do not have fixed or determinable payments (the Council has no available-for-sale assets).

#### Loans and Receivables

Loans and receivables are initially measured at fair value and carried at their amortised cost. Annual credits to the Income and Expenditure Account for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable and interest credited to the Income and Expenditure Account is the amount receivable for the year in the loan agreement.

Should the Council make loans to voluntary organisations at less than market rates (soft loans), a loss is recorded in the Income and Expenditure Account for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. The Council has made no material soft loans.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under a contract will not be made, the asset is written down and a charge made to the Income and Expenditure Account.

Any gains and losses that arise on the de-recognition of the asset are credited/debited to the Income and Expenditure Account.

#### Available-for-sale Assets

Available-for-sale assets are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Income and Expenditure Account for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Income and Expenditure Account when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- instruments with quoted market prices – market price
- other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted market prices – independent appraisal of company valuations

Changes in fair value are balanced by an entry in the Available-for-sale Reserve and the gain/loss is recognised in the Statement of Total Recognised Gains and Losses (STRGL). The exception is where impairment losses have been incurred – these are debited to the Income and Expenditure Account, along with any net gain/loss for the asset accumulated in the Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Income and Expenditure Account.

Any gains and losses that arise on the derecognition of the asset are credited/debited to the Income and Expenditure Account, along with any accumulated gains/losses previously recognised in the STRGL.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

The council does not hold any assets which at the 31 March would be classified as Available-for-sale assets.

## **16 STOCKS AND WORK IN PROGRESS**

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Stocks are included in the Balance Sheet at cost price with the exception of the General Stores which is valued at average cost. Work in progress is recorded in the Balance Sheet at cost.

## **17 CONTINGENT ASSETS**

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A contingent asset, as defined by FRS 12 is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the entity's control. Contingent assets are not recognised in the Income and Expenditure Account or the Balance Sheet but are disclosed as a note to the core financial statements. Such disclosures indicate the nature of the contingent asset and an estimate of the financial effect.

## 18 CONTINGENT LIABILITIES

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A contingent liability, as defined by FRS 12, is either

- a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the organisation's control or
- a present obligation that arises from past events but is not recognised because:
  - it is not probable that a transfer of economic benefits will be required to settle the obligation, or
  - the amount of the obligation cannot be measured with sufficient reliability.

## 19 EXCEPTIONAL ITEMS

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These are derived from *FRS 3 Reporting Financial Performance*. Exceptional items are ones that are material in terms of the authority's overall expenditure and not expected to recur frequently or regularly, but derive from events or transactions that fall within the ordinary activities of the council. Exceptional items are included within the cost of the service to which they relate unless, in order to give a fair presentation of the accounts, the item requires prominence on the face of the Income and Expenditure Account.

# Income and Expenditure Account

This statement shows the income and expenditure of the main services of the Council and how the net cost of these services was financed.

2008/09	2009/10			Note	
	£	Gross Expenditure £	Gross Income £		Net Expenditure £
830,964	Central Services to the Public	3,628,224	-2,732,733	895,491	
4,689,708	Cultural, Environmental, Regulatory and Planning Services	10,111,748	-3,413,834	6,697,914	
442,525	Highways and Transport Services	2,130,197	-1,565,763	564,434	
34,601	Local Authority Housing (HRA)	0	0	0	
134,914	Other Housing Services	6,848,895	-6,477,563	371,332	
23,408	Adult Social Care	58,518	-35,402	23,116	
1,763,582	Corporate and Democratic Core	2,003,138	-1,747,650	255,488	1
-235,000	Non Distributed Costs	129,288	0	129,288	
<b>7,684,702</b>	<b>Net Cost of Services</b>	<b>24,910,008</b>	<b>-15,972,945</b>	<b>8,937,063</b>	
-999	Gain on the Disposal of Fixed Assets			0	
365,728	Parish Council Precepts			367,952	
-33,738	Surplus on Trading Undertakings not Included in Net Cost of Services			-7,684	2
35,486	Interest Payable and Similar Charges			29,566	
379,956	Amortisation of Discounts and Premiums			0	1
4,359	Contribution of Housing Capital Receipts to Government Pool			1,196	
-238,495	Interest and Investment Income			-15,112	
488,000	Pensions Interest Cost and Expected Return on Pensions Assets			894,000	35
<b>8,684,999</b>	<b>Net Operating Expenditure</b>			<b>10,206,981</b>	
-3,325,401	Demand on the Collection Fund			-3,423,180	1
-620,552	General Government Grants			-795,018	3
-3,387,555	Non-Domestic Rates Redistribution			-3,247,113	
<b>1,351,491</b>	<b>Deficit For Year</b>			<b>2,741,670</b>	

## Statement of Movement on the General Fund Balance

# Statement of Movement on the General Fund Balance

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

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.
- The payment of a share of housing capital receipts to the government scores as a loss in the Income and Expenditure Account, but is met from the usable capital receipts balance rather than council tax.
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

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.

This reconciliation statement summarises the difference between the outturn on the Income and Expenditure Account and the General Fund Balance.

2008/09 £		2009/10 £
1,351,491	Deficit for the year on the Income and Expenditure Account	2,741,670
-1,255,549	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	-1,942,105
	<b>95,942 Decrease in General Fund Balance for the Year</b>	<b>799,565</b>
-1,111,154	General Fund Balance brought forward	-2,021,660
-1,006,448	Housing Revenue Account Balances transferred to General Fund upon Closure of Housing Revenue Account	0
	<b>-2,021,660 General Fund Balance carried forward</b>	<b>-1,222,095</b>

## Statement of Movement on the General Fund Balance

Note of Reconciling Items for the Statement of Movement on the General Fund Balance

This reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.

2008/09 £		2009/10 £	Note
	<b>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</b>		
-898,675	Depreciation and impairment of fixed assets	-3,438,166	
-379,956	Amounts charged to income and expenditure for premiums and discounts	0	1
226,299	Government Grants Deferred amortisation	249,267	23
-245,400	Revenue Expenditure Funded from Capital under Statute	-289,962	18
61,161	Net Gain on Disposals of Fixed Assets	0	
-1,175,000	Net charges made for retirement benefits in accordance with FRS17	-1,504,000	35
-13,524	Amount by which Council Tax income included in the Income and Expenditure Account is different from the amount taken to the General Fund in accordance with regulation	-2,071	1 & 32
<b>-2,425,095</b>		<b>-4,984,932</b>	
	<b>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</b>		
215,805	Minimum revenue provision for capital financing	116,190	8
870,464	Capital expenditure charged in-year to the General Fund Balance	61,511	
-4,359	Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	-1,196	
841,605	Employer's contributions payable to the Lancashire County Pension Fund and retirement benefits payable direct to pensioners	841,000	35
<b>1,923,515</b>		<b>1,017,505</b>	
	<b>Transfers to or 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</b>		
-6,336	Housing Revenue Account Balance	0	
-747,633	Net Transfers to or from Earmarked Reserves	2,025,322	30 & 31
<b>-753,969</b>		<b>2,025,322</b>	
<b>-1,255,549</b>	<b>Net additional amount required to be credited to the General Fund Balance for the year</b>	<b>-1,942,105</b>	

## Statement of Total Recognised Gains and Losses

# Statement of Total Recognised Gains and Losses

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

2008/09 £'000		2009/10 £'000	Note
1,352	<b>(Surplus)/Deficit for the year on the Income and Expenditure Account</b>	<b>2,741</b>	1
0	(Surplus)/Loss arising on revaluation of fixed assets	-3,778	25
-560	Actuarial (gains)/ losses on pension fund assets and liabilities	4,385	35
<b>792</b>	<b>Total recognised losses for the year</b>	<b>3,348</b>	

# Balance Sheet

31 March 2009 £		31 March 2010 £	Note
	<b>Fixed Assets</b>		
38,812	Intangible Assets	15,000	15
	<b>Tangible Fixed Assets</b>		10
	<i>Operational Assets :</i>		
9,387,301	Other Land and Buildings	9,994,650	
2,611,634	Vehicles, Plant and Equipment	2,460,299	
241,157	Infrastructure Assets	234,857	
1,513,125	Community Assets	2,189,416	
	<i>Non Operational Assets :</i>		
724,456	Investment Properties	848,250	
<b>14,516,485</b>	<b>Total Fixed Assets</b>	<b>15,742,472</b>	
53,633	Long Term Debtors	49,604	17
<b>14,570,118</b>	<b>Total Long Term Assets</b>	<b>15,792,076</b>	
	<b>Current Assets</b>		
59,393	Stocks and Work in Progress	77,830	19
1,168,362	Debtors and Prepayments	2,775,028	1 & 20
1,585,000	Short Term Investments	0	
6,476	Cash	19,888	
	<b>Current Liabilities</b>		
-78,608	Short Term Borrowing	-78,608	
-2,130,866	Creditors	-1,470,394	1 & 21
-139,089	Bank Overdraft	-75,492	
<b>15,040,786</b>	<b>Total Assets Less Current Liabilities</b>	<b>17,040,328</b>	
-578,131	Long Term Borrowing	-507,024	22
-3,161,579	Government Grants Deferred	-3,532,655	23
-10,554,324	Liability Related to Defined Pension Schemes	-15,602,324	35
<b>746,752</b>	<b>Total Assets Less Liabilities</b>	<b>-2,601,675</b>	
	<b>Financed by</b>		
8,031,296	Capital Adjustment Account	4,730,534	26
-23,986	Collection Fund Adjustment Account	-26,057	1 & 32
0	Revaluation Reserve	3,778,243	25
9,809	Deferred Credits	7,957	30
0	Usable Capital Receipts Reserve	0	29
1,262,297	Earmarked Reserves	3,287,877	31
-10,554,324	Pension Reserve	-15,602,324	35
2,021,660	Balances - General Fund	1,222,095	
<b>746,752</b>	<b>Total Equity</b>	<b>-2,601,675</b>	

## Notes to the Core Financial Statements

## Cash Flow Statement

2008/09 For further information see notes 39-44 to the core £'000 financial statements.	2009/10	
	£'000	£'000
<b><u>Revenue Activities</u></b>		
<b>Cash Outflows:</b>		
6,774 Cash Paid to and on Behalf of Employees		6,528
11,143 Other Operating Cash Payments		10,369
4,945 Housing Benefits Paid out		5,813
366 Precepts Paid		368
4 Payments to the Capital Receipts Pool		1
<b>23,232</b>		<b>23,079</b>
<b>Cash Inflows:</b>		
-3,328 Council Tax Receipts		-3,426
-3,388 NNDR Receipts From the National Pool		-3,247
-621 General Government Grants		-795
-4,961 DWP Grant for Benefits		-5,797
-2,658 Other Government Grants		-2,888
-18,550 Cash Received for Goods and Services		-6,633
-4 Other Operating Cash Receipts		-1
<b>-33,510</b>		<b>-22,787</b>
<b>-10,278 Net Cash Outflow/(Inflow) From Revenue Activities</b>		<b>292</b>
<b><u>Returns on Investments and Servicing of Finance</u></b>		
35 Cash Outflows - Interest Paid		29
-238 Cash Inflows - Interest Received		-15
<b>-203 Net Cash Outflow From Returns on Investments and Servicing of Finance</b>		<b>14</b>
<b><u>Capital Activities</u></b>		
3,826 Cash Outflows - Purchase of Fixed Assets		1,504
4 - Other Capital Cash Payments		1
-69 Cash Inflows - Sales of Fixed Assets		-2
-445 - Capital Grants Received		-440
-2,408 - Other Capital Cash Receipts		-299
<b>908 Net Cash Outflow From Capital Activities</b>		<b>764</b>
<b>-9,573 Net Cash Outflow Before Financing</b>		<b>1,070</b>
<b><u>Management of Liquid Resources</u></b>		
-1,815 Net Increase/(Decrease) in Short Term Deposits		-1,585
-808 Net Increase/(Decrease) in Other Liquid Resources		367
<b>-2,623 Net Increase/(Decrease) in Short Term Deposits</b>		<b>-1,218</b>
<b><u>Financing</u></b>		
6,278 Cash Outflows - Repayment of Amounts Borrowed		71
0 Cash Inflows - New Loans Raised		0
<b>6,278 Financing Net Cash Outflow/(Inflow)</b>		<b>71</b>
<b>-5,918 (Increase)/Decrease in Cash and Cash Equivalents</b>		<b>-77</b>

# Notes to the Core Financial Statements

## 1 EXCEPTIONAL ITEMS AND PRIOR PERIOD ADJUSTMENTS

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### Exceptional Items

Exceptional items are ones that are material in terms of the Council's overall expenditure and not expected to occur frequently or regularly.

