



**Councillor A Swain**  
Council Leader



**Councillor G Morris**  
Chair of Audit and  
Accounts Committee



**Councillor J Thorne**  
Mayor

**Helen Lockwood**  
Chief Executive



**Philip Seddon**  
Head of Finance

# **Statement of Accounts 2008/09**

as presented to the  
**Audit & Accounts Committee**  
30th September 2009

---

Chairman of the Audit & Accounts Committee

## Section 1 Statement of Accounts

3	Auditors Report
5	Explanatory Foreword
10	Statement of Accounting Policies
17	Annual Governance Statement
21	Statement of Responsibilities

## Section 2 Core Financial Statements & Notes

22	Income & Expenditure Account
23	Statement of Movement on General Fund Balance
23	Statement of Total Recognised Gains and Losses
24	Balance Sheet
25	Cash Flow Statement
26	Notes to the core financial statements

## Section 3 Other Statements

58	The Collection Fund
61	Group Accounts
65	Capital Expenditure Report

## Section 4 Glossary

66	Glossary
----	----------

## Independent auditor's report to the Members of Rossendale Borough Council

### Opinion on the financial statements

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

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

### Respective responsibilities of the Head of Finance and Auditor

The Head of Finance's responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities for the Statement of Accounts.

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

I report to you my opinion as to whether the Authority and Group accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2008:

- the financial position of the Authority and its income and expenditure for the year; and
- the financial position of the Group and its income and expenditure for the year.

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

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

### Basis of audit opinion

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

# Independent Auditor's Report

statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the Authority and Group accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the Authority and Group accounting statements and related notes.

## Opinion

In my opinion:

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

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

### Authority's Responsibilities

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

### Auditor's Responsibilities

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

## Conclusion

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

## Certificate

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

Clive Portman  
District Auditor  
2nd Floor Aspinall House, Aspinall Close, Middlebrook, Bolton, BL6 6QQ  
30th September 2009

# Explanatory Foreword

## Introduction by the Head of Finance

This booklet presents the Council's accounts for the year ended 31<sup>st</sup> March 2009. In doing so it now conforms to the Statement of Recommended Practice 2008, which introduced changes relating to capital accounting policies and in the recognition of financial instruments.

The layout and purpose of each statement is as follows:-

### Explanatory Statements

- Statement of Accounting Policies - *this explains the policies used in the preparation of the figures in these accounts.*
- Governance Statement - *explaining the way the Council ensures responsible stewardship of its assets.*
- Statement of Responsibilities - *explaining the responsibilities of the Council and its officers in relation to the Council's financial affairs.*

### Core Statements

- Income and Expenditure Account - *a summary of the resources generated and consumed by the authority in the year.*
- Statement of the Movement on the General Fund Balance - *a reconciliation showing how the balance of resources generated and consumed in the year links in with statutory requirements for raising council tax.*
- Statement of Total Recognised Gains and Losses – *a demonstration of how the movement in net worth in the Balance Sheet is identified to the Income & Expenditure Account surplus/deficit and to other unrealised gains and losses.*
- Balance Sheet - *this shows the balances and reserves at the Council's disposal and its long term indebtedness, the net current assets employed in its operations, and summarised information on the fixed assets held.*
- Cash Flow Statement - *this summarises the income and expenditure of the Council for capital and revenue purposes in cash terms.*

### Notes to the core financial statements

All the notes to the core statements above are now collected in one place.

### Other Statements

- The Collection Fund - *this shows the precepts levied by the Borough Council and the County Council and others and how they were funded.*
- The Group Accounts - *the Group Accounts show the consolidated financial position of the Council, its interest in Rossendale Transport Limited and Trust Funds.*
- Capital Expenditure Report - *a detailed analysis of the capital projects and funding during 2008/09*

### Glossary

- Glossary - *an explanation of some of the key technical terms used in these accounts.*

# Explanatory Foreword

## General Fund

The General Fund accounts for income and expenditure associated with the day to day running of all the services that the Council provides.

Full Council on the 27th February 2008 approved a total General Fund Services Budget for 2008/2009 of £11.504m and received a request for a precept on the Collection Fund of £50k to fund expenditure by Whitworth Town Council. In total this resulted in a Collection Fund Precept of £5.346m and central government Formula Grant of £6.208m made up of Rate Support Grant and Re-distributed National Non-Domestic Rates funding streams.

As a result of business property developments in the borough in recent years, the NNDR Pool awarded the Council a further £110k in the year under the Local Authority Business Growth Incentive Scheme (LABGIS). This has been transferred to the Economic Regeneration and the Regulatory Services Earmarked Reserves to fund future economic regeneration activity.

During 2008/2009 a net £513k was used from Earmarked Reserves to support operational services. This included economic development support of £55k, support for the costs of the Concessionary Travel scheme of £94k, £429k to fund the initial costs of invest-to-save projects which will reduce running costs in the future as well as £131k towards the costs of the job evaluation process and the resulting impacts on costs of services. In July 2009 the Council received partial settlement of an outstanding VAT reclaim as disclosed in Note 35, which meant that £661k was subsequently transferred into a new Leisure Facilities Reserve as in Note 33. This resulted in a net transfer to reserves for the year of £148k.

In March 2006 the entire housing stock was transferred to Green Vale Homes, at which time a VAT shelter agreement was entered into. In 2008/2009 this resulted in the Council receiving £808k VAT receipts, of which £350k was transferred to the Pension Reserve to fund contributions specifically related to the former Housing Revenue Account staff, and £458k was used to support capital expenditure as explained in Note 16 to the Core Statements.

During 2008/2009 the economic downturn has had several effects on the Council's operational costs and income levels compared to the original budgets as follows:

- Fuel was monitored carefully and ended the year £21k above original budgets,
- £30k less received in recovery of overpaid benefits,
- A decline of £43k in planning income and £82k of local land charges income lost due to the reduced housing market,
- Utility costs for the Council's properties saw marked increases - £30k increase as surface water drainage charges were introduced, electricity and gas have risen by £43k. At the same time rental income has dropped by £35k,
- £55k more income earned on support of capital projects under the Elevate scheme,
- Detailed management of the Council's cash flow requirements enabled better interest rates to be achieved, resulting in £227k more in interest income received

A monthly budget monitoring regime ensured that the medium term financial strategy was adhered to and consequently the outturn for 2008/2009 resulted in savings of £129k on revenue activities within the year. This was added to the General Fund Reserve, giving a closing balance on the Reserve at 31st of March 2009 of £942k. Of this balance £58k is intended as 'budget-rollover' to fund one-off revenue projects in 2009/2010.

Full details can be found in the table and charts below and in Notes 33 and 34 to the Core Statements.

Detailed reports on operational variances have been submitted to the Council's Cabinet meetings throughout the year.

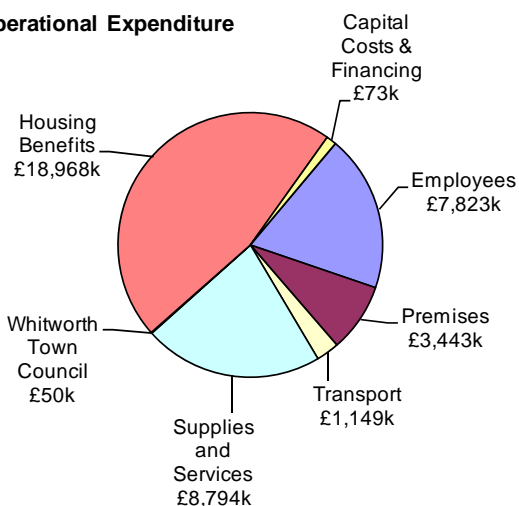


# Explanatory Foreword

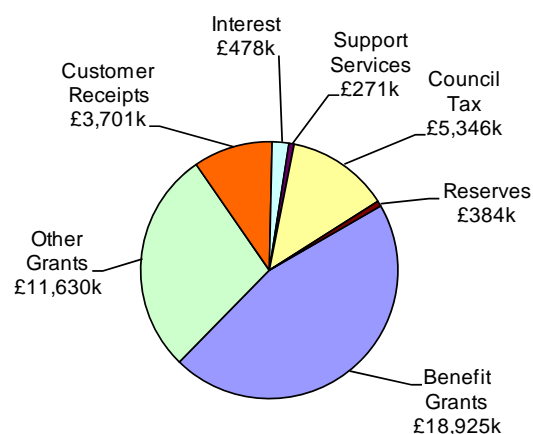
GENERAL FUND SERVICES	2007/2008	2008/2009	
	Actual £000s	Original Budget £000s	Actual £000s
Place Directorate			
Communities	1,213	1,246	1,190
Customer Services & E-govt	2,574	2,767	3,228
Regeneration	655	672	750
Operations	3,669	3,891	3,972
Business Directorate			
Building Control	126	134	158
Planning	437	527	615
Local Land Charges	(12)	(4)	68
Environmental Health	557	748	593
Democratic Services	1,133	1,121	1,070
Corporate Management			
Executive Team	414	541	475
Finance and Property Services	348	229	346
People and Organisational Development	432	301	331
Non-distributed Costs	(1,004)	(421)	(1,799)
<b>Total cost of General Fund Services</b>	<b>10,542</b>	<b>11,752</b>	<b>10,997</b>
Whitworth Town Council Precept	48	50	50
Revenue Contribution to Capital Outlay	183		513
Contribution to/(from) GF Reserves	2		129
Transfers to/(from) CFA / CAA	(278)		(78)
Contributions to/(from) Earmarked Reserves	1,227	(248)	148
<b>Amount to be met from government grants &amp; local tax payers</b>	<b>11,724</b>	<b>11,554</b>	<b>11,759</b>
Precept on the Collection Fund	5,138	5,346	5,346
Redistributed Collection Fund Surplus	68	-	-
General Government Grants			
RSG	878	758	758
LABGIS	409	-	110
LPSA/ABG	-	-	95
Distribution from NNDR Pool	5,231	5,450	5,450
<b>Amounts received from government grants &amp; local tax payers</b>	<b>11,724</b>	<b>11,554</b>	<b>11,759</b>

The General Fund operations shown above can be split into expenditure and income as follows

**Operational Expenditure**



**Operational Income**



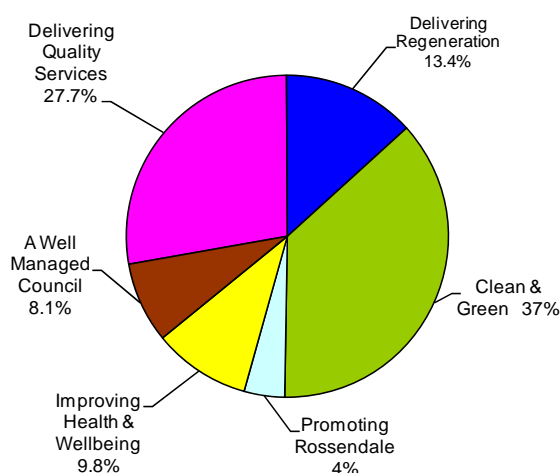
# Explanatory Foreword

For 2008/2009 the Council identified 6 corporate priorities for the services it provides

- delivering quality services to its customers,
- delivering regeneration across the borough,
- keeping the borough clean and green,
- promoting Rossendale as a cracking place to live,
- improving health and well-being across the borough
- commitment to being a well-managed council

The operational expenditure shown on the previous pages can be split over these priorities as follows:

**Meeting our Corporate Priorities**



## Capital Expenditure and Income

The capital works undertaken by the Council in 2008/2009 amounted to £5,006k of which £1,535k related to work on the Council's own assets which are summarised in Note 15 to the Core Statements. Works on private housing stock included £860k relating to disabled facilities and decent homes improvements and £2,460k related to Elevate housing market renewal works.

Funding of these capital works was predominantly through government grants, with £3,204k received in relation to the private housing works and £102k received from lottery grants to support playground improvements. The Council's own capital receipts from the sale of assets contributed £664k and £514k was contributed from the General Fund revenue operations above to fund such expenditure as the vehicle replacement programme and cemetery drainage improvement works. More details can be found in the Capital Expenditure Report in Section 3.

In March 2006 the Council transferred its entire housing stock to Green Vale Homes. Under the transfer arrangements the Council is entitled to a proportion of the income from any houses sold to tenants under the Right to Buy scheme until March 2011. In 2008/2009 the economic downturn resulted in fewer applications to buy homes and the income from sales dropped to £305k. In addition the sale of the Council's own assets resulted in only £467k in new receipts.

In order to maintain the Council's capital expenditure programme during this depressed property market the Council entered into a loan agreement with the Public Works Loan Board in January 2009 for £1.5m over a one year period at an interest rate of 0.89%. This loan is reflected in the Balance Sheet and the Financial Instruments at Note 37 to the Core Statements.



# Explanatory Foreword

## Single Regeneration Budget (SRB)

The Council acted as Accountable Body for the Bacup & Stacksteads Community Partnership Single Regeneration Budget Scheme. The £5m scheme began in September 2000 and ran until December 2007. The revenue and capital accounts in this statement record expenditure and grant income on any SRB projects within this scheme which are being run by the Council. The total grant claimed on behalf of projects in 2007/2008 was £100k. Included in this was an administration grant of £5k. In 2008/2009 this scheme has been officially closed and all evaluation returns and audits have been completed.

