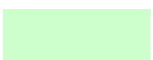




# Ribble Valley Borough Council

## Statement of Accounts 2006/2007



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## Independent Auditor's Report to Ribble Valley Borough Council

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### Independent Auditors' Report to the members of Ribble Valley Borough Council

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

### Respective Responsibilities of the Chief Financial Officer and Auditors

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

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

This report, including the opinion, has been prepared for and only for Ribble Valley Borough Council's members as a body in accordance with the Audit Commission Act 1998 and for no other purpose as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies, prepared by the Audit Commission. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006, the financial position of the Council and its income and expenditure for the year.

We review whether the Statement on Internal Control reflects the Council's compliance with CIPFA's guidance "The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003" published on 2 April 2004. We report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider whether the Statement on Internal Control covers all risks and controls. Neither are we required to form an opinion on the effectiveness of the Council's corporate governance procedures or its risk and control procedures.

We read the other information published with the financial statements and consider whether it is consistent with the audited financial statements. This other information comprises only the Explanatory Forward. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

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## Independent Auditor's Report to Ribble Valley Borough Council

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### Basis of audit opinion

We conducted our audit in accordance with the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission, which requires compliance with International Standards on Auditing (United Kingdom and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Council in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Council's circumstances, consistently applied and adequately disclosed.

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

### Opinion

In our opinion the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006, the financial position of Ribble Valley Borough Council as at 31 March 2007 and its income and expenditure and cash flows for the year then ended.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP  
101 Barbirolli Square  
Lower Mosley Street  
Manchester  
M2 3PW

27 September 2007

### Notes:

(a) The maintenance and integrity of the Ribble Valley Borough Council website is the responsibility of the Council; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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## Independent Auditor's Report to Ribble Valley Borough Council

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

#### ***Council's Responsibilities***

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

Under the Local Government Act 1999, the Council is required to prepare and publish a best value performance plan summarising the Council's assessment of its performance and position in relation to its statutory duty to make arrangements to ensure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

#### ***Auditor's Responsibilities***

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

We are required by section 7 of the Local Government Act 1999 to carry out an audit of the Council's best value performance plan and issue a report:

- certifying that we have done so;
- stating whether we believe that the plan has been prepared and published in accordance with statutory requirements set out in section 6 of the Local Government Act 1999 and statutory guidance; and
- where relevant, making any recommendations under section 7 of the Local Government Act 1999.

#### ***Conclusion***

We have undertaken our audit in accordance with the Code of Audit Practice and we are satisfied that, having regard to the criteria for principal local authorities specified by the Audit Commission and published in December 2006, in all significant respects, Ribble Valley Borough Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2007.

#### ***Best Value Performance Plan***

We issued our statutory report on the audit of the Council's best value performance plan for the financial year 2006/07 on 8 December 2006. We did not identify any matters to be reported to the Council and did not make any recommendations on procedures in relation to the plan.

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## Independent Auditor's Report to Ribble Valley Borough Council

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### Certificate

We certify that we have completed the audit of the financial statements in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP  
101 Barbirolli Square  
Lower Mosley Street  
Manchester  
M2 3PW

27 September 2007

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**Statement on Internal Control****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 also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk.

**2 THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL**

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it 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 system of internal control has been in place at Ribble Valley Borough Council for the year ended 31 March 2007 and up to the date of the approval of the statement of accounts.

**3 THE INTERNAL CONTROL ENVIRONMENT**

The internal control environment exists to manage the different types of risk faced by the authority and is therefore an ongoing process designed to identify and prioritise the risks linked to the achievement of our aims, policies and objectives.

The key elements of the Council's internal control environment are as follows:

- ❖ The establishment and regular review of the Council's principal statutory obligations and organisational objectives.
- ❖ A constitution which sets out how the Council operates, how decisions are made and the procedures which are followed to ensure these are efficient, transparent and accountable to local people.
- ❖ Overview and Scrutiny Committees (Resources and Services).
- ❖ Accounts and Audit Committee.
- ❖ A scheme of delegation, standing orders and financial regulations.
- ❖ A Code of Corporate Governance adopted in accordance with the framework developed by CIPFA/SOLACE.
- ❖ A performance management system that establishes and monitors the Council's performance in a regular and consistent basis.
- ❖ A risk management strategy and policy.
- ❖ A computerised risk register that identifies the risks facing the Council and the controls in place to minimise those risks.
- ❖ A robust internal audit service.
- ❖ An effective system of financial management and reporting.

## Statement on Internal Control

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More specifically, the Council's effective system of internal financial control includes:

- ❖ A medium term financial strategy;
- ❖ A comprehensive budgeting system;
- ❖ Regular reporting to members, comparing financial performance against forecasts;
- ❖ Setting targets to measure financial and other performance;
- ❖ Clearly defined responsibilities for budget holders;
- ❖ A capital scheme evaluation system.

Our internal audit service section works with managers in assessing control environments and enhancing control where felt necessary. Internal audit's objectives include:

- ❖ Independently reviewing and appraising systems of control throughout the authority;
- ❖ Ascertaining the extent of compliance with procedures, policies, regulations and legislation;
- ❖ Providing reassurance to management that their agreed policies are being carried out effectively and recommending corrective action where not;
- ❖ Facilitating good practice in managing risks;
- ❖ Recommending improvements in control, performance and productivity in achieving corporate objectives;
- ❖ Reviewing the value for money processes, best value and performance management arrangements;
- ❖ Working in partnership with our external auditors ensuring effective audit cover and optimising available audit resources;
- ❖ Working within the authority's anti fraud strategy, facilitated by formal whistle blowing arrangements, to identify fraud and undertake investigations as necessary deterring crime and misappropriation of resources.

#### 4 **REVIEW OF EFFECTIVENESS**

The Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the corporate management team within the authority who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the external auditors and other review agencies and inspectorates.

The system of internal control is continually under review, in particular –

The Council has an internal audit section that is responsible to the Director of Resources. The internal auditors have full access to all the Council's systems and records.



## Statement on Internal Control

Annual and three year strategic plans are prepared, based upon a risk analysis of the Council's functions and services, and covers the following areas:

- ❖ Fundamental (main) systems.
- ❖ Non-fundamental systems.
- ❖ Probity and regularity.
- ❖ Fraud, corruption and ongoing checks.
- ❖ Computer audit.
- ❖ Best value.

The Council has external auditors who report to the Council in a management letter any internal control issues they discover as part of their work for the Council.

We have been advised on the implications of the result of the review of the effectiveness of the system of internal control by the Council and of the plans to address weaknesses and ensure continuous improvement of the system is in place.

A list of those weaknesses highlighted by the external auditors along with action plans for those not already addressed can be found following:

Weakness	Resolved	Action Plan
Corporate risks should be fully accounted for within corporate, service and financial plans with clear evidence available to support this process.		A sensitivity analysis detailing the costings of identified strengths, weaknesses, opportunities and threats will be included in future Service Plans.
Improved guidance be provided to service managers carrying out the 'SWOT' analysis resulting in more specific areas being included with each Service Plan that can then be more effectively measured and followed up.	The Service Planning Guidance was reviewed in January 2007. The guidance includes instructions on the carrying out of a SWOT analysis.	
Terms and Reference for Accounts and Audit Committee be updated to be responsible for the approval of the SIC.		The Terms of Reference for Accounts and Audit Committee will be updated to include responsibility for the approval of the SIC.
The sources of assurance to support the SIC be explicitly set out to identify which assurances it is seeking from which parties.		A Certificate of Assurance will be completed by all Service Managers and approved by the appropriate Director. A Certificate will also be completed for each of the 6 significant partnerships ie LAA, RVSP, 3 stream refuse collection, ELEP, CDRP, Contact Centre.

**Statement on Internal Control**

Weakness	Resolved	Action Plan
The council formalises its governance (including reporting arrangements) in place surrounding all significant partnerships.		Ongoing reports on the 6 significant partnerships will be sent to Members. A formalised reporting timetable will be drawn up stipulating the meeting cycles in which reports will be submitted. Reports will be sent on a six monthly basis.
Formal fraud risk assessment be developed, drawing on the already documented fraud risks within the Grace system.		A fraud risk profile drawing on the already documented risks within the Grace system will be formulated.
Fraud training is extended to the Internal Audit function, as appropriate, to ensure there is a wider skill-set available to support the Councils other (non Benefit) sections in fraud related issues.		Fraud training will be carried out during the 2007/08 financial year.

**5 SIGNIFICANT INTERNAL CONTROL ISSUES AND ACTION PLAN**

The following significant internal control issues have been identified:

Issue	Actions Being Taken
1 <b>BUSINESS CONTINUITY</b> A business continuity plan be drafted for all critical service areas.	A business continuity plan is in the process of being compiled. It is anticipated to be completed May 2007.



David Morris  
Chief Executive



Michael Ranson  
Leader of the Council

27 June 2007

## Explanatory Foreword

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### 1 INTRODUCTION

The Council's statement of accounts for the year ended 31 March 2007 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.

#### **2006/07 Changes to the Statement of Accounts**

For 2006/07 the accounting statements are significantly different from those produced for 2005/06 and earlier years. The focus of the statement of accounts was previously the Consolidated Revenue Account, which had the dual role of setting out the Authority's financial performance (as measured in accordance with proper accounting practices) and determining the net expenditure to be charged against council tax in the year.