### **Amortisation of Premiums and Discounts**

On 31 March 2008 the Council transferred its housing stock to Ribble Valley Homes Ltd. As a result of the transfer the Government repaid PWLB housing related debt of £6.2m and associated premiums and discounts totalling £0.4m on 3 April 2008.

This total was processed in the council's accounts as a government debtor in respect of overhanging debt grant in 2007/08; however the PWLB debt remained on the balance sheet at 31 March 2008 with the discharge taking place in 2008/09.

This exceptional item related to a discontinued operation and due to the significance of the transaction as a whole was shown on the face of the Income and Expenditure Account as an Exceptional Item

### **Cultural and Sporting Services VAT Reclaim**

The Council engaged the services of consultants to pursue a number of potential VAT claims for cultural and sporting services. The claims were submitted to HM Revenue and Customs and were successful, resulting in a net receipt of VAT of £182,000.

This exceptional item relates to ongoing operations of the council. A high degree of prominence on the face of the Income and Expenditure account is not seen as necessary for this item. This receipt is shown on the Income and Expenditure Account within 'Corporate and Democratic Core'.

### Prior Period Adjustments

### **Accounting for Council Tax and National Non-Domestic Rates**

From 1 April 2009, for both billing authorities and major preceptors, the Council Tax income included in the Income and Expenditure Account for the year must be the accrued income for the year. This contrasts with previous accounting requirements where Council Tax income included in the Income and Expenditure Account represented the amounts required under regulation to be transferred from the Collection Fund to the General Fund of the billing authority.

Under the new accounting requirements the difference between the income included in the Income and Expenditure Account and the amount required by regulation to be credited to the General Fund must be taken to a new Collection Fund Adjustment Account and included as a reconciling item in the Statement of Movement on the General Fund Balance.

## Notes to the Core Financial Statements

Since the collection of Council Tax is in substance an agency arrangement, the cash collected by the billing authority from Council Tax debtors belongs proportionately to the billing authority and the major preceptors. There is therefore a debtor/creditor position between the billing authority and each major preceptor to be recognised, since the net cash paid to each major preceptor in the year will not be its share of cash collected from the council Taxpayers.

The above change has also prompted a review of the treatment of National Non-Domestic Rates. There is now a requirement that billing authorities shall not show NNDR payers as debtors or creditors in their Balance Sheet but instead show a single creditor or debtor for the Department of Communities and Local Government (DCLG) recognising that the Council is acting as agent in the collection of NNDR for the Government.

**Extract from Income and Expenditure Account**

2008/09 Before Adjustment (Published) £	2008/09 After Adjustment £		Net Expenditure 2009/10 £
<b>8,684,999</b>	<b>8,684,999</b>	<b>Net Operating Expenditure</b>	<b>10,206,981</b>
-3,338,925	-3,325,401	Demand on the Collection Fund	-3,423,180
-620,552	-620,552	General Government Grants	-795,018
-3,387,555	-3,387,555	Non-Domestic Rates Redistribution	-3,247,113
<b>1,337,967</b>	<b>1,351,491</b>	<b>Deficit for the Year</b>	<b>2,741,670</b>

**Extract from Statement of Movement on the General Fund**

2008/09 Before Adjustment (Published) £	2008/09 After Adjustment £		2009/10 £
1,337,967	1,351,491	Deficit for the year on the Income and Expenditure Account	2,741,670
-1,242,025	-1,255,549	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	-1,942,105
<b>95,942</b>	<b>95,942</b>	<b>Decrease in General Fund Balance for the Year</b>	<b>799,565</b>
-1,111,154	-1,111,154	General Fund Balance brought forward	-2,021,660
-1,006,448	-1,006,448	Housing Revenue Account Balances transferred to General Fund upon Closure of Housing Revenue Account	0
<b>-2,021,660</b>	<b>-2,021,660</b>	<b>General Fund Balance carried forward</b>	<b>-1,222,095</b>

**Extract from Balance Sheet**

2008/09 Before Adjustment (Published) £	2008/09 After Adjustment £		2009/10 £
<b>Current Assets</b>			
1,372,517	1,168,362	Debtors and Prepayments	2,775,028
<b>Current Liabilities</b>			
-2,539,500	-2,130,866	Creditors	-1,470,394
<b>14,836,307</b>	<b>15,040,786</b>	<b>Total Assets Less Current Liabilities</b>	<b>17,040,328</b>
<b>542,273</b>	<b>746,752</b>	<b>Total Assets Less Liabilities</b>	<b>-2,601,675</b>
<b>Financed by</b>			
0	-23,986	Collection Fund Adjustment Account	-26,057
-228,465	0	Collection Fund	0
<b>542,273</b>	<b>746,752</b>	<b>Total Equity</b>	<b>-2,601,675</b>

**Extract from Statement of Total Recognised Gains and Losses**

2008/09 Before Adjustment (Published) £	2008/09 After Adjustment £		2009/10 £
<b>1338</b>	<b>1,352</b>	<b>(Surplus)/Deficit for the year on the Income and Expenditure Account</b>	<b>2,741</b>
0	0	(Surplus)/Loss arising on revaluation of fixed assets	-3,778
-560	-560	Actuarial (gains)/ losses on pension fund assets and liabilities	4,385
129	0	Movement on Collection Fund Balance	0
<b>907</b>	<b>792</b>	<b>Total recognised losses for the year</b>	<b>3,348</b>

*The Movement on the Collection fund Balance is no longer included in the Statement of Total Recognised Gains and Losses following the changes.*

## Notes to the Core Financial Statements

**Extract from Cash Flow Statement**

2008/09 Before Adjustment (Published) £'000	2008/09 After Adjustment £'000		2009/10 £'000
<b><u>Revenue Activities</u></b>			
<b>Cash Outflows:</b>			
11,249	11,143	Other Operating Cash Payments	10,369
10,700	0	NNDR Payment to the National Pool	0
28,757	366	Precepts Paid	368
<b>62,430</b>	<b>23,232</b>		<b>23,079</b>
<b>Cash Inflows:</b>			
-31,628	-3,328	Council Tax Receipts	-3,426
-10,782	0	NNDR Receipts	0
-19,474	-18,550	Cash Received for Goods and Services	-6,633
<b>-73,516</b>	<b>-33,510</b>		<b>-22,787</b>
<b>-11,086</b>	<b>-10,278</b>	<b>Net Cash Outflow/(Inflow) From Revenue Activities</b>	<b>292</b>
<b><u>Management of Liquid Resources</u></b>			
0	-808	Net Increase/(Decrease) in Other Liquid Resources	367
<b>-1,815</b>	<b>-2,623</b>		<b>-1,218</b>

**2 TRADING OPERATIONS**

The Council operates the following trading services with financial results as follows:

	2008/09 £	2009/10 £
<b><i>Clitheroe Market</i></b>		
- Income From Stall Holders	122,036	124,934
- Expenditure	-91,700	-103,566
- Depreciation	-5,783	-19,367
<b>Surplus Transferred to General Fund</b>	<b>24,553</b>	<b>2,001</b>
<b><i>Albion Mill</i></b>		
- Income From Rents	39,648	37,633
- Expenditure	-30,463	-31,950
<b>Surplus Transferred to General Fund</b>	<b>9,185</b>	<b>5,683</b>
<b>Net Surplus on Trading Services</b>	<b>33,738</b>	<b>7,684</b>

**3 GENERAL GOVERNMENT GRANTS**

The Council received the following *General Government Grants* which are shown on the bottom of the Income and Expenditure Account. These are grants towards the general expenditure of the Council rather than specific grants which are credited to the relevant service.

	2008/09 £'000	2009/10 £'000
Revenue Support Grant	471	749
Local Authority Business Growth Incentive Scheme	126	14
Area Based Grant	23	23
Housing and Planning Delivery Grant	-	9
	<b>620</b>	<b>795</b>

Housing and Planning Delivery Grant was treated as a Specific Grant in accordance with the SORP in 2008/09. This treatment was changed in the 2009 SORP, requiring the grant to be classified as a General Government Grant. The amount of Housing and Planning Delivery Grant which was received in 2008/09 was £93,469

**4 MEMBERS' ALLOWANCES**

During the year an amount of £203,087 (2008/09 - £189,962) was paid to members in respect of allowances.

**5 OFFICERS' EMOLUMENTS**

The number of employees whose remuneration, excluding employer's pension contributions, was £50,000 or more in bands of £5,000 was:

	2008/09	Left During the Year	2009/10
£50,000 - £54,999	1		
£55,000 - £59,999			
£60,000 - £64,999			
£65,000 - £69,999			
£70,000 - £74,999	1		2
£75,000 - £79,999	2		
£80,000 - £84,999			1
£85,000 - £89,999			
£90,000 - £94,999			1
£95,000 - £99,999			
£100,000 - £104,999	1	1	

## Notes to the Core Financial Statements

The table below sets out the remuneration disclosures for Senior Officers. Whilst the table above shows those employees with a total remuneration (excluding pension contributions) of above £50,000, a further disclosure is required where the salary element within that remuneration is greater than £50,000.