## Treasury Management

Treasury management during the year was conducted within the borrowing limits and investment criteria approved by the Council in the Medium Term Financial Strategy. Treasury Management is conducted in-house with advice provided by Sector. Investment performance was slightly above the Sector model portfolio, providing £227k more income than originally budgeted. Local custom and practice is not to invest in any foreign currency investments of foreign institutions.

## Pensions and FRS17

Note 29 explains how the Council has accounted for the under-lying long term commitments in relation to the retirement benefits for employees. The Local Government Pension Scheme administered by Lancashire County Council underwent a full valuation in March 2007, which was published in March 2008. This valuation saw an increase in the net deficit of the overall Fund to £710m, of which Rossendale Borough Council's Net Liability in the Balance Sheet has risen to over £23.8m at 31<sup>st</sup> March 2009. This measure compares the Fund's assets with the value of the past service benefits at 31 March 2007.

This net liability represented a funding level of 84% relative to the Fund's funding target. The valuation identified a number of material developments since the previous valuation:

- investment returns have been very strong, and have more than offset the increases in liabilities due to falls in real yields;
- the effect of assuming longer life expectancy has had a significant impact on the valuation results.

The assumptions upon which this valuation is based include

- real salary increases (salary increases in excess of price inflation) of 1.75% p.a. over the inflation assumption;
- an increase in life expectancy;
- expected take-up by members of the option on retirement to commute part of their pension in return for a lump sum at a rate of £12 cash for each £1p.a. of pension forgone.

The Funding Strategy Statement (FSS) specifies a maximum period for achieving full funding of 22 years. For Rossendale Borough Council this means a continuation of the current contribution rates of 18.1% for the remainder of the three-year evaluation programme.

With effect from 1 April 2008 a new scheme was introduced as a replacement for the 1997 Scheme, under the provisions of the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 (SI2007/1166). The principal changes from the 1997 Scheme were:

- the replacement, for future service, of the existing benefits structure based on a pension of 1/80<sup>th</sup> of Pensionable Pay for each year of pensionable service plus an automatic lump sum of three times this amount by one based on 1/60<sup>th</sup> of Pensionable Pay for each year of pensionable service;
- and an increase in the average level of employee contributions from that date.

## Introduction

In accordance with the CIPFA Statement of Recommended Practice 2008 (SORP), the authority has adopted the following accounting concepts to be followed in the preparation of the Statement of Accounts and the selection and application of accounting policies and estimation techniques and in the exercise of professional judgement.

- The qualitative characteristics of financial information
  - *relevance*
  - *reliability*
  - *comparability*
  - *understandability*
- Materiality
- Pervasive accounting concepts
  - *accruals*
  - *going concern*
  - *primacy of legislative requirements*

Policies are reviewed regularly to ensure they remain appropriate to the Authority's circumstances with a full disclosure of any changes to accounting policies where necessary.

## Tangible and Intangible Assets

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, including insulation works and disabled adaptations;
- the acquisition, installation or replacement of movable or immovable plant, machinery, vehicles, apparatus or vessels;
- advances, grants or financial assistance to another person towards expenses incurred or to be incurred by him in respect of items mentioned above;
- the acquisition of investments or share or loan capital in a corporate body;
- the acquisition or preparation of computer programs to be used for at least one year, referred to as intangible assets.

All expenditure on the acquisition, creation or enhancement of assets is capitalised on an accruals basis in the accounts, provided that the 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.

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). Assets are classified into the groupings required by the 1993 Code of Practice on Local Authority Accounting. They are included in the Balance Sheet, on the following basis:-

- intangible assets are non-financial assets that do not have physical substance but are identifiable and are controlled by the Council through custody or legal rights, such as software. Intangible assets are capitalised at cost and depreciated to the revenue account over their useful economic life.
- land, operational properties and other operational assets are included at the lower of net current replacement cost and net realizable value.

# Statement of Accounting Policies

- non-operational assets, including investment properties and assets that are surplus to requirements, are included at the lower of net current replacement cost and net realizable value. In the case of investment properties, this is normally open market value.
- infrastructure assets and community assets are included in the Balance Sheet at historical cost.

Revaluations of fixed assets are planned on a five year rolling basis, although an impairment review is undertaken at the end of each accounting period and material changes to asset valuations are adjusted in the interim period, as they occur.

## Depreciation

Depreciation is provided for on all operational assets with a finite useful life (which can be determined at the time of acquisition or revaluation over the useful life of the asset) using the straight-line method. Where the asset comprises two or more major components with substantially different useful economic lives, each component is accounted for separately for depreciation purposes and depreciated over its individual useful life. With the implementation of a computerised asset management system in 2008/2009, depreciation is now calculated on a daily basis rather than on the opening net book value as has been the practice in the past.

Charges for Depreciation cover buildings, plant, furniture and equipment as well as intangible assets. Community and non-operational assets are not depreciated each year.

Charges for depreciation in 2008/2009 amounted to £667k on tangible assets and £111k on intangible assets (£635k and £120k respectively in 2007/2008). Depreciation does not impact on the council tax, hence an adjusting transaction can be found in the Statement of Movement on the General Fund Balance. Details of the depreciation charged can be found in Notes 13 and 14.

## Leases

This Council has not entered into any Finance Leases, either as lessee or as lessor.

Where assets are acquired under operating leases the leasing rentals payable are recognised in the Income and Expenditure Account on a straight line basis over the term of the lease. The costs of the assets subject to leasing agreements are not shown in the Balance Sheet, but are disclosed in Note 18.

Assets held by the Council for use in operating leases (acting as a lessor) are recorded in the Balance Sheet as fixed assets and depreciated over their useful life. Rental incomes from such assets are recognised on a straight line basis and matched against costs of insurance and maintenance in the Income and Expenditure Account. The value of such assets and the incomes receivable are disclosed in Note 18.

## Revenue Expenditure funded from Capital under Statute (formerly Deferred Charges)

The Statement of Recommended Practice 2008 changed the treatment of deferred charges and introduced Revenue Expenditure funded from Capital under Statute. Such expenditure is written off to revenue in the year incurred, matched by the grants received. The types of expenditure to which this usually refers are improvement grants and decent homes assistance where the local authority does not receive the economic benefits arising from the expenditure. A reversing entry in the Statement of Movement on the General Fund Balance ensures there is no impact on the council tax.

## Deferred grant income

Where the Council meets capital expenditure on its own tangible and intangible assets through government grant receipts, the grants are held as Government Grants Deferred and discharged to the Income and Expenditure Account consistent with the consumption of the economic benefits and the depreciation charge. A reversing entry in the Statement of Movement on the General Fund Balance ensures there is no impact on the council tax.

## Capital Receipts

Amounts to be treated as capital receipts are defined by statute and usually arise from disposal of an interest in a fixed asset. Any difference between the receipt value and the carry value of the asset in the balance sheet at the time of disposal is shown in the Income and Expenditure Account as a gain or loss on disposal. However, some statutorily defined capital receipts do not arise from the disposal of an interest in a fixed asset and as such are treated separately in the Income and Expenditure Account as 'Other Income'. One example of such income arises from retained Right to Buy receipts following the transfer of housing stock to Green Vale Homes in March 2006 which amounted to £305k in 2008/2009.

## Debtors and Creditors

The revenue accounts of the Council are maintained on an accruals basis in accordance with the Code of Accounting Practice. That is, sums due to or from the Council during the year are included whether or not the cash has actually been received or paid in the year. An exception to this principle relates to electricity and similar quarterly payments which are charged at the date of meter reading rather than being apportioned between financial years. This policy is consistently applied each year and therefore does not have a material effect on the year's accounts. An analysis can be found in Notes 22 and 25.

## Stocks and Work in Progress

Stocks are included in the balance sheet at the lower of cost and net realisable value. Work in progress is subject to an interim valuation at the year-end and recorded in the balance sheet at cost plus any overheads reasonably attributable to the works. Full details can be found in Note 21.

## Cost of Support Services

Charges or apportionments covering all support service costs are made to all their users, including services to the public, divisions of services, trading undertakings, capital accounts and other support services. The cost of service management (except corporate management) is included in the apportioned charges. These recharges are generally made at a rate to recover staff costs and typical overheads incurred, although in cases where overheads for IT services are particularly high the services are recharged on the basis of a full allocation of the costs incurred. The basis of apportionment is calculated either as time spent by support staff, usage of technology or space occupied in buildings.

With the exception of a small balance indicated as "Support Services", all used portions of these overheads have been allocated on the above basis. In accordance with the Best Value Accounting Code of Practice, unused but unrealisable elements of central support services are charged to Non-Distributed Costs. The cost of service strategy and regulation of any service to the public is allocated to a separate objective expenditure head in the accounts of that service.

## Pensions

The requirements of FRS17 have been fully incorporated into the Income and Expenditure Account and the Statement of Total Recognised Gains and Losses, as Note 29 explains.

## Interest

Interest paid on external borrowings is accrued and charged in the accounts of the period to which it relates and interest earned on the external investment of surplus funds is credited to the General Fund. Interest is also transferred internally to the Trust Funds held by the Council based on the average balances in each fund and the average interest rates earned by the Council in the year. The values transferred to each Trust Fund can be found in Note 36.

## Investments

Investments are shown in the Balance Sheet at fair value. The largest investment consists of 100% of the share capital in Rossendale Transport Ltd., a company set up under the Transport Act 1985. Further details are in Note 19. Dividend income or payment for management services from investments is recognised when the authority has a right to receive the payment.

## Provisions

Proper provisions are required for any liabilities or losses which are likely to be incurred, or certain to be incurred, but uncertain as to the amounts or the dates on which they will arise. Provisions are charged to the appropriate revenue account. Provisions are utilised only for the purpose for which they were established, except where a regular review to determine the appropriateness of the level of the charge and the balance of the provision properly requires a change. The provisions and any change in their use are disclosed in Note 28.

Provision has also been made for doubtful debts and known uncollectable debts have been written off during the year. The balance of the Provision for Bad and Doubtful Debts, used to reduce the overall level of debtors outstanding, is disclosed in Note 22.

## Value Added Tax

VAT is fully recoverable from Customs & Excise except in certain exceptional cases. Consequently all expenditure, whether revenue or capital, is shown in the accounts as net of VAT.

## Reserves

The Council maintains certain reserves for the purpose of meeting liabilities other than those covered by provisions.

- Revaluation Reserve records unrealised revaluation gains, net of depreciation and disposals on that revaluation amount, on a strict per-asset basis (see Note 30)
- Capital Adjustment Account provides a balancing mechanism between the different rates at which assets are depreciated under the SORP and are financed through the capital controls mechanism (see Note 31).
- Available-for-sale Financial Instruments Reserve stores gains on revaluation of investments not yet realised through sales. In 2008/2009 the investment in Rossendale Transport Ltd was revalued using the discounted cash flow method in line with the SORP requirements. This account now holds the difference between the historic value of the shares, shown in the Transport Earmarked Reserve at Note 33, and the value of the investment asset at Note 19. This is a technical gain and in no way assumed that any decision has yet been made to dispose of this asset.
- Useable Capital Receipts Reserve holds the proceeds of fixed asset sales available to meet future capital investment (see Note 32).
- Deferred Capital Receipts holds the value of Council House sales prior to 1991 where mortgages were granted to the tenants. The balancing entry for these receipts is shown within Long Term Debtors on the Balance Sheet at Note 20.



- Pensions Reserve is a balancing account to allow the inclusion of Pensions Liability in the Balance Sheet. Details of Pension Fund assets and liabilities can be found in Note 29.
- Earmarked Reserves are resources set aside to meet specific future running costs and investments. Full details can be found at Note 33.
- Fund Balances and Reserves are resources held to meet future revenue costs. These include the General Fund Reserve and the Collection Fund Reserve. Full details can be found in Note 34.

Only the Useable Capital Receipts Reserve, the Earmarked Reserves and the Fund Balances and Reserves represent cash which can be called upon to support spending.

## Grants

Government grants and other contributions are accounted for on an accruals basis and recognised in the accounting statements when the conditions for their receipt have been complied with and there is reasonable assurance that the grant or contribution will be received.

Where the Council receives capital grants and contributions the SORP requires these sums to be accounted for using a deferred credit method and the assets to be capitalised at gross cost. Grants and contributions are then credited to the Government Grants Deferred account and released to the relevant service revenue account over the life of the asset to match any charges for depreciation. Note 26 shows the movement on Government Grants Deferred in the year.

## Repurchase of Borrowing

The Accounting Code requires gains or losses on the repurchase of borrowing to be recognised in the Income and Expenditure Account in the year in which they are realised. Where, however, the repurchase is coupled with a refinancing or restructuring of borrowing with substantially the same overall economic effect, gains or losses are to be recognised over the life of the replacement borrowing.

## Minimum Revenue Provision

In accordance with the requirements of the Local Government and Housing Act 1989, the authority is required to set aside a minimum revenue provision for repayment of debt. Details of this can be found in Note 16. In March 2008 the Government changed the basis on which MRP should be calculated to more closely match the life of the asset.