The new statements disaggregate the old Consolidated Revenue Account and Statement of Total Movement in Reserves to produce the following statements each with a single clear objective:

#### **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 2007.
- 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.

For 2006/07 the notes to the core financial statements are now together in one section rather than included within each statement as previously.

## Explanatory Foreword

### 2 GENERAL FUND

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.

	Original Estimate	Revised Estimate	Actual	Original Estimate compared with Actual	Revised Estimate compared with Actual
Committee	£000	£000	£000	£000	£000
Community	3,538	3,352	3,311	227	41
Policy & Finance	2,233	2,269	2,285	(52)	(16)
Planning & Development	1,133	1,041	1,055	78	(14)
Housing General Fund	205	172	110	95	62
<b>Committee Expenditure</b>	<b>7,109</b>	<b>6,834</b>	<b>6,761</b>	<b>348</b>	<b>73</b>
Contingency	200	76	0	200	76
Interest Payable	253	256	186	67	70
Parish Precepts	305	305	305	0	0
Interest Received	(233)	(365)	(289)	56	(76)
<b>Net Operating Expenditure</b>	<b>7,634</b>	<b>7,106</b>	<b>6,963</b>	<b>671</b>	<b>143</b>
Precept from Collection Fund (including parish precepts)	(3,086)	(3,086)	(3,086)	0	0
Surplus on Collection Fund	(37)	(37)	(37)	0	0
General Government Grants	(634)	(634)	(652)	18	18
Business Rates Redistribution	(2,922)	(2,922)	(2,922)	0	0
<b>Deficit for year</b>	<b>955</b>	<b>427</b>	<b>266</b>	<b>689</b>	<b>161</b>
Depreciation	(765)	(440)	(440)	(325)	0
Minimum Revenue Provision	170	170	170	0	0
Net Transfers to/from earmarked reserves	(20)	803	977	(997)	(174)
<b>Deficit for year</b>	<b>340</b>	<b>960</b>	<b>973</b>	<b>(633)</b>	<b>(13)</b>

## Explanatory Foreword

### Extra items added to our budget in the year

During the year, as part of our Medium Term Financial Strategy we created three new reserves and transferred funds to our capital resources.

<b>Creation of new grant reserves</b>	<b>£000</b>
Parish Schemes	100
Longridge Schemes	100
New Community Enhancement Schemes	100
Transfer to Capital Reserve Fund to support 5 year capital programme	600
	<b>900</b>

This extra £900,000 is included within transfers to/from earmarked reserves. See Note 29 to the Core Financial Statements.

### 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 were:

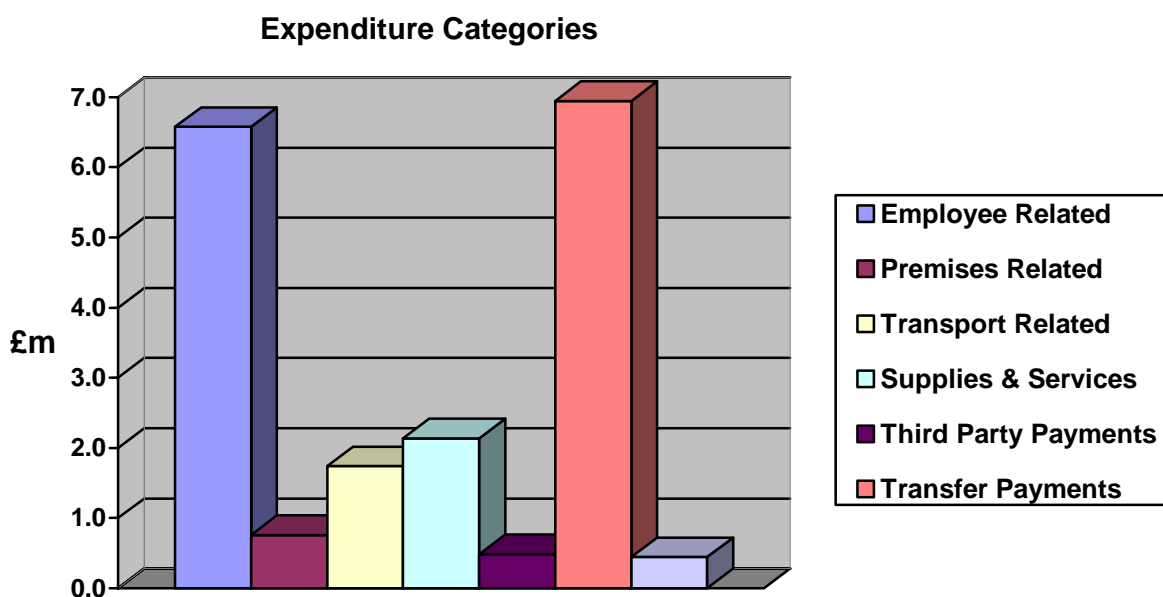
Extra costs on Concessionary Travel	130
Extra Building Control income	(30)
Savings on Benefits	(50)
Extra Planning Fee income	(36)
Saving on Local Development Framework (carried forward into 2007/08)	(40)
Debtor brought into accounts for LCC for away tipping costs	(48)
<b>Net difference in committee expenditure</b>	<b>(74)</b>
Extra Government Grants	(18)
More transfers to earmarked reserves	79
<b>Increase in use of balances</b>	<b>(13)</b>

## 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**;

	<b>£000</b>
Employee Related	6,575
Premises Related	755
Transport Related	1,740
Supplies & Services	2,139
Third Party Payments	485
Transfer Payments	6,944
Capital Financing Costs	444
<b>Total Expenditure</b>	<b>19,082</b>



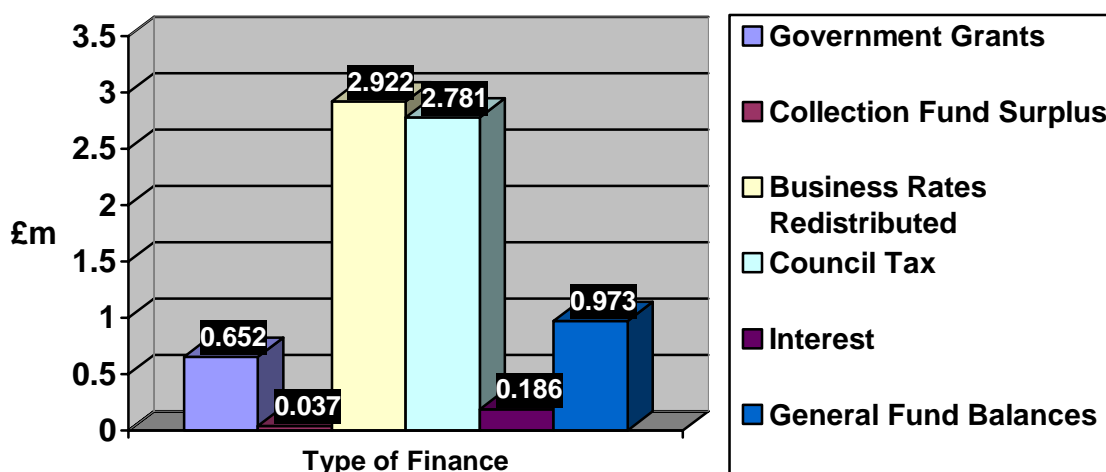
You can see that the two biggest types of expenditure are our employee costs and transfer payments – these are payments such as benefits and other payments we make on behalf of the Government.

## Explanatory Foreword

### How our general fund budget is financed

As shown earlier our total net expenditure by committees is £6.761m. 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 £7.5m. 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.

As mentioned previously, in the year we updated our Medium Term Financial Strategy and decided to reduce our level of balances by £900k to fund extra schemes agreed as council priorities. 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
<b>Brought forward at 1 April 2006</b>	<b>2,285</b>
Taken to fund deficit on 2006/07 income and expenditure account	-973
<b>Carried forward at 31 March 2007</b>	<b>1,312</b>

## Explanatory Foreword

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### 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.

The Council had originally budgeted to make a surplus of £38,000. The actual surplus was £257,000 which resulted in housing revenue balances at 31 March 2007 of £653,000. The main reasons for the improved position were savings on revenue contributions to capital, more government subsidy and additional income from rents and service charges.

#### **Transfer of the Council's Housing Stock**

We are currently in the process of preparing to transfer our housing stock. In July 2006, following a lengthy options appraisal process, the Council made the unanimous decision to apply for a place on the Housing Transfer Programme 2006. We were awarded a provisional place in September 2006.

In March 2007 the Council chose the Vicinity Group as our preferred partner.

If our tenants vote in October 2007 to transfer to the agreed registered social landlord – Ribble Valley Homes, then this will take place at the end of the next financial year (2007/08). Obviously this will have a significant impact on our functions and hence our accounts.