**Remuneration Disclosure (excluding Pension Contributions)**

Post Holder Information	Salary	Benefits in Kind	Total Remuneration excluding Pension Contributions	Salary	Benefits in Kind	Total Remuneration excluding Pension Contributions
	2008/09 £	2008/09 £	2008/09 £	2009/10 £	2009/10 £	2009/10 £
Chief Executive (A)	88,621	12,138	<b>100,759</b>	-	-	-
Chief Executive (B)	-	-	-	87,409	6,815	<b>94,224</b>
Director of Community	71,559	7,618	<b>79,177</b>	73,233	7,618	<b>80,851</b>
Director of Development	68,565	2,976	<b>71,541</b>	70,122	3,369	<b>73,491</b>
Director of Resources (A)	71,559	7,114	<b>78,673</b>	-	-	-
Director of Resources (B)	-	-	-	67,005	6,583	<b>73,588</b>
	<b>300,304</b>	<b>29,846</b>	<b>330,150</b>	<b>297,769</b>	<b>24,385</b>	<b>322,154</b>

*Please Note: There has been a change of post holder for the roles of Chief Executive and Director of Resources between the two financial years of 2008/09 and 2009/10.*

Where an employee is a member of the Local Government Pension Scheme a contribution is made by the council to the pension scheme in addition to the employee's own contribution.

The employee's contributions for all staff are made on a sliding scale dependant upon salary level as shown in the table below.

Salary Banding 2008/09	Salary Banding 2009/10	Employee Contribution Rate
£0 - £12,000	£0 - £12,600	5.5%
> £12,000 - £14,000	> £12,600 - £14,700	5.8%
> £14,000 - £18,000	> £14,700 - £18,900	5.9%
> £18,000 - £30,000	> £18,900 - £31,500	6.5%
> £30,000 - £40,000	> £31,500 - £42,000	6.8%
> £40,000 - £75,000	> £42,000 - £78,700	7.2%
> £75,000	> £78,700	7.5%

## Notes to the Core Financial Statements

The contribution to the pension scheme which the council make is based upon the employee's salary and the rate consists of two elements. The two elements of the contribution rate for Ribble Valley Borough Council in 2008/9 and 2009/10 were:

Elements of Contribution Rate	2008/09	2009/10
Common Rate	13.3%	13.3%
Ribble Valley Adjustment amount	2.3%	2.3%
<b>Total Contribution Rate</b>	<b>15.6%</b>	<b>15.6%</b>

The table below sets out the remuneration disclosures for Senior Officers whose salary is less than £150,000 but equal to or more than £50,000 per year, together with the council's pension contributions. The pension contributions shown exclude those which were made by the employee and are based on the Common Rate in accordance with the SORP.

**Remuneration Disclosure (including Pension Contributions)**

Post Holder Information	Total	Pension	Total	Total	Pension	Total
	Remuneration	Contributions	Remuneration	Remuneration	Contributions	Remuneration
	excluding	2008/09	including	excluding	2009/10	including
	Pension	2008/09	Pension	Pension	2009/10	Pension
	Contributions	£	Contributions	Contributions	£	Contributions
	2008/09	£	2008/09	2009/10	£	2009/10
	£	£	£	£	£	£
Chief Executive (A)	100,759	11,790	<b>112,549</b>	-	-	-
Chief Executive (B)	-	-	-	94,224	11,734	<b>105,958</b>
Director of Community	79,177	9,517	<b>88,694</b>	80,851	9,740	<b>90,591</b>
Director of Development	71,541	9,119	<b>80,660</b>	73,491	9,326	<b>82,817</b>
Director of Resources (A)	78,673	9,517	<b>88,190</b>	-	-	-
Director of Resources (B)	-	-	-	73,588	8,912	<b>82,500</b>
	<b>330,150</b>	<b>39,943</b>	<b>370,093</b>	<b>322,154</b>	<b>39,712</b>	<b>361,866</b>

Please Note: There has been a change of post holder for the roles of Chief Executive and Director of Resources between the two financial years of 2008/09 and 2009/10.

In both financial years there were no employees with a salary of more than £150,000.

For the Chief Executive post the salary amount includes receipts for Acting Returning Officers Fees.

## Notes to the Core Financial Statements

**6 RELATED PARTY TRANSACTIONS**

Information in respect of material transactions with related parties is required to be disclosed. A number of these transactions have already been disclosed within the financial statements, as follows:

- I. Transactions with central government have been disclosed within both the income and expenditure account and the cash flow statement, as well as in notes to the core financial statements.
- II. Transactions with other public bodies, i.e. Lancashire County Council and the district councils of Lancashire, have been disclosed within the income and expenditure account and the cash flow statement, as well as in the other notes to the accounts.
- III. Transactions with the Lancashire pension fund have been disclosed within the statement of accounting policies and in detail in the notes to the core financial statements.

In addition:

Members of the Council have direct control over the Council's financial and operating policies. Details of member interests are recorded in the Register of Members Interests, which is open to public inspection at the Council Offices, Clitheroe. A number of members represent the Council on external bodies and organisations.

Four members of the Council are Board Members of Ribble Valley Homes to whom the council transferred its housing stock on 31 March 2008.

There are no material transactions to disclose relating to chief officers (including their close family).

**7 AUDIT COSTS**

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

	2008/09 £	2009/10 £
Fees Payable to the Audit Commission:		
- External Audit Services	89,859	87,000
- Statutory Inspection	5,972	8,317
- 2007/08 Corporate Performance Assessment	13,720	0
- Certification of Grant Claims and Returns	28,000	25,445
<b>Total</b>	<b>137,551</b>	<b>120,762</b>

**8 MINIMUM REVENUE PROVISION**

The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 require the authority to charge to the Income and Expenditure Account a prudent level of Minimum Revenue Provision (MRP) for the redemption of debt. The Council's Minimum Revenue Provision policy is:

- For capital expenditure incurred before 1 April 2008 or which in the future will be Supported Capital Expenditure, the MRP policy is to follow the practice outlined in former DCLG regulations at a rate of 4%.
- From 1 April 2008, for all Unsupported Borrowing the MRP Policy is to follow the Asset Life Method (Equal Charge approach), i.e. the MRP will be based upon the estimated life of the assets financed from borrowing.

Minimum Revenue Provision	2008/09 £'000	2009/10 £'000
Total Minimum Revenue Provision	216	116

**9 GOVERNMENT GRANTS DEFERRED**

The balance on this account represents the value of capital grants and contributions that have been applied to finance the acquisition or enhancement of fixed assets. The balance is released to revenue over the life of the asset, taking into account depreciation.

	2008/09 £'000	2009/10 £'000
Balance at 1 April	1,937	3,162
Grants Applied to finance Capital Expenditure	1,451	620
Release of Grants Amortised to Revenue	-226	-249
<b>Balance at 31 March</b>	<b>3,162</b>	<b>3,533</b>

## Notes to the Core Financial Statements

**10 SUMMARY OF CAPITAL EXPENDITURE AND FIXED ASSET DISPOSALS**

Our fixed assets are analysed as follows:

**Operational Assets**

	Other Land and Buildings £'000	Vehicles and Plant £'000	Infra- Structure £'000	Community Assets £'000	Total £'000
<b><u>Cost or Valuation</u></b>					
At 1 April 2009	10,461	5,043	294	1,560	<b>17,358</b>
Additions	405	378	0	102	<b>885</b>
Donations	0	0	0	0	<b>0</b>
Disposals	0	0	0	0	<b>0</b>
Reclassifications	0	0	0	0	<b>0</b>
Revaluations	366	0	0	581	<b>947</b>
<b>At 31 March 2010</b>	<b>11,232</b>	<b>5,421</b>	<b>294</b>	<b>2,243</b>	<b>19,190</b>
<b><u>Depreciation and Impairments</u></b>					
At 1 April 2009	-1,074	-2,431	-53	-47	<b>-3,605</b>
Charge for 2009/10	-164	-527	-6	-7	<b>-704</b>
Disposals	0	0	0	0	<b>0</b>
Reclassifications	0	0	0	0	<b>0</b>
Revaluations	0	-2	0	0	<b>-2</b>
<b>At 31 March 2010</b>	<b>-1,238</b>	<b>-2,960</b>	<b>-59</b>	<b>-54</b>	<b>-4,311</b>
<b>Balance Sheet</b>					
<b>Amount at 31 March 2010</b>	<b>9,994</b>	<b>2,461</b>	<b>235</b>	<b>2,189</b>	<b>14,879</b>
<b>Balance Sheet</b>					
<b>Amount at 1 April 2009</b>	<b>9,387</b>	<b>2,612</b>	<b>241</b>	<b>1,513</b>	<b>13,753</b>
<b><u>Nature of Asset Holding</u></b>					
<b>Owned</b>	<b>9,994</b>	<b>2,461</b>	<b>235</b>	<b>2,189</b>	<b>14,879</b>

Non-Operational Assets

	<b>Total £'000</b>
<b><u>Cost or Valuation</u></b>	
At 1 April 2009	724
Additions	0
Donations	0
Disposals	0
Reclassifications	0
Revaluations	124
<b>At 31 March 2010</b>	<b>848</b>
<b><u>Depreciation and Impairments</u></b>	
At 1 April 2009	0
Charge for 2009/10	0
Disposals	0
Reclassifications	0
Revaluations	0
<b>At 31 March 2010</b>	<b>0</b>
<b>Balance Sheet Amount at 31 March 2010</b>	<b>848</b>
<b>Balance Sheet Amount at 1 April 2009</b>	<b>724</b>
<b><u>Nature of Asset Holding</u></b>	
<b>Owned</b>	<b>848</b>

The Council's freehold and leasehold properties were revalued on the 1 March 2010.

For Operational Assets this resulted in a net upward revaluation of £947,000. (£3.545m upward revaluation and £2.598 downward revaluation)

For Non-Operational Assets this resulted in a net upward revaluation of £124,000. (£0.233m upward revaluation and £0.109m downward revaluation)

## Notes to the Core Financial Statements

**Capital Expenditure and Financing**

The following statements give details of the capital expenditure (that is expenditure on assets which will be of benefit for a number of years) and how the expenditure has been financed.

	2008/09	2009/10
	£'000	£'000
<b>Opening Capital Financing Requirement</b>	<b>8,816</b>	<b>3,324</b>
Overhanging Debt Grant	-6,584	0
less Premiums and Discounts	380	0
<b>Adjusted Opening Capital Financing Requirement</b>	<b>2,612</b>	<b>3,324</b>
<b><u>Capital Investment</u></b>		
Operational Assets	3,068	886
Non Operational Assets	0	0
Revenue Expenditure Funded from Capital Under Statute	759	618
<b><u>Sources of Finance:</u></b>		
Capital Receipts	-65	0
Government Grants and Other Contributions	-1,964	-948
Revenue Contributions	-870	-62
Minimum Revenue Provision	-216	-116
<b>Closing Capital Financing Requirement</b>	<b>3,324</b>	<b>3,702</b>
<b><u>Explanation of Movements in Year</u></b>		
Increase in Underlying Need to Borrow (Unsupported by Government Financial Assistance)	928	494
Minimum Revenue Provision	-216	-116

On 31 March 2008 the Council transferred its housing stock to Ribble Valley Homes Ltd. As a result of the transfer the Government repaid PWLB housing related debt of £6.2m and associated premiums and discounts totalling £0.4m on 3 April 2008.

This total was processed in the council's accounts as a government debtor in respect of overhanging debt grant in 2007/08; however the PWLB debt remained on the balance sheet at 31 March 2008 with the discharge taking place in 2008/09.