## Financial Instruments

### Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest.

Any gains or losses on the repurchase or early settlement of borrowing are charged to the Income & Expenditure account. However where repurchase takes place as part of a restructure the premium or discount is added to the amortised cost and charged over the life of the new or modified loan. Where premiums and discounts are charged directly to the Income and Expenditure Account regulations permit the impact on the General Fund Balance to be spread over future years. This is achieved by transfer to/from the Financial Instruments Adjustment Account. No such gains or losses arose in 2008/09.

### Financial Assets

These are classified into two types:



- Loans and Receivables – assets that have fixed or determinable payments but are not quoted in an active market. These are measured at fair value and carried at amortised cost. Annual credits to the Income and Expenditure Account are based on the carrying amount multiplied by the effective rate of interest. In all cases where the Council has made loans cost has been used as a proxy for fair value.
- Available for sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments. These are initially measured, and carried, at fair value. Credits to the Income & Expenditure Account for interest are based on the amortised cost multiplied by the effective rate of interest. Gains or losses are posted to the Available for sale Reserve. On derecognition gains or losses are charged to the Income and Expenditure Account.

For further information on Financial Instruments see Note 38.

## Contingent Liabilities and Contingent Assets

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

A material contingent liability is not recognised within the accounts as an item of expenditure. It is, however, disclosed in a note unless the possibility of a transfer of economic benefits in settlement is remote.

A contingent asset is a possible asset that may arise from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the Council's control. Contingent assets are not recognised in the revenue account or the balance sheet because prudence cautions that the gain might never be realised, instead they are disclosed in the Notes to the Core Statements.

When realisation of the gain is virtually certain, then the item ceases to be a contingent asset and can be accounted for as revenue or capital income as appropriate. Please refer to Note 35.

## Prior Period Adjustments

Prior period adjustments are material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors.

The SORP requires that the financial statements should disclose, where practicable the effect of a prior period adjustment on the results of the preceding period. Where this is not practicable, the fact this is so and the reasons for it are disclosed. In addition, the cumulative effect on reserves of any prior period adjustments are disclosed at the foot of the Statement of Total Recognised Gains and Losses.

This year the Council's Statement of Accounts includes at Note 1 to the Core Financial Statements an explanation of the adjustments made to the Notes to the Statements as a result of a change in treatment of deferred charges and revenue expenditure funded from capital under statute. Whilst this change did not affect the Core Statements it has had implications for the presentation of data within the Notes.

Note 29 on the Pension Fund explains the changes in valuation methodologies of fund assets. These have not had a material effect and therefore have not resulted in a prior period adjustment.

## Post Balance Sheet Events

Adjusting Events - where events arising after the balance sheet date provide additional evidence of conditions that existed at the balance sheet date and are of a material nature the amounts should be reflected in the Core Statements.

Non-adjusting Events – events which arise after the balance sheet date and concern conditions which did not exist at that time should be detailed in Notes to the Core Statements if they are of such materiality that their disclosure is required for the fair presentation of the financial statements, rather than reflected in the Core Statements.

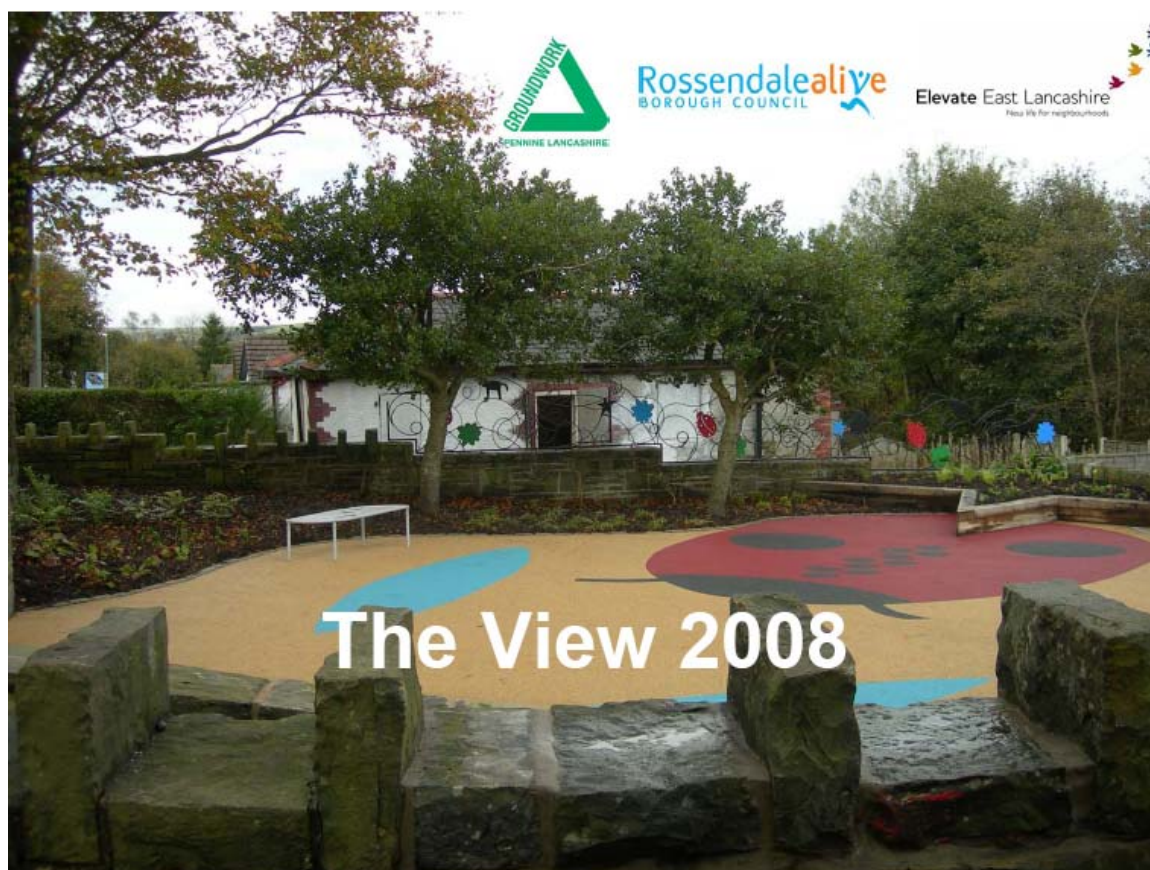
## Group Accounts

The Group Accounts have been prepared on the basis of a full consolidation of the financial transactions and balances of the Council, the Trust Funds it manages and Rossendale Transport Ltd.

## Changes in Accounting Policies

In the 2008/2009 Statement of Accounts, the Council has adopted three changes to its accounting policies.

- the method of calculating depreciation has been changed to apportion depreciation on a daily basis. This has not had a material effect on the figures used in these accounts.
- the implementation of the SORP changes to the treatment of Revenue Expenditure funded from Capital under Statute.
- statutory changes to the valuation methodologies for Pension Fund Assets as explained in Note 29.



## Annual Governance Statement: Year Ended 31st March 2009

### Scope of Responsibility

Rossendale Borough Council is responsible for ensuring 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. Rossendale Borough 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, Rossendale Borough Council is also responsible for putting in place proper arrangements for the governance of its affairs and facilitating the exercise of its functions, which includes ensuring a sound system of internal control is maintained through the year and that arrangements are in place for the management of risk.

Rossendale Borough Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework: Delivering Good Governance in Local Government. A copy is on our website at [http://www.rossendale.gov.uk/downloads/Item\\_C2\\_-\\_corporategovactionplan\\_1\\_.pdf](http://www.rossendale.gov.uk/downloads/Item_C2_-_corporategovactionplan_1_.pdf) or can be obtained from the Council's One Stop Shop at Rawtenstall. This statement explains how Rossendale Borough Council has complied with the code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

### The Purpose of the Governance Framework

The governance framework comprises the systems and processes, culture and values by which Rossendale Borough Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables Rossendale Borough Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

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

The governance framework has been in place at Rossendale Borough Council in previous years, throughout 2008/2009 and up to the date of approval of the annual report and Statement of Accounts.

### The Governance Framework

The key elements of the systems and processes that comprise the governance arrangements include:

- The Constitution, which establishes arrangements for policy setting and decision making (including ensuring legal and financial probity). This defines roles, responsibilities, statutory officer protocols, the delegation of powers to members and officers including the role of the Overview and Scrutiny Management Board and its work with other scrutiny committees. The Constitution is subject to annual review and amendment to meet the changing needs of the Council and the governance environment;

- The Audit and Accounts Committee (previously Audit Scrutiny Committee) which complies with CIPFA's *Audit Committee – Practical Guidance for Local Authorities* and which, inter alia, oversees the production of the authority's Annual Governance Statement;
- Comprehensive codes of conduct for members and officers, supported through a training programme, that set out clear expectations for standards of behaviour together with job descriptions that make clear senior officer duties in matters of financial, performance and risk management;
- Well publicised and effective arrangements for dealing with complaints and whistle-blowing, and for combating fraud and corruption;
- An award winning officer and member training and development programme to support, amongst other things, their strategic roles;
- An award winning Council for Standard and Ethics as recognised by The Standards Board for England;
- Established terms of reference for Member led working groups and securing independent Members on Standards Committee and co-opted Members on audit & scrutiny committees;
- Encouraging fair and representative public participation through the adoption of a "Procedure for Public Speaking" at public meetings;
- Online accessibility to Council meeting agendas and minutes including information on availability in different formats;
- An established business planning process, which sets clear objectives and targets in light of the Local Strategic Partnership's Sustainable Community Strategy, the Council's policy priorities and the financial resources available, all of which are summarised annually in the Council's Corporate Plan;
- The Medium Term Financial Strategy, budget setting and budgetary management systems which aim to economically, effectively and efficiently use resources in line with corporate priorities and the regular reporting of financial performance to officers and members;
- Financial Regulations and Contract Procedure Rules and a clear supporting framework of financial procedures;
- A performance management system of regular monitoring and reporting to members of the Council's performance against its plans together with its own assurance framework ensuring the accuracy and completeness of data;
- A partnership with Lancashire County Council for the management of the internal audit service that works with officers to assess and develop the governance framework and which supports management's assessment of compliance with established policies, procedures, laws and regulations;
- Annual quality assurance statements by all Heads of Service and specific senior managers (signed together with line Director and Portfolio Holders) which both acknowledge officer responsibilities in matters of governance and internal control and make an annual evaluation of their adequacy within the service area;
- A risk management framework, which ensures that risks to the Council's objectives are identified and appropriately managed, including the assignment of a Member risk champion;
- A structure of centrally monitored devolved financial management that promotes management of the Council's finances at the appropriate organisational level;



- A Customer Access Strategy, designed amongst other things, to empower employees to deal with customer queries quickly and satisfactorily, increase customer satisfaction with the Council ultimately to deliver better access to improved public services;
- Through recently improved Neighbourhood Forums we enable groups to feedback on how grants awarded by the forums have improved the community;
- A centrally held partnership register together with developing terms of reference for outside bodies;
- Active participation in the Lancashire Procurement Hub (now encompassing the former East Lancashire e-Partnership for Procurement) which aims to ensure maximum value for money for the Council through collaborative procurement exercises;
- Participation in the nationwide National Fraud Initiative;
- Health and Safety arrangements with Burnley Borough Council who check compliance with both legal and internal requirements as part of their audits.

## Review of Effectiveness

Rossendale Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of the governance framework, including the system of internal control. The review has been completed/informed by the work of executive managers within Rossendale Borough Council who have the responsibility for the development and maintenance of the governance environment, the Head of Internal Audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates. The roles and processes that have been applied in maintaining and reviewing the effectiveness of the governance framework are as follows:

## Rossendale Borough Council

- Regular formal meetings of the Leader of Council and Chief Executive,
- Regular meetings of Cabinet portfolio holders and Heads of Service
- Monitoring Officer and s151 Officer protocols
- Regular review of The Constitution and Code of Corporate Governance
- Terms of reference for all Council committees
- Member / Officer protocols
- Annual Corporate and Service Business plans, including a mechanism for identifying and managing risks, which continues to be consolidated and embedded across the Council

## The Executive

- Cabinet Member terms of reference
- Portfolio Holder role descriptions

## The Overview and Scrutiny Management Board and The Audit and Accounts Committee

- Overview and scrutiny annual reports, task and finish reports, etc
- Integrated performance, financial and risk reporting
- Robust Member call-in procedures
- Published committee agendas and minutes
- Customer complaints reviewed by Performance Scrutiny Committee

## The Standards Committee

- Annual work programme
- Annual end of year report
- A recently developed "Planning Code of Conduct" (within the Constitution) replacing the previous "Code of Good Practice"
- A protocol for Standards Committee members

## Internal and External Audit

- Audit scrutiny which seeks assurance, from a variety of sources, that controls have been adequately designed and are operating effectively in practice
- Member training (eg: risk management, internal controls)
- Annual Audit Reports (from both external and internal auditors) and the assurances they give around internal controls in place
- Follow up work undertaken by internal audit to ensure remedial action is being taken by management to mitigate the risks (and control any deficiencies) identified
- Confirmation that internal audit operate in accordance with the CIPFA code of practice for internal audit in local government
- Regular reports from internal audit to the Audit and Accounts Committee on progress against the audit plan.
- Audit Commission annual inspections (eg: Use of Resources, Data Quality) and any specific in year inspections (eg. Private Sector Housing), together with their regular review of the Council's Internal Audit service which they have found to be 'fully compliant with professional standards'.

