

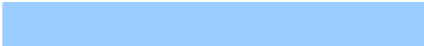


Ribble Valley Borough Council

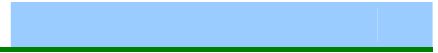
Statement of Accounts 2007/2008



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These pages are for the Auditor's Report, which will be added in September 2008.



Annual Governance Statement

1 Scope of Responsibility

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 in relation to the publication of a statement on internal control.

2 The Purpose of the Governance Framework

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 2008 and up to the date of approval of the annual report and statement of accounts.

Annual Governance Statement

3 The Governance Environment

Establishing & Monitoring the Achievement of Objectives

The Council's priorities are derived from consultation on the Community Strategy and the approved Corporate 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 Committees, 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

Annual Governance Statement

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 Committees;
- 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 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 Community Strategy which clearly articulates a shared vision for the Borough. Derived from this is our Corporate Plan which articulates our corporate vision, priorities,

Annual Governance Statement

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.

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

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 have 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.

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 two Overview and Scrutiny Committees 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 a statement/judgement on 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 Internal Audit Section is subject to regular inspection by the Council's external auditors, who place reliance on the work carried out by them.

External Audit

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

Annual Governance Statement

5 Significant Governance Issues

We have been advised on the implications of the result of the review of the effectiveness of the governance framework and system of internal control by the Corporate Improvement Board and have identified the following improvement opportunities:

Action	Responsibility
The Council's Contract Procedure Rules be reinforced to all Officers involved in the purchase of goods and or services	Corporate Management Team
Ongoing reports on the 6 significant partnerships be sent to Members. Reports be sent on a six monthly basis.	Partnership Lead Officers
The Terms of Reference for Accounts and Audit Committee be updated to reflect responsibility for the Annual Governance Statement.	Committee Clerk

The above improvement actions are not new but represent work in progress or the need to embed framework or systems that have been strengthened relatively recently.

We will take steps over the coming year to address the above matters to further enhance our governance arrangements.

We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.



.....
Leader of the Council



.....
Chief Executive

on behalf of Ribble Valley Borough Council.

25 June 2008

Explanatory Foreword

1 INTRODUCTION

The Council's statement of accounts for the year ended 31 March 2008 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.

From 2006/07 the accounting statements required were significantly different from those produced for 2005/06 and earlier years. The statements produced for 2007/08 are:

Core Financial Statements

- 1 **Income and Expenditure**, a summary of resources generated and consumed in the year.
- 2 **Statement of Movement on the General Fund Balance**, a reconciliation showing how the balance of resources generated/consumed in the year links in with statutory requirement for raising council tax.
- 3 The **Statement of Total Recognised Gains and Losses (STRGL)**, brings together any gains or losses and use of reserves during the year.
- 4 The **Balance Sheet**, which sets out the Council's overall financial position as at 31 March 2008.
- 5 The **Cash Flow Statement**, which summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

Supplementary Statements

- 6 **Housing Revenue Account**, shows the income and expenditure involved in the management and maintenance of the Council's housing stock.
- 7 The **Collection Fund Account**, which shows transactions in relation to non-domestic rates and council tax.

The notes to the core financial statements are set out together in one section.

Explanatory Foreword

2007/08 Changes to the Statement of Accounts

The main changes in the presentation of the accounts for 2007/08 arise from the 2007 SORP. The key impacts are:

- Annual Governance Statement - replacement of the Statement of Internal Control with an Annual Governance Statement as required by the revised framework – Delivering Good Governance in Local Government.
- Financial Instruments - a financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability of another, eg borrowings, bank deposits, loans and investments. The 2007 SORP adoption of FRS 25, 26 and 29 which deal with the recognition, measurement and disclosure and presentation of financial instruments is one of the most significant changes in local authority accounting in recent years. This is a complex area which has warranted it's own chapter within the SORP. The accounts reflect the necessary changes and disclosures. The Council's activities expose it to a variety of financial risks, namely:
 - Credit risk
 - Liquidity risk.
 - Refinancing risk.
 - Market risk.

How these risks are managed have to be disclosed within the notes to the accounts

We have also needed to create two new accounts – An Available-For-Sale Financial Instruments Reserve and the Financial Instrument Adjustment Account.

- Capital Adjustment Account and Revaluation Reserve – the amalgamation of the Fixed Asset Restatement Account and the Capital Financing Account into a new account known as the Capital Adjustment Account, and the creation of the new Revaluation Reserve. The Revaluation Reserve, created with a zero opening balance, records unrealised revaluation gains arising since 1 April 2007. The Capital Adjustment Account consolidates past revaluation gains up to 31 March 2007. It reflects the balance between consumption of assets and their financing.

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 with Actual	Revised Estimate compared with Actual
	£000	£000		£000	£000
Community	3,509	3,718	3,797	-288	-79
Policy & Finance	2,442	2,827	2,612	-170	215
Planning & Development	1,073	1,131	988	85	143
Housing General Fund	215	216	180	35	36
Committee Expenditure	7,239	7,892	7,577	-338	315
Contingency	33	37	0	33	37
Interest Payable	261	273	155	106	118
Parish Precepts	327	327	327	0	0
Interest Received	-320	-412	-286	-34	-126
Net Operating Expenditure	7,540	8,117	7,773	-233	344
Precept from Collection Fund (including parish precepts)	-3,184	-3,184	-3,184	0	0
Surplus on Collection Fund	-27	-27	-27	0	0
General Government Grants	-534	-534	-644	110	110
Business Rates Redistribution	-3,180	-3,180	-3,180	0	0
Deficit for year	615	1,192	738	-123	454
Depreciation	-518	-471	-471	-47	0
Minimum Revenue Provision	198	195	195	3	0
Net Transfers to/from earmarked reserves	-24	-537	-261	237	-276
Deficit for year	271	379	201	70	178

Explanatory Foreword

Extra items added to our budget in the year

During the preparation of the revised estimate a number of items were added to the budget. These were:

	£000
Extra LABGI government grant	(35)
Extra Job Evaluation Costs	100
Contingency for extra Three Stream Waste Collection Costs	43
	<u>108</u>

Explanation of the Differences

During the 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 were:

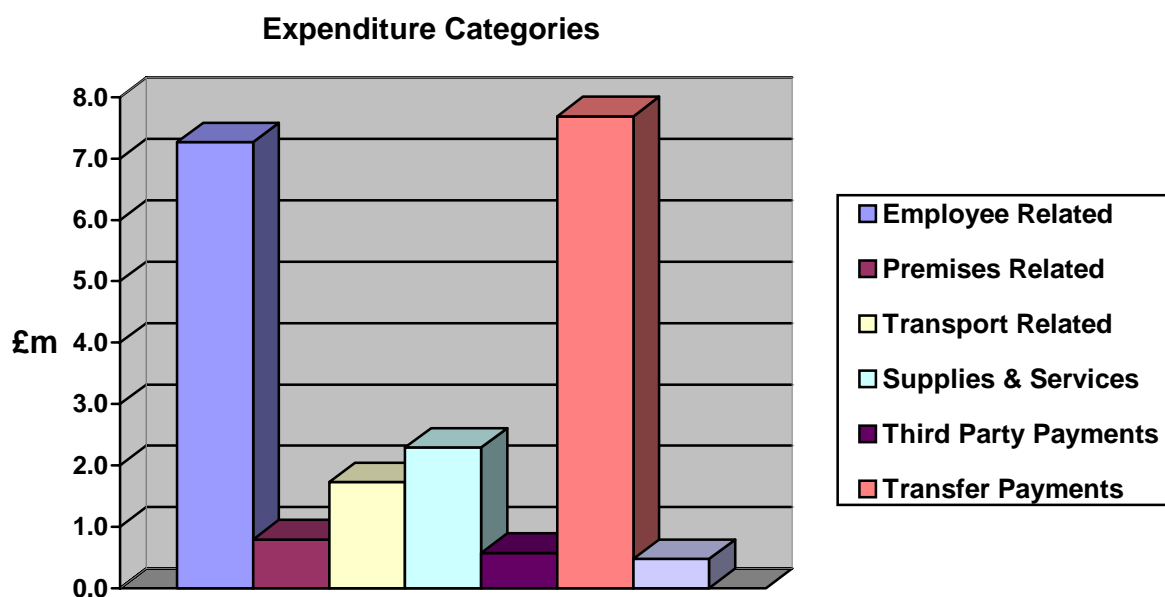
	£000
Lower Income/Extra costs at Clitheroe Cemetery	9
Extra Costs Cleaning Public Conveniences	13
Extra Costs Arts/ Labyrinth funded from revenue	18
Extra Costs Parks Grounds funded from revenue	13
Extra Costs Works Administration	9
Savings on Economic Development	(20)
Deferred Planning Expenditure/Vacancy in Building Control	(70)
Savings on Car Parks	(20)
Lower Concessionary Travel Costs	(20)
	<u>(68)</u>
Extra Transfers from earmarked reserves	(110)
Reduction in the amount to take from balances	<u>(178)</u>

Explanatory Foreword

Analysis of our Expenditure by Type

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

	£000
Employee Related	7,264
Premises Related	797
Transport Related	1,728
Supplies & Services	2,290
Third Party Payments	574
Transfer Payments	7,685
Capital Financing Costs	476
Total Expenditure	20,814



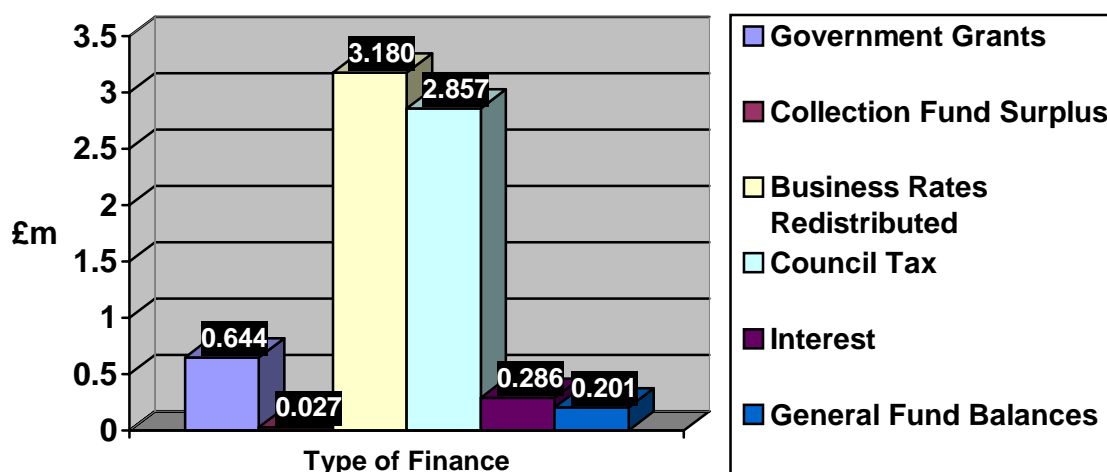
You can see that the two biggest types of expenditure are our employee costs and transfer payments – these are payments such as benefits and other payments we make on behalf of the Government.