**11 INFORMATION ABOUT DEPRECIATION METHODOLOGIES**

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The Council charges its service accounts depreciation for all fixed assets (except freehold land) used in the provision of services. The council operates a straight-line method for depreciation. Provision for depreciation is made by allocating the cost (or revalued amount) less estimated residual value of the assets. The useful economic life used for assets is as follows:

	Years
Buildings	50
Infrastructure	40
Large Equipment	10
Council Houses	60
Large Vehicles	8
Small Vehicles	5
Small Plant/Equipment	3

Assets are not depreciated in the year of acquisition but in the year of disposal. If an asset has major components with different estimated useful lives, these components are depreciated separately.

Revaluation gains are also depreciated with the difference between the current value depreciation and the historical cost depreciation being transferred from the Revaluation Reserve to the Capital Adjustment Account.

## Notes to the Core Financial Statements

**12 INFORMATION ON ASSETS HELD*****Analysis of Fixed Assets as at 31 March***

	2009 Number	2010 Number
<b><i>Corporate and Democratic Core</i></b>		
<b>Operational Assets</b>		
Offices	1	1
Town Hall/Civic Suite	1	1
<b><i>Cultural, Environmental, Regulatory and Planning</i></b>		
<b>Operational Assets</b>		
Swimming Pool	1	1
Museum	1	1
Civic Hall	1	1
Public Conveniences	21	21
<b>Community Assets</b>		
Parks and Recreation Grounds	148ha	148ha
Cemetery	1	1
Public Conveniences	1	1
<b>Investment Assets</b>		
Camping and Caravan Site	1	1
<b><i>Highways and Transport</i></b>		
<b>Operational Assets</b>		
Depots and Workshops	2	2
Offstreet Car Parks	28	28
<b><i>Trading Services</i></b>		
<b>Operational Assets</b>		
Markets	1	1
Industrial Property Rented Out	6	6

**13 FINANCE AND OPERATING LEASES**

The council leased various vehicles, plant and equipment during the year. The amount paid to lessors was £14,931. The council was committed at 31 March 2010 to making payments of £17,518 under operating leases and nil under finance leases, comprising of the following elements:

	Operational Vehicles, Plant & Equipment £	Finance Leases £
Leases Expiring in 2010/11	5,894	0
Leases Expiring between 2011/12 and 2015/16	11,624	0
Leases Expiring after 2015/16	0	0
<b>Total</b>	<b>17,518</b>	<b>0</b>

**14 VALUATION INFORMATION**

The freehold and leasehold properties, which comprise the authority's property portfolio, were revalued on 1 March 2010 by the district valuer, Mr A T Snape BA(Hons) MRICS of the DVS, which is the commercial arm of the Valuation Office Agency, Preston. The valuations were made in accordance with the RICS Valuation Standards 6<sup>th</sup> Edition as published by the Royal Institute of Chartered Surveyors.

For each operational asset, that is, those held by the council in the direct delivery of services for which the council has either a statutory or a discretionary responsibility, an Existing Use Value (EUV) was provided.

In the case of operational specialised properties, that is, those properties which are rarely, if ever, sold in the market, except by way of a sale of the business or entity of which it is part, due to uniqueness arising from its specialised nature and design, its configuration, size, location or otherwise, the valuation approach used was Depreciated Replacement Cost (DRC). The DRC approach requires an estimate of the current cost of reproduction or replacement of an asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation. Such DRC valuations were made having regard to the prospect and viability of the continuance of the occupancy and use.

Non-operational assets, which are assets held by the council but which are not directly occupied or used in the delivery of services, were valued at Market Value (MV).

## Notes to the Core Financial Statements

The result of this revaluation at the 1 March 2010 is summarised in the table below across the different asset categories.

	Cost or Valuation at 1 April 2009	Upward Revaluation	Downward Revaluation	Value at 1 March 2010 before Additions and Depreciation
	£	£	£	£
<b><i>Operational Assets</i></b>				
Other Land and Buildings	10,461,130	2,945,684	-2,579,638	10,827,176
Vehicles, Plant and Equipment	5,042,960	0	0	5,042,960
Infrastructure	294,422	0	0	294,422
Community	1,560,472	599,551	-18,571	2,141,452
<b>Total Operational Assets</b>	<b>17,358,984</b>	<b>3,545,235</b>	<b>-2,598,209</b>	<b>18,306,010</b>
<b><i>Non-Operational</i></b>				
Investment	724,456	233,008	-109,214	848,250
<b>Total Non-Operational Assets</b>	<b>724,456</b>	<b>233,008</b>	<b>-109,214</b>	<b>848,250</b>
<b>TOTAL</b>	<b>18,083,440</b>	<b>3,778,243</b>	<b>-2,707,423</b>	<b>19,154,260</b>

## 15 INTANGIBLE FIXED ASSETS

Intangible fixed assets are those items which, although the cost incurred in their acquisition is of a capital nature there is no physical tangible asset to show. Amortisation of the intangible fixed assets shown below is calculated on a straight line basis over 5 years starting on the year after purchase and relates to the new financial ledger system that was purchased in 2005/06.

Movement in Intangible Assets	Purchased Software Licences £'000
Original Cost	119
Amortisation to 1 April 2009	-80
<b>Balance at 1 April 2009</b>	<b>39</b>
Expenditure in Year	0
Written Off to Revenue in year	-24
<b>Balance at 31 March 2010</b>	<b>15</b>

**16 ANALYSIS OF NET ASSETS EMPLOYED**

	31 March 2009 £'000	31 March 2010 £'000
General Fund	466	-2,896
Trading Operations	281	294
<b>Total</b>	<b>747</b>	<b>-2,602</b>

**17 LONG TERM DEBTORS**

At 31 March	2009 £	2010 £
Advances to Mortgagors	7,527	6,002
Car Loans	11,106	13,602
Ribble Valley Sports & Recreation Association	35,000	30,000
	<b>53,633</b>	<b>49,604</b>

**18 REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE**

The accounting policy on Deferred Charges has been removed and replaced with one on Revenue Expenditure Funded from Capital Under Statute, which is created when revenue expenditure qualifies as capital for control purposes but does not result in the acquisition, creation or enhancement of a tangible fixed asset.

Revenue Expenditure Funded from Capital Under Statute	2008/09 £'000	2009/10 £'000
Amount charged to Income and Expenditure Account	759	618
<b>Financed by:</b>		
Grants credited to Income and Expenditure Account	513	328
Capital Sources - debited to Capital Adjustment Account	246	290
	<b>759</b>	<b>618</b>

## Notes to the Core Financial Statements

**19 STOCKS AND WORK IN PROGRESS**

<b>At 31 March</b>	<b>2009</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
Stocks - Stores	42,856	53,961
- Tourism Stocks	5,517	6,853
- Other	11,020	17,016
	<b>59,393</b>	<b>77,830</b>

**20 DEBTORS AND PREPAYMENTS IN ADVANCE**

<b>At 31 March</b>	<b>2009</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
Government Departments	342,899	514,476
Other Local Authorities	404,954	405,691
House Purchase and Improvement Loans	2,282	1,509
Sundry Debtors	364,964	1,791,502
Council Tax	54,692	62,259
Prepayments	127,868	147,043
	<b>1,297,659</b>	<b>2,922,480</b>
Less Provision for Doubtful Debts	-129,297	-147,452
	<b>1,168,362</b>	<b>2,775,028</b>

**21 CREDITORS AND RECEIPTS IN ADVANCE**

<b>At 31 March</b>	<b>2009</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
Government Departments	155,380	169,485
Inland Revenue	136,751	125,910
Other Local Authorities	100,325	293,271
Private Street Works	2,358	2,376
Sundry Creditors	994,485	476,584
Council Tax	28,489	41,268
Commuted Sums	54,960	25,835
Refundable Deposits	14,634	14,289
Receipts in Advance	643,484	321,376
	<b>2,130,866</b>	<b>1,470,394</b>

**22 LONG TERM BORROWING**

Source of Loan	Total Outstanding 31 March	
	2009 £	2010 £
Public Works Loan Board	578,131	507,024
Other Local Authorities	0	0
	<b>578,131</b>	<b>507,024</b>

***Analysis of loans by maturity***

At 31 March	2009 £'000	2010 £'000
Between 1 and 2 years	71	71
Between 2 and 5 years	213	196
Between 5 and 10 years	157	114
More than 10 years	137	126
	<b>578</b>	<b>507</b>

**23 GOVERNMENT GRANTS DEFERRED**

The balance on this account represents the value of capital grants and contributions that have been applied to finance the acquisition or enhancement of fixed assets. The balance is released to revenue over the life of the asset, taking into account depreciation.

	2008/09 £'000	2009/10 £'000
Balance at 1 April	1,937	3,162
Grants Applied to finance Capital Expenditure	1,451	620
Release of Grants Amortised to Revenue	-226	-249
<b>Balance at 31 March</b>	<b>3,162</b>	<b>3,533</b>

## Notes to the Core Financial Statements

**24 RESERVES**

The Council keeps a number of reserves in the Balance Sheet. Some are required to be held for statutory reasons, some are needed to comply with proper accounting practice, and others have been set up voluntarily to earmark resources for future spending plans.

*Summary Introduction to detail of movements on Reserves*

Reserve	Balance 31 March 09 £	Net Movement in Year £	Balance 31 March 10 £	Purpose of Reserve	Further Details
Revaluation Reserve	0	3,778,243	3,778,243	Store of gains on revaluations of fixed assets not yet realised through sales	Note 25
Capital Adjustment Account	8,031,296	-3,300,762	4,730,534	Store of capital resources set aside to meet past expenditure	Note 26
Available-for-sale Financial Instruments Reserve	0	0	0	Store of gains on revaluation of investments not yet realised through sales	Note 27
Financial Instruments Adjustment Account	0	0	0	Balancing account to allow for differences in statutory requirements and proper accounting practices for borrowings and investments	Note 28
Usable Capital Receipts	0	0	0	Proceeds of fixed asset sales available to meet future capital investment	Note 29
Deferred Credits	9,809	-1,852	7,957	Amounts from future sales of assets	Note 30
Earmarked Reserves	1,262,297	2,025,580	3,287,877	Sums voluntarily set aside to meet specific expenditure	Note 31
Pensions Reserve	-10,554,324	-5,048,000	-15,602,324	Balancing account for Pension Liability in the Balance Sheet	Note 35
General Fund	2,021,660	-799,565	1,222,095	Resources available to meet future running costs	See Page 32
Collection Fund Adjustment Account	-23,986	-2,071	-26,057	Statutory account showing adjusting transactions for council tax surplus/deficit	See Note 32
<b>Total</b>	<b>746,752</b>	<b>-3,348,427</b>	<b>-2,601,675</b>		

**25 REVALUATION RESERVE**

The Revaluation Reserve replaced the Fixed Asset Restatement Reserve (FARA). The purpose of the Revaluation Reserve is to represent the difference between valuations as at 31 March 2007 and current valuations. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Revaluation Reserve	Non - Operational Assets £	Operational Assets £	Total £
Balance at 1 April 2009	0	0	<b>0</b>
Revaluation in the Year	233,008	3,545,235	<b>3,778,243</b>
<i>Transfer from Revaluation Reserve</i>			
Depreciation on re-valued assets	0	0	<b>0</b>
Release of previous years' property revaluation surpluses for current year disposals	0	0	<b>0</b>
<b>Balance at 31 March 2010</b>	<b>233,008</b>	<b>3,545,235</b>	<b>3,778,243</b>

The balance on this reserve was previously nil, as the preceding revaluation of the council's freehold and leasehold properties was at the 1 March 2005. The latest revaluation took place on the 1 March 2010 and the upward revaluation of assets resulted in the balance on the reserve as shown above.