## The explicit review and assurance mechanisms

- Executive led "Programme Board" for significant projects
- Formal reporting mechanism for significant events ("Significant Event Review" reports)
- Member Development Strategy and annual Personal Development Plans

We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the audit committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

This statement is signed by the current Chief Executive though the period of time covered by this statement falls entirely under the period of office of the previous Chief Executive. However, the current Chief Executive previously held the post of Deputy Chief Executive and is therefore in a position to confirm and validate this statement.

## Significant Governance Issues

We are satisfied that no matters of significance in relation to governance have been identified. We will however continue to make improvements to the effectiveness of governance where a need has been identified and will monitor their implementation and operation as part of our next annual review. In particular we remain focused on the areas for improvements some of which have been previously identified in previous years, inter alia:

- Further partnership governance arrangements
- The continued consolidation of Performance, Risk and Financial management across the Council
- Further strategic development and action (eg: Leisure, Waste Management, Economy, Housing etc.)
- Senior Management structures.



**Cllr A Swain**  
Council Leader



**Helen Lockwood**  
Chief Executive



# Statement of Responsibilities

The following responsibilities are placed upon the authority and the Head of Finance 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 Head of Finance.

- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- to approve the statement of accounts.

## The Head of Finance's Responsibilities

As Head of Finance, I am responsible for the preparation of the authority's Statement of Accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain (referred to as "the code"), is required to present fairly the financial position of the authority at the accounting date and its income and expenditure for the year ended 31<sup>st</sup> March, 2009.

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.

## Certificate of Head of Finance

I certify that this Statement of Account presents fairly the financial position of Rossendale Borough Council at 31st March 2009, and its income and expenditure for the year ended 31<sup>st</sup> March 2009, including any known post balance sheet events as at 30<sup>th</sup> September 2009.



Phil Seddon  
Head of Finance

30<sup>th</sup> September 2009



# Core Financial Statements

INCOME AND EXPENDITURE ACCOUNT					
2007/2008		2008/2009	2008/2009	2008/2009	
Net		Gross	Income	Net	Note
Expend		Expend		Expend	
£000s		£000s	£000s	£000s	
	Continuing Operations				
790	Central Services to the Public	1,347	(455)	892	
6,926	Cultural, Environmental & Planning	9,640	(1,949)	7,691	
1,017	Highways, Roads & Transport Services	1,318	(369)	949	
526	Housing General Fund	24,059	(23,256)	803	
1,624	Corporate & Democratic Core	2,340	(276)	2,064	
311	Other Central Services	652	(1,553)	(901)	
430	Non-Distributed Costs	674	-	674	
<b>11,624</b>	<b>Net Cost of Services</b>	<b>40,030</b>	<b>(27,858)</b>	<b>12,172</b>	
(23)	(Gain)/Loss on disposal of fixed assets			(206)	32-14
(1,234)	Other Income			(401)	32
48	Whitworth Town Council Precept			50	
(54)	(Surplus)/Deficit on Trading Undertakings			23	3
12	Contribution of housing capital receipts to Government Pool			-	32
8	Interest Payable			10	
(367)	Interest and investment income			(861)	
170	Pensions interest cost and expected return on pension assets			1,113	29
<b>10,184</b>	<b>Net Operating Expenditure</b>			<b>11,900</b>	
(5,138)	Precept on Collection Fund			(5,346)	
(68)	Redistributed Surplus on Collection Fund			-	
(1,287)	Government Grants: General Government Grants			(964)	
(5,231)	Distribution from NNDR Pool			(5,450)	
<b>(1,540)</b>	<b>Net (Surplus)/Deficit</b>			<b>140</b>	

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

- *Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.*
- *Whilst the Council owned its housing stock 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. Remaining pooling contributions relate to principal received on old Council house Mortgages. In 2008/2009 the value of receipts, net of allowable cost of collection, were minimal (£12k in 2007/2008).*
- *Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.*

<b>STATEMENT OF MOVEMENT ON GENERAL FUND BALANCE</b>			
2007/2008		2008/2009	Note
£000s		£000s	
(1,540)	(Surplus)/deficit for the year on the Income and Expenditure Account	140	
1,538	Net additional amount required by statute and non-statutory proper practices to be debited/(credited) to the General Fund Balance	(269)	12
<b>(2)</b>	<b>(Increase)/Decrease in General Fund Balance for the Year</b>	<b>(129)</b>	
811	General Fund Balance brought forward	813	
<b>813</b>	<b>General Fund Balance carried forward</b>	<b>942</b>	

The Statement of Movement on 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 statement summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.

The SORP requires a note to the accounts explaining the significance of this Statement for local taxation and the resources available to fund the authority's activity – this can be found at Note 11 to the Core Financial Statements.

Note 12 also provides a breakdown of the amount above as the net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year.

<b>STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES</b>			
2007/2008		2008/2009	Note
£000s		£000s	
1,540	Surplus/(deficit) on Income & Expenditure Account	(140)	
2,087	Surplus/(deficit) on revaluation of fixed assets	(637)	14
-	Surplus/(deficit) on revaluation of available-for-sale financial assets	1,455	37
(9,555)	Actuarial gains/(losses) on pension fund assets	(377)	29
(17)	Surplus/(deficit) on Collection Fund	53	
<b>(5,945)</b>	<b>Total recognised gains &amp; (losses) for the year</b>	<b>354</b>	

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

The prior period adjustment explained in Note 1 have not had any material effect on the overall net worth of the authority in the 2007/2008 accounts.

# Core Financial Statements

BALANCE SHEET					
2007/2008			2008/2009		
£000s	£000s		£000s	£000s	Note
	397	Intangible Assets		378	13
		Tangible Assets			
		Operational Assets			
15,592		Other Land and Buildings	15,972		
1,092		Vehicles, Plant, Furniture & Equipment	1,386		
153		Community Assets	303		
		Non-Operational Assets			
654		Investment Assets	654		
-		Infrastructure	125		
2,062		Surplus assets held for disposal	781		
	19,553			19,221	14
647		Long-term Investments	2,102		19
107		Long-term Debtors	111		20
	754			2,213	
	<b>20,704</b>	<b>Total long-term Assets</b>		<b>21,812</b>	
		Current Assets			
52		Stocks and Work in Progress	12		21
8,149		Debtors	7,970		22
(2,057)		Provision for Impairment	(2,277)		22
2,250		Investments	5,500		23
1,493		Cash at Bank	380		23
	9,887			11,585	
		Current Liabilities			
-		Borrowing repayable within 12 months	(1,500)		24
(4,580)		Creditors	(4,631)		25
	(4,580)			(6,131)	
	<b>26,011</b>	<b>Total Assets less Current Liabilities</b>		<b>27,266</b>	
		Long-term Liabilities			
(4,190)		Government Grants Deferred	(4,104)		26
(356)		Grants Unapplied	(515)		27
(781)		Provisions	(711)		28
(22,941)		Liability related to defined benefit Pension Scheme	(23,839)		29
	(28,268)			(29,169)	
	<b>(2,257)</b>	<b>Total Assets less Liabilities</b>		<b>(1,903)</b>	
1,977		Revaluation Reserve		2,868	30
12,133		Capital Adjustment Account		10,513	31
1,134		Useable Capital Receipts Reserve		1,338	32
-		Available-for-sale Financial Instruments Reserve		1,455	37
26		Deferred Capital Receipts		18	
(22,941)		Pension Reserve		(23,839)	29
4,584		Earmarked Reserves		4,732	33
830		Fund Balances and Reserves		1,012	34
	<b>(2,257)</b>	<b>Net Equity</b>		<b>(1,903)</b>	17

In July 2009 part of the claim for overpaid VAT, disclosed as a Contingent Asset at Note 35, was settled, creating an Adjusting Post Balance Sheet Event. The above Balance Sheet reflects this and the net amount of the claim now transferred through the Income and Expenditure Account into a Leisure Facilities Earmarked Reserve. This has therefore also affected the Statement of Movement on the General Fund Balance, the Statement of Total Recognised Gains and Losses and Notes 12, 17, 22, 25, 33 and 34 and the Group Accounts.

Phil Seddon, Head of Finance  
30<sup>th</sup> September 2009



# Core Financial Statements

CASH FLOW STATEMENT					
2007/2008			2008/2009		Note
£000s	£000s		£000s	£000s	
		<b>Revenue Activities</b>			
		Cash Outflows			
7,427		Employees	7,746		
12,639	*	Other operating cash payments	13,165		
26,458		Precepts paid	27,431		
11,375		NNDR payments to national pool	11,477		
13,544		Housing Benefits paid out	13,881		
12	71,455	Payments to the Capital Receipts Pool	-	73,700	
		Cash Inflows			
(407)		Net Rents	(394)		
(26,804)		Council Tax receipts (net of benefits)	(27,891)		
(5,231)		NNDR receipts from national pool	(5,450)		
(11,030)		Non-domestic rate receipts	(11,958)		
(914)		General Government Grants	(1,336)		
(16,339)		DWP grants for benefits	(19,876)		
(4,530)	*	Other government grants	(4,246)		42
(5,717)		Cash received for goods and services	(3,629)		
	(70,972)			(74,780)	
	483			(1,080)	40
		<b>Returns on Investments &amp; Servicing of Finance</b>			
8		Cash Outflows - Interest paid	4		
(426)		Cash Inflows - Interest Received	(229)		
	(418)			(225)	
		<b>Capital Activities</b>			
		Cash Outflows			
1,027	*	Purchase fixed assets & other capital expenditure	1,536		
		Cash Inflows			
(219)		Sale of fixed assets	(467)		
(70)	*	Capital grants received	-		42
(2,847)		Other capital cash receipts	(401)		
	(2,109)			668	
	(2,044)	<b>NET CASH (INFLOW)/OUTFLOW BEFORE FINANCING</b>		(637)	
		<b>Management of Liquid Resources</b>			
	2,565	Net increase/ (decrease) in short-term deposits		3,250	
		<b>Financing</b>			
-		Cash Outflows - Repayments of amounts borrowed	-		
-		Cash Inflows - New short-term loans	(1,500)		
	-			(1,500)	
<b>521</b>		<b>NET (INCREASE)/DECREASE IN CASH</b>		<b>1,113</b>	41

\* In line with the revised treatment of Revenue Expenditure funded from Capital under Statute, introduced in the Statement of Recommended Practice 2008, the above Cash Flow Statement figures for 2007/2008 have been re-stated. (Please refer to Note 1)

## Note 1 Restatement of Prior Year Accounts

Following a change in treatment of Revenue Expenditure funded from Capital under Statute, introduced in the Statement of Recommended Practice 2008, there have been several amendments to 2007/2008 comparative figures.

Though this had not had a material effect on the face of the Income and Expenditure Account, Statement of Movement on General Fund Balances or the Balance Sheet, it has affected the presentation of the net effect of Revenue Expenditure funded from Capital under Statute and the grants which were to fund this expenditure in Note 12 - Breakdown of the amounts used to reconcile the Income and Expenditure Account to the General Fund activity, Note 16 - Capital Financing Requirement and Note 31 – Capital Adjustment Account.

This has also affected the distinction between revenue and capital activities in the Cash Flow Statement and its notes at Note 40- Reconciliation of Revenue Surplus to Net Cash Flow and Note 42 - Cash Received through Government Grants.

All figures affected by this change have been noted with \*

## Note 2 Long Term Contracts

In April 2001 the Council commenced a 10-year contract with Securicor Information Systems (now Sungard Vivista Ltd) for the provision of IT support and hardware maintenance. In 2008/2009 the value of this contract to the 31<sup>st</sup> December 2008 was £387k compared to £501k in the full year 2007/2008. On 31<sup>st</sup> December 2008 the contract was terminated with a one-off payment of £336k in order to achieve an estimated saving of £506k over the remaining life of the contract.

In October 2006 the Council entered into a 10-year contract with Capita Business Services Ltd for the provision of Revenues, Benefits and General Customer Contact Services. In 2008/2009 the contract value was £1,324k. In 2009/2010 the anticipated full-year contract value, subject to an element of inflation in October, is £1,389k. Over the remaining life of the contract the value is expected to be £10.5m.

## Note 3 Trading Operations

The Council undertakes two trading operations, Markets and Industrial Units, whose financial results are shown below. The Industrial Units include the managed unit at Futures Park which opened in May 2004. This is a brownfield site upon which the Council is developing a modern, high-tech business park with the assistance of North West Development Agency, European Regional Development Fund and Single Regeneration Budget funding.