Explanatory Foreword

How our general fund budget is financed

As shown earlier our total net expenditure for committees is £7.577m. 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 £7.2m. We finance this as follows:

Where the money came from



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 £271,000 from general fund balances to help finance the 2007/08 spending plans, the final position meant we needed to take £201,000 from balances. We are pleased that we have continued to set one of the lowest council taxes in the country and yet hold healthy levels of balances:

	£000
Brought forward at 1 April 2007	1,312
Taken to fund deficit on 2007/08 income and expenditure account	-201
Carried forward at 31 March 2008	1,111

3 HOUSING REVENUE

By law, every local authority that has its own housing stock, must keep a Housing Revenue Account (HRA), to which all expenditure and income relating to the stock, must be charged.

The main items of expenditure are the costs of managing and maintaining the dwellings and other HRA properties, such as garages. Also included is pre-tenancy work, such as assessments, allocations and maintenance of the Housing Register. The costs of housing benefits paid to council tenants must also be charged to the HRA (costs of housing benefit administration is charged to the General Fund), and the costs of servicing HRA debt and any direct funding required for the HRA Capital Programme. Accommodation and support costs, such as Finance, Legal and IT, are also recharged to the HRA. The main income items are rents received from tenants and if applicable, HRA Subsidy received from the Government.

Transfer of the Council's Housing Stock – Large Scale Voluntary Transfer (LSVT)

On 31 March 2008, the Council transferred its housing stock to Ribble Valley Homes Ltd, which is a Registered Social Landlord (RSL) monitored and regulated by the Housing Corporation. This has had a significant impact on our accounts.

The Council transferred its housing assets at a value of nil but will benefit from the redemption by the government of its housing related PWLB debt (known as overhanging debt) worth £6.2m early in 2008/09. As part of the transfer the Council will also share any proceeds from the sale of former council houses with Ribble Valley Homes Ltd. This arrangement will last for 10 years, obviously the amount received will depend on the number of sales each year.

In addition an agreement has been reached with the RSL to share the Value Added Tax in respect of improvements carried out on former council houses post stock transfer. This arrangement is unique to Councils and Registered Social Landlords upon transfer. The share of reclaimable VAT is likely to be in the region of £4.8m over the next 15 years. To set up the VAT shelter the council was required to pay Ribble Valley Homes Ltd £6.4m in 2007/08.

Explanatory Foreword

4 PENSIONS

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 Human Resource Consulting 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 2008 increased to £10.725 million (31 March 2007 £6.171m).

The main reason for the increase in liability is a change in the assumptions made by the actuary resulting in a reduction in liabilities for employers.

5 CAPITAL

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 including council houses.
- 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.

During the year the Council spent £3.7 million on capital schemes. This included both **general fund** and **housing revenue** schemes. Main areas of expenditure included:

- Clitheroe Castle Scheme.
- Three Stream Waste Collection.
- Replacement vehicles and plant.
- Repairs and improvements to our council houses.
- Affordable Housing Initiatives.
- Renovation and disabled facilities grants.

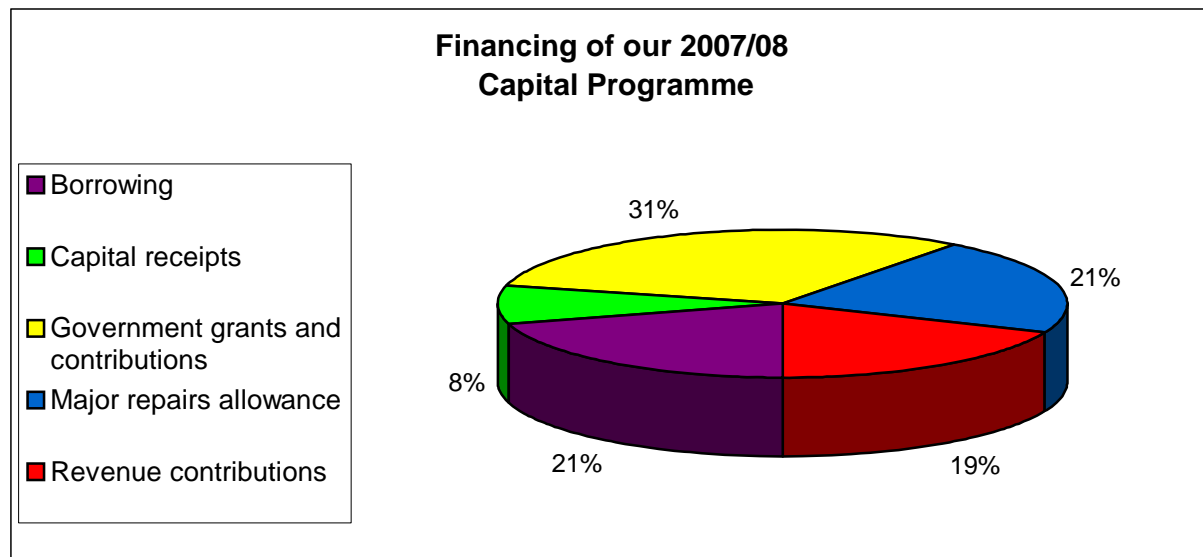
Explanatory Foreword

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 totalling £728,000 for a number of schemes has been agreed into 2008/09. These schemes include the following:

- Refuse Collection Vehicles.
- Recycling and Residual Waste Containers.
- Energy Efficiency Measures at Ribblesdale Pool.
- Relocation of Fitness Room at Longridge Sports Centre to Civic Hall.
- Affordable Housing Initiatives.
- Car Parks Rolling Programme.

How the Capital Programme was financed	
	£000
Borrowing	756
Capital receipts	307
Government grants and contributions	1,148
Major repairs allowance	772
Revenue contributions	688
	<u>3,671</u>

Explanatory Foreword



The Council borrowed £756,000 during 2007/08 to finance the capital programme, of which £33,000 was supported by the Government. 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 2008 is £6.9m. 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 24 to the core financial statements.

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

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

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 Code of Practice").

In preparing this statement of accounts, I have:

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

I have also:

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

I hereby certify that the statement of accounts presents fairly the financial position of the authority at the accounting date and its income and expenditure for the year ended 31 March 2008.

M. H. Scott

MARSHAL H SCOTT
DIRECTOR OF RESOURCES CPFA
17 September 2008

Approval of the Statement of Accounts

I confirm that these accounts, including the Income and Expenditure Account on page 26 and the Balance Sheet on page 30, were approved by the Accounts and Audit Committee at its meeting held on 17 September 2008.

Signed by:

A handwritten signature in black ink, appearing to read 'D Eccleston', is centered on the page.

Cllr David Eccleston
Chairman of Accounts and Audit Committee

17 September 2008

Statement of Accounting Policies

1 INTRODUCTION

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom – A Statement of Recommended Practice 2007 (the SORP) and guidance notes issued by the Chartered Institute of Public Finance and Accountancy. The Code of Practice is based on UK accounting standards and specifies the principles and practices of accounting required to prepare a statement of accounts which presents fairly the financial position and transactions of a local authority.

In accordance with the SORP, the authority has adopted a number of principles to be followed in selecting accounting policies to be used and the corresponding use of disclosures needed to help users to understand those adopted policies and how they have been implemented.

In doing so the authority intends that the policies adopted are those most appropriate to its particular circumstances for the purpose of presenting fairly the financial position and transactions of the authority. Policies are reviewed regularly to ensure they remain appropriate and are changed when a new policy becomes more appropriate to the authority's circumstances - a full disclosure of any such changes will always be provided.

The statement of accounts have been prepared based on the historical cost convention (subject to the valuation of certain fixed assets and financial instruments) and in accordance with the fundamental accounting principles set out below:

- ❖ The qualitative characteristics of financial information -
 - ❖ Relevance
 - ❖ Reliability
 - ❖ Comparability
 - ❖ Understandability
- ❖ Materiality
- ❖ Pervasive accounting concepts -
 - ❖ Accruals
 - ❖ Going concern
 - ❖ Primacy of legislative requirements.

Accounting policies can be defined as the principles, bases, conventions, rules and practices applied, that specify how the transactions and other events are to be reflected in the financial statements through recognising, selecting measurement bases for, and presenting assets, liabilities, gains, losses and changes in reserves.

Statement of Accounting Policies

2 SIGNIFICANT CHANGES TO THE ACCOUNTING POLICIES FOR 2007/08

FINANCIAL INSTRUMENTS

Until recently financial instruments were not covered comprehensively by UK financial reporting standards. This situation changed with the issue by the Accounting Standards Board of *FRS 25 Financial Instruments: Presentation and Disclosures* and *FRS 26 Financial Instruments: Measurement* and *FRS 29 Financial Instruments: Disclosures*. As a result of this the 2007 SORP requirements are now based on FRS 25, FRS 26 and FRS 29.

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term 'financial instrument' covers both financial assets and financial liabilities and includes both the most straightforward financial assets and liabilities such as trade receivables and trade payables and the most complex ones such as derivatives and embedded derivatives.

REVALUATION RESERVE AND CAPITAL ADJUSTMENT ACCOUNT

The 2006 SORP announced the creation of a new Revaluation Reserve and Capital Adjustment Account with effect from 1 April 2007 (ie the 2007/08 accounts) replacing the Fixed Asset Restatement Reserve (FARA) and the Capital Financing Account. The 2007 SORP requires a Prior Period Adjustment to transfer the balances at 31 March 2007 on both the old FARA and Capital Financing Account to the new Capital Adjustment Account. This means the new Revaluation Reserve is created with a zero balance on 31 March 2007.

A credit balance on the Capital Adjustment Account would demonstrate that capital finance has been set aside at a faster rate than fixed assets have been consumed, and the authority has a nominal surplus when comparing financing to consumption of resources. A debit balance would demonstrate that fixed assets have been consumed in advance of their being financed, and the authority has a nominal deficit when comparing financing to the consumption of resources.