Revaluation gains are depreciated with the difference between the current value depreciation and the historical cost depreciation being transferred from the Revaluation Reserve to the Capital Adjustment Account. Any future downward revaluations (Impairments) will first be debited to the Revaluation Reserve, with any remaining balance debited to service accounts on the Income and Expenditure Account, on an asset by asset basis.

## Notes to the Core Financial Statements

**26 CAPITAL ADJUSTMENT ACCOUNT**

The Capital Adjustment Account was created on 31 March 2007 from the amalgamation of the Fixed Asset Restatement Account and the Capital Financing Account. The account records:

- the historical cost of acquiring, creating or enhancing fixed assets over the life of those assets;
- the historical cost of deferred charges over the period that the Council benefits from the expenditure; and
- the resources set aside by the Council to finance capital expenditure.

Capital Adjustment Account	2008/09 £'000	2009/10 £'000
<b>Balance at 1 April</b>	<b>-8,178</b>	<b>-8,031</b>
Financing of Capital Expenditure:		
- Capital Receipts	-65	0
- Revenue	-871	-62
- Revenue Expenditure funded from Capital Under Statute	246	290
Removal of credit from amortisation of government grants deferred	-226	-249
Minimum Revenue Provision (MRP)	-216	-116
Discharge of PWLB Debt by DCLG	380	0
Depreciation	635	728
Impairment of Assets	264	2,709
<b>Balance at 31 March</b>	<b>-8,031</b>	<b>-4,731</b>

The increased impairment of assets reflects the revaluation of the council's freehold and leasehold properties on the 1 March 2010.

**27 AVAILABLE-FOR-SALE FINANCIAL INSTRUMENTS RESERVE**

This is a reserve to reflect the changes in fair value for available-for-sale assets arising from any unrecognised gains or losses. The balance on this account at 31 March 2010 is nil.

**28 FINANCIAL INSTRUMENTS ADJUSTMENTS ACCOUNT**

The Financial Instrument Adjustment Account is a reserve to reflect the accounting requirements for Financial Instruments. The balance on this account at 31 March 2010 is nil.

**29 USABLE CAPITAL RECEIPTS**

Capital Receipts arise from the sale of assets owned by the Council. Any receipts from General Fund asset sales are credited to the Usable Capital Receipts Reserve to finance future capital expenditure.

	2008/09	2009/10
	£'000	£'000
Balance at 1 April	0	0
Receipts in Year	65	0
Used to Finance Capital Expenditure	-65	0
<b>Balance at 31 March</b>	<b>0</b>	<b>0</b>

**30 DEFERRED CREDITS**

Deferred capital receipts are amounts derived from sales of assets that will be received in instalments over agreed periods of time. They arise principally from mortgages on past sales of council houses that form the main part of mortgages under long-term debtors.

	2008/09	2009/10
	£'000	£'000
Balance at 1 April	18	10
Principal Repayments - Mortgages	-8	-2
<b>Balance at 31 March</b>	<b>10</b>	<b>8</b>

Of the payments received in respect of Deferred Credits, only those payments made where the original principal was above £10,000 are treated as capital receipts, of which 75% is then paid to the Department of Communities and Local Government, and the remaining 25% is treated as Usable Capital Receipts.

Amounts received on principal that was originally less than £10,000 are shown on the Income and Expenditure Account and removed on the Statement of Movement on General Fund Balances. These payments amounted to £258.18 in 2009/10 (£36.85 2008/09).

## Notes to the Core Financial Statements

**31 EARMARKED RESERVES**

The following table sets out details of movement within the year of the Council's Earmarked Reserves. These have been set up voluntarily to set aside resources for future spending plans.

General Fund	1 April 2009 £	Receipts in Year £	Payments in Year £	31 March 2010 £
Local Recreation Grants Fund	20,384		-6345	14,039
Elections Fund	28,617	44,274	-4,718	68,173
Audit Reserve Fund	12,335			12,335
Building Control Fund	107,957		-70,581	37,376
Rural Development Reserve	1,631			1,631
Single Status	54,630		-7,535	47,095
Capital	832,733		-90,181	742,552
Insurance	20,000			20,000
Christmas Lights/RV in Bloom	3,560		-2,891	669
Risk Management	5,818		-5,818	0
Community Enhancement	3,939		-1058	2,881
New Community Enhancement Schemes	6,809			6,809
Rent Deposit Reserve	7,837			7,837
RCCO Unapplied	23,134			23,134
Longridge Schemes	94,900		-89,900	5,000
Parish Schemes	4,629		-2,900	1,729
Local Development Framework	11,583			11,583
LALPAC Licensing System	1,866			1,866
Castle Museum	7,391		-7391	0
Homelessness Unit Adaptations	3,000			3,000
IT Equipment	2,700	1,345	-2700	1,345
Conservation Reserve	6,844		-634	6,210
Civic Regalia	0	4,500		4,500

## Notes to the Core Financial Statements

General Fund	1 April 2009 £	Receipts in Year £	Payments in Year £	31 March 2010 £
Concurrent Functions	0	15,960		15,960
Concessionary Travel	0	40,026		40,026
Countryside Management	0	4,566		4,566
Fleming VAT Claim	0	182,005		182,005
Government Connect	0	9,028		9,028
Health & Safety Maintenance	0	12,299		12,299
Post LSVT	0	438,150		438,150
Market Town Enhancement	0	6,643		6,643
Planning Delivery	0	203,832		203,832
Performance Reward Grant	0	478,384		478,384
Refuse Collection	0	1,800		1,800
Restructuring Reserve	0	200,000		200,000
VAT Shelter Reserve	0	675,420		675,420
<b>Movement on General Fund Reserves</b>	<b>1,262,297</b>	<b>2,318,232</b>	<b>-292,652</b>	<b>3,287,877</b>

Earmarked Reserves	Purpose
Local Recreation Grants	- Used to fund recreation grants
Election Fund	- Used to fund borough elections held once every four years
Audit Reserve Fund	- Used for computer audit
Building Control	- Available to equalise net expenditure over a three year period
Rural Development Reserve	- Used to fund consultation work on Rural Housing
Single Status	- Set aside to contribute towards future costs arising from single status/job evaluation
Capital	- Used to fund capital programme
Insurance	- Available to meet any costs following demise of Municipal Mutual Insurance Company
Christmas Lights/RV in Bloom	- Available to fund contributions towards Christmas Lights/Ribble Valley in Bloom
Risk Management	- Set up to pump prime risk management issues
Community Enhancement	- Used to fund grants to local organisations

## Notes to the Core Financial Statements

<b>Earmarked Reserves</b>	<b>Purpose</b>
New Community Enhancement Schemes	- Additional reserve for funding grants to local organisations
Rent Deposit Reserve	- Set aside for homeless rent deposits
Revenue Contributions Unapplied (RCCO)	- Used to fund capital expenditure
Longridge Schemes	- Used to fund grants to schemes in Longridge
Parish Schemes	- Used to fund Parish improvement schemes
Local Development Framework	- To finance Local Development Framework Costs
LALPAC Licensing System	- To fund costs of LALPAC licensing system
Castle Museum	- To fund the costs associated with the initial setup of the Clitheroe Castle Museum
Homelessness Unit Adaptations	- To fund work to make two flats at the homelessness unit self contained
IT Equipment	- To fund time recording system
Conservation Reserve	- To fund conservation schemes completed after the financial year end
Civic Regalia	- To fund refurbishment of mayoral chains
Concurrent Functions	- To fund concurrent grant payments payable to parish/town councils
Concessionary Travel	- To fund the transfer of the administration of the scheme to upper tier local authority
Countryside Management	- To fund tree survey work
Fleming VAT Claim	- VAT recovered from 'Fleming' Claim challenge to HMRC
Government Connect	- To fund revenue costs of Government Connect Service
Health & Safety Maintenance	- To fund H & S repairs and maintenance in respect of such items as legionella and asbestos abatement
Post LSVT	- To fund any costs post LSVT which may arise, such as pension fund liabilities
Market Town Enhancement	- To fund grants under Market Towns Enhancement Scheme
Planning Delivery	- To fund improved delivery of housing and other planning outcomes
Performance Reward Grant	- Performance Reward Grant received and yet to be distributed to successful schemes
Refuse Collection	- To fund agency staff employed in the distribution of collection date calendars
Restructuring Reserve	- To fund any costs resulting from the structure review
VAT Shelter Reserve	- To contribute towards the future financing of the capital programme

**32 COLLECTION FUND ADJUSTMENT ACCOUNT**

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Following detailed consideration of the role performed by authorities responsible for collecting council tax, the 2009 Statement of Recommended Practice (SORP) defined billing authorities as acting as agents, collecting council tax on behalf of the major preceptors and itself. Council tax transactions and balances have therefore been allocated between the billing authority (this council) and major preceptors for 2008/09 and 2009/10.

The SORP requires that full accruals accounting is used to account for the collection fund surplus/deficit and its presentation on the Income and Expenditure Account. However, as payments out of the collection fund are controlled by statutory provisions, the amount that can be credited or debited against the General Fund balance for surpluses/deficits is limited to the 15 January estimate of the share of the Collection Fund balance for the previous year.

The Statement of Movement on General Fund Balance therefore requires a reconciling entry to reverse out of the Income and Expenditure Account the share of the surplus/deficit for the current year and replace it with the share of the 15 January estimate for the previous year. The reconciliation is achieved by use of the Collection Fund Adjustment Account, which absorbs the effect of timing differences between statutory requirements and full accruals accounting

**33 CONTINGENT ASSETS AND LIABILITIES**

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**CONTINGENT ASSETS****VAT Sharing Arrangement**

As part of the Voluntary Stock Transfer an agreement has been reached with Ribble Valley Homes Ltd to share their Value Added Tax that they can claim from HM Revenue and Customs. This arrangement is unique to Councils and Registered Social Landlords upon transfer. Ribble Valley's share of reclaimable VAT is likely to be in the region of £4.8m over 15 years with the first payment due in 2009/10.

**Receipts from Former Council House Sales**

We have agreed to share any proceeds of former Council House Sales if they are subsequently sold by Ribble Valley Homes Ltd. The arrangement for sharing council house sales receipts lasts for 10 years from 1 April 2008 and the amount received will depend on the number of sales each year.

**Cultural and Sporting Services VAT Reclaim**

The Council has engaged the services of consultants to pursue a number of potential VAT claims for cultural and sporting services. The claims are currently being considered by HM Revenue and Customs and if successful could potentially lead to the reimbursement of around £140,000 of VAT plus interest. It is anticipated a decision will be made within the 2009/10 financial year.