	Net Expend/ (Income) 2007/2008 £000s	Gross Expend 2008/2009	Income 2008/2009	Net Expend/ (Income) 2008/2009 £000s
Markets	92	252	(143)	109
Industrial Units	(146)	199	(285)	(86)
<b>Total Trading Accounts</b>	<b>(54)</b>	<b>451</b>	<b>(428)</b>	<b>23</b>



## Note 4 Discretionary Expenditure under Local Government Act 1972, Section 137

Section 137 of the Local Government Act 1972, as updated by the Local Authorities (Discretionary Expenditure Limits) Order 2005 enables a Local Authority to spend up to £5.30 per head of relevant population for the benefit of people in its area on activities or projects not specifically authorised by other powers. In 2008/2009 the relevant population, as calculated for the Rate Support Grant, was 66,430 and the allowed expenditure was £352,079. (In 2007/2008 the relevant population was 66,206 giving a limit of £350,892).

	2007/2008 £000s	2008/2009 £000s
Grants to Local Charities	174	154
Grant to Groundwork Pennine Lancashire	18	18
	<b>192</b>	<b>172</b>

## Note 5 Publicity Expenditure

Section 5 of the Local Government Act 1986 requires a Local Authority to keep a separate account of its expenditure on publicity.

	2007/2008 £000s	2008/2009 £000s
Employee-related advertising	46	66
Other publicity and promotions, including the Communications Team	226	199
	<b>272</b>	<b>265</b>



## Note 6 Building Regulation Charging Account

The Building (Local Authority Charges) Regulations 1998 require the disclosure of information regarding the setting of charges for the administration of the building control function. The function is required to break even in relation to specific activities which the service undertakes over a rolling 3 year period. The operating deficit of £49k in 2008/2009 was partially funded by a transfer from the Accumulated Surplus Provision built up over previous years.

	2006/2007 £000s	2007/2008 £000s	2008/2009 £000s	Cumulative £000s
<b>Expenditure</b>				
Employee Expenses	137	145	113	395
Transport	6	6	6	18
Supplies & Services	28	7	4	39
Central Support service charges	56	63	53	172
	<u>227</u>	<u>221</u>	<u>176</u>	<u>624</u>
<b>Income</b>				
Building Regulation Charges	(166)	(169)	(127)	(462)
Miscellaneous Income	(8)	(1)	-	(9)
	<u>(174)</u>	<u>(170)</u>	<u>(127)</u>	<u>(471)</u>
<b>(Surplus)/Deficit for the year</b>	<b>53</b>	<b>51</b>	<b>49</b>	<b>153</b>
Net transfers to/(from) Provision below	(59)	(31)	(24)	(114)
<b>Net (surplus)/deficit included in I&amp;E</b>	<b>(6)</b>	<b>20</b>	<b>26</b>	<b>40</b>

In 2006/2007 and 2007/2008 this Accumulated Surplus Provision funded £34k and £31k respectively towards the capital purchase of new planning and development software. The remaining balance of this provision at 31st March 2009 is £nil, as reflected below and within the General Fund Provisions in Note 28.

	2006/2007 £000s	2007/2008 £000s	2008/2009 £000s
<b>Accumulated Surplus Provision</b>			
Balance brought forward 1st April	114	55	24
Transfers re in-year surplus/(deficit)	(25)	-	(24)
Transfers to support capital IT investment	(34)	(31)	-
<b>Balance carried forward 31st March</b>	<b>55</b>	<b>24</b>	<b>-</b>

In 2008/2009 joint investigations were undertaken between the East Lancashire authorities to explore the comparative costs and revenues of the Building Control functions. Though these discussions did not result in a cost saving for Rossendale Borough Council, the lessons learned have allowed management efficiencies to be introduced at Rossendale which should result in better use of resources in the future to reduce the operational deficit shown above.

## Note 7 Members Allowances

On the 26th November 2003 an Independent Remuneration Panel, set up to review Member's Allowances, proposed a revised scheme to operate from the 1st January 2004. The revised scheme increased the Basic and Special Responsibility Allowances in recognition of the effort, time and responsibility of elected Members. The hourly remuneration is reviewed annually each October to ensure that it reflects current minimum wage rates.

The effects of the scheme were introduced in stages at the decision of members with the final increase taking effect in 2008/2009 in terms of the number of hours each member is presumed to work. Constitutional changes in arrangements for Overview and Scrutiny Committees have also been reflected in the special responsibility remuneration levels in 2008/2009.

	2007/2008 £000s	2008/2009 £000s
Basic Allowance	88	110
Special Responsibility Allowance	67	83
Employers National Insurance incurred	4	6
Mileage allowance	6	5
Subsistence and other reimbursements	-	-
	<b>165</b>	<b>204</b>

The basic and special responsibility allowances paid to members were as follows:-

	2007/2008 £s	2008/2009 £s
<b>Basic Allowance</b>	2,610	3,240
<b>Special Responsibility Allowances</b>		
Leader of Majority or Largest Group	10,440	12,960
Deputy Leader of Majority or Largest Group	7,830	9,720
Leader of Minority or Second Largest Group	5,220	6,480
Executive Members	5,220	6,480
Chair of Overview & Scrutiny Management Committee	5,220	-
Other Committee Chairs	2,610	3,240
Vice-Chair of Overview & Scrutiny Management Committee	2,610	-
Other Committee Vice-Chairs	1,305	1,620

## Note 8 Officers Emoluments

The number of employees whose remuneration, excluding pension contributions, was £50,000 or more in bands of £10,000 is listed in the table:-

Remuneration includes all amounts paid to or receivable by an employee and includes sums due by way of expenses and the estimated monetary value of all other benefits received by an employee otherwise than in cash.

	2007/2008 Number	2008/2009 Number
£50,000 - £59,999	3	3
£60,000 - £69,999	1	1
£70,000 - £79,999	2	2
£100,000 - £109,999	1	1
	<b>7</b>	<b>7</b>

## Note 9 Related Party Transactions

A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party, irrespective of whether a charge is made. Most transactions involving related parties to the council are disclosed elsewhere within the Financial Statements as follows:

### Central government

- receipts from Central Government – see Note 42.

### Other local authorities and precepting bodies

- payments to the Lancashire County Council Pension Fund– see Note 29.
- precepts in relation to the Lancashire Police Authority, Lancashire Fire Authority and Lancashire County Council – see the Collection Fund.
- precept payable to Whitworth Town Council – see Income & Expenditure Account.

### Subsidiary and associated companies

- the dividend paid by Rossendale Transport Ltd in the past has now been replaced by contributions towards specific services provided, such as the bus station superintendent and managerial support provided by the Members. - see Note 19 on Investments and the Group Accounts in Section 3.

### Joint venture and joint venture partners

- Rossendale is included in the East Lancashire Housing Market Restructuring Pathfinder (Elevate) partnership programme between Rossendale and the neighbouring boroughs of Blackburn with Darwen, Burnley, Hyndburn and Pendle. The grants received by Rossendale in 2008/2009 can be seen in Note 42.
- Bacup & Stacksteads Community Partnership has approved projects (e.g. Housing Improvement Schemes) for which the Council has received Single Regeneration Budget grant. See Note 42 for details of Capital and Revenue grants received
- In June 2004 the bulk of Rossendale's Leisure Facilities transferred to the management of the newly-formed independent Rossendale Leisure Trust.
  - The total grant to the Trust for the operation of leisure services in 2008/2009 was £513k.
  - In 2007/2008 the Trust was given a £65k loan for a period of 5 years which is shown as a Long Term Debtor in the Council's Balance Sheet and explained in Note 20 to the Core Statements.
  - In 2008/2009 the Trust was also given a cash-flow loan by the Council totalling £300k at 31<sup>st</sup> March 2009 which was repaid in April 2009.
  - Interest is charged on the above loans at base rate plus 0.43% and as a result £5,375 has been credited to the Income & Expenditure Account. Therefore these loans are considered to be 'loans receivable' and not 'soft loans'.
  - The Council also provided a guarantee on a £1.2m investment loan to the Trust for the extension to Haslingden sports centre
  - The Trust has a net Balance Sheet deficit of £420k at 31<sup>st</sup> March 2009 against which the Council is beginning to make provision with the creation of an earmarked Leisure Services Reserve with a closing value of £186k at 31<sup>st</sup> March 2009. More information on these transactions can be found in Note 33 on Earmarked Reserves and Note 35 on Contingent Liabilities.
- Community Leisure Association of Whitworth (CLAW) is a separate charitable organisation operating Whitworth Swimming Pool and the new Civic Hall, for which they received £69k towards running costs in 2008/2009.



# Notes to Core Financial Statements

## Members and Chief Officers

The Council's Standing Orders make provision for a register of Members and Officers interests and also require members who believe they have a prejudicial interest in a matter to be discussed at a Council or Committee meeting to declare that interest at the meeting and, in general, to withdraw from the meeting while that particular matter is being discussed.

Upon review of this register it is considered that any transactions involving Members and Chief Officers with related parties have complied with the above regulations and are not material.

## Note 10 Disclosure of Audit Costs

The sums due from Rossendale Borough Council to the Audit Commission for works carried out relating to the year of account 2008/2009 were:-

	2007/2008 £000s	2008/2009 £000s
Fees payable in respect of external audit of accounts	109	107
Fees payable in respect of statutory inspection	6	6
Fees payable for the certification of grant claims and returns	29	21
Fees payable in respect of other services provided (re 2006/2007)	13	-
	<b>157</b>	<b>134</b>





# Notes to Core Financial Statements

## Note 11 Explanation of the Significance of the Statement of Movement on the General Fund Balance

The Income and Expenditure Account discloses the income receivable and expenditure incurred in operating the Council for the year, applying essentially the same accounting conventions as a large company would use. However, when calculating the Council's revenue budgets and Council Tax requirements are determined by statute and non-statutory proper practices rather than being in accordance with UK GAAP.

There are a number of differences. For example, Minimum Revenue Provision is charged to the General Fund but not to the Income and Expenditure Account, whilst depreciation of fixed assets is charged to the Income and Expenditure Account but cannot be charged to the General Fund.

The Statement of Movement on the General Fund Balance provides the necessary reconciliation between the Income and Expenditure Account and the General Fund charges to Council Tax payers.

## Note 12 Breakdown of the amounts used to reconcile the Income and Expenditure Account to the General Fund activity

2007/2008 £000s		2008/2009 £000s	Note
(120)	Amortisation of Intangible Assets	(111)	13
(879)	Depreciation & impairment of fixed assets	(878)	14
1,353	Other Income to Useable Capital Receipts	401	32
192	Govt Grants Deferred Amortisation	188	25
(374) *	Revenue Expenditure funded from Capital under statute (net of grants)	(266)	31
23	Net gain on sale of fixed assets	206	32-14
(1,194)	Net charges made for retirement benefits in accordance with FRS17	(2,039)	29
<b>Amounts to be included in the Income &amp; Expenditure Accounts but required by statute to be excluded when determining the Movement on the General Fund Balance for the year</b>		<b>(2,499)</b>	
43	Minimum Revenue Provision	61	16
183	Capital expenditure in year charged to General Fund	513	16
(12)	Transfer from usable capital receipts to meet Payments into the pool	-	32
1,096	Employer contributions paid to the Pension Fund	1,508	29
<b>Amounts not included in the Income &amp; Expenditure Accounts but required to be included by statute when determining the Movement in the General Fund Balance for the year</b>		<b>2,082</b>	
1,227	Net transfer to/(from) Earmarked Reserves	148	33
<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>		<b>148</b>	
1,538	<b>Net additional amount required to be debited/(credited) to the General Fund Balance for the year</b>	<b>(269)</b>	

\* Restated as per Note 1

## Note 13 Intangible Assets

Intangible assets are purchased software licenses with an expected useable life of more than one year. Depreciation, using the straight line method, has been charged according to the estimated life of the asset involved, which for intangible assets is deemed to be 5 years.

Movements in 2008/2009 were as follows:-

	Total Intangible Assets £000s
Gross Book Value at 1 <sup>st</sup> April	598
Accumulated Depreciation/Impairments	(201)
<b>Net Book Value at 1<sup>st</sup> April</b>	<b>397</b>
Revaluations	-
Reclassification	-
Additions	92
Disposals	-
Impairments	-
Depreciation for the year	(111)
<b>Net Book Value at 31<sup>st</sup> March</b>	<b>378</b>

## Note 14 Tangible Assets

Movements on tangible assets in 2008/2009 were as follows:-

	Operational			Non-Operational			Total Assets £000s
	Land & Buildings £000s	Vehicles Plant Equip £000s	Community Assets £000s	Investment Assets £000s	Infra- structure Assets £000s	Assets for Disposal £000s	
Gross Book Value at 1 <sup>st</sup> April	17,363	2,095	163	690	-	2,074	22,385
Accumulated Depreciation/Impairments	(1,771)	(1,003)	(10)	(36)	-	(12)	(2,832)
<b>Net Book Value at 1<sup>st</sup> April</b>	<b>15,592</b>	<b>1,092</b>	<b>153</b>	<b>654</b>	<b>-</b>	<b>2,062</b>	<b>19,553</b>
Revaluations	680	-	(257)	23	-	(1,083)	(637)
Reclassification	(407)	-	407	-	-	-	-
Additions	610	629	80	-	125	-	1,444
Disposals	(40)	-	-	(23)	-	(198)	(261)
Impairments	(131)	-	(80)	-	-	-	(211)
Depreciation for the year	(332)	(335)	-	-	-	-	(667)
<b>Net Book Value at 31<sup>st</sup> March</b>	<b>15,972</b>	<b>1,386</b>	<b>303</b>	<b>654</b>	<b>125</b>	<b>781</b>	<b>19,221</b>

Depreciation, using the straight line method, has been charged according to the estimated life of the asset involved.