3 FIXED ASSETS

Tangible Fixed Assets

3.1 Capital expenditure is defined by the SORP and also the Local Government Act 2003, as:

- ✧ The acquisition, reclamation, enhancement or laying out of land.
- ✧ The acquisition, construction, preparation, enhancement or replacement of roads, buildings and other structures.

Statement of Accounting Policies

- ✧ The acquisition, installation or replacement of plant, machinery, vehicles, apparatus or vessels.
 - ✧ Advances, grants or financial assistance to another person towards expenses to be incurred by him in respect of items mentioned above.
 - ✧ The acquisition of share or loan capital in a corporate body.
- 3.2 All expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis in the accounts. Expenditure on fixed assets is capitalised, provided that the fixed asset yields benefits to the authority and the services it provides, for a period of more than one year. This excludes expenditure on routine repairs and maintenance of fixed assets, which is charged direct to service revenue accounts.
- 3.3 Fixed assets are valued on the basis recommended by CIPFA and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by The Royal Institution of Chartered Surveyors (RICS). Fixed assets are classified into the groupings required by the SORP. The closing balances were classified as follows:
- ✧ Land, operational properties and other operational assets have been valued on the basis of open market value for their existing use.
 - ✧ Non-operational assets are included in the balance sheet at open market value.
 - ✧ Infrastructure assets are included in the balance sheet at historical cost, net of depreciation.
 - ✧ Community assets are valued at either historical cost or a nominal value of £1.
- 3.4 Any gains arising on revaluation are credited to the Revaluation Reserve. Revaluations of fixed assets were last carried out in 2005.
- 3.5 Downward revaluations ie Impairments can be due to either a change in prices or to the consumption of economic benefits by the authority. Where there has been consumption of economic benefits the SORP requires the impairment to be charged to the Income and Expenditure Account with all other movements made via the Revaluation Reserve. However where there are no accumulated revaluation gains kept in the Revaluation Reserve for that particular asset the excess has to be charged to the Income and Expenditure Account. These entries in the Income and Expenditure Account must be reversed out via the Statement of Movement on the General Fund Balance.
- 3.6 Income from the disposal of fixed assets is accounted for on an accruals basis. Gains or losses on disposal of assets are required to be credited or debited to the Income and Expenditure Account and reversed out via the Statement of Movement of Movement on the General Fund Balance.

Statement of Accounting Policies

Intangible Fixed Assets

3.7 In accordance with the SORP, intangible fixed assets are disclosed separately on the balance sheet. This is to reflect purchased software licences, which, under UK Generally Accepted Accounting Policies (GAAP), can be recognised as intangible assets. These have been capitalised in our accounts at cost and are being amortised on a systematic basis over their economic lives.

4 LEASING

4.1 Items may be acquired by the Council under leasing arrangements which fall within the following categories:

✧ ***Finance Leases***

Whereby the risks and responsibilities of ownership are substantially transferred to the Council.

✧ ***Operating Leases***

Whereby the risks and responsibilities of ownership are retained by the lessor.

4.2 In line with the SORP, operating leases are not shown as assets or liabilities on the authority's balance sheet. Rentals are charged to the appropriate revenue accounts. Current and future payments due under these leases are set out in the notes to the core financial statements.

5 LOCAL AREA AGREEMENT (LAA) GRANT

Ribble Valley is a participant in an LAA – a partnership with other public bodies involving the pooling of government grants to finance work towards jointly agreed objectives for local public services. In 2007/08 the LAA had completed the second year of its three year agreement. Lancashire County Council acts as the accountable body.

6 REVENUE TRANSACTIONS

Revenue transactions have been recorded on an income and expenditure basis. Provision has been made on an actual or estimated basis for all debtors and creditors as at 31 March 2008 with the exception of various items where the charges from one year to the next are not material ie, gas, electricity and telephone charges.

Statement of Accounting Policies

7 PENSIONS

Pension Costs are reported in line with Financial Reporting Standard 17 (FRS 17). This means that the notional costs of retirement benefits are charged to the accounts as they are earned by employees in the year; finance costs (interest costs and the return on assets) must also be included. These notional costs are then reversed out of the accounts and substituted by the actual cash costs of employer pension contributions, to give the Council's actual spend position for the year. (This position is set out in detail in note 5 to the core financial statements.)

8 DEFERRED CHARGES

Deferred charges represent expenditure which may properly be capitalised, but which does not result in the acquisition, creation or enhancement of a fixed asset, eg improvement grants. They are written off to the revenue account in the year that the expenditure takes place on the basis that no long term benefit accrues to the Authority.

9 STOCKS AND STORES

Stock held in the Council's general stores is valued in the accounts at average cost. All other stocks are shown at cost price.

10 RESERVES AND PROVISIONS

Reserves consist of fund balances accumulated for use by the Council. A summary of these is given in the notes to the core financial statements.

10.1 A provision for doubtful debts has been made for losses that are likely to be incurred arise. In accordance with SORP this has been deducted from the balance sheet debtors where it is uncertain as to the amounts or dates on which they will figure. Different proportions of arrears are regarded as doubtful, depending on their nature and age. This estimate is prudently informed by the authority's experience and current knowledge of its debts.

10.2 The Capital Reserve Fund represents resources earmarked for the financing of future capital expenditure.

10.3 The Usable Capital Receipts Reserve consists of proceeds from fixed asset sales available to meet future capital investment.

10.4 The Revaluation Reserve, created with an opening balance of zero on 1 April 2007, records individual assets revaluation gains and also losses to the extent of previously recorded gains for that asset.

10.5 The Capital Adjustment Account consolidates past revaluation gains up to 31 March 2007 and reflects the balance between the rate at which assets are consumed and the rate at which assets are financed.

Statement of Accounting Policies

11 DEPRECIATION

11.1 The Council charges its general fund and the housing revenue account with depreciation for all fixed assets used in the provision of services.

11.2 Depreciation is provided for all fixed assets (except freehold land) with a finite useful life. Provision for depreciation is made by allocating the cost (or revalued amount) less estimated residual value of the assets. 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

11.3 Assets are not depreciated in the year of acquisition.

11.4 Depreciation is reversed out of the accounts via the Statement of Movement of the General Fund Balance.

12 CENTRAL ADMINISTRATIVE EXPENSES

A full allocation of central administrative expenses is made to all services and accounts.

The method of allocating salaries and office running expenses is based on the allocation of time. The expenses of administrative buildings are apportioned on a floor area basis and then further recharged by the central departments with office running expenses.

13 GOVERNMENT GRANTS AND CONTRIBUTIONS

Government grants are accounted for on an accruals basis and, in the case of revenue grants, income is credited to the appropriate revenue account or, in the case of capital grants to the government grants deferred account. This is subsequently credited out of the accounts to individual services in line with the depreciation policy adopted for that asset.

Statement of Accounting Policies

14 CONTINGENT ASSETS

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.

15 CONTINGENT LIABILITIES

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.

16 EXCEPTIONAL ITEMS

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.

17 FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability of another, eg borrowings, bank deposits, loans and investments. The 2007 SORP has adopted FRS 25, 26 and 29 which deal with the recognition, measurement and disclosure and presentation of financial instruments.. These accounts reflect the necessary changes and disclosures.

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.

2006/07		Gross Expenditure	2007/08	Net Expenditure	Note
£		£	Gross Income £	£	
650,042	Central Services to the Public	3,107,546	(2,208,947)	898,599	
3,946,471	Cultural, Environmental and Planning	7,936,461	(3,746,812)	4,189,649	
587,602	Highways, Roads and Transport	2,118,606	(1,571,411)	547,195	
659,864	Housing General Fund	5,549,054	(5,381,590)	167,464	
2,410	Housing Revenue Account	59,307,714	(3,555,638)	55,752,076	1
22,772	Social Services	61,386	(38,014)	23,372	
0	Exceptional Item – Overhanging Debt	0	(6,583,877)	(6,583,877)	1
1,521,226	Corporate and Democratic Core	1,972,651	(412,599)	1,560,052	
0	Non Distributed Costs	293,000	0	293,000	2
7,390,387	Net Cost of Services	80,346,418	(23,498,888)	56,847,530	
0	Gain on the disposal of fixed assets			0	
304,514	Parish Council Precepts			326,994	
(16,891)	Surplus on Trading Services			(28,431)	3
362,448	Interest Payable			336,372	
312,608	Contribution of Housing Capital Receipts to Government Pool			283,792	4
(332,490)	Interest and Investment Income Received			(332,439)	
42,000	Pensions Interest Cost and Expected Return on Pensions Assets			(12,000)	5
8,062,576	Net Operating Expenditure			57,421,818	
(3,123,403)	Demand on the Collection Fund			(3,211,359)	
(651,639)	General Government Grants			(643,974)	
(2,922,033)	Non-Domestic Rates redistribution			(3,179,881)	
1,365,501	Deficit For Year			50,386,604	

CORE FINANCIAL STATEMENTS ACCOUNTS 2007/08
Statement of Movement on the General Fund Balance

INTRODUCTION

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.

2006/07		2007/08	Note
£		£	
1,365,501	Deficit for the year on the Income and Expenditure Account	50,386,604	
(392,670)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	(50,185,179)	
972,831	Decrease in General Fund Balance for the Year	201,425	
(2,285,410)	General Fund Balance brought forward	(1,312,579)	
(1,312,579)	General Fund Balance carried forward	(1,111,154)	

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.