## Notes to the Core Financial Statements

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### CONTINGENT LIABILITIES

#### Housing Stock Transfer Warranties

##### Collateral warranty by the Council in favour of Security Trustee (Prudential Trustee Company Ltd)

The Council has given a number of warranties for up to 30 years from 1 April 2008 in respect of title, encumbrances, planning matters, statutory obligations, adverse orders, leases, tenancies and information and statistics supplied.

In addition the following specific warranties have been given:

- Unlimited warranty for up to 30 years from 1 April 2008 in respect of environmental pollution.
- Unlimited warranty for up to 30 years from 1 April 2008 in respect of claims relating to asbestos pollution, except that this shall not apply in respect of the first £381,000 of costs and expenses incurred in aggregate by the Trustees and Ribble Valley Homes in relation to works.

##### Warranties by the Council in favour of Ribble Valley Homes

The Council has given a number of warranties for up to 22 years from 1 April 2008 in respect of title, encumbrances, planning matters, statutory obligations, adverse orders, leases, tenancies and information and statistics supplied.

In addition the following specific warranties have been given:

- Warranty not exceeding £27m for up to 25 years from 1 April 2008 in respect of environmental pollution.
- Unlimited warranty for up to 15 years from 1 April 2008 in respect of claims relating to asbestos pollution, except in respect of the first £381,000 of costs and expenses in aggregate incurred in relation to the removal and treatment works.
- Unlimited warranty for an unlimited period in respect of claims relating to exposure to asbestos.
- Unlimited warranty for an unlimited period in respect of vires claims.
- Warranty for any losses arising as a result of incorrect application of the 2012 rent convergence.

#### Equal Pay Claims

The Council completed a Job Evaluation Review for all staff in 2007. Following this exercise the Council has received a number of equal pay claims. We are currently assessing the validity of such claims. If all these claims were to be successful the estimated cost would be approximately £50,000. It may be several years before claims are resolved.

**34 AUTHORISED FOR ISSUE DATE**

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Under the Accounts and Audit Regulations 2003 (as amended), there are three formal points at which the Statement of Accounts can be regarded as issued in some form:

- When the responsible finance officer certifies the statement as presenting a true and fair view and makes them available to members for approval (Regulation 10 (as amended by the Accounts and Audit Regulations 2009))
- When the statement is ready for publication (Regulation 11)
- When the audit of the statement is certified closed, if later than the publication date (Regulation 17)

The Statement of Accounts 2009/10 are authorised for issue for member approval on 29 June 2010 by Jane L Pearson CPFA, Director of Resources and reflect events up to that date.

**35 PENSIONS**

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**Participation in Pension Scheme**

As part of the terms and conditions of employment of its officers and other employees, the authority offers retirement benefits. Although these benefits will not actually be payable until employees retire, the authority has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The authority participates in the Local Government pension scheme. The scheme is administered by Lancashire County Council. This is a funded defined benefit final salary scheme, meaning that the authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

**Transactions relating to retirement benefits**

The cost of retirement benefits is recognised in the net cost of services when employees earn them, rather than when the benefits are eventually paid as pensions. However, the charge that is required to be made against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement on the General Fund Balance. The following transactions have been made in the accounts during the year:

## Notes to the Core Financial Statements

Local Government Pension Scheme	2008/2009 £'000	2009/2010 £'000
<b>Income and Expenditure Account Entries</b>		
<b>Net Cost of Services</b>		
Current Service Cost	922	603
Past Service Cost	8	7
Effect of Settlements	-243	0
<b>Net Operating Expenditure:</b>		
Interest Cost	2,274	2,216
Expected Return on Assets in the Scheme	-1,786	-1,322
<b>Net Charge to the Income and Expenditure</b>	<b>1,175</b>	<b>1,504</b>
<b>Statement of Movement on the General Fund Balance:</b>		
Reversal of net charges made for Retirement Benefits in accordance with FRS17	-1,129	-1,504
<b>Actual Amount Charged Against Council Tax for Pensions in the Year:</b>		
Employers Pension Contributions Payable to Scheme	884	841

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial losses of £4,385,000 (£560,000 gain for 2008/09) were included in the Statement of Total Recognised Gains and Losses.

**Assets and Liabilities in relation to retirement benefits**

Reconciliation of present value of the scheme liabilities:

Local Government Pension Scheme	2008/09 £'000	2009/10 £'000
<b>1 April</b>	<b>39,119</b>	<b>31,755</b>
Current Service Cost	922	603
Interest Cost	2,274	2,216
Contributions by scheme participants	314	311
Actuarial (gains)/losses on liabilities	-7,827	9,920
Benefits paid	-1,185	-1,999
Past Service Costs	8	7
Settlements	-1,870	0
<b>31 March</b>	<b>31,755</b>	<b>42,813</b>

Reconciliation of fair value of the scheme assets:

Local Government Pension Scheme	2008/09	2009/10
	£'000	£'000
<b>1 April</b>	<b>28,338</b>	<b>21,200</b>
Expected return on plan assets	1,786	1,322
Actuarial gains/(losses) on assets	-7,267	5,535
Employer contributions	841	841
Settlements	-1,627	0
Member contributions	314	311
Benefits/Transfers paid	-1,185	-1,999
<b>31 March</b>	<b>21,200</b>	<b>27,210</b>

The expected rate of return on plan assets is based on market expectations, at the beginning of the period, for investment returns over the entire life of the related obligation.

The assumed investment return on government bonds is the yield on 20 year fixed interest gilts at the relevant date.

The expected investment return on corporate bonds is based on market yields at the relevant date, less a reduction to reflect a risk of default in the corporate bond yield. This means that the expected return on corporate bond investments is lower than the discount rate used in the calculations. As at 31 March 2010 the reduction is about 0.5%.

The assumed investment return on equities as at 31 March 2010 is the yield on 20 year fixed interest gilts plus an allowance of approximately 3% per annum for the 'risk premium' associated with equity investment. The yield on 20 year Government bonds as at 31 March 2010 was 4.5% per annum, and adding 3% to this gives 7.5% per annum.

The Appropriate level for the equity risk premium has been the subject of much debate in the financial community. The assumption used is based on a model linked to company earnings and market prices.

The actual return on scheme assets in the year was £6.857m (£5.481m negative return in 2008/09)

## Notes to the Core Financial Statements

**Scheme History**

	2005/06*	2006/07	2007/08	2008/09	2009/10
Local Government Pension Scheme		As restated	As restated		
	£'000	£'000	£'000	£'000	£'000
Present Value of Liabilities	35,210	35,578	39,119	31,755	42,812
Fair Value of Assets	-27,709	-29,348	-28,338	-21,200	-27,210
<b>Deficit/(Surplus) in the scheme</b>	<b>7,501</b>	<b>6,230</b>	<b>10,781</b>	<b>10,555</b>	<b>15,602</b>

**\*The council has elected not to restate fair value of scheme assets for 2005/06 as permitted by FRS17 (as revised).**

The liabilities show the underlying commitments that the council has in the long run to pay retirement benefits. The total liability of £15.603m has a substantial impact on the net worth of the authority as recorded in the balance sheet, resulting in a negative overall balance of £2.602m.

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

The total employer contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2011 are £0.842m.

**Basis for estimating assets and liabilities**

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

## Notes to the Core Financial Statements

The principal assumptions used by the actuary have been:

Local Government Pension Scheme	2008/09	2009/10
<b>Long term expected rate of return on assets in the scheme:</b>		
Equity investments	7.5%	7.5%
Government Bonds	4.0%	4.5%
Other Bonds	6.0%	5.2%
Property	6.5%	6.5%
Cash/Liquidity	0.5%	0.5%
Other	7.5%	7.5%
<b>Mortality Assumptions</b>		
Longevity at 65 for current pensioners:		
Men	21.2 years	21.2 years
Women	24.0 years	24.0 years
Longevity at 65 for future pensioners:		
Men	22.2 years	22.2 years
Women	25.0 years	25.0 years
Rate of inflation	3.3	3.3
Rate of increase in salaries	5.05	5.05
Rate of increase in pensions	3.3	3.3
Rate for discounting scheme liabilities	7.1	7.1
Take-up of option to convert annual pension into retirement lump sum	50	50

The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

Local Government Pension Scheme	31 March 2009 %	31 March 2010 %
Equity investments	61.2	66.0
Government Bonds	7.8	7.0
Other Bonds	12.3	12.0
Property	7.4	5.0
Cash/Liquidity	4.9	4.0
Other	6.4	6.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

## Notes to the Core Financial Statements

History of experience gains and losses

The actuarial gains identified as movements on the Pensions Reserve in 2009/10 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2010.

Local Government Pension Scheme	2005/06 %	2006/07 %	2007/08 % Restated	2008/09 %	2009/10 %
Differences between the expected and actual return on assets	13.7	0.7	10.9	34.3	20.3
Experience gains and losses on liabilities	2.0	0.0	2.3	0.0	0.0

Pensions relating to Staff Transferred to Ribble Valley Homes

Following the Housing Stock Transfer a number of staff were transferred to Ribble Valley Homes with effect from 1 April 2008. The effect of the transfer on the Pension Fund assets and liabilities at that date, assuming that the transfer was fully funded on the actuarial valuation basis, is shown below. This initial allocation of assets in respect of this transfer is provisional and will be reviewed at the 2010 actuarial valuation of the Fund.

	Year ended 31/03/2009 £'000	Year ended 31/03/2010 £'000
Change in Benefit Obligations	-1,870	0
Change in Plan Assets	-1,627	0
<b>Effect of Settlements</b>	<b>-243</b>	<b>0</b>

*(shown in Non Distributed Costs on face of Income and Expenditure Account)*

**36 FINANCIAL INSTRUMENTS**

The main measurement bases used by the Council in preparing the treatment of Financial Instruments within its financial statements are as follows:

Financial Instrument	Basis of Measurement	Note
Investment – Fixed Rate	Held at carrying value on basis of materiality	Investments have both fixed term and fixed interest rates
Investments – Other	Held at carrying value on basis of materiality	
Soft Loans	Where material soft loans have been measured using an effective interest rate	The Council has no material soft loans
Contractual Debt/payables	Held at invoiced or billed amount less a provision for uncollectable debts	
PWLB Debt	Carrying value adjusted for interest due at year end	Borrowing is both fixed term and fixed interest rates
Financial Guarantee	Balance measured by applying a risk of the guarantee being called	The Council has not given any financial guarantees

The Council in compiling its accounts assessed all its financial instruments and there were a number that were not considered material to make adjustment to the carrying value of the asset or liability. These include soft loans and other minor investments. (A soft loan is where the Council has lent money at a lower than market rate.) Where this has occurred the Council adjusts, if material, the carrying value of the loan to reflect the cost to the council of the lower than market rate. The Council has no (material) soft loans as at 31 March 2010.

Financial Risks

The Council's activities expose it to a variety of financial risks, the key risks are:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council;
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments;
- Re-financing risk – the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms;
- Market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements.

## Notes to the Core Financial Statements

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### Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the unpredictability of financial markets, and implementing restrictions to minimise these risks. The procedures for risk management are set out through a legal framework set out in the Local Government Act 2003 and the associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act.