- Operational buildings generally have a useful life of 40 years, except where expert opinion has reduced this estimate.
- Vehicles are depreciated over a useful life of 3-6 years depending upon their technical or mechanical nature.
- Equipment such as refuse bins, are depreciated over a useful life of 12 years.
- All other assets under land, assets under construction, community assets, investment and surplus assets are not depreciated.

# Notes to Core Financial Statements

## A breakdown of buildings owned

An analysis of Fixed Assets at 31st March 2009

	31 <sup>st</sup> March 2008	31 <sup>st</sup> March 2009
	No.	No.
Administrative Buildings	4	4
Depots and Workshops	6	6
Off-Street Car Parks	44	44
Leisure Centres	2	2
Public Halls	2	2
Swimming Pools	3	3
Museums	1	1
Cemetries	4	4
Parks and recreation grounds	58 hectares	58 hectares
Amenity open spaces	36 hectares	36 hectares
Ski Slope	1	1
Public Conveniences	8	8
Industrial Units	37	37
Markets	3	3
Community & Youth Centres	2	2
Investment Properties	10	10
Surplus Assets for Sale	5	4
	<b>226</b>	<b>225</b>

## Revaluation Programme

The authority operates a five-year rolling programme of revaluation on its General Fund properties. The valuations are carried out by G Woodward, *M.R./C.S.* of Athertons Ltd Chartered Surveyors at 53 King Street, Whalley, Lancashire, BB7 9SP. For details of basis of valuation please refer to the Accounting Policies.

The details below show the history of this revaluation programme. For example, £7.013m of land and building assets were last revalued in 2004/2005 and hence are due to be revalued again in 2009/10. Assets valued in previous years have not undergone any material changes which would alter their valuations.

	Operational			Non-Operational			Total Tangible Assets £000s
	Land & Buildings £000s	Vehicles Plant Equipment £000s	Community Assets £000s	Investment Assets £000s	Infra- structure Assets £000s	Assets for Disposal £000s	
Valued at historical cost	-	-	154	-	-	-	<b>154</b>
Valued at current value in:	-	-	-	-	-	-	
2004/2005	7,013	187	-	437	-	-	<b>7,637</b>
2005/2006	678	109	-	-	-	-	<b>787</b>
2006/2007	3,415	193	-	162	-	-	<b>3,770</b>
2007/2008	1,945	268	-	55	-	-	<b>2,268</b>
2008/2009	2,921	629	149	-	125	781	<b>4,605</b>
<b>Net Book Value at 1<sup>st</sup> April</b>	<b>15,972</b>	<b>1,386</b>	<b>303</b>	<b>654</b>	<b>125</b>	<b>781</b>	<b>19,221</b>

## Note 15 Capital Expenditure on Council Assets

The main items of capital expenditure on the council's own assets during the year were:-

	2007/2008 £000s	2008/2009 £000s
IT Strategy	212	92
Waste Collection & Recycling	74	353
Bacup town centre culvert	-	125
Disabled Access Improvements	24	111
Civic Hall Whithworth	14	30
Henrietta Street Depot	120	13
Whitworth Cemetery	126	7
Leisure Buildings	218	347
Pavillions	-	50
Playgrounds	-	199
Others	239	208
	<b>1,027</b>	<b>1,535</b>

The Council's outstanding capital contractual commitments at the end of the year were as follows:-

	31 <sup>st</sup> March 2008 £000s	31 <sup>st</sup> March 2009 £000s
Building Maintenance	9	50
Planning system	9	-
Rossendale Homecare & Repair	-	24
	<b>18</b>	<b>74</b>

Further information on capital expenditure in 2008/2009 can be found in the full Capital Expenditure Report at Section 3.

The Council operates a rolling 3-year capital programme and in addition to the £5.006m spent in 2008/2009 slippage of £1.7m was carried forward into 2009/2010 onwards. This included £935k intended to support sustainable economic development of brownfield land sites.



# Notes to Core Financial Statements

## Note 16 Capital Financing Requirement

	2007/2008	2008/2009
	£000s	£000s
<b>Opening Capital Financing Requirement</b>	<b>1,225</b>	<b>1,639</b>
Capital investments		
Operational assets	980	1,444
Non-operational assets	48	92
Revenue Expenditure funded from Capital under Statute	2,836 *	3,470
	<u>3,864</u>	<u>5,006</u>
Sources of Finance		
Capital Receipts	(339)	(664)
Government Grants and other contributions	(2,885)	(3,308)
Sums set aside from Revenue:-		
Use of Revenue Resources	(183)	(513)
Minimum Revenue Provision	(43)	(61)
<b>Closing Capital Financing Requirement</b>	<b>1,639</b>	<b>2,099</b>
Explanation of movements in the year		
Increase/(Decrease) in underlying need to borrow (supported by government financial assistance)	414	460
<b>Increase/(Decrease) in Capital Financing Requirement</b>	<b>414</b>	<b>460</b>

\* Restated as per Note 1

## Note 17 Analysis of Net Assets Employed

The Net Equity in the Balance sheet can be split over the main operational areas of the council as follows:

	31 <sup>st</sup> March 2008	31 <sup>st</sup> March 2009
	£000s	£000s
General Fund	(5,419)	(4,841)
Trading Operations	3,145	2,868
Collection Fund	17	70
	<b>(2,257)</b>	<b>(1,903)</b>

## Note 18 Finance and Operating Leases

### Disclosure by Lessees

The Council uses vehicles, wheeled bins and other equipment under the terms of operating leases. The payments for the use of these assets are included in the net cost of services.

	2007/2008	2008/2009
	£000s	£000s
<b>Amounts paid in the year</b>	<b>478</b>	<b>484</b>
Future Commitments		
Amounts Falling due within 1-2 years	359	311
Amounts Falling due within 2-5 years	26	20
Amounts Falling due within 5-10 years	70	58
	<b>455</b>	<b>389</b>



# Notes to Core Financial Statements

## Disclosure by Lessors

The Council has a number of premises that it makes available on an operating lease basis, for lease terms substantially less than the expected lives of the assets. Asset values included within the Balance Sheet and rental income receivable during the year were as follows:

	2007/2008	2008/2009			Total £000s
	Total £000s	Industrial Properties £000s	Leisure Premises £000s	Offices and Other Properties £000s	
Gross Value at 31st March	11,204	865	6,258	4,331	11,454
Accumulated Depreciation	(688)	(58)	(170)	(312)	(540)
<b>Net Book Value at 31st March</b>	<b>10,516</b>	<b>807</b>	<b>6,088</b>	<b>4,019</b>	<b>10,914</b>
<b>Total Rental Income</b>	<b>188</b>	<b>76</b>	<b>-</b>	<b>100</b>	<b>176</b>

The rental incomes above show a nil return for leisure properties. These are now managed and operated by Rossendale Leisure Trust on a rent free basis and the Council makes a grant contribution each year to the provision of leisure services across the borough. Details of this grant can be found in Note 9 on Related Party Transactions.

## Note 19 Long Term Investments

The long term investments consist of:-

	31 <sup>st</sup> March 2008 £000s	31 <sup>st</sup> March 2009 £000s
Rossendale Transport Ltd	645	2,100
Marketable Securities	2	2
<b>Total Investments</b>	<b>647</b>	<b>2,102</b>

The investment in the Rossendale Transport Ltd, a company which provides public bus services principally within the Rossendale area, consists of £645,000 share capital, being 100% of the shares issued. Once again the company has received an un-qualified opinion on its Statement of Accounts for the year to 31<sup>st</sup> March 2009.

In 2008/2009 the Council's investment in Rossendale Transport Ltd has been valued using the Discounted Cash flow method in order to comply with the SORP. The gain on this revaluation can be seen in the Statement of Total Recognised Gains and Losses and in the Balance Sheet as 'Available-for-sale Financial Instruments Reserve'. This is a technical term and in no way presumes that a decision has been made to dispose of this asset.

Rossendale Borough Council does not underwrite accumulated deficits or losses of Rossendale Transport Ltd. Included in the 2008/2009 activity below is an exceptional profit of £1.338m relating to the disposal of former depot site on Bacup Road, Rawtenstall. Further information about the accounts is available from The Company Secretary, Rossendale Transport Ltd., Knowsley Park Way, Knowsley Road Industrial Estate, Haslingden, Rossendale, Lancashire.

	31 <sup>st</sup> March 2008 £000s	31 <sup>st</sup> March 2009 £000s
Profit on ordinary activities before taxation	200	1,299
Tax on profit on ordinary activities	(15)	16
<b>Retained profit/(loss) for the financial year</b>	<b>185</b>	<b>1,315</b>
<b>Net Assets of the company</b>	<b>1,754</b>	<b>2,616</b>

# Notes to Core Financial Statements

## Note 20 Long-term Debtors

The analysis of outstanding long term debtors is:

	Balance 1 <sup>st</sup> April	Advances £000s	Receipts	Balance 31 <sup>st</sup> March £000s
Mortgages (pre 1991)	27	-	(8)	19
Car Loans	15	25	(13)	27
Rossendale Leisure Trust	65	-	-	65
	<b>107</b>	<b>25</b>	<b>(21)</b>	<b>111</b>

## Note 21 Stocks

The total value of stocks at 31 March 2009 is an amount of £12k (£52k at 31<sup>st</sup> March 2008), representing stocks valued at the estimated current replacement cost.

During 2008/2009 £40k was written out of the stocks value brought forward at 1<sup>st</sup> April 2008 relating to refuse bins - these are now a capital asset with a life of 12 years. The remaining stocks are fuel and refuse sacks. These are carried at cost due to the high turnover nature of the items concerned.

## Note 22 Debtors

	31 <sup>st</sup> March 2008 £000s	31 <sup>st</sup> March 2009 £000s
Government Departments	3,625	2,728
Other Public Bodies	108	145
Business Rates	255	378
Council Tax	2,682	2,846
Advance Payments	144	132
Sundry Debtors	1,335	1,741
	<u>8,149</u>	<u>7,970</u>
Less provision for impairment	(2,057)	(2,277)
	<b>6,092</b>	<b>5,693</b>

## Note 23 Investments and Cash

	31 <sup>st</sup> March 2008 £000s	31 <sup>st</sup> March 2009 £000s
Bank Deposits - instant access	1,490	377
Bank Deposits - access less than 3 months	2,250	1,000
Bank Deposits - access 3 to 6 months	-	-
Bank Deposits - access 6 to 12 months	-	4,500
Cash in Hands of Officers	3	3
	<b>3,743</b>	<b>5,880</b>

# Notes to Core Financial Statements

## Note 24 Short-term Borrowing

The balance on this account of £1.5m represents a 364-day loan from the Public Works Loans Board taken out in January 2009 to fund capital programme costs whilst the economic downturn depressed the expected levels of capital receipts.

## Note 25 Creditors

	31 <sup>st</sup> March 2008	31 <sup>st</sup> March 2009
	£000s	£000s
Government Departments	380	65
Other Public Bodies	280	21
Advance Receipts:		
Business Rates	771	684
Council Tax	178	295
Others	89	338
Sundry Creditors	2,882	3,228
	<b>4,580</b>	<b>4,631</b>

## Note 26 Government Grants Deferred

The balance on this account represents the value of capital grants and contributions that have been received to finance the acquisition or enhancement of fixed assets. The balance is released to the relevant service revenue account over the life of the asset to match any charges for depreciation.

	2007/2008	2008/2009
	£000s	£000s
Balance at 1st April	4,333	4,190
Capital Grants Received	2,772	3,307
Other Contributions	113	-
Transfers to Reconciling Items for the Statement of Movement on the General Fund Balance		
Revenue Expenditure funded from Capital under Statute	(2,836)	(3,205)
Amortisation of grants to match depreciation	(192)	(188)
<b>Balance at 31st March</b>	<b>4,190</b>	<b>4,104</b>

## Note 27 Government Grants Unapplied

Government grants and other contributions are revenue receipts accounted for on an accruals basis and recognised in the accounting statements when the conditions for their receipt have been complied with. This account holds the balance of grants unapplied at year-end.

	Balance			Balance
	31 <sup>st</sup> March	Receipts	Applied	31 <sup>st</sup> March
	2008			2009
	£000s	£000s	£000s	£000s
Planning Delivery Grant	166	83	(99)	150
Area Based Grant	-	95	(12)	83
Communities for Health Grant	190	120	(28)	282
	<b>356</b>	<b>298</b>	<b>(139)</b>	<b>515</b>

In February 2009 the Council decided that £193k of the Communities for Health Grant should be used in 2009/2010 to support the costs of Leisure Services pending a full service review.