2006/07		2007/08	Note
£		£	
	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		
(440,050)	Depreciation and impairment of fixed assets	(56,416,523)	
(376,751)	Excess of Depreciation charged to HRA over the Major Repairs Allowance	(362,240)	
200,585	Government Grants Deferred amortisation	199,755	32
(643,106)	Write downs of deferred charges to be financed from capital resources	(360,011)	
0	Net Gain on Disposals of Fixed Assets	344,728	
(961,000)	Net charges made for retirement benefits in accordance with FRS17	(1,126,000)	5
(2,220,322)		(57,720,291)	
	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		
173,769	Minimum revenue provision for capital financing	194,658	9
0	Overhanging Debt Grant for PWLB Loan Repayment	6,583,877	
261,479	Capital expenditure charged in-year to the General Fund Balance	688,156	
(312,608)	Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	(283,792)	4
732,490	Employer's contributions payable to the Lancashire County Council Pension Fund and retirement benefits payable direct to pensioners	884,072	5
855,130		8,066,971	
	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		
257,087	Transfer of the Surplus for the year on the HRA	360,254	
715,435	Net Transfers to or from Earmarked Reserves	(892,113)	33
972,522		(531,859)	
(392,670)	Net additional amount required to be credited to the General Fund Balance for the year	(50,185,179)	

Statement of Total Recognised Gains and Losses

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

2006/07		2007/08	
£000		£000	Note
1,366	Deficit for the year on the Income and Expenditure Account	50,387	
266	(Surplus)/Loss arising on revaluation of fixed assets	(390)	26
(1,559)	Actuarial (gains)/ losses on pension fund assets and liabilities	4,312	5
223	Movement on Collection Fund Balance	227	
296	Total recognised losses for the year	54,536	

Balance Sheet

2006/07 £		2007/08 £	Note
	Fixed Assets		
86,434	Intangible Assets	62,623	13
	Tangible Fixed Assets		14
	<u>Operational Assets:</u>		
56,869,379	Council Dwellings	0	
5,568,330	Other Land and Buildings	7,308,006	
1,731,610	Vehicles, Plant and Equipment	2,450,636	
253,756	Infrastructure Assets	247,456	
1,650,988	Community Assets	1,553,857	
	<u>Non Operational Assets:</u>		
554,690	Surplus Assets	724,456	
66,715,187	Total Fixed Assets	12,347,034	
72,058	Long Term Debtors	62,729	19
66,787,245	Total Long Term Assets	12,409,763	
	Current Assets		
76,793	Stocks and Work in Progress	73,860	21
1,814,956	Debtors and Prepayments	14,897,378	22
4,200,000	Short Term Investments	3,400,000	
11,192	Cash	19,001	
	Current Liabilities		
(499,323)	Short Term Borrowing	(6,282,529)	
(2,803,972)	Creditors	(3,628,050)	23
(77,069)	Bank Overdraft	(6,069,884)	
69,509,822	Total Assets Less Current Liabilities	14,819,539	
(5,971,116)	Long Term Borrowing	(652,082)	24
(1,326,501)	Government Grants Deferred	(1,937,239)	32
(6,171,345)	Liability Related to Defined Pension Schemes	(10,725,273)	5
56,040,860	Total Assets Less Liabilities	1,504,945	

Balance Sheet

2006/07 £		2007/08 £	Note
	<i>Financed by:</i>		
0	Revaluation Reserve	0	26
57,134,805	Capital Adjustment Account	8,178,113	27
21,490	Deferred Credits	17,653	30
0	Usable Capital Receipts Reserve	0	31
2,902,043	Earmarked Reserves	2,009,930	33
61,255	Major Repairs Reserve	0	25
(6,171,345)	Pension Reserve	(10,725,273)	5
1,312,579	Balances - General Fund	1,111,154	
652,529	- Housing Revenue Account	1,012,783	
127,504	- Collection Fund	(99,415)	
56,040,860	Total Equity	1,504,945	

Cash Flow Statement

2006/07 £000		2007/08	
		£000	£000
	Revenue Activities		
	Cash Outflows:		
6,985	Cash Paid to and on Behalf of Employees	7,768	
11,002	Other Operating Cash Payments	17,324	
4,298	Housing Benefits Paid out	4,675	
9,566	NNDR Payment to the National Pool	9,538	
26,308	Precepts Paid	27,861	
313	Payments to the Capital Receipts Pool	284	
58,472		67,450	
	Cash Inflows:		
(2,994)	Rents (After Rebates)	(3,251)	
(28,957)	Council Tax Receipts	(30,534)	
(2,922)	NNDR Receipts From the National Pool	(3,180)	
(9,644)	NNDR Receipts	(9,618)	
(651)	Revenue Support Grant	(644)	
(2,819)	DWP Grant for Benefits	(3,081)	
(1,005)	Other Government Grants	(1,934)	
(9,168)	Cash Received for Goods and Services	(8,977)	
(313)	Other Operating Cash Receipts	(284)	
(58,473)		(61,503)	
(1)	Net Cash Outflow/(Inflow) From Revenue Activities		5,947
	Returns on Investments and Servicing of Finance		
362	Cash Outflows- Interest Paid	336	
(332)	Cash Inflows - Interest Received	(332)	
30	Net Cash Outflow From Returns on Investments and Servicing of Finance		4

Cash Flow Statement

2006/07 £000		2007/08	
		£000	£000
	<i>Capital Activities</i>		
2,473	Cash Outflows - Purchase of Fixed Assets	3,671	
313	- Other Capital Cash Payments	284	
(612)	Cash Inflows - Sales of Fixed Assets	(590)	
(1,131)	- Capital Grants Received	(1,169)	
(330)	- Other Capital Cash Receipts	(898)	
713	Net Cash Outflow From Capital Activities		1,298
742	Net Cash Outflow Before Financing		7,249
	<i>Management of Liquid Resources</i>		
(1,300)	Net Increase/Decrease in Short Term Deposits		(800)
	<i>Financing</i>		
523	Cash Outflows - Repayment of Debts	536	
0	Cash Inflows - New Loans Raised	(1,000)	
523	Financing Net Cash Outflow/(Inflow)		(464)
(35)	(Increase)/Decrease in Cash and Cash Equivalents		5,985

For further information see notes 41-46 to the core financial statements.

Notes to the Core Financial Statements

1 EXCEPTIONAL ITEMS

Overhanging Debt Grant

Exceptional items are ones that are material in terms of the authority's overall expenditure and not expected to occur frequently or regularly. On 31 March 2008 the Council transferred its housing stock to Ribble Valley Homes Ltd. As a result of the transfer the Government agreed to repay PWLB housing related debt of £6.2m on behalf of the Council. This is a one-off transaction which has been included on the face of the Housing Revenue Account and the Income and Expenditure Account.

Impairment

The Council transferred its housing stock at a value of nil on 31 March 2008. The resulting impairment of £55.9m representing a consumption of economic benefits is included within the Housing Revenue Account expenditure and is consolidated within the Income and Expenditure Account. This is reversed out via the Statement of Movement on the General Fund Balance to the Capital Adjustment Account.

2 NON DISTRIBUTED COSTS

This relates to Past Service Pension costs which in accordance with the Best Value Accounting Code of Practice are not included within service expenditure. These costs must be shown as Non Distributed Costs within the Income and Expenditure Account – Net Cost of Services.

3 TRADING SERVICES

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

	2006/07 £	2007/08 £
Clitheroe Market - Income From Stall Holders	113,309	116,517
- Expenditure	(97,234)	(89,557)
- Capital Charges	(5,783)	(5,783)
<i>Surplus Transferred to General Fund</i>	10,292	21,177
Albion Mill - Income From Rents	33,892	37,830
- Expenditure	(27,293)	(30,576)
<i>Surplus Transferred to General Fund</i>	6,599	7,254
<i>Net Surplus on Trading Services</i>	16,891	28,431

4 CONTRIBUTION OF HOUSING CAPITAL RECEIPTS TO GOVERNMENT POOL

The Council is required to transfer 75% of the proceeds from the sale of any council houses to central government.

Notes to the Core Financial Statements

5 PENSIONS

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 needs to be disclosed at the time that employees earn their future entitlement.

The authority participates in the Lancashire County pension scheme. The scheme is for civilian employees, administered by Lancashire County Council. This is a funded 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.

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

Lancashire County Pension Scheme	2006/07 £000	2007/08 £000
Income and Expenditure Account Entries		
Net Cost of Services - Current Service Cost	919	845
- Past Service Cost	0	293
Net Operating Expenditure:		
Interest Cost	1,735	1,924
Expected Return on Assets in the Scheme	(1,693)	(1,936)
Net Charge to the Income and Expenditure Account	961	1,126
Statement of Movement on the General Fund Balance:		
Reversal of net charges made for Retirement Benefits in accordance with FRS17	(961)	(1,126)
Actual Amount Charged Against Council Tax for Pensions in the Year:		
Employers Pension Contributions Payable to Scheme	732	884

Notes to the Core Financial Statements

Disclosure of Net Pensions Asset/Liability

Assets in the County Council pension fund are valued at fair value, principally market value for investments. The underlying assets, shown by category and also liabilities for retirement benefits attributable to the authority at 31 March are as follows:

Lancashire County Pension Scheme	31 March 2007 £000	% of Total Assets held	31 March 2008 £000	% of Total Assets held
<i>Estimated Liabilities in Scheme</i>	(35,578)		(39,119)	
<i>Estimated Assets in Scheme:</i>				
Equities	18,910	64.3	17,661	62.2
Government Bonds	2,470	8.4	2,016	7.1
Other Bonds	3,676	12.5	4,259	15.0
Property	2,058	7.0	1,704	6.0
Cash/Liquidity	1,323	4.5	937	3.3
Other	970	3.3	1,817	6.4
<i>Total</i>	29,407		28,394	
Net Liability	(6,171)		(10,725)	

Market value of total fund assets (£millions)	3,689	3,664
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The market value of total fund assets at last valuation (31 March 2007) was £3,689m.

The end of year figures for the split of assets between investment categories have been calculated as at 31 March 2008.

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The net liability of £10.7m has a significant impact on the net worth of the authority, as recorded in the balance sheet, resulting in the overall balance being reduced to (£5.0m). This is a deterioration on the position shown for the previous year of £4.55m. Statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy.

The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary. Following the Housing Stock Transfer, the actuaries' initial assessment of the pension liability relating to the staff transferred to Ribble Valley Homes is £400,000. In 2008/09 the Council will determine whether to reduce this liability with payments into the fund or fund this deficit by increased contributions over future years.

Notes to the Core Financial Statements

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 Human Resource Consulting 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.

The main assumptions used in their calculations have been:

Lancashire County Pension Scheme	2006/07 %	2007/08 %
Financial Assumptions		
Rate of Inflation	3.1	3.6
Rate of Increase in Salaries	4.85	5.35
Rate of Increase in Pensions	3.1	3.6
Rate for Discounting Scheme Liabilities	5.4	6.1

Lancashire County Pension Scheme	2006/07 %	2007/08 %
Expected Return on Assets		
Equities	7.5	7.5
Government Bonds	4.7	4.6
Other Bonds	5.4	6.1
Property	6.5	6.5
Cash/Liquidity	5.25	5.25
Other	7.5	7.5

The actuarial assumptions used in the calculation of the year-end balance sheet liabilities are based on the 2007 actuarial valuation assumptions other than the financial assumptions, which are shown above.

The above expected returns are gross of expenses. A deduction of 0.26% in respect of expenses is made in calculating the expected return for the year.

Notes to the Core Financial Statements

Movement on the Net Pensions Asset/Liability

The actuarial gains/(losses) can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2008.