Overall these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the Code of Practice;
- by approving annually in advance prudential indicators for the following three years limiting:
  - The Council's overall borrowing;
  - Its maximum and minimum exposures to fixed and variable rates;
  - Its maximum and minimum exposures the maturity structure of its debt;
  - Its maximum annual exposures to investments maturing beyond a year.
- by approving a Treasury Management Strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance;

The Prudential Indicators are required to be reported and approved at or before the Council's annual Council Tax setting budget in early March. These items are reported with the annual Treasury Management Strategy, which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported half yearly to Members.

Treasury Management activity is monitored by the Accountancy Section. The Council maintains written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash through Treasury Management Practices (TMPs). These TMPs are a requirement of the Code of Practice and are reviewed regularly.

This Council's treasury portfolio is not of a significant size to provide significant treasury risk.

**Credit risk**

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the treasury management practices.

The Council maintains strict credit criteria for investment counterparties and monitors activity against these criteria. As a result of this high credit criteria there has been no experience of defaults.

The Council maintains an approved list of organisations for investment purposes, consisting of major banks, building societies and other local authorities. Maturity limits apply for each counterparty category and maximum investment limits also exist per counterparty and sector.

No breaches of the Council's counterparty criteria occurred during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits.

The Council does not generally allow credit for its sundry debtors. The sundry debtors outstanding which are past their due date for payment at 31 March 2010 can be analysed by age as shown in the table below. Note 20 to the accounts shows a total provision for doubtful debts of £147,452, of which £20,958 relates to sundry debts.

<b>Aged Sundry Debt</b>	<b>£'000</b>
Less than 30 days	243
30 days to 59 days	5
60 days to 89 days	7
90 days to 119 days	1
120 days +	136
	<b>392</b>

**Liquidity risk**

The Council has ready access to borrowings from the Public Works Loan Board for Long Term Borrowing and the Money Markets to cover any day-to-day cash flow need. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through cash flow management procedures required by the Code of Practice.

## Notes to the Core Financial Statements

**Refinancing and Maturity Risk**

The approved prudential indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategy addresses the main risks and the accountancy section address the operational risks within the approved parameters. The maturity analysis of financial liabilities is as follows:

<b>Financial Liabilities by Maturity Risk</b>	<b>31 March 2010</b>
	<b>£'000</b>
Less than one year	71
Between 1 and 2 years	71
Between 2 and 5 years	195
Between 5 and 10 years	115
More than 10 years	126
	<b>578</b>

**Market risk**

There are three market related risks the Council is aware of

- Interest Rate Risk
- Price Risk
- Foreign Exchange Risk

**Interest rate risk:**

The Council has limited exposure to interest rate movements on its borrowings and investments.

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Income and Expenditure Account or Statement of Total Recognised Gains and Losses. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income and Expenditure Account and effect the General Fund Balance, subject to influences from Government grants.

The aim of the prudential indicators is to contain the activity of the treasury function within certain limits thereby reducing the risk or likelihood of an adverse movement in interest rates or borrowing decisions that could impact negatively on the Council's overall financial position. These new indicators, which were approved as part of the annual budget, are as follows:

<b>Limits in Interest Rate Exposure</b>	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>
	<b>Upper</b>	<b>Upper</b>	<b>Upper</b>
Maximum Principal Sums Borrowed >364 Days	£6.6m	£6.6m	£6.5m
Limits on Fixed Interest Rates	100%	100%	100%
Limits on Variable Interest Rates	20%	20%	20%

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure. The Accountancy Section will monitor market and forecast interest rates within the year to adjust exposures appropriately.

If all lending interest rates had been 1% higher with all other variables held constant the financial effect would impact on the interest receivable on variable rate investments by £30,000. All other interest payable and receivable are fixed.

There is a possibility that Government could increase funding for the financing costs in future year funding settlements. However given the three year funding settlement it is unlikely to be quantifiable. In addition, funding is generally paid periodically through the year and the effect on cash flow will vary through various factors making it an extremely complex calculation to assess the impact on interest.

**Price risk:**

The Council, excluding the pension fund, does not generally invest in instruments with this type of risk.

**Foreign exchange risk:**

The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

### 37 FINANCIAL INSTRUMENTS BALANCES

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

	<u>Long-Term</u>		<u>Current</u>	
	31 March 2009 £'000	31 March 2010 £'000	31 March 2009 £'000	31 March 2010 £'000
Financial Liabilities at amortised cost	578	507	588	303
<b>Total borrowings</b>	<b>578</b>	<b>507</b>	<b>588</b>	<b>303</b>
Loans and receivables	54	50	1,832	371
<b>Total Investments</b>	<b>54</b>	<b>50</b>	<b>1,832</b>	<b>371</b>

The Financial Liabilities at amortised cost represent borrowings from the PWLB, and another local authority. The Loans and receivables (Long-Term) consist of mortgages, car loans and a loan to Ribble Valley Sports & Recreation Association. Loans and receivables (Current) represent Cash Investments with Banks, Building Societies and Other Local Authorities and the change in year reflects a reduction in the council's cash balances available for investment.

## Notes to the Core Financial Statements

**38 FAIR VALUE OF ASSETS AND LIABILITIES CARRIED AT AMORTISED COST**

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

- For loans from the PWLB the fair value has been calculated by reference to the premature repayment set of rates in force on 31 March 2009 and 31 March 2010 respectively.
- No early repayment or impairment is recognised.
- Where an instrument will mature in the next 12 months, carrying amount is assumed to approximate to fair value.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values are calculated as follows:

	<u>31 March 2009</u>		<u>31 March 2010</u>	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Financial Liabilities	<b>649</b>	<b>723</b>	<b>578</b>	<b>624</b>

The fair value is greater than the carrying amount because the Authority's portfolio of loans are at fixed interest rates and the premature repayment set of rates in force at 31 March 2010 were generally higher than the rates at which the money was borrowed.

**NOTES SPECIFICALLY FOR THE CASH FLOW STATEMENT****39 ANALYSIS OF OTHER GOVERNMENT GRANTS**

2008/09 £'000	2009/10 £'000
<i>Revenue</i>	
70 Planning Delivery Grant	9
2,097 Council Tax Benefits	2,228
81 NNDR Cost of Collection	84
232 Benefit Administration Subsidy	268
0 Housing Revenue Subsidy	56
153 Concessionary Travel	156
5 Register of Electors	0
4 Council Tax Leaflet Efficiency Information	4
0 Free Swimming Grant	54
16 Employment Support	0
0 Section 31	12
0 Habitat Grant	17
<b>2,658 Total Government Grants</b>	<b>2,888</b>

**40 RECONCILIATION OF DEFICIT ON INCOME AND EXPENDITURE ACCOUNT TO MOVEMENT IN REVENUE ACTIVITIES**

2008/09 £'000	2009/10 £'000
96 Deficit per Income & Expenditure Account	800
14 Deficit on Collection Fund	2
6 Deficit/(Surplus) on Housing Revenue Account	0
1759 Non Cash Transactions	-2,522
Movement in Current Assets/Liabilities	
-13,129 - Debtors & Stock	1,201
976 - Creditors	811
<b>-10,278 Net Cash (Inflow)/Outflow From Revenue Activities</b>	<b>292</b>

**41 MOVEMENTS IN CASH**

Movement 2008/09 £'000	1 April 2009 £'000	31 March 2010 £'000	Movement 2009/10 £'000
5,918 Increase/(Decrease) in Cash	-133	-56	77

## Notes to the Core Financial Statements

**42 ANALYSIS OF NET DEBT**

<b>Movement</b>	<b>1 April</b>	<b>31 March</b>	<b>Movement</b>
<b>2008/09</b>	<b>2009</b>	<b>2010</b>	<b>2009/10</b>
<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
5,918 Cash/Cash Overdrawn	-133	-56	77
-1,815 Investments	1,585	0	-1,585
6,278 Borrowing	-578	-507	71
<b>10,381 (Increase)/Decrease</b>	<b>874</b>	<b>-563</b>	<b>-1,437</b>

**43 RECONCILIATION OF MOVEMENT IN CASH TO THE MOVEMENT IN NET DEBT**

<b>2008/09</b>	<b>2009/10</b>	
<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
5,918 Increase/(Decrease) in Cash in period	77	
6,278 Cash Outflow/(Inflow) From Decrease/ (Increase) in Debt	71	
-1,815 Cash Inflow From Reduction in Investments	-1,585	
<b>10,381 Change in Net Debt</b>	<b>-1,437</b>	
<b>-9,586 Net Debt as at 1 April</b>	<b>795</b>	
<b>795 Net Debt as at 31 March</b>	<b>-642</b>	

**44 DEFINITION OF LIQUID RESOURCES**

The liquid resources figure in the cash flow statement is solely short-term investments. These are disclosed on the face of the balance sheet.

## Collection Fund

The Collection Fund is managed and administered by Ribble Valley Borough Council as the billing authority on behalf of the council tax and business rate payers within our area.

	2008/09 £'000	2009/10 £'000
<b><i>Income</i></b>		
Council Tax	29,633	30,473
Transfers From General Fund - Council Tax Benefits	1,995	2,207
Business Rates	10,781	11,467
Share of Estimated Deficit:		
- Lancashire County Council	0	68
- Ribble Valley Borough Council	0	9
- Lancashire Police Authority	0	4
- Lancashire Combined Fire Authority	0	9
	<b>42,409</b>	<b>44,237</b>
<b><i>Expenditure</i></b>		
Precepts and Demands:		
- Lancashire County Council	24,017	24,762
- Ribble Valley Borough Council	3,339	3,435
- Lancashire Police Authority	3,032	3,174
- Lancashire Combined Fire Authority	1,341	1,394
Business Rates - Payment to National Pool	10,700	11,383
- Costs of Collection	81	84
Provision for Bad/Doubtful Debts	28	23
	<b>42,538</b>	<b>44,255</b>
<b>Deficit for the Year</b>	<b>-129</b>	<b>-18</b>
Deficit Brought Forward	-99	-228
<b>Deficit Carried Forward</b>	<b>-228</b>	<b>-246</b>

## Collection Fund

**1 STATUTORY POSITION**

These accounts represent the transactions of the collection fund for which there is a statutory requirement contained in the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992) 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 balance sheet.

**2 INCOME FROM BUSINESS RATES**

Under the arrangements for the administration of uniform business rates, the Council collects non-domestic rates for its area that are based on local rateable values multiplied by a uniform rate. The total amount, less certain reliefs and other deductions, is paid to a central pool (the NNDR pool) managed by central government, which in turn pays back to authorities their share of the pool based on a standard amount per head of the local adult population. Under these arrangements the amounts included in these accounts can be analysed as follows:

	2008/09 £	2009/10 £
Gross Rates	12,372,301	13,374,986
Less Allowances and Other Adjustments	-1,590,454	-1,907,598
<b>Income Collectable From Business Ratepayers</b>	<b>10,781,847</b>	<b>11,467,388</b>
Less Cost of Collection	-81,435	-83,911
<b>Net Payment to National Pool</b>	<b>10,700,412</b>	<b>11,383,477</b>

The total non-domestic rateable value at 31 March 2010 was £28,333,855 compared to £27,635,725 at 31 March 2009. The national non-domestic multiplier (rate in the pound) for the year 2009/10 was 48.5 pence compared to 46.2 pence in the year 2008/09.