## 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 2007 reduced to £6.171 million (31 March 2006 £7.501m).

The main reason for the improved position 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 £2.5 million on capital schemes. This included both **general fund** and **housing revenue** schemes. Main areas of expenditure included:

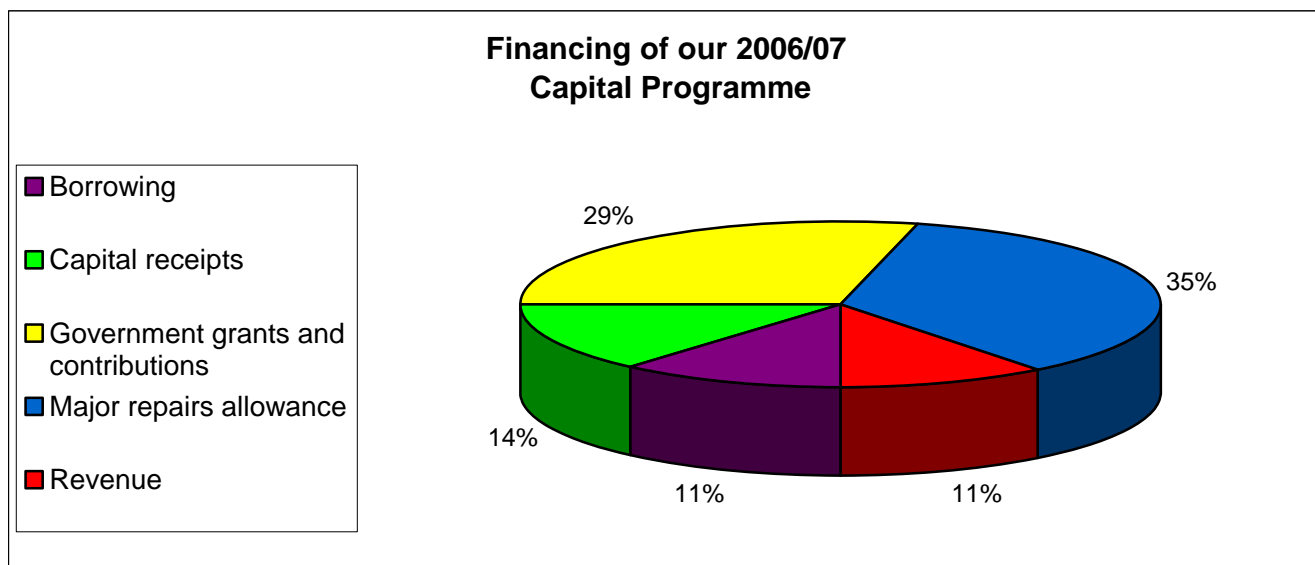
- Clitheroe Castle Scheme.
- Replacement vehicles and plant.
- Repairs and improvements to our council houses.
- Affordable Housing Initiatives.
- Renovation and disabled facilities grants.

## 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 £108,000 for a number of schemes has been agreed into 2007/08. These schemes include the following:

- Refuse Collection Vehicles.
- Council housing improvements.
- Affordable Housing Initiatives.
- Castle Keep Repairs.
- Car Parks Rolling Programme.

How the Capital Programme was financed	
	£000
Borrowing	283
Capital receipts	338
Government grants and contributions	714
Major repairs allowance	876
Revenue contributions	261
<b>Increase in use of balances</b>	<b>2,472</b>



**Explanatory Foreword**

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The Council borrowed £283,000 during 2006/07 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 2007 is £6.46m. A more detailed analysis of the Council's long term borrowing is shown in note 22 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 2007.

*M. H. Scott*

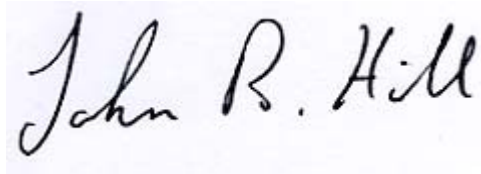
MARSHAL H SCOTT  
DIRECTOR OF RESOURCES CPFA  
27 June 2007

## Approval of the Statement of Accounts

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I confirm that these accounts, including the Income and Expenditure Account on page 24 and the Balance Sheet on page 28, were approved by the Accounts and Audit Committee at its meeting held on 27 June 2007.

Signed by:

A handwritten signature in black ink that reads "John R. Hill". The signature is written in a cursive style and is centered on a white rectangular background.

Cllr John Hill  
Chairman of Accounts and Audit Committee

27 June 2007

## Statement of Accounting Policies

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### 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 2006 (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 has been prepared 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 2006/07

We are required as per the Code of Practice to adopt three significant new policies for the production of the 2006/07 statement of accounts. These are:

- Credits for Government Grants deferred are now posted within net cost of services to service accounts and trading services rather than credited as a corporate income item.
- The notional interest element of capital charges has been removed. Previously notional interest was charged at 3.5% of the net book value to service accounts. This was reversed out of the accounts via the Asset Management Revenue Account. The remaining element is for depreciation. This is now reversed out of the accounts via the Statement of Movement on the General Fund Balance. The Asset Management Revenue Account is now redundant.
- Gains and losses on the disposal of fixed assets are now recognised via the new Income and Expenditure Account.

These changes have had the following impact on the comparative figures for the 2005/06 statement of accounts:

	Consolidated Revenue Account in 2005/06 Statement of Accounts £000	Removal of capital financing charges £000	Relocation of government grants deferred credits £000	Recognition of gains and losses on disposal of fixed assets £000	2005/06 comparatives in Income and Expenditure Account £000
Central Services to the Public	703	(32)	(12)		659
Cultural, Environmental and Planning	4,160	(239)	(182)		3,739
Highways, Roads and Transport	119	(54)			65
Housing General Fund	928	(5)			923
Housing Revenue Account	2,295	(2,081)			214
Social Services	23				23
Corporate and Democratic Core	1,471				1,471
Non Distributed Costs	(440)				(440)

## Statement of Accounting Policies

	Consolidated Revenue Account in 2005/06 Statement of Accounts £000	Removal of capital financing charges £000	Relocation of government grants deferred credits £000	Recognition of gains and losses on disposal of fixed assets £000	2005/06 comparatives in Income and Expenditure Account £000
<b>Impact on Net Cost of Services</b>	<b>9,259</b>	<b>(2,411)</b>	<b>(194)</b>	<b>0</b>	<b>6,654</b>
Surplus on Trading Activities	(17)	(13)			(30)
Gain on the disposal of fixed assets				(3)	(3)
Asset Management Revenue Account/Interest Payable in 2006/07	(2,268)	2,424	194		350
<b>Impact on Net Operating Expenditure</b>	<b>6,974</b>	<b>0</b>	<b>0</b>	<b>(3)</b>	<b>6,971</b>

### 3 FIXED ASSETS

#### *Tangible Fixed Assets*

3.1 The 1989 Local Government and Housing Act provides that all expenditure incurred by the Council must be charged to a revenue account of the Council unless it falls within certain specified exceptions which may be capitalised. Capital expenditure is defined as:

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



## Statement of Accounting Policies

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- 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 1993 Code of Practice on Local Authority Accounting. 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 The surpluses arising on the initial valuation of fixed assets have been credited to the fixed asset restatement account. Revaluations of fixed assets were carried out in 2005.
- 3.5 Income from the disposal of fixed assets is accounted for on an accruals basis. Such income that is not reserved for the repayment of external loans and forms part of the capital financing account, and has not been used, is included in the balance sheet as usable capital receipts.

### ***Intangible Fixed Assets***

- 3.6 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.

## Statement of Accounting Policies

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### 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 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 2007 with the exception of various items where the charges from one year to the next are not material ie, gas, electricity and telephone charges.

### 6 PENSIONS

The Council pays an employer's contribution, calculated as a percentage of the employee's superannuable pay, into the Lancashire County Council's superannuation fund.

### 7 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.

### 8 INVESTMENTS

Investments have been recorded in the balance sheet at cost.

### 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.

## Statement of Accounting Policies

### 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 where it is uncertain as to the amounts or dates on which they will arise. In accordance with SORP this has been deducted from the balance sheet debtors 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 Also included is a capital reserve fund representing resources earmarked for the financing of future capital expenditure.
- 10.3 The fixed asset restatement account represents principally the balance of the surpluses or deficits arising on the periodic revaluation of fixed assets.
- 10.4 The capital financing account represents amounts set aside from revenue resources or capital receipts to finance expenditure on fixed assets or for the repayment of external loans and certain other capital financing transactions.

### 11 BASIS OF CHARGES FOR CAPITAL

- 11.1 The Council charges its general fund and the housing revenue account with a capital charge for all fixed assets used in the provision of services. This charge no longer includes notional interest. It does however cover the annual provision for depreciation. The charge to individual services is determined on the basis of the capital employed in each service.
- 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

## Statement of Accounting Policies

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11.3 Assets are not depreciated in the year of acquisition.

11.4 Amounts set aside from revenue for the repayment of external loans, to finance capital expenditure are disclosed separately in 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 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.

There are no material transactions to disclose in respect of:

- i) Partnership arrangements with organisations in the voluntary or independent sectors.
- ii) Members, chief officers (including their close family).

**Statement of Accounting Policies**

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**14 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.

**15 EMPLOYEE PENSION COSTS**

The accounts have been prepared adopting the policies and practices outlined in FRS17 Retirement Benefits.