	2003/04		2004/05		2005/06		2006/07		2007/08	
	£000	%	£000	%	£000	%	£000	%	£000	%
Differences Between the Expected and Actual Return on Assets	2,684	13.1	1,051	4.7	3,796	13.7	(200)	0.7	(2,373)	8.4
Difference Between Actuarial Assumptions About Liabilities and Actual Experience	0	0	(384)	1.3	(717)	2.0	0	0	198	0.5
Changes in the Demographic and Financial Assumptions Used to Estimate Liabilities	0	0	(4,954)	16.4	(2,710)	7.7	1,759	4.9	(2,137)	5.5
Net Gain/(Loss)	2,684		(4,287)		369		1,559		(4,312)	

6 EXPENDITURE ON PUBLICITY

The Council is required under section 5(1) of the Local Government Act 1986 to disclose the amount of expenditure on publicity for the year.

	2006/07 £	2007/08 £
Recruitment Advertising	29,510	19,983
Other Advertising	20,595	14,922
Other Publicity	49,918	41,970
	100,023	76,875

Notes to the Core Financial Statements

7 OFFICERS' EMOLUMENTS

The number of employees whose remuneration, excluding pension contribution, was £50,000 or more in bands of £10,000 was:

	2006/07	2007/08
£50,000 - £59,999	0	1
£60,000 - £69,999	2	1
£70,000 - £79,999	1	2
£80,000 - £89,999	1	0
£90,000 - £99,999	0	1

8 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:

- a) 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.
- b) Transactions with other public bodies, ie 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.
- c) 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).

Notes to the Core Financial Statements

9 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. For 2007/08 the Authority has exercised its choice to continue to calculate MRP as a % (presently 4%) of the Authority's General Fund Capital Financing Requirement. The 2006/07 amount was adjusted for losses made because of the commutation of improvement grants subsidy in 1992. The amounts are:

Minimum Revenue Provision	2006/07 £000	2007/08 £000
Housing Amount	4	0
Non Housing Amount	191	194
Less Commutation Adjustment	(21)	0
Total Minimum Revenue Provision	174	194

10 MEMBERS' ALLOWANCES

During the year an amount of £184,435 (2006/07 - £165,900) was paid to members in respect of allowances.

Notes to the Core Financial Statements

11 BUILDING CONTROL

Local authorities are required by the Building (Local Authority Charges) Regulations 1998 to publish an annual statement of the costs of the Building Control function. The Council sets charges for work carried out in relation to building regulations with the aim of covering all costs incurred. However, certain activities performed by the Building Control section cannot be charged for, such as providing general advice and liaising with other statutory authorities. The statement shown below shows the total cost of building control divided between the chargeable and non-chargeable activities.

	Chargeable £	Non Chargeable £	Total Building Control £
<i>Expenditure</i>			
Employees Expenses	4,374	0	4,374
Transport Related Expenses	18,656	0	18,656
Supplies and Services	22,420	0	22,420
Employee Costs	219,835	68,217	288,052
<i>Total Expenditure</i>	265,285	68,217	333,502
<i>Income</i>			
Building Regulation Charges	(247,633)	0	(247,633)
Miscellaneous Income	0	(14,372)	(14,372)
Recharges to Other Services	0	(37,520)	(37,520)
<i>Total Income</i>	(247,633)	(51,892)	(299,525)
<i>Deficit for Year</i>	17,652	16,325	33,977
<u>Comparatives for 2006/07</u>			
<i>Expenditure</i>	238,516	79,070	317,586
<i>Income</i>	(241,883)	(48,496)	(290,379)
<i>(Surplus)/Deficit for 2006/07</i>	(3,367)	30,574	27,207

Building Control Reserve Fund	£
Balance 1 April 2007	189,198
Less Deficit in 2007/08	17,652
Balance 31 March 2008	171,546

Notes to the Core Financial Statements

12 EXTERNAL AUDIT COSTS

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

	2006/07 £	2007/08 £
Fees Payable:		
To PricewaterhouseCoopers with regard to External Audit Services	75,000	81,233
To the Audit Commission in respect of Statutory Inspection	4,231	5,899
To PricewaterhouseCoopers for Certification of Grant Claims and Returns	37,000	32,000
In respect of Other Services provided by PricewaterhouseCoopers:		
- Advice on Housing Stock Transfer	40,006	55,707
	156,237	174,839

13 INTANGIBLE FIXED ASSETS

From the 2004 Statement of Recommended Practice, local authorities are now required to disclose information regarding intangible fixed assets. These are defined as 'non-financial fixed assets that do not have any physical substance but are identifiable and are controlled by the entity via custody or legal rights'. Previously we accounted for such expenditure as deferred charges.

Movement in Intangible Assets	Purchased Software Licences £000
Original Cost	119
Amortisation to 1 April 2007	(33)
Balance at 1 April 2007	86
Expenditure in Year	0
Written Off to Revenue in year	(23)
Balance at 31 March 2008	63

A new financial ledger system was purchased in 2005/06. The cost of this is being written off over five years.

Notes to the Core Financial Statements

14 FIXED ASSETS

Our fixed assets are analysed as follows:

Operational Assets

	Council Dwellings £000	Other Land and Buildings £000	Vehicles and Plant £000	Infra - Structure £000	Community Assets £000	Total £000
Gross value at 31 March 2007	62,138	6,292	2,954	294	1,678	73,356
Accumulated Depreciation	(5,269)	(724)	(1,222)	(40)	(27)	(7,282)
Net Book Value of Assets at 31 March 2007	56,869	5,568	1,732	254	1,651	66,074
Movement in 2007/08						
Additions	862	1,277	1,059	0	113	3,311
Disposals	(351)	0	0	0	(58)	(409)
Revaluations	203	0	0	0	58	261
Depreciation	(1,073)	(89)	(340)	(7)	(11)	(1,520)
Reclassification	(564)	552	0	0	(199)	(211)
Impairment	(55,946)	0	0	0	0	(55,946)
Net Book Value of Assets at 31 March 2008	0	7,308	2,451	247	1,554	11,560

Notes to the Core Financial Statements

Non-Operational Assets

	Non- Operational Assets £000
Gross Valuation at 31 March 2007	555
Accumulated Depreciation	0
Net Book Value of Assets at 31 March 2007	555
Movement in 2007/08 - Additions	0
- Disposals	(171)
- Revaluations	129
- Depreciation	0
- Reclassification	211
Net Book Value of Assets at 31 March 2008	724

15 ANALYSIS OF FIXED ASSETS AS AT 31 MARCH

	2007 Number	2008 Number
Council Dwellings	1,174	0
Offices	1	1
Town Hall/Civic Suite	1	1
Depots and Workshops	2	2
Off Street Car Parks	28	28
Sports Centre	1	1
Swimming Pool	1	1
Museum and Heritage Centre	1	1
Parks and Recreation Grounds	148 ha	148 ha
Civic Halls	1	1
Markets	2	2
Cemeteries	1	1
Industrial Property Rented Out	6	6
Public Conveniences	25	25
Camping and Caravan Site	1	1

Notes to the Core Financial Statements

16 VALUATION OF FIXED ASSETS

The freehold and leasehold properties, which comprise the authority's property portfolio, were revalued on 1 March 2005 by the district valuer, Mr Robin M Hughes BA (Econ) FRICS of the Valuation Office Agency Preston with the exception of council dwellings. These were valued in October 2005 by the district valuer in accordance with guidance notes (A New Financial Framework for Local Authority Housing - Guidance on Stock Valuation) by the Department of the Environment, Transport and the Regions. Not all properties were inspected; this was neither practicable nor considered necessary for the purpose of the valuation.

Both properties regarded by the authority as operational and non-operational were valued on the basis of open market value for their existing use.

Community assets are included either at historical cost or a nominal value of £1.

17 SUMMARY OF CAPITAL EXPENDITURE AND SOURCES OF FINANCE

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.

Capital Expenditure and Financing

	2006/07 £000	2007/08 £000
Opening Capital Financing Requirement	8,129	8,238
Capital Investment - Operational Assets	1,830	3,312
- Intangible Assets	0	0
- Deferred Charges	643	360
Sources of Finance:		
Capital Receipts	(338)	(307)
Government Grants and Other Contributions	(714)	(1,149)
Revenue Contributions	(1,138)	(1,460)
Minimum Revenue Provision	(174)	(194)
Closing Capital Financing Requirement	8,238	8,800
Explanation of Movements in Year		
Increase in Underlying Need to Borrow:		
Supported by Government Financial Assistance	33	33
Unsupported by Government Financial Assistance	250	723
Minimum Revenue Provision	(174)	(194)
Increase in Capital Financing Requirement	109	562

Notes to the Core Financial Statements

Analysis by Sources of Finance

Some expenditure under the capital programme is funded from cash resources already available to the Council. These include receipts from the sale of assets, grants and contributions from Government and other bodies, and contributions from revenue funds. Other sources of funding include the major repairs reserve for housing revenue account expenditure and borrowing.

	2006/07 £	2007/08 £
Revenue Contribution to Capital Outlay	35,783	64,674
Financed by Borrowing	283,000	756,337
Capital Grants	709,494	1,148,479
Capital Receipts	338,488	306,597
Contributions	4,474	0
Major Repairs Allowance	875,818	772,022
Capital Fund	225,695	623,483
	2,472,752	3,671,592

18 CAPITAL COMMITMENTS ON CONTRACTS

Capital projects may take several years to complete. Therefore the Council can be committed to capital expenditure in the following years, arising from contracts already placed and agreed at 31 March 2008, but which all or part of the work has yet to be undertaken. Major commitments for work in progress at the end of the year related to the following schemes:

	31 March 2008 £000
Clitheroe Castle Improvement Scheme	1,467
Three Stream Waste Collection	306

Notes to the Core Financial Statements

19 LONG TERM DEBTORS

At 31 March	2007 £	2008 £
Advances to Mortgagors	17,891	14,562
Car Loans	5,167	3,167
Ribble Valley Sports & Recreation Association	45,000	45,000
Gisburn Parish Council	4,000	0
	72,058	62,729

20 DEFERRED CHARGES

Deferred charges are 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. The movements on the account for 2007/08 were as follows:

	2006/07 £000	2007/08 £000
Opening Balance as at 1 April	0	0
Deferred Charges	643	360
Less Write Down During Year - General Fund	(643)	(360)
Balance as at 31 March	0	0

The items of deferred charge expenditure incurred during the year were as follows:

	2006/07 £000	2007/08 £000
Edisford Consultancy Costs	9	0
Badger Wells Sewer	0	1
Brungerly Park Improvement Scheme	22	13
Longridge Skate Park	0	3
Castle Grounds – Rose Garden	48	0
Upgrade to Financials Ledger System	0	10
E-Government	0	5
Housing Grants	534	267
Planning Delivery	28	51
Longridge Homeless Facility	0	10
Cycling	2	0
	643	360

Notes to the Core Financial Statements

21 STOCKS AND WORK IN PROGRESS

At 31 March	2007 £	2008 £
Stocks - Stores	55,113	56,246
- Tourism Stocks	4,413	3,949
- Other	17,267	13,665
	76,793	73,860

22 DEBTORS AND PREPAYMENTS IN ADVANCE

At 31 March	2007 £	2008 £
Government Departments	555,964	13,733,832
Other Local Authorities	88,787	37,777
Housing Rents Arrears	64,136	0
House Purchase and Improvement Loans	3,599	3,090
Sundry Debtors	706,892	754,412
NNDR	190,081	156,486
Council Tax	524,059	491,956
Prepayments	56,071	87,921
	2,189,589	15,265,474
Less Provision for Doubtful Debts	(374,633)	(368,096)
	1,814,956	14,897,378

Included within Government Departments are two exceptional amounts:

- £6.5m in respect of the Overhanging Debt Grant which was paid by the Government on 3 April 2008.
- £6.4m in respect of reclaimable VAT necessary in order to set up a VAT shelter with Ribble Valley Homes Ltd.