The income collectable from business ratepayers differs from the yield; based on the total rateable value due to the award of transitional adjustments, empty property relief and mandatory relief.

### 3 COUNCIL TAX BASE

The gross amount of council tax payable for a property is determined by reference to a band that is allocated to the property by the Listing Officer who is an official of the Inland Revenue. There are eight property bands, A to H, each of which attracts a different level of council tax based upon the charge at band D.

The Council set a band D council tax of £1,450.05 which was calculated by dividing the aggregate of the Council's expenditure to be met from the council tax and the Lancashire County Council, Lancashire Police Authority and Lancashire Combined Fire Authority precept by the council tax base. The council tax base is the number of band D equivalent properties in the Council's area and it represents the amount of income that would be raised from a council tax levy of £1.00 at band D level. The council tax base has been calculated as follows:

Band	Ratio to Band D	Total No of Properties	Total Equivalent No After Discounts	Band D Equivalents
A (entitled to disabled relief)	5/9	6	5.75	3.2
A	6/9	3,245	2,749.00	1832.7
B	7/9	4,574	4,061.25	3158.8
C	8/9	4,664	4,218.25	3749.6
D	1	4,338	4,006.25	4006.3
E	11/9	3,198	3,014.00	3683.8
F	13/9	2,003	1,912.25	2762.1
G	15/9	1,809	1,740.00	2900.0
H	18/9	176	169	338.0
	<b>Totals</b>	<b>24,013</b>	<b>21,875.75</b>	<b>22,434.50</b>
			Adjustments	-92.50
			<b>Council Tax Base</b>	<b>22,342</b>

## Collection Fund

**4 BAND D COUNCIL TAX**

The band D council tax set by the Council has been calculated as follows:

	£
Lancashire County Council Precept	24,761,612
Lancashire Police Authority Precept	3,174,433
Lancashire Combined Fire Authority Precept	1,394,364
Ribble Valley Borough Council Demand (excluding Parishes)	3,066,770
<b>Total to be Met From Council Tax</b>	<b>32,397,179</b>
Divided by Council Tax Base (Band D Equivalent Dwellings)	22,342
<b>Band D Council Tax (Average excluding Parishes)</b>	<b>£1,450.05</b>

**5 PROVISION FOR LOSSES**

An analysis of the collection fund bad debt provision is set out below:

	Council Tax £	NNDR £	Total £
Opening Balance	185,000	130,000	<b>315,000</b>
Write Off's in Year	-22,608	-101,788	<b>-124,396</b>
Increase to Provision	22,608	151,788	<b>174,396</b>
<b>Closing Balance</b>	<b>185,000</b>	<b>180,000</b>	<b>365,000</b>

**6 PRECEPTS AND DEMANDS ON THE COLLECTION FUND**

From 1 April 2009, for both billing authorities and major preceptors, the Council Tax income included in the Income and Expenditure Account for the year must be the accrued income for the year. The table below shows the precept for each major precepting body for the year and the accrued deficit at the 31 March.

2008/09	Precept	Share of 31 March Deficit	2009/10 Total
£'000	£'000	£'000	£'000
24,190 Lancashire County Council	24,762	185	<b>24,947</b>
3,053 Lancashire Police Authority	3,174	24	<b>3,198</b>
1,352 Lancashire Combined Fire Authority	1,394	11	<b>1,405</b>
3,363 Ribble Valley Borough Council	3,425	26	<b>3,451</b>

# Glossary of Terms

## **Accounting Period**

The period of time covered by the accounts, normally 12 months commencing on 1st April for local authorities.

## **Accounting Policies**

Those principles, bases, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are to be reflected in its financial statements through

- I. recognising,
- II. selecting measurement bases for, and
- III. presenting assets, liabilities, gains, losses and changes to reserves.

Accounting policies do not include estimation techniques.

Accounting policies define the process whereby transactions and other events are reflected in financial statements. For example, an accounting policy for a particular type of expenditure may specify whether an asset or a loss is to be recognised; the basis on which it is to be measured; and where in the revenue account or Balance Sheet it is to be presented.

## **Accruals**

Sums included in the final accounts to cover income or expenditure attributable to the accounting period but for which payment has not been made/received at the balance sheet date.

## **Actuarial Gains and Losses**

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because:

- I. events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses), or
- II. the actuarial assumptions have changed.

## **Balances**

The total level of funds the council has accumulated over the years, available to support revenue expenditure within the year (also known as reserves)

## **Capital Expenditure**

Expenditure on the acquisition of a fixed asset or expenditure which adds to and not merely maintains the value of an existing fixed asset.

## **Capital Financing Costs**

The annual cost of borrowing (principal repayments and interest charges), leasing charges and other costs of funding capital expenditure.

## Glossary of Terms

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### **Capital Receipt**

Income from the sale of capital assets such as land or buildings.

### **Collection Fund**

A separate account held by billing authorities in to which council tax and national non-domestic rates (NDR) are paid.

### **Community Assets**

Assets that the council intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal. Examples of community assets are parks and historical buildings.

### **Consistency**

The principle that the accounting treatment of like items within an accounting period and from one period to the next is the same.

### **Contingent Asset**

A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the local authority's control.

### **Contingent Liability**

A contingent liability is either:

- I. a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the council's control, or
- II. a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.

### **Corporate and Democratic Core**

The corporate and democratic core comprises all activities which local authorities engage in specifically because they are an elected, multi-purpose council. The cost of these activities are thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs to services.

### **Creditors**

Amounts owed by the Council at 31st March for goods received or services rendered but not yet paid for.

### **Current Assets**

Assets which can be expected to be consumed or realised during the next accounting period.

**Current Liabilities**

Amounts which will become due or could be called upon during the next accounting period.

**Current Service Cost (Pensions)**

The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.

**Debtor**

Amounts owed to the Council, which are collectable or outstanding at 31st March.

**Depreciation**

The measure of the cost or revalued amount of the benefits of the fixed asset that have been consumed during the period.

Consumption includes the wearing out, using up or other reduction in the useful life of a fixed asset whether arising from use, passing of time or obsolescence through either changes in technology or demand for the goods and services produced by the asset.

**Exceptional Items**

Material items which derive from events or transactions that fall within the ordinary activities of the authority and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

**Expected Rate of Return on Pensions Assets**

For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

**Fair Value**

The fair value of an asset is the price at which it could be exchanged in an arm's-length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.

**Finance Lease**

A finance lease is one that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee. It should be presumed that such a transfer of risks and rewards occurs if at the inception of a lease the present value of the minimum lease payments including any initial payment amounts to substantially all (normally 90% or more) of the fair value of the leased asset.

**Fixed Asset**

Assets which can be expected to be of use or benefit to the Council in providing its service for more than one accounting period.

**Going Concern**

The concept that the authority will remain in operational existence for the foreseeable future, in particular that the revenue accounts and Balance Sheet assume no intention to curtail significantly the scale of operations.

## Glossary of Terms

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### **Government Grants**

Assistance by government and inter-government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to an authority in return for past or future compliance with certain conditions relating to the activities of the authority.

### **Impairment**

A reduction in the value of a fixed asset to a value below its carrying amount on the Balance Sheet.

### **Infrastructure Assets**

Fixed assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure assets are highways and footpaths.

### **Interest Cost (Pensions)**

For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

### **Investment Properties**

Interest in land and/or buildings:

- I. in respect of which construction work and development have been completed, and
- II. which is held for its investment potential, with any rental income being negotiated at arm's length.

### **Long-term Contracts**

A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or a combination of assets or services which together constitute a single project), where the time taken to substantially complete the contract is such that the contract activity falls into different accounting periods.

### **Net Book Value**

The amount at which fixed assets are included in the Balance Sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

### **Net Current Replacement Cost**

The cost of replacing or recreating the particular asset in its existing condition and in its existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

### **Net Debt**

The authority's borrowings less cash and liquid resources. Where cash and liquid resources exceed borrowings, reference is made to net funds rather than net debt.

### **Net Realisable Value**

The open market value of the asset in its existing use (or market value in the case of non-operational assets), less the expenses to be incurred in realising the asset.

**Non-operational Assets**

Fixed assets held by a local authority but not used or consumed in the delivery of services or for the service or strategic objectives of the authority. Examples of non-operational assets include investment properties and assets that are surplus to requirements, pending their sale.

It should be noted that the incidence of rental income does not necessarily mean that the asset is an investment property; it would be deemed an investment property only if the asset is held solely for investment purposes and does not support the service or strategic objectives of the authority and the rental income is negotiated at arm's length.

**Operating Lease**

A lease under which the ownership of the asset remains with the lessor; for practical purposes it is equivalent to contract hiring.

**Operational Assets**

Fixed assets held and occupied, used or consumed by the council in the direct delivery of those services for which it has either a statutory or discretionary responsibility or for the service or strategic objectives of the authority.

**Past Service Cost**

For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

**Precepts**

The amount which local authorities which cannot levy a council tax directly on the public (i.e. County Council, Fire Authority, Police Authority or Parish Council) requires to be collected on its behalf.

**Remuneration**

All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash. Pension contributions payable by the employer are excluded.

**Reserves**

Amounts set aside in the accounts for the purpose of meeting particular future expenditure. A distinction is drawn between reserves and provisions, which are set up to meet known liabilities.

**Residual Value**

The net realisable value of an asset at the end of its useful life. Residual values are based on prices prevailing at the date of the acquisition (or revaluation) of the asset and do not take account of expected future price changes.

## Glossary of Terms

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### **Retirement Benefits**

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment.

### **Revenue Expenditure**

Spending on day-to-day items including employees' pay, premises costs and supplies and services.

### **Revenue Expenditure Funded from Capital Under Statute**

Expenditure of a capital nature but for which there is no tangible asset, for example renovation grants.

### **Revenue Support Grant**

The main grant paid by central government to a local authority towards the costs of its services.

### **Scheme Liabilities**

The liabilities of a defined benefit scheme for outgoings due after the valuation date.

### **Stocks**

The amount of unused or unconsumed stocks held in expectation of future use. When use will not arise until a later period, it is appropriate to carry forward the amount to be matched to the use or consumption when it arises.

### **Tangible Fixed Assets**

Tangible assets that yield benefits to the local authority and the services it provides for a period of more than one year.

### **Useful Life**

The period over which the local authority will derive benefits from the use of a fixed asset.

### **Abbreviations used within the Statement of Accounts**

BVACOP	Best Value Accounting Code of Practice
CIPFA	Chartered Institute of Public Finance and Accountancy
FRS	Financial Reporting Standard
GAAP	Generally Accepted Accounting Principles
IFRIC	International Financial Reporting Interpretations Committee
LASAAC	Local Authority Accounts Advisory Committee
NNDR	National Non-Domestic Rates
PWLB	Public Works Loan Board
RSL	Registered Social Landlord
SOLACE	Society of Local Authority Chief Executives
SORP	Statement of Recommended Practice