## Note 28 Provisions

Provisions relate to service areas where there are known liabilities but uncertainty about the exact amount or the dates on which they will arise.

	Balance 31 <sup>st</sup> March 2008 £000s	Advanced £000s	Utilised £000s	Balance 31 <sup>st</sup> March 2009 £000s
English Heritage	358	-	-	358
Building Regulation Charging Account	24	-	(24)	-
Other General Fund Provisions	399	177	(223)	353
	<b>781</b>	<b>177</b>	<b>(247)</b>	<b>711</b>

## Note 29 Local Government Pension Scheme

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

The authority participates in the Local Government Pension Scheme 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. As stated in the Explanatory Foreword, the scheme underwent a full valuation in March 2007 which affected the Council's Pension Scheme Liabilities and Pension Reserve in the Consolidated Balance Sheet as at 31<sup>st</sup> March 2008 and 31<sup>st</sup> March 2009.

### Changes to Scheme Valuation and Presentation

In December 2006 the Accounting Standards Board (ASB) made a number of changes to the FRS 17 accounting standard. In the main these related to the presentation of the figures and disclosures below rather than the underlying calculations themselves. However, they did also include a requirement for most assets to be valued at "realisable values" (i.e. bid values), as opposed to the previous requirement of "fair Values" (in effect, mid-market values).

For local government 2008/2009 is the first year for which the figures need to be presented in the new format. Comparative figures for 2007/2008 have been provided below using the new asset calculation methods. In practice the difference between the bid and mid-market values tends to be fairly small, typically no more than 0.25% of the overall value of the assets. The total effect on the assets at 1<sup>st</sup> April 2007 was an adverse £93k, which is below the Council's materiality level, hence a full restatement of the 2007/2008 accounts has not been performed. Instead both old and new figures are shown below for information.

### Present Net Value of Scheme

The underlying assets and liabilities for retirement benefits attributable to Rossendale Borough Council at 31<sup>st</sup> March are as follows:-

	2007/2008		2008/2009
	Original £000s	Revalued £000s	£000s
Scheme Liabilities as at 31 <sup>st</sup> March	(75,121)	(75,121)	(57,329)
Scheme Assets as at 31 <sup>st</sup> March	52,180	52,073	33,490
<b>Net Scheme Assets/(Liabilities)</b>	<b>(22,941)</b>	<b>(23,048)</b>	<b>(23,839)</b>

# Notes to Core Financial Statements

The liabilities show the underlying commitments that the authority has in the long-run to pay retirement benefits. The total net liability of £23.8m impact on the net worth of the authority is recorded in the balance sheet. However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy. The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary. The March 2007 full valuation maintained the 18.1% revenue contribution rates made by the Council for the foreseeable future.

## Present Value of Scheme Liabilities

The following table reconciles the opening and closing values of the scheme liabilities.

	2007/2008	2008/2009
	£000s	£000s
Scheme Liabilities as at 1 <sup>st</sup> April	59,880	75,121
Current Service Cost	742	853
Interest on Pension Liabilities	3,189	4,295
Member Contributions	265	294
Past Service Cost	254	10
Actuarial (gains)/losses on liabilities	13,410	(12,727)
Curtailments	28	65
Benefits/transfers paid	(2,647)	(10,582)
<b>Scheme Liabilities as at 31<sup>st</sup> March</b>	<b>75,121</b>	<b>57,329</b>

Of the above liabilities there is an unfunded element, for which the value at 31<sup>st</sup> March 2009 was £2,889k (£3,378k at 31<sup>st</sup> March 2008).

The *'Benefits/transfers paid'* items in the tables above and below include the £8m transfer of pension assets and corresponding liabilities relating to former housing revenue account employees. With the Large Scale Voluntary Transfer (LSVT) of council housing provision to Green Vale Homes in March 2006, these employees transferred fully funded to the West Yorkshire Pension Fund) Due to timings delays in the full actuarial calculations this transfer was finally enacted during 2008/2009. The value of this transfer does not appear in the Income and Expenditure Account, rather the net effect on the actuarial assumptions of the scheme assets and liabilities is shown in the Statement of Total Recognised Gains and Losses on page 23.

## Present Value of Scheme Assets

The following table reconciles the opening and closing values of the scheme assets. The "Original" figures for 2007/2008 relate to data used in the Balance Sheet on page 24. The "Revalued" figures shown incorporate the changes in valuation methodologies referred to above.

	2007/2008		2008/2009
	Original	Revalued	£000s
	£000s	£000s	
Scheme Assets as at 1 <sup>st</sup> April	46,595	46,502	52,073
Expected return on plan assets	3,019	3,013	3,190
Actuarial gains/(losses) on assets	3,848	3,840	(12,978)
Employer contributions	1,100	1,100	1,493
Member contributions	265	265	294
Benefits/transfers paid	(2,647)	(2,647)	(10,582)
<b>Scheme Assets as at 31<sup>st</sup> March</b>	<b>52,180</b>	<b>52,073</b>	<b>33,490</b>

These assets are broken down into the following major categories:



	31 <sup>st</sup> March 2008		31 <sup>st</sup> March 2009	
	£000s	%	£000s	%
Equities	32,390	62.20%	20,497	61.20%
Government Bonds	3,697	7.10%	2,612	7.80%
Other Bonds	7,811	15.00%	4,119	12.30%
Property	3,124	6.00%	2,478	7.40%
Cash/Liquidity	1,718	3.30%	1,641	4.90%
Other	3,333	6.40%	2,143	6.40%
<b>Total Scheme Assets</b>	<b>52,073</b>		<b>33,490</b>	

## Income and Expenditure Account

We recognise the cost of retirement benefits in the Income and Expenditure Account when they are earned by employees, 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 that the real cost of retirement benefits is reversed out of the in the Statement of Movement in General Fund Balance and replaced with the cash paid in the year.

The table below shows transactions which have been made in the Income and Expenditure Account during the year and the corresponding adjustments made in the Statement of Movement in General Fund Balance.

	2007/2008	2008/2009
	£000s	£000s
Net Costs of Services		
Current service cost	742	851
Past service cost	254	10
Curtailments & Settlements	28	65
Net Operating Expenditure		
Interest cost	3,189	4,295
Expected return on assets in the scheme	(3,019)	(3,190)
Prior year adjustment	-	8
<b>Net Charge to the Income &amp; Expenditure Account</b>	<b>1,194</b>	<b>2,039</b>
Reversal of net charges made for retirement benefits in accordance with FRS17	(1,194)	(2,039)
Actual amount charged against the General fund Balance for pensions in the year	1,096	1,508
<b>Net adjustment made in Statement of Movement in General Fund Balance</b>	<b>(98)</b>	<b>(531)</b>

## Statement of Total Recognised Gains and Losses

The impact of the above asset and liability valuations can be seen in the Statement of Total recognised Gains and Losses on page 23 as follows

	2007/2008	2008/2009
	£000s	£000s
Actuarial gains/(losses) on Liabilities	(5,862)	12,727
Actuarial gains/(losses) on Assets	(3,700)	(12,978)
<b>Net Actuarial gains/(losses) in current year</b>	<b>(9,562)</b>	<b>(251)</b>
Difference in employers contributions estimate	7	(14)
Adjustment for prior-year gains/(losses) calculations	-	(6)
<b>Actuarial gains/(losses) on pension fund assets</b>	<b>(9,555)</b>	<b>(271)</b>

# Notes to Core Financial Statements

## Actual Gains and Losses

The actual gains measured against experience gains/(losses) in the year can be seen in the following table, along with the relevant percentages of period-end assets and liabilities which these values represent:

	2007/2008		2008/2009	
	£000s	%	£000s	%
Actual Return on Plan Assets	(679)		(9,788)	
Experience gains/(losses) on Assets	3,840	7.4%	(12,978)	38.8%
Experience gains/(losses) on Liabilities	(8,771)	11.7%	-	0.0%



## Actuarial Assumptions

The Borough Council Fund liabilities and assets have been assessed by Mercer Human Resource Consulting, an independent firm of actuaries, and their estimates have been based on the latest full valuation of the scheme as at 31st March 2007 which was published in March 2008. The main assumptions used in their calculations at the beginning and end of the year are shown below, with an effective date of 31<sup>st</sup> March 2009.

The liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc.

Assets in the County Council Pension Fund are valued at fair value, principally market value for investments, and consist of the following categories, by proportion with their expected rates of return at the beginning and end of the year:

	Beginning of Period %	End of Period %
<b>Financial Assumptions</b>		
Rate of inflation	3.60%	3.30%
Rate of increase in salaries	5.35%	5.05%
Rate of increase in pensions	3.60%	3.30%
Discount rate	6.10%	7.10%
<b>Expected rate of return on assets</b>		
Equities	7.50%	7.50%
Government Bonds	4.60%	4.00%
Other Bonds	6.10%	6.00%
Property	6.50%	6.50%
Cash/Liquidity	5.25%	0.50%
Other	7.50%	7.50%
<b>Post retirement mortality assumptions</b>		
Non-retired members (retiring in the future in normal health)	PA92mc YoB Tables + 1 yr	
Current pensioners (retired in normal health)	PA92mc YoB Tables + 1 yr	
<b>Life expectancy</b>		
of a male (female) future pensioner aged 65 in 20 yrs	22.2 (25.0) yrs	22.2 (25.0) yrs
of a male (female) current pensioner aged 65	21.1 (24.0) yrs	21.2 (24.0) yrs
<b>Commutation of pension for lump sum at retirement</b>		
	50% take maximum cash, 50% take 3/80th cash	
<b>Market value of total fund assets</b>		
	£3,670m mid market value at 31st March 2008	£3,234m bid value at 31st December 2008

## Scheme Membership

The membership of the scheme was as follows:

	31 <sup>st</sup> March 2008	31 <sup>st</sup> March 2009
Active Members	189	185
Deferred Members	243	247
Pensioners	411	414
Widows	158	153

## Note 30 Revaluation Reserve

In accordance with the Statement of Recommended Practice, from 1st April 2007 the Revaluation Reserve records unrealised revaluation gains, net of depreciation and disposals on that revaluation amount, on a strict per-asset basis. This Reserve is matched by fixed assets within the Balance Sheet. It does not represent resources available to the authority.

	2007/2008	2008/2009
	£000s	£000s
Balance at 1st April	-	1,977
Surplus/(Deficit) on revaluation of assets in the year	2,087	1,083
Value of assets disposed of in the year	(110)	(171)
Depreciation of Revaluation Balances brought forward	-	(21)
<b>Balance at 31st March</b>	<b>1,977</b>	<b>2,868</b>

## Note 31 Capital Adjustment Account

In accordance with the Statement of Recommended Practice the Capital Adjustment Account provides a balancing mechanism between the different rates at which assets are depreciated under the SORP and are financed through the capital controls mechanism.

In the main this account holds the gains on historical revaluations of the assets still held by the Council, depreciated over the life of the assets. It is managed as a total figure, not on a per-asset basis, and does not represent cash resources available to the authority.

	2007/2008	2008/2009
	£000s	£000s
Balance at 1st April	12,386	12,133
Revenue and Capital Receipts used to finance capital	885 *	1,177
Losses on Revaluation of Fixed Assets	-	(1,720)
Write off NBV of disposals of, net of Revaluation Reserve	-	(90)
Minimum Revenue Provision for repayment of debt	43	61
Depreciation and amortisation (net of deferred grants)	(563)	(571)
Impairment of fixed assets	(244)	(211)
Revenue Expenditure funded from Capital under statute	(374) *	(266)
<b>Balance at 31st March</b>	<b>12,133</b>	<b>10,513</b>

\* Restated as per Note 1





## Note 32 Usable Capital Receipts Reserve

These are capital receipts which have not yet been used to finance capital expenditure or repay debt.

	2007/2008	2008/2009
	£000s	£000s
Balance at 1st April	-	1,134
Capital receipts in year		
Sale of Assets	239	467
Other Income	1,234	401
Capital receipts used to fund capital expenditure	(327)	(664)
Payments to capital receipts pool	(12)	-
<b>Balance at 31st March</b>	<b>1,134</b>	<b>1,338</b>

## Note 33 Earmarked Reserves

**Transport Reserve** – Historic valuation of the Council’s shares in Rossendale Transport Ltd – see Note 19 to the Core Statements.

**Change Management Reserve** – To provide resources to support the costs of change within the organisation, such as consultancy support, restructuring costs, or investment in technology to realise savings.

**Budget Volatility Reserve** – To provide for exceptional increases in demand driven budgets (such as concessionary travel and housing benefits, etc.)

**IT Reserve** – Initially funded as part of the housing stock transfer arrangements this reserve is intended to fund ongoing investment in Information Technology upgrades and services.

**Pension Fund Reserve** – This reserve holds funds to meet future liabilities in respect of the pension fund, particularly in relation to past services such as housing.

**Performance Management Reserve** – A reserve to meet the cost of target achievement incentives offered to Capita in relation to Revenues and Benefits services. This was funded initially in 2007/2008 by the redistributed surplus from the Collection Fund and has a maximum call in any one year of £25k.

**Regulatory Services Reserve** -To hold Local Authority Business Growth Incentive Scheme receipts for future investment to deliver the Local Development Framework which will have a positive impact on the regeneration of Rossendale.