Notes to the Core Financial Statements

23 CREDITORS AND RECEIPTS IN ADVANCE

At 31 March	2007 £	2008 £
Government Departments	564,761	132,322
Inland Revenue	133,385	141,065
Other Local Authorities	269,862	197,724
Housing Rents	28,794	0
Private Street Works	2,321	2,358
Sundry Creditors	643,720	1,698,171
NNDR	139,577	61,606
Council Tax	259,517	266,398
Commuted Sums	288,320	281,991
Refundable Deposits	16,618	35,394
Receipts in Advance	457,097	811,021
	2,803,972	3,628,050

24 LONG TERM BORROWING

Source of Loan	Total Outstanding 31 March	
	2007 £	2008 £
Public Works Loan Board	5,967,958	649,239
Other Local Authorities	3,158	2,843
	5,971,116	652,082

Analysis of loans by maturity:

At 31 March	2007 £000	2008 £000
Between 1 and 2 years	462	72
Between 2 and 5 years	877	214
Between 5 and 10 years	1,310	219
More than 10 years	3,322	147
	5,971	652

Following the LSVT the Government will pay off our housing related debt in 2008/09, therefore this debt has been shown in the balance sheet within short term borrowing.

Notes to the Core Financial Statements

25 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 1 April 2007 £	Net Movement in Year £	Balance 31 March 2008 £	Purpose of Reserve	Further Details of Movements
Revaluation Reserve	0	0	0	Store of gains on revaluations of fixed assets	See Note 26
Capital Adjustment Account	57,134,805	(48,956,692)	8,178,113	Store of capital resources set aside to meet past expenditure	Note 27
Available-for-sale Financial Instruments Reserve	0	0	0	Store of gains on revaluation of investments not yet realised through sales	Note 28
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 29
Deferred Credits	21,490	(3,837)	17,653	Amounts from future sales of assets	Note 30
Usable Capital Receipts	0	0	0	Proceeds of fixed asset sales available to meet future capital investment	Note 31
Earmarked Reserves	2,902,043	(892,113)	2,009,930	Sums voluntarily set aside to meet specific expenditure	Note 33
Major Repairs Reserve	61,255	(61,255)	0	Resources available to meet capital investment in council housing	Note 6 to HRA
Pensions Reserve	(6,171,345)	(4,553,928)	(10,725,273)	Balancing account for Pension Liability in the Balance Sheet	Note 5
General Fund	1,312,579	(201,425)	1,111,154	Resources available to meet future running costs for non-housing services	Statement of Movement on the General Fund Balance

Notes to the Core Financial Statements

Reserve	Balance 1 April 2007 £	Net Movement in Year £	Balance 31 March 2008 £	Purpose of Reserve	Further Details of Movements
Housing Revenue Account	652,529	360,254	1,012,783	Resources available to meet future running costs for council houses	See HRA statements
Collection Fund	127,504	(226,919)	(99,415)	Statutory account showing transactions for council tax and NNDR	See Collection Fund Section
Total	56,040,860	(54,535,915)	1,504,945		

26 REVALUATION RESERVE

The Balance Sheet for 31 March 2007 has been adjusted from that included in the Statement of Accounts for 2006/07 to accommodate the implementation of the Revaluation Reserve (see accounting policy 2).

The Revaluation Reserve replaces the Fixed Asset Restatement Reserve (FARA). The credit balance of (£42.9m) at 31 March 2007 has been written off to the Capital Financing Account (£14.2m credit balance) to form the new Capital Adjustment Account with a balance of (£57.1m). The Revaluation Reserve has then been included in the Balance Sheet with a zero opening balance. The closing position on the Reserve at 31 March 2008 therefore only shows revaluation gains accumulated since 1 April 2007.

	2006/07 £000	2007/08 £000
<u>Fixed Asset Restatement Reserve</u>		
2006/07		
Balance at 1 April	44,310	0
Revaluation and Restatement of Fixed Assets	144	0
Disposal of Fixed Assets	(581)	0
Non-Enhancing Capital Expenditure	(960)	0
Balance at 31 March	42,913	0
Balance Transferred to Capital Adjustment	(42,913)	
	0	

Notes to the Core Financial Statements

	2006/07 £000	2007/08 £000
<u>Revaluation Reserve</u>		
2007/08		
Balance at 1 April	0	0
Revaluation Gains on Disposal of Assets	0	(390)
Writing out Revaluation Gains on Disposal to Capital Adjustment Account	0	390
Balance at 31 March	0	0

27 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.

When the new account was created on 31 March 2007 the opening balances were effectively consolidated revaluation gains accumulated up to that date and the "capital financing v consumption" surplus/deficit. The pre-Revaluation Reserve revaluation gains will reduce over time as assets held at 31 March are disposed of.

	2006/07 £000	2007/08 £000
<u>Capital Financing Account</u>		
2006/07		
Balance at 1 April	14,045	0
Deferred Charges Written Off	(643)	0
Minimum Revenue Provision	174	0
Amortisation of Government Grants Deferred	201	0
Financing of Capital Expenditure	1,966	0
Depreciation	(1,521)	0
Balance at 31 March	14,222	0
Balance Transferred to Capital Adjustment Account	(14,222)	
	0	

Notes to the Core Financial Statements

	2006/07 £000	2007/08 £000
<u>Capital Adjustment Account</u>		
Balance Transferred from Fixed Asset Restatement Reserve	(42,913)	
Balance Transferred from Capital Financing Account	(14,222)	
2007/08		
Balance at 1 April		(57,135)
Financing of Capital Expenditure:		
Capital Receipts		(307)
Revenue		(688)
Major Repairs Allowance		(772)
Writing out Deferred Charges		360
Removal of credit from amortisation of government grants deferred		(200)
MRP		(194)
Overhanging Debt Grant for PWLB Loan Repayment		(6,584)
Depreciation		1,544
Writing out carrying amount upon sale of assets		580
Writing out net capital income received		7
Impairment of Housing Assets - LSVT		55,946
Revaluation Gains on disposal of assets		(390)
Net gain on disposals		(345)
Balance at 31 March	(57,135)	(8,178)

28 AVAILABLE-FOR-SALE FINANCIAL INSTRUMENTS RESERVE

This is a new reserve for 2007/08 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 2008 is nil.

29 FINANCIAL INSTRUMENTS ADJUSTMENTS ACCOUNT

The Financial Instrument Adjustment Account is a new reserve for 2007/08 to reflect the new accounting requirements for Financial Instruments. The balance on this account at 31 March 2008 is nil.

Notes to the Core Financial Statements

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 sales of council houses that form the main part of mortgages under long-term debtors.

	2006/07 £000	2007/08 £000
Balance at 1 April	34	22
Principal Repayments - Mortgages	(12)	(4)
Balance at 31 March	22	18

31 USABLE CAPITAL RECEIPTS

Capital Receipts arise from the sale of assets owned by the Council. 75% of receipts from sales of council houses are required to be paid over to the Government. The remaining 25% along with any receipts from General Fund asset sales are credited to the Usable Capital Receipts Reserve to finance future capital expenditure.

	2006/07 £000	2007/08 £000
Balance at 1 April	40	0
Receipts in Year	299	307
Used to Finance Capital Expenditure	(339)	(307)
Balance at 31 March	0	0

32 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.

	2006/07 £000	2007/08 £000
Balance at 1 April	1,304	1,326
Grants Applied to finance Capital Expenditure	223	811
Release of Grants Amortised to Revenue	(201)	(200)
Balance at 31 March	1,326	1,937

Notes to the Core Financial Statements

33 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.