## 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.

2005/06		Gross Expenditure	2006/07	Net Expenditure	Note
£		£	Gross Income	£	
			£		
659,122	Central Services to the Public	2,797,965	(2,147,923)	650,042	
3,738,793	Cultural, Environmental and Planning	7,543,398	(3,596,927)	3,946,471	
64,770	Highways, Roads and Transport	2,013,962	(1,426,360)	587,602	
922,881	Housing General Fund	5,265,814	(4,605,950)	659,864	
213,468	Housing Revenue Account	3,260,157	(3,257,747)	2,410	
22,996	Social Services	64,019	(41,247)	22,772	
1,471,145	Corporate and Democratic Core	1,933,046	(411,820)	1,521,226	
(440,000)	Non Distributed Costs			0	1
<b>6,653,175</b>	<b>Net Cost of Services</b>	<b>22,878,361</b>	<b>(15,487,974)</b>	<b>7,390,387</b>	
(2,500)	Gain on the disposal of fixed assets			0	
294,993	Parish Council Precepts			304,514	
(30,362)	Surplus on Trading Services	136,000	(152,891)	(16,891)	2
350,714	Interest Payable			362,448	
715,671	Contribution of Housing Capital Receipts to Government Pool			312,608	3
(319,956)	Interest and Investment Income Received			(332,490)	
173,000	Pensions Interest Cost and Expected Return on Pensions Assets			42,000	4
<b>7,834,735</b>	<b>Net Operating Expenditure</b>			<b>8,062,576</b>	
(3,002,735)	Demand on the Collection Fund			(3,123,403)	
(1,475,177)	General Government Grants			(651,639)	
(1,613,481)	Non-Domestic Rates redistribution			(2,922,033)	
<b>1,743,342</b>	<b>Deficit For Year</b>			<b>1,365,501</b>	

## 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.

2005/06		2006/07	Note
£		£	
1,743,342	Deficit for the year on the Income and Expenditure Account	1,365,501	
(2,150,572)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	(392,670)	
<b>(407,230)</b>	<b>Decrease/(Increase) in General Fund Balance for the Year</b>	<b>972,831</b>	
(1,878,180)	General Fund Balance brought forward	(2,285,410)	
<b>(2,285,410)</b>	<b>General Fund Balance carried forward</b>	<b>(1,312,579)</b>	
<b>(2,285,410)</b>	<b>Amount of General Fund Balance generally available for new expenditure</b>	<b>(1,312,579)</b>	
<b>(2,285,410)</b>		<b>(1,312,579)</b>	

## Statement of Movement on the General Fund Balance

## NOTE OF RECONCILING ITEMS FOR THE STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

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

2005/06		2006/07	Note
£		£	
	<b>Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General fund Balance for the year</b>		
(392,844)	Depreciation and impairment of fixed assets	(440,050)	
(407,788)	Excess of Depreciation charged to HRA over the Major Repairs Allowance	(376,751)	
194,463	Government Grants Deferred amortisation	200,585	28
(1,166,631)	Write downs of deferred charges to be financed from capital resources	(643,106)	
2,500	Gain on sale of fixed assets	0	
(515,000)	Net charges made for retirement benefits in accordance with FRS17	(961,000)	4
<b>(2,285,300)</b>		<b>(2,220,322)</b>	
	<b>Amounts not included in the Income and Expenditure Account but required by statute to be included by statute when determining the Movement on the General fund Balance for the year</b>		
136,624	Minimum revenue provision for capital financing	173,769	7
11,236	Capital expenditure charged in-year to the General Fund Balance	261,479	
(715,671)	Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	(312,608)	3
617,351	Employer's contributions payable to the Lancashire County Council Pension Fund and retirement benefits payable direct to pensioners	732,490	4
<b>49,540</b>		<b>855,130</b>	
	<b>Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year</b>		
75,132	Transfer of the Surplus for the year on the HRA	257,087	
10,056	Net Transfers to or from Earmarked Reserves	715,435	29
<b>85,188</b>		<b>972,522</b>	
<b>(2,150,572)</b>	<b>Net additional amount required to be credited to the General Fund Balance for the year</b>	<b>(392,670)</b>	



## 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.

2005/06		2006/07	Note
£000		£000	
1,743	Deficit for the year on the Income and Expenditure Account	1,366	
(35,547)	Surplus/Loss arising on revaluation of fixed assets	266	
(369)	Actuarial losses on pension fund assets and liabilities	(1,559)	
256	Movement on Collection Fund Balance	223	
<b>(33,917)</b>	<b>Total recognised (gains)/losses for the year</b>	<b>296</b>	

## Balance Sheet

2005/06 £		£	2006/07 £	Note
	<b>Fixed Assets</b>			
110,246	Intangible Assets		86,434	12
	<b>Tangible Fixed Assets</b>			13
	<u>Operational Assets:</u>			
58,384,107	Council Dwellings		56,869,379	
5,344,846	Other Land and Buildings		5,568,330	
1,861,266	Vehicles, Plant and Equipment		1,731,610	
260,055	Infrastructure Assets		253,756	
1,288,785	Community Assets		1,650,988	
	<u>Non Operational Assets:</u>		0	
554,690	Surplus Assets		554,690	
<b>67,803,995</b>	<b>Total Fixed Assets</b>		<b>66,715,187</b>	
82,149	Long Term Debtors		72,058	17
<b>67,886,144</b>	<b>Total Long Term Assets</b>		<b>66,787,245</b>	
	<b>Current Assets</b>			
60,205	Stocks and Work in Progress		76,793	19
1,475,574	Debtors and Prepayments		1,814,956	20
5,500,000	Short Term Investments		4,200,000	
11,101	Cash		11,192	
	<b>Current Liabilities</b>			
(530,242)	Short Term Borrowing		(499,323)	
(2,684,508)	Creditors		(2,803,972)	21
(112,194)	Bank Overdraft		(77,069)	
<b>71,606,080</b>	<b>Total Assets Less Current Liabilities</b>		<b>69,509,822</b>	
(6,463,242)	Long Term Borrowing		(5,971,116)	22
(1,303,811)	Government Grants Deferred		(1,326,501)	28
(7,501,835)	Liability Related to Defined Pension Schemes		(6,171,345)	4
<b>56,337,192</b>	<b>Total Assets Less Liabilities</b>		<b>56,040,860</b>	

## Balance Sheet

2005/06 £		£	2006/07 £	Note
	<b>Financed by:</b>			
44,310,235	Fixed Asset Restatement Account		42,913,018	24
14,045,298	Capital Financing Account		14,221,787	25
33,417	Deferred Credits		21,490	26
39,604	Usable Capital Receipts Reserve		0	27
2,186,609	Earmarked Reserves		2,902,043	29
230,136	Major Repairs Reserve		61,255	30
(7,501,835)	Pension Reserve		(6,171,345)	4
2,285,410	Balances - General Fund		1,312,579	
395,442	- Housing Revenue Account		652,529	
312,876	- Collection Fund		127,504	
<b>56,337,192</b>	<b>Total Equity</b>		<b>56,040,860</b>	

## Cash Flow Statement

2005/06 £000		£000	2006/07 £000
	<b>Revenue Activities</b>		
	Cash Outflows:		
6,333	Cash Paid to and on Behalf of Employees	6,985	
10,593	Other Operating Cash Payments	11,002	
4,315	Housing Benefits Paid out	4,298	
9,307	NNDR Payment to the National Pool	9,566	
25,032	Precepts Paid	26,308	
716	Payments to the Capital Receipts Pool	313	
<b>56,296</b>		<b>58,472</b>	
	Cash Inflows:		
(2,898)	Rents (After Rebates)	(2,994)	
(27,555)	Council Tax Receipts	(28,957)	
(1,613)	NNDR Receipts From the National Pool	(2,922)	
(9,385)	NNDR Receipts	(9,644)	
(1,366)	Revenue Support Grant	(651)	
(2,905)	DWP Grant for Benefits	(2,819)	
(818)	Other Government Grants	(1,005)	
(9,290)	Cash Received for Goods and Services	(9,168)	
(824)	Other Operating Cash Receipts	(313)	
<b>(56,654)</b>		<b>(58,473)</b>	
<b>(358)</b>	<b>Net Cash Inflow From Revenue Activities</b>		<b>(1)</b>
	<b>Returns on Investments and Servicing of Finance</b>		
351	Cash Outflows- Interest Paid	362	
(386)	Cash Inflows - Interest Received	(332)	
<b>(35)</b>	<b>Net Cash Outflow/(Inflow) From Returns on Investments and Servicing of Finance</b>		<b>30</b>

## Cash Flow Statement

2005/06 £000		£000	2006/07 £000
	<b>Capital Activities</b>		
3,368	Cash Outflows - Purchase of Fixed Assets	2,473	
716	- Other Capital Cash Payments	313	
(1,439)	Cash Inflows - Sales of Fixed Assets	(612)	
(1,186)	- Capital Grants Received	(1,131)	
(168)	- Other Capital Cash Receipts	(330)	
<b>1,291</b>	<b>Net Cash Outflow From Capital Activities</b>		<b>713</b>
<b>898</b>	<b>Net Cash Outflow Before Financing</b>		<b>742</b>
	<b>Management of Liquid Resources</b>		
<b>(300)</b>	Net Increase/Decrease in Short Term Deposits		<b>(1,300)</b>
	<b>Financing</b>		
550	Cash Outflows - Repayment of Debts	523	
(1,000)	Cash Inflows - New Loans Raised	0	
<b>(450)</b>	<b>Financing Net Cash Outflow/(Inflow)</b>		<b>523</b>
<b>148</b>	<b>(Increase)/Decrease in Cash and Cash Equivalents</b>		<b>(35)</b>

For further information see notes 33-38 to the core financial statements.

## Notes to the Core Financial Statements

### 1 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.

### 2 TRADING SERVICES

The Council operates the following trading services whose financial results were as follows.

	2005/06 £	2006/07 £
Clitheroe Market - Income From Stall Holders	111,538	113,309
- Expenditure	(84,134)	(97,234)
- Capital Charges	(5,783)	(5,783)
<b><i>Surplus Transferred to General Fund</i></b>	<b><i>21,621</i></b>	<b><i>10,292</i></b>
Albion Mill - Income From Rents	33,741	33,892
- Expenditure	(25,000)	(27,293)
<b><i>Surplus Transferred to General Fund</i></b>	<b><i>8,741</i></b>	<b><i>6,599</i></b>
<b><i>Net Surplus on Trading Services</i></b>	<b><i>30,362</i></b>	<b><i>16,891</i></b>

### 3 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

### 4 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:

<b>Lancashire County Pension Scheme</b>	<b>2005/06 £000</b>	<b>2006/07 £000</b>
<b>Income and Expenditure Account Entries</b>		
Net Cost of Services - Current Service Cost	782	919
- Past Service Gain	(440)	0
Net Operating Expenditure:		
Interest Cost	1,643	1,735
Expected Return on Assets in the Scheme	(1,470)	(1,693)
<b>Net Charge to the Income and Expenditure Account</b>	<b>515</b>	<b>961</b>
<b>Statement of Movement on the General Fund Balance:</b>		
Reversal of net charges made for Retirement Benefits in accordance with FRS17	(515)	(961)
Actual Amount Charged Against Council Tax for Pensions in the Year:		
Employers Pension Contributions Payable to Scheme	618	732

## 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 2006 £000	% of Total Assets held	31 March 2007 £000	% of Total Assets held
<i>Estimated Liabilities in Scheme</i>	<b>(35,210)</b>		<b>(35,578)</b>	
<i>Estimated Assets in Scheme:</i>				
Equities	17,872	64.5	18,910	64.3
Government Bonds	2,023	7.3	2,470	8.4
Other Bonds	4,350	15.7	3,676	12.5
Property	1,663	6.0	2,058	7.0
Cash/Liquidity	1,053	3.8	1,323	4.5
Other	748	2.7	970	3.3
<i>Total</i>	<b>27,709</b>		<b>29,407</b>	
<b>Net Asset/(Liability)</b>	<b>(7,501)</b>		<b>(6,171)</b>	

Market value of total fund assets (£millions)	3,259	3,682
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The market value of total fund assets at last valuation (31 March 2004) was £2,449m.

The end of year figures for the split of assets between investment categories have been calculated as at 31 March 2007. The split of assets for the start of the year has been calculated as at 31 December 2005.

The liabilities show the underlying commitments that the authority has in the long run to pay retirement benefits. The net liability of £6.2m 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 £56.0m. This is an improvement on the position shown for the previous year of £1.33m. 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.



## 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 2004.

The main assumptions used in their calculations have been:

Lancashire County Pension Scheme	2005/06 %	2006/07 %
<b>Financial Assumptions</b>		
Rate of Inflation	2.9	3.1
Rate of Increase in Salaries	4.65	4.85
Rate of Increase in Pensions	2.9	3.1
Rate for Discounting Scheme Liabilities	4.9	5.4

Lancashire County Pension Scheme	2005/06 %	2006/07 %
<b>Expected Return on Assets</b>		
Equities	7.0	7.5
Government Bonds	4.3	4.7
Other Bonds	4.9	5.4
Property	6.0	6.5
Cash/Liquidity	4.5	5.25
Other	7.0	7.5

The actuarial assumptions used in the calculation of the year-end balance sheet liabilities are based on the 2004 actuarial valuation assumptions other than the financial assumptions, which are shown above.

The above expected returns are gross of expenses. A deduction of 0.23% in respect of expenses is made in calculating the 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 2007.

Local Government Pension Scheme	£000	%
Differences Between the Expected and Actual Return on Assets	(200)	0.7 (of assets)
Difference Between Actuarial Assumptions About Liabilities and Actual Experience	0	0 (of liabilities)
Changes in the Demographic and Financial Assumptions Used to Estimate Liabilities	1,759	4.9 (of liabilities)
<b>Net Gain</b>	<b>1,559</b>	<b>4.4 (of liabilities)</b>
<b>Comparative Totals for 2005/06</b>	<b>369</b>	

### 5 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.

	2005/06 £	2006/07 £
Recruitment Advertising	35,067	29,510
Other Advertising	25,738	20,595
Other Publicity	43,138	49,918
	<b>103,943</b>	<b>100,023</b>

### 6 OFFICERS' EMOLUMENTS

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

	2005/06	2006/07
£50,000 - £59,999	1	0
£60,000 - £69,999	2	2
£70,000 - £79,999	0	1
£80,000 - £89,999	1	1

## Notes to the Core Financial Statements

### 7 MINIMUM REVENUE PROVISION

A statutory minimum revenue provision is required each year to repay external loans. The provision is adjusted for any losses made because of the commutation of improvement grants subsidy in 1992. The amounts are:

Minimum Revenue Provision	2005/06 £000	2006/07 £000
Housing Amount	7	4
Non Housing Amount	176	191
Less Commutation Adjustment	(39)	(21)
<b>Total Minimum Revenue Provision</b>	<b>144</b>	<b>174</b>

### 8 MEMBERS' ALLOWANCES

During the year an amount of £165,900 (2005/06 - £156,169) was paid to members in respect of allowances.

### 9 ASSET MANAGEMENT REVENUE ACCOUNT

From 2006/07 this account is no longer required to be maintained. Notional interest is no longer included in the accounts within capital charges, leaving only depreciation which is reversed out of service accounts in the Statement of Movement on the General Fund Balance.

## Notes to the Core Financial Statements

## 10 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 £
<b><i>Expenditure</i></b>			
Employees Expenses	7,049	0	7,049
Transport Related Expenses	17,609	0	17,609
Supplies and Services	24,658	0	24,658
Employee Costs	189,200	79,070	268,270
<b><i>Total Expenditure</i></b>	<b><i>238,516</i></b>	<b><i>79,070</i></b>	<b><i>317,586</i></b>
<b><i>Income</i></b>			
Building Regulation Charges	(241,883)		(241,883)
Miscellaneous Income	0	(6,666)	(6,666)
Recharges to Other Services	0	(41,830)	(41,830)
<b><i>Total Income</i></b>	<b><i>(241,883)</i></b>	<b><i>(48,496)</i></b>	<b><i>(290,379)</i></b>
<b><i>(Surplus)/Deficit for Year</i></b>	<b><i>(3,367)</i></b>	<b><i>30,574</i></b>	<b><i>27,207</i></b>
<b><u>Comparatives for 2005/06</u></b>			
<b><i>Expenditure</i></b>	221,638	81,706	303,344
<b><i>Income</i></b>	(265,459)	(30,052)	(295,511)
<b><i>(Surplus)/Deficit for 2005/06</i></b>	<b><i>(43,821)</i></b>	<b><i>51,654</i></b>	<b><i>7,833</i></b>

Building Control Reserve Fund	£
Balance 1 April 2006	185,831
Add Surplus in 2006/07	3,367
<b>Balance 31 March 2007</b>	<b>189,198</b>

## Notes to the Core Financial Statements

## 11 EXTERNAL AUDIT COSTS

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

	2005/06 £	2006/07 £
Fees Payable:		
To PriceWaterhouseCoopers with regard to external audit services	66,000	75,000
To the Audit Commission In respect of Statutory Inspection	10,095	4,231
To PriceWaterhouseCoopers for Certification of Grant Claims and Returns	30,000	37,000
In Respect of Other Services Provided by PriceWaterhouseCoopers:		
- Advice on Housing Stock Transfer	0	40,006
	<b>106,095</b>	<b>156,237</b>

## 12 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 2006	(9)
<b>Balance at 1 April 2006</b>	<b>110</b>
Expenditure in Year	0
Written Off to Revenue in year	(24)
<b>Balance at 31 March 2007</b>	<b>86</b>

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

## 13 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
<b>Gross value at 31 March 2006</b>	<b>62,572</b>	<b>5,985</b>	<b>2,764</b>	<b>294</b>	<b>1,309</b>	<b>72,924</b>
Accumulated Depreciation	(4,188)	(640)	(903)	(34)	(20)	(5,785)
<b>Net Book Value of Assets at 31 March 2006</b>	<b>58,384</b>	<b>5,345</b>	<b>1,861</b>	<b>260</b>	<b>1,289</b>	<b>67,139</b>
Movement in 2006/07						
Additions	3	307	190	0	369	869
Disposals	(581)	0	0	0	0	(581)
Revaluations	144	0	0	0	0	144
Depreciation	(1,081)	(84)	(319)	(6)	(7)	(1,497)
Reclassification	0	0	0	0	0	0
Impairment	0	0	0	0	0	0
<b>Net Book Value of Assets at 31 March 2007</b>	<b>56,869</b>	<b>5,568</b>	<b>1,732</b>	<b>254</b>	<b>1,651</b>	<b>66,074</b>

**Non-Operational Assets**

	Non-Operational Assets £000
<b>Gross Valuation at 31 March 2006</b>	<b>555</b>
Accumulated Depreciation	0
<b>Net Book Value of Assets at 31 March 2006</b>	<b>555</b>

## Notes to the Core Financial Statements

	Non- Operational Assets £000
Movement in 2006/07 - Additions	0
- Disposals	0
- Revaluations	0
- Depreciation	0
- Reclassification	0
<b>Net Book Value of Assets at 31 March 2007</b>	<b>555</b>

### 14 ANALYSIS OF FIXED ASSETS AS AT 31 MARCH

	2006 Number	2007 Number
Council Dwellings	1185	1174
Offices	1	1
Town Hall/Civic Suite	1	1
Depots and Workshops	1	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

### 15 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,

## Notes to the Core Financial Statements

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 have been included either at historical cost or a nominal value of £1.