	1 April 2007 £	Receipts in Year £	Payments in Year £	31 March 2008 £
<i>General Fund</i>				
Vehicles and Equipment Fund	995,984			995,984
Local Recreation Grants Fund	18,783		(1,587)	17,196
Elections Fund	69,863	18,000	(73,144)	14,719
Audit Reserve Fund	13,230			13,230
Building Control Fund	189,198		(17,652)	171,546
Rural Development Reserve	1,631			1,631
Single Status	40,190	17,221	(956)	56,455
Capital	1,041,274	8,502	(623,483)	426,293
Insurance	20,000			20,000
Christmas Lights/RV in Bloom	9,250		(2,590)	6,660
Risk Management	8,808		(2,995)	5,813
Conservation	5,300		(5,300)	0
Longridge Civic Hall	8,000		(8,000)	0
Community Enhancement	5,739		(1,800)	3,939
New Community Enhancement Schemes	100,000		(52,562)	47,438
Rent Deposit Reserve	7,837	1,500		9,337
RCCO Unapplied (General Fund)	46,871		(7,685)	39,186
Longridge Schemes	100,000		(3,100)	96,900
Parish Schemes	100,000		(55,993)	44,007
Job Evaluation	76,500		(76,500)	0
Local Development Framework	38,940		(3,989)	34,951
LALPAC Licensing System	4,645			4,645
<i>Movement on General Fund Reserves</i>	<i>2,902,043</i>	<i>45,223</i>	<i>(937,336)</i>	<i>2,009,930</i>

Notes to the Core Financial Statements

	1 April 2007 £	Receipts in Year £	Payments in Year £	31 March 2008 £
<i>Housing Revenue</i>				
RCCO Unapplied	0	56,989	(56,989)	0
<i>Movement on Housing Revenue Reserves</i>	<i>0</i>	<i>56,989</i>	<i>(56,989)</i>	<i>0</i>
Total Movement on Reserves	2,902,043	102,212	(994,325)	2,009,930

Notes

Vehicles and Equipment Fund	- Used to fund replacements and generally support the capital programme
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 Reserve Fund	- Used to fund capital programme
Insurance Reserve	- Available to meet any costs following demise of Municipal Mutual Insurance Company
Christmas Lights/RV in Bloom	- Available to fund contributions towards Xmas Lights/Ribble Valley in Bloom
Risk Management	- Set up to pump prime risk management issues
Conservation	- To contribute towards future conservation projects
Longridge Civic Hall	- Used to fund future grant payment to local action group
Community Enhancement	- Used to fund grants to local organisations
Rent Deposit	- Creation of private tenants rent deficit scheme
Revenue Contributions Unapplied (RCCO)	- Used to fund capital expenditure
Longridge Grant Schemes	- Used to fund grants to schemes in Longridge

Notes to the Core Financial Statements

Parish Grant Schemes	- Used to fund Parish improvement schemes
Job Evaluation	- Set aside to finance cost implications of Job Evaluation
Local Development Framework	- To finance Local Development Framework Costs
LALPAC Licensing System	- To fund costs of LALPAC licensing system

34 FINANCE AND OPERATING LEASES

The authority leased various vehicles, plant and equipment during the year. The amount paid to lessors was £32,543. Future cash payments required to be made are as follows:

	Operational Vehicles, Plant & Equipment £	Finance Leases £
Less than 1 Year	5,299	0
1 - 5 years	8,200	0
> 5 years	0	0
	13,499	0

35 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 the next 15 years.

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 and the amount received will depend on the number of sales each year.

Notes to the Core Financial Statements

36 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 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 in respect of environmental pollution.
- Unlimited warranty for up to 30 years 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 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 in respect of environmental pollution.
- Unlimited warranty for up to 15 years 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.

Pensions relating to Staff Transferred to Ribble Valley Homes

Following the Stock Transfer there is an unfunded liability on the Pension Fund of £400,000 based on the 2004 Valuation by scheme actuaries Mercer Human Resource Consulting relating to the 29 transferred staff who are members of the Pension Scheme. In addition we have been advised by the actuaries that if the admission agreement was to be terminated by Ribble Valley Homes by 31 March 2009 and the transferred staff made redundant then a potential unfunded liability of

Notes to the Core Financial Statements

£160,000 would be payable to the Pension Fund. This would relate to the scheme members aged over 50 who would be entitled to immediate access to their pension.

Equal Pay Claims

The Council has recently completed a Job Evaluation Review for all staff. 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 any claims are resolved.

37 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 2008.

Notes to the Core Financial Statements

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.

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.

Notes to the Core Financial Statements

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 2008 can be analysed by age as follows:

	£000s
Less than 30 days	35
30 days to 59 days	43
60 days to 89 days	22
90 days to 119 days	7
120 days +	135
	242

Notes to the Core Financial Statements

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 through cash flow management procedures required by the Code of Practice.

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:

At 31 March	31 March 2008 £000
Less than one year	6,275
Between 1 and 2 years	72
Between 2 and 5 years	214
Between 5 and 10 years	219
More than 10 years	147
	6,927

Market risk

There are three market related risks the Council is aware of: Interest Rate Risk, Price Risk and Foreign Exchange Risk. Further details of each risk are outlined below:

Interest rate risk

The Council has limited exposed 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 STRGL. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income and Expenditure

Notes to the Core Financial Statements

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 on 4 March 2008, are as follows:

LIMITS IN INTEREST RATE EXPOSURE			
	2008/09 Upper	2009/10 Upper	2010/11 Upper
Maximum Principal Sums Borrowed >364 Days	£11.2m	£9.5m	£9.6m
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 only impact on the interest receivable on variable rate investments (by £57,000). The approximate impact of a 1% fall in interest rates would be the reverse. 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 cashflow 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.

Notes to the Core Financial Statements

38 FINANCIAL INSTRUMENTS BALANCES

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

	Long-Term		Current	
	31 March 2007 £000	31 March 2008 £000	31 March 2007 £000	31 March 2008 £000
Financial Liabilities at amortised cost	5,968	652	492	6,275
Total borrowings	5,968	652	492	6,275
Loans and receivables	72	63	4,204	3,403
Total Investments	72	63	4,204	3,403

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. The change in year reflects a reduction in the council's cash balances available for investment.

39 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 30 March 2007 and 31 March 2008 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:

Notes to the Core Financial Statements

	31 March 2007		31 March 2008	
	Carrying Amount £000	Fair Value £000	Carrying Amount £000	Fair Value £000
Financial Liabilities	6,460	6,464	6,924	7,295

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 2008 were generally higher than the rates at which the money was borrowed.

40 LOCAL AREA AGREEMENTS (LAA)

Ribble Valley is a participant in an LAA – a partnership with other public bodies involving the pooling of government grants to finance work towards jointly agreed objectives for local public services, in 2007/08 the LAA had completed the second year of its three year agreement.

The purpose of the LAA is:

- To form an agreement between Lancashire public, voluntary, community and faith sector service providers and central government to ensure that together we achieve objectives set out in the Countywide community strategy 'Ambition Lancashire'.
- To work together as partners towards an agreed set of outcomes which will make a lasting difference to the people of Lancashire.
- To provide the partners with the freedom and flexibility to join budgets and services to deliver more effective local action with better use of resources and a simplified performance framework.
- To improve the effectiveness and efficiency of public services in Lancashire by pooling and aligning funding with specifically targeted support.

The LAA Partners are:

- Local government bodies – Lancashire County Council, Burnley Borough Council, Chorley Borough Council, Fylde Borough Council, Hyndburn Borough Council, Lancaster City Council, Pendle Borough Council, Preston City Council, Ribble Valley Borough Council, Rossendale Borough Council, South Ribble Valley Borough Council, West Lancashire District Council, Wyre Borough Council.
- Strategic partnerships – Lancashire Partnership, Burnley Action Partnership, The Chorley Partnership, Fylde Vision, Hyndburn First, Lancaster District LSP, Pendle Partnership, Preston Strategic

Notes to the Core Financial Statements

Partnership, Ribble Valley Strategic Partnership, Rossendale Partnership, South Ribble Partnership, West Lancashire LSP, Wyre Strategic Partnership, Strategic health Authority.

- Community protection authorities – Lancashire Police Authority, Lancashire Constabulary, Lancashire Fire & Rescue.
- Health bodies – Burnley, Pendle & Rossendale PCT, Chorley & South Ribble PCT, Fylde PCT, Hyndburn & Ribble Valley PCT, Morecambe Bay PCT, Preston PCT, West Lancashire PCT, Wyre PCT.
- Other bodies – Business Link Lancashire, Connexions, East Lancashire Chamber of Commerce, Elevate, Environment Agency, Job Centre Plus Lancashire, Lancashire Drug Action Team, Lancashire Economic Partnership. Lancashire Probation Service, Lancashire VCFS Consortium, Learning and Skills Council Lancashire, North West Development Agency.

Lancashire County Council acts as the accountable body for the LAA. In 2007/08 the total amount of LAA grant received by the partnership was £15.5m. Ribble Valley Borough Council received £150k of this total to fund its own services.

NOTES SPECIFICALLY FOR CASH FLOW STATEMENT

41 ANALYSIS OF GOVERNMENT GRANTS

2006/07 £000		2007/08 £000
	<i>Revenue</i>	
106	Planning Delivery Grant	154
1,784	Council Tax Benefits	1,907
79	NNDR Cost of Collection	79
243	Benefit Administration Subsidy	284
(1,207)	Housing Revenue Subsidy	(525)
0	Concessionary Travel	35
1,005	Total Government Grants	1,934

Notes to the Core Financial Statements

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

2006/07 £000		2007/08 £000
973	Deficit per Income & Expenditure Account	201
185	Deficit on Collection Fund	227
(257)	Surplus on Housing Revenue Account	(360)
(977)	Non Cash Transactions	(6,384)
	<i>Movement in Current Assets/Liabilities</i>	
183	Change in - Debtors	12,990
(108)	- Creditors	(727)
(1)	Net Cash (Inflow)/Outflow From Revenue Activities	5,947

43 MOVEMENTS IN CASH

2006/07 £000		01/04/07 £000	31/03/08 £000	Movement £000
35	Increase/(Decrease) in Cash	(66)	(6,051)	(5,985)

44 ANALYSIS OF NET DEBT

Movement in 2006/07 £000		Balance 01/04/07 £000	Balance 31/03/08 £000	Movement in Year £000
35	Cash/Cash Overdrawn	(66)	(6,051)	(5,985)
(1,300)	Investments	4,200	3,400	(800)
523	Borrowing	(6,471)	(6,935)	(464)
(742)	Increase in Net Debt	(2,337)	(9,586)	(7,249)

Notes to the Core Financial Statements

45 RECONCILIATION OF MOVEMENT IN CASH TO THE MOVEMENT IN NET DEBT

2006/07 £000		£000	2007/08 £000
35	Increase/(Decrease) in Cash in period	(5,985)	
523	Cash Inflow From (Increase)/Decrease in Debt	(464)	
(1,300)	Cash Inflow From Reduction in Investments	(800)	
(742)	Change in Net Debt	(7,249)	
(1,595)	Net Debt as at 1 April		(2,337)
(2,337)	Net Debt as at 31 March		(9,586)

46 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.

Housing Revenue Account

The housing revenue account deals with the provision and maintenance of council houses and flats. There is a statutory requirement to keep this account separate from those of other housing activities carried out by the Council. Details are shown below of income and expenditure for 2006/07 and 2007/08.