The Council is not aware of any impairments since the last revaluation thus none have been accounted for.

### 16 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*

	2005/06 £000	2006/07 £000
<b>Opening Capital Financing Requirement</b>	<b>7,456</b>	<b>8,129</b>
Capital Investment - Operational Assets	2,126	1,830
- Intangible Assets	75	0
- Deferred Charges	1,167	643
Sources of Finance:		
Capital Receipts	(684)	(338)
Government Grants and Other Contributions	(730)	(714)
Revenue Contributions	(1,137)	(1,138)
Minimum Revenue Provision	(144)	(174)
<b>Closing Capital Financing Requirement</b>	<b>8,129</b>	<b>8,238</b>
<b>Explanation of Movements in Year</b>		
Increase in Underlying Need to Borrow:		
Supported by Government Financial Assistance	567	33
Unsupported by Government Financial Assistance	250	250
Minimum Revenue Provision	(144)	(174)
<b>Increase/(Decrease) in Capital Financing Requirement</b>	<b>673</b>	<b>109</b>



## 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.

	2005/06 £	2006/07 £
Revenue Contribution to Capital Outlay	11,236	35,783
Financed by Borrowing	817,000	283,000
Capital Grants	657,467	709,494
Capital Receipts	684,233	338,488
Contributions	72,169	4,474
Major Repairs Allowance	1,126,109	875,818
Capital Fund	0	225,695
	<b>3,368,214</b>	<b>2,472,752</b>

### 17 LONG TERM DEBTORS

At 31 March	2006 £	2007 £
Advances to Mortgagors	26,149	17,891
Car Loans	4,000	5,167
Ribble Valley Sports & Recreation Association	45,000	45,000
Waddington Parish Council	1,000	0
Gisburn Parish Council	6,000	4,000
	<b>82,149</b>	<b>72,058</b>

## Notes to the Core Financial Statements

### 18 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 deferred charges account for 2006/07 were as follows:

	2005/06 £000	2006/07 £000
<b>Opening Balance as at 1 April</b>	0	0
Deferred Charges	1,167	643
Less Write Down During Year - General Fund	(1,167)	(643)
<b>Balance as at 31 March</b>	0	0

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

	2005/06 £000	2006/07 £000
Edisford Consultancy Costs	0	9
Brungerly Park Improvement Scheme	0	22
Longridge Skate Park	51	0
Castle Grounds – Rose Garden	31	48
E-Government	207	0
Housing Grants	805	534
Planning Delivery	73	28
Cycling	0	2
	<b>1,167</b>	<b>643</b>

### 19 STOCKS AND WORK IN PROGRESS

At 31 March	2006 £	2007 £
Stocks - Stores	37,557	55,113
- Tourism Stocks	2,913	4,413
- Other	19,735	17,267
	<b>60,205</b>	<b>76,793</b>

## Notes to the Core Financial Statements

## 20 DEBTORS AND PREPAYMENTS IN ADVANCE

At 31 March	2006 £	2007 £
Government Departments	359,455	555,964
Other Local Authorities	19,256	88,787
Housing Rents Arrears	54,878	64,136
House Purchase and Improvement Loans	7,298	3,599
Sundry Debtors	556,242	706,892
NNDR	239,742	190,081
Council Tax	561,769	524,059
Prepayments	88,293	56,071
	<b>1,886,933</b>	<b>2,189,589</b>
Less Provision for Doubtful Debts	(411,359)	(374,633)
	<b>1,475,574</b>	<b>1,814,956</b>

## 21 CREDITORS AND RECEIPTS IN ADVANCE

At 31 March	2006 £	2007 £
Government Departments	230,721	564,761
Inland Revenue	126,390	133,385
Other Local Authorities	112,035	269,862
Housing Rents	32,775	28,794
House Purchase and Improvement Loans	808	0
Private Street Works	2,285	2,321
Sundry Creditors	888,053	643,720
NNDR	99,825	139,577
Council Tax	311,145	259,517
Commutated Sums	299,417	288,320
Refundable Deposits	13,664	16,618
Receipts in Advance	567,390	457,097
	<b>2,684,508</b>	<b>2,803,972</b>

## Notes to the Core Financial Statements

### 22 LONG TERM BORROWING

Source of Loan	Total Outstanding 31 March	
	2006 £	2007 £
Public Works Loan Board	6,459,781	5,967,958
Other Local Authorities	3,461	3,158
	<b>6,463,242</b>	<b>5,971,116</b>

Analysis of loans by maturity:

At 31 March	2006 £000	2007 £000
Between 1 and 2 years	492	462
Between 2 and 5 years	1,053	877
Between 5 and 10 years	1,349	1,310
More than 10 years	3,569	3,322
	<b>6,463</b>	<b>5,971</b>

## Notes to the Core Financial Statements

## 23 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 2006 £000	Net Movement in Year £000	Balance 31 March 2007 £000	Purpose of Reserve	Further Details of Movements
Fixed Asset Restatement Account	44,310	(1,397)	42,913	Store of gains on revaluations of fixed assets	See note 24
Capital Financing Account	14,045	177	14,222	Store of capital resources set aside to meet past expenditure	Note 25
Deferred Credits	34	(12)	22	Amounts from sales of assets that will be received in the future	Note 26
Usable Capital Receipts	40	(40)	0	Proceeds of fixed asset sales available to meet future capital investment	Note 27
Earmarked Reserves	2,187	715	2,902	Sums voluntarily set aside to meet specific expenditure	Note 29
Major Repairs Reserve	230	(169)	61	Resources available to meet capital investment in council housing	Note 30
Pensions Reserve	(7,502)	1,331	(6,171)	Balancing account to allow inclusion of Pension Liability in the Balance Sheet	Note 4
General Fund	2,285	(973)	1,312	Resources available to meet future running costs for non-housing services	Statement of Movement on the General Fund Balance
Housing Revenue Account	395	257	652	Resources available to meet future running costs for council houses	See HRA statements
Collection Fund	313	(185)	128	Statutory account showing transactions for council tax and non-domestic rates	See Collection Fund Section
<b>Total</b>	<b>56,337</b>	<b>(296)</b>	<b>56,041</b>		

## Notes to the Core Financial Statements

### 24 FIXED ASSET RESTATEMENT ACCOUNT

Financial Reporting Standard 15 requires all tangible fixed assets to be depreciated based on the remaining useful life. The account will be written down by the net book value of assets at disposal and adjusted for any surplus or deficiency on future valuations. The movements during the year are analysed below:

	2005/06 £000	2006/07 £000
Balance at 1 April	10,740	44,310
Revaluation and Restatement of Fixed Assets	35,926	144
Disposal of Fixed Assets	(957)	(581)
Non-Enhancing Capital Expenditure	(1,399)	(960)
<b>Balance at 31 March</b>	<b>44,310</b>	<b>42,913</b>

### 25 CAPITAL FINANCING ACCOUNT

The capital financing account contains the amounts that are required to be set aside from capital receipts for the repayment of external loans and the amount of capital expenditure financed from revenue and capital receipts. It also contains the difference between amounts provided for depreciation and that required to be charged to revenue to repay the principal element of external loans.

	2005/06 £000	2006/07 £000
Balance at 1 April	14,054	14,045
Deferred Charges Written Off	(1,167)	(643)
Minimum Revenue Provision	144	174
Amortisation of Government Grants Deferred	194	201
Financing of Capital Expenditure	2,316	1,966
Depreciation	(1,496)	(1,521)
<b>Balance at 31 March</b>	<b>14,045</b>	<b>14,222</b>

## Notes to the Core Financial Statements

### 26 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.

	2005/06 £000	2006/07 £000
Balance at 1 April	41	34
Principal Repayments - Mortgages	(9)	(12)
<b>Balance at 31 March</b>	<b>34</b>	<b>22</b>

### 27 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.

	2005/06 £000	2006/07 £000
Balance at 1 April	0	40
Receipts in Year	724	299
Used to Finance Capital Expenditure	(684)	(339)
<b>Balance at 31 March</b>	<b>40</b>	<b>0</b>

### 28 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.

	2005/06 £000	2006/07 £000
Balance at 1 April	1,263	1,304
Grants Applied to finance Capital Expenditure	236	223
Release of Grants Amortised to Revenue	(195)	(201)
<b>Balance at 31 March</b>	<b>1,304</b>	<b>1,326</b>

## Notes to the Core Financial Statements

### 29 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 2006 £	Receipts in Year £	Payments in Year £	31 March 2007 £
<i>General Fund</i>				
Vehicles and Equipment Fund	995,984			995,984
Local Recreation Grants Fund	13,338	5,445		18,783
Elections Fund	53,225	16,638		69,863
Audit Reserve Fund	13,230			13,230
Building Control Fund	185,831	3,367		189,198
Rural Development Reserve	5,133		(3,502)	1,631
Single Status	51,410		(11,220)	40,190
Repairs	24,159		(24,159)	0
Capital	683,963	583,006	(225,695)	1,041,274
Insurance	20,000			20,000
Christmas Lights/RV in Bloom	9,450		(200)	9,250
Risk Management	14,303		(5,495)	8,808
Conservation	5,300			5,300
Organisation & Member Development	4,800		(4,800)	0
Longridge Civic Hall	10,000		(2,000)	8,000
Community Enhancement	10,989		(5,250)	5,739
New Community Enhancement Schemes	0	100,000		100,000
Rent Deposit Reserve	8,000		(163)	7,837
RCCO Unapplied (General Fund)	53,644	5,160	(11,933)	46,871
New Longridge Schemes	0	100,000		100,000
New Parish Schemes	0	100,000		100,000
Job Evaluation	0	76,500		76,500
Local Development Framework	0	38,940		38,940
LALPAC Licensing System	0	4,645		4,645



## Notes to the Core Financial Statements

	1 April 2006 £	Receipts in Year £	Payments in Year £	31 March 2007 £
<i>Movement on General Fund Reserves</i>	<i>2,162,759</i>	<i>1,033,701</i>	<i>(294,417)</i>	<i>2,902,043</i>
<i>Housing Revenue</i>				
RCCO Unapplied	23,850		(23,850)	0
<i>Movement on Housing Revenue Reserves</i>	<i>23,850</i>	<i>0</i>	<i>(23,850)</i>	<i>0</i>
<b>Total Movement on Reserves</b>	<b>2,186,609</b>	<b>1,033,701</b>	<b>(318,267)</b>	<b>2,902,043</b>

**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
- Repairs Reserve - To equalise expenditure on repairs to public buildings
- 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

## Notes to the Core Financial Statements

Organisation and Member Development	- To finance dictation equipment
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
New Longridge Schemes	Used to fund grants to schemes in Longridge
New Parish 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

### 30 MAJOR REPAIRS RESERVE

The Council maintains a reserve to fund major repairs and improvements to council houses. A summary of transactions is shown below.

	£
<b>Balance Brought Forward 1 April 2006</b>	<b>(230,136)</b>
HRA Depreciation	(1,081,187)
Excess of Depreciation Over MRA	376,751
Financing of Capital Expenditure	875,818
Improvements Within Last 3 Years to Dwellings Sold financed From HRA	(2,502)
<b>Balance Carried Forward 31 March 2007</b>	<b>(61,256)</b>

## Notes to the Core Financial Statements

### 31 FINANCE AND OPERATING LEASES

The authority leased various vehicles, plant and equipment during the year. The amount paid to lessors was £55,010. Future cash payments required to be made are as follows:

	Operational Vehicles, Plant & Equipment £	Finance Leases £
Less than 1 Year	23,247	0
1 - 5 years	8,706	0
> 5 years	0	0
	<b>31,953</b>	<b>0</b>

### 32 THE EURO

The Council has currently made no provision for any costs incurred from the introduction of the Euro.

Should the Government decide to hold a referendum then detailed/costed implementation plans will need to be drawn up. These may require substantial funding to be made available during that and the following financial years.

## NOTES SPECIFICALLY FOR CASH FLOW STATEMENT

### 33 ANALYSIS OF GOVERNMENT GRANTS

2005/06 £000		2006/07 £000
	<i>Revenue</i>	
153	Planning Delivery Grant	106
1,739	Council Tax Benefits	1,784
78	NNDR Cost of Collection	79
143	Benefit Administration Subsidy	243
(1,295)	Housing Revenue Subsidy	(1,207)
<b>818</b>	<b>Total Government Grants</b>	<b>1,005</b>

## Notes to the Core Financial Statements

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

2005/06 £000		2006/07 £000
(407)	Deficit per Income & Expenditure Account	973
207	Deficit/Surplus on Collection Fund	185
(75)	Surplus on Housing Revenue Account	(257)
(131)	Non Cash Transactions	(977)
	<i>Movement in Current Liabilities</i>	
(9)	Change in - Debtors	183
57	- Creditors	(108)
<b>(358)</b>	<b>Net Cash Inflow From Revenues Activities</b>	<b>(1)</b>

## 35 MOVEMENTS IN CASH

2005/06 £000		01/04/06 £000	31/03/07 £000	Movement £000
(148)	Increase/(Decrease) in Cash	(101)	(66)	35

## 36 ANALYSIS OF NET DEBT

Movement in 2005/06 £000		Balance 01/04/06 £000	Balance 31/03/07 £000	Movement in Year £000
(148)	Cash/Cash Overdrawn	(101)	(66)	35
(300)	Investments	5,500	4,200	(1,300)
(450)	Borrowing	(6,994)	(6,471)	523
<b>(898)</b>	<b>Decrease in Net Debt</b>	<b>(1,595)</b>	<b>(2,337)</b>	<b>(742)</b>

## Notes to the Core Financial Statements

## 37 RECONCILIATION OF MOVEMENT IN CASH TO THE MOVEMENT IN NET DEBT

2005/06 £000		£000	2006/07 £000
(148)	Increase/Decrease in Cash in period	35	
450	Cash Inflow From Increase/Decrease in Debt	523	
(300)	Cash Inflow From Reduction in Investments	(1,300)	
<b>(898)</b>	<b><i>Change in Net Debt</i></b>	<b>(742)</b>	
<b>(397)</b>	<b>Net Debt as at 1 April</b>		<b>(1,595)</b>
<b>(1,595)</b>	<b>Net Debt as at 31 March</b>		<b>(2,337)</b>

## 38 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 Income and Expenditure 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 2005/06 and 2006/07.

2005/06 £		£	2006/07 £	Note
	<b>Income</b>			
(2,840,373)	Gross Dwelling Rents	(2,937,068)		1
(58,254)	Gross Non Dwelling Rents	(57,277)		
(177,536)	Charges for Services and Facilities	(259,337)		
(2,247)	Reduction in Bad Debt Provision	(1,897)		
(2,280)	Housing Revenue Account subsidy receivable	(2,168)		
<b>(3,080,690)</b>	<b>Total Income</b>		<b>(3,257,747)</b>	
	<b>Expenditure</b>			
1,060,246	Repairs and Maintenance	1,107,565		
499,381	Supervision and Management	544,735		
6,144	Subsidy Limitation Transferred to General Fund	0		
609,553	Negative Housing Revenue Account subsidy payable	501,950		
1,095,628	Depreciation of Fixed Assets	1,081,187		
27,948	Debt Management Costs	24,720		
<b>3,298,900</b>	<b>Total Expenditure</b>		<b>3,260,157</b>	
<b>218,210</b>	<b>Net Cost of Services</b>		<b>2,410</b>	
171,632	Interest Payable		176,263	
(50,090)	Investment Income		(43,838)	
8,168	Pensions interest cost and expected return on assets		1,258	
<b>347,920</b>	<b>Deficit for Year on HRA services</b>		<b>136,093</b>	

## Statement of Movement on the Housing Revenue Account Balance

2005/06		2006/07	Note
£		£	
347,920	<b>Deficit for Year on the HRA Income and Expenditure Account</b>	136,093	
<b>(423,052)</b>	<b>Net additional amount required by statute to be credited to the HRA Balance for the year</b>	<b>(393,180)</b>	
(75,132)	Increase in the Housing Revenue Account Balance	(257,087)	
<b>(320,310)</b>	<b>Housing Revenue Account Balance brought forward</b>	<b>(395,442)</b>	
<b>(395,442)</b>	<b>Housing Revenue Account Balance carried forward</b>	<b>(652,529)</b>	

### NOTE TO THE STATEMENT OF MOVEMENT ON THE HRA BALANCE

2005/06		2006/07	Note
£		£	
	<b>Items included in the HRA Income and Expenditure Account but excluded from the movement on HRA Balance for the year</b>		
(45,089)	Net charges made for retirement benefits in accordance with FRS17	(41,919)	
<b>(45,089)</b>		<b>(41,919)</b>	
	<b>Items not included in the HRA Income and Expenditure Account but included in the Movement on the HRA Balance for the year</b>		
(407,788)	Transfers to/from the Major Repairs Reserve	(376,751)	
18,667	Employer's contributions payable to the Lancashire County Council Pension Fund and retirement benefits payable direct to pensioners	21,942	
7,096	HRA Share of the Minimum Revenue Provision	3,548	
4,062	Net Transfers to or from Earmarked Reserves	0	
<b>(377,963)</b>		<b>(351,261)</b>	
<b>(423,052)</b>	<b>Net additional amount required by statute to be credited to the HRA Balance for the year</b>	<b>(393,180)</b>	

## Notes to the Housing Revenue Account

### 1 GROSS RENT INCOME

This is the total rent income due for the year after allowance is made for voids. During the year 2.0% of income was lost due to voids (in 2005/06 the figure was 1.3%). Average rents were £48.29 per week in 2006/07 - an increase of 5.6% over the previous year. Non-dwelling rents relate mainly to garages.