2006/07 £		£	2007/08 £	Note
	Income			
(2,937,068)	Gross Dwelling Rents	(3,191,112)		
(57,277)	Gross Non Dwelling Rents	(59,645)		
(259,337)	Charges for Services and Facilities	(281,747)		
(1,897)	Reduction in Bad Debt Provision	(313)		
(2,168)	Housing Revenue Account subsidy receivable	(22,821)		3
(3,257,747)	Total Income		(3,555,638)	
	Expenditure			
1,107,565	Repairs and Maintenance	1,190,905		
544,735	Supervision and Management	524,094		
501,950	Negative Housing Revenue Account subsidy payable	547,735		3
1,081,187	Depreciation and Impairment of Fixed Assets	57,018,890		5
24,720	Debt Management Costs	26,090		
3,260,157	Total Expenditure		59,307,714	
0	Exceptional Item - Overhanging Debt Grant		(6,583,877)	10
2,410	Net Cost of Services		49,168,199	
176,263	Interest Payable		181,546	
(43,838)	Investment Income		(46,411)	
1,258	Pensions interest cost and expected return on assets		(396)	9
136,093	Deficit for Year on HRA services		49,302,938	

Statement of Movement on the Housing Revenue Account Balance

2006/07		2007/08	Note
£		£	
136,093	Deficit for Year on the HRA Income and Expenditure Account	49,302,938	
(393,180)	Net additional amount required by statute to be credited to the HRA Balance for the year	(49,663,192)	
(257,087)	Increase in the Housing Revenue Account Balance	(360,254)	
(395,442)	Housing Revenue Account Balance brought forward	(652,529)	
(652,529)	Housing Revenue Account Balance carried forward	(1,012,783)	

NOTE TO THE STATEMENT OF MOVEMENT ON THE HRA BALANCE

2006/07		2007/08	Note
£		£	
	Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA Balance for the year		
0	Difference between any other item of income and expenditure determined in accordance with the SORP and determined in accordance with statutory HRA requirements	(55,945,883)	
(41,919)	Net charges made for retirement benefits in accordance with FRS17	(25,123)	9
(41,919)		(55,971,006)	
	Items not included in the HRA Income and Expenditure Account but included in the Movement on the HRA Balance for the year		
(376,751)	Transfers to/from the Major Repairs Reserve	(362,240)	6
21,942	Employer's contributions payable to the Lancashire County Council Pension Fund and retirement benefits payable direct to pensioners	29,188	9
0	Overhanging Debt Grant for PWLB Loan Repayment	6,583,877	
0	Capital Expenditure funded by the HRA	56,989	7
3,548	HRA Share of the Minimum Revenue Provision	0	
0	Net Transfers to or from Earmarked Reserves	0	
(351,261)		6,307,814	
(393,180)	Net additional amount required by statute to be credited to the HRA Balance for the year	(49,663,192)	

Notes to the Housing Revenue Account

1 RENT ARREARS

Rent arrears at 31 March 2008 were acquired by Ribble Valley Homes.

	31 March 2007 £	31 March 2008 £
Gross Arrears	64,136	0
Credits	(28,794)	0
Net Arrears	35,342	0

2 HOUSING STOCK

The housing stock at 31 March 2008 was transferred to Ribble Valley Homes.

31 March 2007 No.		31 March 2008 No.
	Flats, Houses and Bungalows	
623	1 Bedroom	0
291	2 Bedrooms	0
251	3 Bedrooms	0
9	4 or More Bedrooms	0
1,174		0

3 HOUSING SUBSIDY

The subsidy for 2007/08 has been calculated as follows:

	£
Allowance for Management and Maintenance	1,505,157
Charges for Capital	369,809
Major Repairs Allowance	710,763
Rental Constraint Allowance	65,329
Housing Defects Grant	2,168
	2,653,226
Less - Guideline Rent Income	(3,197,162)
- Interest on Receipts	(1,631)
Add - Adjustment for Previous Year	20,653
	(524,914)

Notes to the Housing Revenue Account

4 STOCK VALUATION

	Operational		Non Operational £	Total £
	Council Dwellings £	Community £		
Gross Book Value at 31 March 2007	62,138,258	67	1,750	62,140,075
Accumulated Depreciation	(5,268,879)	0	0	(5,268,879)
Net Book Value of Assets at 31 March 2007	56,869,379	67	1,750	56,871,196
<i>Movements in 2007/08</i>				
Additions	862,011	0	0	862,011
Disposals	(351,811)	0	0	(351,811)
Depreciation	(1,073,007)	0	0	(1,073,007)
Reclassifications	(563,866)	0	(1,750)	(565,616)
Revaluations	203,110	0	0	203,110
Impairments	(55,945,816)	(67)	0	(55,945,883)
Net Book Value of Assets at 31 March 2008	0	0	0	0

We are required to disclose the vacant possession value of the Council's housing stock. This is the authority's estimate of the total sum that it would receive if its dwellings were sold on the open market. The balance sheet figure for 2006/07 reflects the rental income for existing tenancies. These are less than would be obtainable on the open market and the balance sheet value is therefore lower than the vacant possession valuation.

The vacant possession value as at 31 March 2008, immediately prior to the Housing Stock Transfer was £116,397,034.

The most recent valuation, which has been prepared of HRA assets, was at 1 April 2005.

Notes to the Housing Revenue Account

5 IMPAIRMENTS

The Council transferred its housing stock at a value of nil on 31 March 2008. The resulting impairment of £55.9m representing a consumption of economic benefits has been shown on the face of the Housing Revenue Account and reversed out of the accounts via the Statement of Movement on the Housing Revenue Account Balance to the Capital Adjustment Account.

6 MAJOR REPAIRS RESERVE

	£
Balance Brought Forward 1 April 2007	(61,255)
HRA Depreciation	(1,073,007)
Excess of Depreciation Over MRA	362,240
Financing of Capital Expenditure on houses	772,022
Improvements Within Last 3 Years to Dwellings Sold financed From HRA	0
Balance Carried Forward 31 March 2008	0

7 HOUSING REVENUE CAPITAL FINANCING

Capital	2006/07 £	2007/08 £
Expenditure - Council Houses	932,668	862,011
Financed By - Borrowing	(33,000)	(33,000)
- Revenue Contributions to Capital Outlay	(23,850)	(56,989)
- Major Repairs Reserve	(875,818)	(772,022)

8 HOUSING CAPITAL RECEIPTS

Gross Capital Receipts	2006/07 £	2007/08 £
Sale of Council Houses	409,458	393,462
Disposal of Land	0	0
Mortgage Repayments	7,192	3,086
	416,650	396,548

Notes to the Housing Revenue Account

9 PENSIONS

The HRA has been amended to reflect FRS17 entries as set out in the table below. These are appropriated to the Pensions Reserve to ensure the HRA shows the pension fund contributions and discretionary benefits payable for the year.

2006/07 £	HRA share of Pension Costs	2007/08 £
HRA Income and Expenditure Account		
Net Cost of Services		
21,942	Employer Contributions	29,188
18,719	Uplift to agree to Current Service Cost	(3,669)
40,661	Current Service Cost	25,519
Net Operating Expenditure		
51,971	Interest Cost	63,522
(50,713)	Expected Return on return assets in the scheme	(63,918)
1,258		(396)
41,919		25,123
Statement of Movement on the HRA Balance		
(41,919)	Reversal of net charges made for retirement benefits in accordance of FRS 17	(25,123)
Actual amount charged against the General Fund Balance for pensions in the year:		
21,942	Employer's contributions payable to the pension fund	29,188

Following the Housing Stock Transfer, the actuaries' initial assessment of the pension liability relating to the staff transferred to Ribble Valley Homes is £400,000. In 2008/09 the Council will determine whether to reduce this liability with payments into the fund or fund this deficit by increased contributions over future years.

10 EXCEPTIONAL ITEMS

Exceptional items are ones that are material in terms of the authority's overall expenditure and not expected to occur frequently or regularly. 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 on 3 April 2008 on behalf of the Council. This is a one-off transaction which has been included on the face of the Housing Revenue Account.

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.

	2006/07 £000	2007/08 £000
Income		
Council Tax	27,173	28,640
Transfers From General Fund - Council Tax Benefits	1,784	1,895
Business Rates	9,645	9,617
	38,602	40,152
Expenditure		
Precepts and Demands:		
Lancashire County Council	21,994	23,234
Ribble Valley Borough Council	3,086	3,184
Lancashire Police Authority	2,495	2,797
Lancashire Combined Fire Authority	1,207	1,276
Business Rates - Payment to National Pool	9,566	9,538
- Costs of Collection	79	79
Provision for Bad/Doubtful Debts	15	17
Share of Estimated Surplus:		
Ribble Valley	38	27
Lancashire County Council	263	194
Lancashire Police Authority	30	22
Lancashire Combined Fire Authority	14	11
	38,787	40,379
Deficit for the Year	(185)	(227)
Surplus Brought Forward	313	128
Surplus/(Deficit) Carried Forward	128	(99)

Notes to 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:

	£
Gross Rates	11,522,616
Less Allowances and Other Adjustments	(1,905,014)
Income Collectable From Business Ratepayers	9,617,602
Less Cost of Collection	(79,239)
Net Payment to National Pool	9,538,363

The total non-domestic rateable value at 31 March 2008 was £27,096,865 compared to £27,322,565 at 31 March 2007. The national non-domestic multiplier (rate in the pound) for the year 2007/08 was 44.4 pence compared to 43.3 pence in the year 2006/07.

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.

Notes to Collection Fund

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 £1,358.24 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	7	6.75	3.8
A	6/9	3,151	2,652.25	1,768.2
B	7/9	4,515	3,995.25	3,107.4
C	8/9	4,633	4,197.50	3,731.1
D	1	4,328	4,005.00	4,005.0
E	11/9	3,167	2,985.25	3,648.6
F	13/9	2,000	1,906.00	2,753.1
G	15/9	1,832	1,760.50	2,934.2
H	18/9	176	168.50	337.0
		23,809	21,677.00	22,288.4
			Adjustments	(80.4)
				22,208.0

Notes to 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	23,234,007
Lancashire Policy Authority Precept	2,797,100
Lancashire Combined Fire Authority Precept	1,275,628
Ribble Valley Borough Council Demand (excluding Parishes)	2,857,130
Total to be Met From Council Tax	30,163,865
Divided by Council Tax Base (Band D Equivalent Dwellings)	22,208
Band D Council Tax (Average excluding Parishes)	£1,358.24

5 PROVISION FOR LOSSES

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

	Council Tax £	NNDR £	Total £
Opening Balance	175,000	70,000	245,000
Write Off's in Year	(6,562)	(25,277)	(31,839)
Increase to Provision	16,562	25,277	41,839
Closing Balance	185,000	70,000	255,000

Date of Issue of Statement of Accounts

I authorise the Statement of Accounts 2007/08 for issue on 25 June 2008.

M. H. Scott

Signed.....

Marshal H Scott
Director of Resources

Events after the 'authorised for issue' date have not been included in the Statement of Accounts.