### 2 REBATES

Assistance with rent is available under the housing benefit scheme for those on low incomes. Of the Council's tenants, 55% received some help towards their rent.

### 3 HOUSING STOCK

The stock at 31 March 2007 was made up as follows:

	Pre 1919	1919/44	1945/64	After 1964	Total
<b>Flats</b>					
1 Bedroom	22	0	98	228	348
2 Bedrooms	6	0	66	20	92
3 or More Bedrooms	0	0	0	3	3
	<b>28</b>	<b>0</b>	<b>164</b>	<b>251</b>	<b>443</b>
<b>Houses and Bungalows</b>					
1 Bedroom	8	13	193	61	275
2 Bedrooms	35	0	129	35	199
3 Bedrooms	6	83	138	21	248
4 or More Bedrooms	0	2	3	4	9
	<b>49</b>	<b>98</b>	<b>463</b>	<b>121</b>	<b>731</b>

The change in the stock can be summarised as follows:

	Stock at 1 April	Less Sales	Conversion	Stock at 31 March
<b>2005/06</b>	1,199	(13)	(1)	1,185
<b>2006/07</b>	1,185	(11)	0	1,174



## Notes to the Housing Revenue Account

### 4 RENT ARREARS

At 31 March 2007 net rent arrears, as a proportion of rent income due had risen from 0.7% of the amount due to 1.1%. The figures are as follows:

	31 March 2006 £	31 March 2007 £
Gross Arrears	54,878	64,136
Credits	32,775	28,794
<b>Net Arrears</b>	<b>22,103</b>	<b>35,342</b>

During the year £7,957 (net) of bad debts were written off. The value of the provision for rent arrears at 31 March 2007 was £25,510 (2005/06 - £22,118).

### 5 HOUSING SUBSIDY

The subsidy for 2006/07 has been calculated as follows:

	£
Allowance for Management and Maintenance	1,422,133
Charges for Capital	364,899
Major Repairs Allowance	704,436
Rental Constraint Allowance	56,919
Housing Defects Grant	2,168
	<b>2,550,555</b>
Less - Guideline Rent Income	(3,048,296)
- Interest on Receipts	(2,041)
	<b>(499,782)</b>

### 6 STOCK VALUATION

The vacant possession value 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 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 difference between the two values therefore shows the economic cost of providing housing at less than market value. The vacant possession value as at 31 March 2007 was £118,072,605.

## Notes to the Housing Revenue Account

The most recent valuation, which has been prepared of HRA assets, was at 1 April 2005. The figure included for 31 March 2007 is this valuation less disposals.

	Operational		Non Operational £	Total £
	Council Dwellings £	Community £		
<b>Gross Book Value at 31 March 2006</b>	<b>62,571,799</b>	<b>67</b>	<b>1,750</b>	<b>62,573,616</b>
Accumulated Depreciation	(4,187,692)	0	0	(4,187,692)
<b>Net Book Value of Assets at 31 March 2006</b>	<b>58,384,107</b>	<b>67</b>	<b>1,750</b>	<b>58,385,924</b>
<b><i>Movements in 2006/07</i></b>				
Additions	3,475	0	0	3,475
Disposals	(386,319)	0	0	(386,319)
Depreciation	(1,081,187)	0	0	(1,081,187)
Reclassification	(194,681)	0	0	(194,681)
Revaluation	143,984	0	0	143,984
Impairment	0	0	0	0
<b>Net Book Value of Assets at 31 March 2007</b>	<b>56,869,379</b>	<b>67</b>	<b>1,750</b>	<b>56,871,196</b>

## Notes to the Housing Revenue Account

## 7 MAJOR REPAIRS RESERVE

	£
<b>Balance Brought Forward 1 April 2006</b>	<b>(230,136)</b>
HRA Depreciation	(1,081,187)
Excess of Depreciation Over MRA	376,751
Financing of Capital Expenditure on houses	875,818
Improvements Within Last 3 Years to Dwellings Sold financed From HRA	(2,502)
<b>Balance Carried Forward 31 March 2007</b>	<b>(61,256)</b>

## 8 HOUSING REVENUE CAPITAL FINANCING

Capital	2005/06 £	2006/07 £
<b>Expenditure - Council Houses</b>	<b>1,382,589</b>	<b>932,668</b>
Financed By - Borrowing	(249,400)	(33,000)
- Revenue Contributions to Capital Outlay	(7,080)	(23,850)
- Major Repairs Reserve	(1,126,109)	(875,818)

## 9 HOUSING CAPITAL RECEIPTS

Gross Capital Receipts	2005/06 £	2006/07 £
Sale of Council Houses	978,988	409,458
Disposal of Land	0	0
Mortgage Repayments	3,953	7,192
	<b>982,941</b>	<b>416,650</b>

## Notes to the Housing Revenue Account

### 10 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.

2005/06 £	HRA share of Pension Costs	2006/07 £
	<b>HRA Income and Expenditure Account</b>	
	<b>Net Cost of Services</b>	
18,667	Employer Contributions	21,942
18,254	Uplift to agree to Current Service Cost	18,719
<b>36,921</b>	<b>Current Service Cost</b>	<b>40,661</b>
	<b>Net Operating Expenditure</b>	
77,571	Interest Cost	51,971
(69,403)	Expected Return on return assets in the scheme	(50,713)
<b>8,168</b>		<b>1,258</b>
	<b>Statement of Movement on the HRA Balance</b>	
(45,089)	- Net charges made for retirement benefits	(41,919)
18,667	- Employer's contributions payable to the pension fund	21,942
<b>26,422</b>	<b>Net transfer to Pensions Reserve</b>	<b>19,977</b>

## 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.

	2005/06 £000	2006/07 £000
<b>Income</b>		
Council Tax	25,816	27,173
Transfers From General Fund - Council Tax Benefits	1,739	1,784
Business Rates	9,385	9,645
	<b>36,940</b>	<b>38,602</b>
<b>Expenditure</b>		
Precepts and Demands:		
Lancashire County Council	20,824	21,994
Ribble Valley Borough Council	2,954	3,086
Lancashire Police Authority	2,360	2,495
Lancashire Combined Fire Authority	1,142	1,207
Business Rates - Payment to National Pool	9,307	9,566
- Costs of Collection	78	79
Provision for Bad/Doubtful Debts	24	15
Share of Estimated Surplus:		
Ribble Valley	49	38
Lancashire County Council	352	263
Lancashire Police Authority	38	30
Lancashire Combined Fire Authority	19	14
	<b>37,147</b>	<b>38,787</b>
Surplus/(Deficit) for the Year	(207)	(185)
Surplus Brought Forward	520	313
<b>Surplus Carried Forward</b>	<b>313</b>	<b>128</b>

## 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	11,385,852
Less Allowances and Other Adjustments	(1,741,022)
<b>Income Collectable From Business Ratepayers</b>	<b>9,644,830</b>
Less Cost of Collection	(79,244)
<b>Net Payment to National Pool</b>	<b>9,565,586</b>

The total non-domestic rateable value at 31 March 2007 was £27,322,565 compared to £26,962,001 at 31 March 2006. The national non-domestic multiplier (rate in the pound) for the year 2006/07 was 43.3 pence compared to 42.2 pence in the year 2005/06.

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 £1,290.72 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	8	7.25	4.0
A	6/9	3,153	2,647.50	1765.0
B	7/9	4,503	4,000.75	3,111.7
C	8/9	4,643	4,201.75	3,734.90
D	1	4,329	4,004.00	4,004.0
E	11/9	3,127	2,952.75	3,608.9
F	13/9	1,937	1,843.75	2,663.2
G	15/9	1,848	1,782.25	2,970.4
H	18/9	177	169.50	339.0
		23,725	21,609.50	22,201.1
			Adjustments	(138.1)
				<b>22,063.0</b>

## 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	21,993,603
Lancashire Policy Authority Precept	2,495,205
Lancashire Combined Fire Authority Precept	1,207,067
Ribble Valley Borough Council Demand (excluding Parishes)	2,781,532
<b>Total to be Met From Council Tax</b>	<b>28,477,407</b>
Divided by Council Tax Base (Band D Equivalent Dwellings)	22,063
<b>Band D Council Tax (Average excluding Parishes)</b>	<b>£1,290.72</b>

### 5 PROVISION FOR LOSSES

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

	Council Tax £	NNDR £	Total £
Opening Balance	150,000	110,000	260,000
Write (Off's)/On's in Year	9,199	(61,758)	(52,559)
Increase to Provision	15,801	21,758	37,559
<b>Closing Balance</b>	<b>175,000</b>	<b>70,000</b>	<b>245,000</b>