**Economic Regeneration Reserve** – Funds such as Local Authority Business Growth Incentive Scheme (LABGIS) grants held for future investment in specific regeneration schemes.

**Single Status Reserve** - To meet the transitional costs of implementing Single Status including pay protection and implementation costs.

**Health and Wellbeing Projects Reserve** – This reserve holds grants received from the local health authority to fund future health-related partnership projects.

**Leisure Services Reserve** – This reserve has been created in 2008/2009, in line with the Medium Term Financial Strategy, against the potential requirement to underwrite the Balance Sheet of Rossendale Leisure Trust.

**Contaminated Land Reserve** – This reserve has been created in 2008/2009 from grant received from the Department of the Environment to fund site investigations into potential contamination sites.

**Leisure Facilities Reserve** – This reserve has been created in 2008/2009 from VAT reclaim funds in order to support any changes to leisure facilities recommended by the 2009/2010 public review of leisure services.



# Notes to Core Financial Statements

The table below shows the movements on all the Earmarked Reserves during the year.

	Balance 31 <sup>st</sup> March 2008 £000s	Income £000s	Utilised £000s	Balance 31 <sup>st</sup> March 2009 £000s
Transport Reserve	645	-	-	645
Change Management Reserve	661	51	(320)	392
Budget Volatility Reserve	372	71	(159)	284
IT Reserve	370	-	(287)	83
Pension Fund Reserve	396	350	(390)	356
Performance Management	68	-	(3)	65
Regulatory Services Reserve	400	-	(3)	397
Economic Regeneration Reserve	847	109	(77)	879
Single Status Reserve	669	-	(139)	530
Health and Wellbeing Projects Reserve	156	-	-	156
Leisure Services Reserve	-	186	-	186
Contaminated Land Reserve	-	98	-	98
Leisure Facilities Reserve	-	661	-	661
	<b>4,584</b>	<b>1,526</b>	<b>(1,378)</b>	<b>4,732</b>

## Note 34 Movement in Revenue Resources

	Earmarked Reserves £000s	General Fund £000s	Collection Fund £000s	Pension Reserve £000s
Balance at 1st April	4,584	813	17	(22,941)
Surplus for 2008/2009	-	129	53	-
Appropriations to revenue	148	-	-	-
Actual losses on pensions	-	-	-	(898)
<b>Balance at 31st March</b>	<b>4,732</b>	<b>942</b>	<b>70</b>	<b>(23,839)</b>

## Note 35 Contingent Assets & Liabilities

### Contingent Assets

A 10-year VAT sharing agreement was entered into with Green Vale Housing Association as part of the transfer of housing stock on 27th March 2006. The Council will accrue VAT savings as set out in the Transfer Agreement. The amount and timing of these monies is uncertain and it is dependant on the level of repairs undertaken and performance of Green Vale Housing Association. The VAT sharing agreement is time limited and included in the Income and Expenditure Account in the year in which it is received.

Similarly the Council entered into an agreement with Green Vale Housing Association regarding the Right to Buy (RTB) sale of houses to tenants. This five-year agreement made provision for Green Vale Housing Association to retain the first £19,000 per property sold, with Rosendale Borough Council receiving the balance of all sales income over and above this level each year. Such receipts are treated capital and shown as Other Income in the Income and Expenditure Account for the year in which the properties are sold.

During 2008/2009 the Council has submitted a claim for refund of VAT overpaid in relation to exempt activity legislation changes relating to sport income from 1990 to 1994 and coaching charges from 1974 to 1994. The total of these claims were £550k, and any refund would be subject to interest, which could significantly increase this value. In July 2009 £826k was received in part settlement of this claim, resulting in an Adjusting Post Balance Sheet Event, leaving the balance of the claim which is potentially in excess of £100k plus interest.

Performance Reward Grant is money payable by central government for the achievement of the first set of Local Area Agreement 2006 – 2009 stretch targets. The level of reward grant earned is dependent upon on the performance of individual stretch targets. The actual level of Performance Reward Grant available is unknown at present as performance against the county wide stretch targets are yet to be finalised; however it is estimated that Rossendale could receive in the region of £1m. This will be paid in installments at the end of the financial years 2009/10 and 2010/11 with a final payment in the financial year 2011/12.

## Contingent Liabilities

The Council has now implemented the Single Status agreement for all posts through the adoption of a pay and grading structure. The Council has provided, within an earmarked reserve, sufficient resources to meet the transitional costs of implementing this new scheme and to mitigate a prudent estimate of the potential cost of claims for back pay through the Industrial Tribunal system. As a result of this scheme the Council received some claims for backdated Equal Pay on 23rd September 2008. At this stage the Council is not able to assess the financial impact of these claims because of uncertainties regarding their outcome and value.

In accordance with SORP guidelines at the recognition of financial instruments the Council has assessed the financial guarantee entered into with respect to Rossendale Leisure Trust as a contingent liability. The Council is also guarantor on the £1.2m loans to the Trust specifically for the extension of Haslingden Sports Centre. This project was subjected to a very thorough business case to ensure that it would be self-funding. Hence, at present the Council determines that the risk of any financial liability for the Council is nil. This risk is under constant review.

The Council has created an earmarked Leisure Services Reserve in 2008/2009 in order to provide for any potential liabilities which may arise from the Net Balance Sheet deficit of Rossendale Leisure Trust. At 31<sup>st</sup> March 2009 the value of Trust's deficit was £420k and the earmarked reserve was £186k as explained in Note 33. The likelihood of having to make good this undertaking is uncertain at present, therefore the risks are under continual review through the Councils' risk management system.

# Notes to Core Financial Statements

## Note 36 Trust Funds

The Council acts as trustee for a number of trust funds which are summarised below. In general these funds have arisen from legacies given by inhabitants of the Borough. During 2008/2009 two more independent funds have been incorporated within this list and transferred into the Council's control. These are the Lawrence Henry & Minetta Clegg Poor Fund for the provision of charitable relief for Rawtenstall residents and the Mayor of Rossendale Fund for charitable activities in Rossendale.

Due to the size and nature of these funds they are shown in £s rather than rounded to £000s. These are not included in the Council's balance sheet, but instead have been included in the Group Accounts. There are no outstanding liabilities in relation to any of these trust funds.

	Value of Original Asset £	Accum'd Balance at 31 <sup>st</sup> March 2008 £	Income Earned & Transfers £	Utilised £	Accum'd Balance at 31st March 2008 £
J H Pilling Legacy <i>Maintenance of Stubblee Park</i>	3,348	18,596	648	-	19,244
Miles Ashworth Endowment <i>Maintenance of Stubblee Park</i>	6,574	13,982	736	-	14,718
Mechanics Institute Scholarship <i>Student scholarship for Bacup</i>	60	2,958	103	-	3,061
W Hardman Bequest <i>Exhibits for Rossendale Museum</i>	100	4,242	148	-	4,390
Local Charities Account <i>Charitable activities in Haslingden</i>	2,200	22,521	786	-	23,307
S Pilling Trust <i>Student support in Haslingden</i>	200	2,709	94	-	2,803
Greenfield Trust Massage Centre <i>Haslingden War Memorial</i>	1,157	22,184	774	-	22,958
Bacup Orchestral Scholarship <i>School instrumental scholarship</i>	200	862	30	-	892
Smith Prize for Music <i>Boys Music Festival Prize</i>	150	1,067	37	-	1,104
Mayor of Haslingden Relief Fund <i>Charitable relief in Haslingden</i>	176	891	31	-	922
Haslingden Grane Duckworth <i>Charitable relief in Haslingden</i>	1,990	13,385	467	-	13,852
Lawrence Henry & Minetta Clegg <i>Charitable relief in Rawtenstall</i>	2,550	-	9,501 *	-	9,501
Mayor of Rossendale Fund <i>Charitable activities in Rossendale</i>	170	-	8,662 *	-	8,662
	<b>18,875</b>	<b>103,397</b>	<b>22,017</b>	<b>-</b>	<b>125,414</b>

\* Two trust funds formerly managed independently have been transferred into the Council's accounts within 2008/2009. The transfer values were £9,366 and £8,539 respectively.

# Notes to Core Financial Statements

## Note 37 Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument on another.

The term 'financial instruments' covers both financial assets and financial liabilities and includes both straight forward trade receivables and trade payables as well as complex money-market assets. Typical financial instruments and their basis of measurement are shown in the table below:

Financial Instruments	Measurement	Rossendale Note
<b>Liabilities</b>		
Trade and other payables (Creditors)	Held at invoice value	Trade payables exclude government and other non-contract creditors
Borrowings	Included at the face value of the loan or bank account, adjusted for any interest due at year-end	Borrowing can include fixed term loans and bank overdrafts. Rossendale Borough Council has only one 364-day borrowing from the PWLB
Financial guarantees	Measurement balances guarantee value with the risk of the guarantee being called	The Council has given one financial guarantee, but considers the risk to be so minimal as to render the liability as not material (see Note 35)
<b>Assets</b>		
Bank deposits	Held at carrying value of the account	The Council's 'Cash at Bank' figure includes a minimal value of cash in hands of officers as well as current bank accounts.
Trade receivables (Debtors)	Held at invoiced amount less an impairment for uncollectable debts	Trade receivables exclude government and other non-contract debts
Loans receivable	Included at the face value of the loan or bank account, adjusted for any interest due at year-end	Loan deposits can include investments which have fixed terms and fixed interest rates. The Council has issued two loans to Rossendale Leisure Trust (see Note 9)
Soft Loans	Where material, soft loans are measured using an effective market rate of interest	The Council has no soft loans. All similar loans, such as for staff car purchases and community groups include a reasonable element of interest.
Other receivables and advances	Held at the carrying value on the basis on materiality	These are predominantly mortgages issued prior to 1991
Investments	Held at 'fair value'. Where investments are not quoted on the stock market, have no active market and a reasonable assessment of 'fair value' cannot be arrived at, these assets are measured at cost less any impairment.	In 2008/2009 the Council's investment in Rossendale Transport Ltd has been valued using the Discounted Cash flow method. The gain on this revaluation can be seen in the Statement of Total Recognised Gains and Losses and in the Balance Sheet.

# Notes to Core Financial Statements

The council, in compiling its accounts, assessed all its financial instruments and there were a number that were not considered material to make an adjustment to the carrying value of the original asset or liability. These include soft loans and other minor investments. (A soft loan is where the Council has lent money at a lower than market rate). Where this has occurred the Council would adjust, if material, the carrying value of the loan to reflect the cost to the Council of the lower than market rate. The council has no soft loans as at 31st March 2009.

## Financial Instrument Balances

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

	Long Term		Current	
	31 <sup>st</sup> March 2008 £000s	31 <sup>st</sup> March 2009 £000s	31 <sup>st</sup> March 2008 £000s	31 <sup>st</sup> March 2009 £000s
Financial liabilities (principal amounts)	-	-	-	(1,500)
Financial Liabilities at amortised cost	-	-	-	-
<b>Total Borrowings</b>	-	-	-	<b>(1,500)</b>
Long Term Investments	647	2,102		
Loans and receivables	107	111	2,250	5,500
Financial Assets at fair value through the I&E	-	-	976	1,173
<b>Total Investments</b>	<b>754</b>	<b>2,213</b>	<b>3,226</b>	<b>6,673</b>

## Financial Instrument Gains/Losses

The gains and losses recognised in the Income and Expenditure Account and the Statement of Recognised Gains and Losses in relation to financial instruments are made up as follows:

	2007/2008	2008/2009			
	Total £000s	Financial Liabilities £000s	Loans and Receivables £000s	Available for sale assets £000s	Fair Value through the I&E £000s
Interest payable	(8)	(2)	(8)	-	-
Interest & Investment income	367		468	-	-
Surplus on Revaluation of Financial Assets	-	-	-	1,455	-
<b>Total Investments</b>	<b>359</b>	<b>(2)</b>	<b>460</b>	<b>1,455</b>	<b>-</b>

## Fair value of assets and liabilities carried at amortised cost

Financial liabilities and assets represented by loans and receivables are carried on the balance sheet at amortised cost. The fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments, using the following assumptions.

- For loans from the PWLB the fair value would be calculated by reference to the premature repayment set of rates in force on 30th March 2008 and 31st March 2009 respectively. Rossendale Borough Council has one outstanding PWLB loan taken out in January 2009 for 364 days.
- No early repayment or impairment is recognised.
- Where an instrument will mature in the next 12 months the carrying amount is assumed to approximate to fair value.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.



The fair values thus calculated are as follows

	31st March 2008		31st March 2009	
	Carrying amount £000s	Fair Value £000s	Carrying Amount £000s	Fair Value £000s
Total Borrowings	-	-	1,500	1,500
Creditors	4,580	4,580	4,466	4,466
<b>Total Financial Liabilities</b>	<b>4,580</b>	<b>4,580</b>	<b>5,966</b>	<b>5,966</b>
Investments <1 year	2,250	2,250	5,500	5,500
Investments >1 year	647	647	2,102	2,102
Long Term Debtors	107	107	111	111
Debtors	6,092	6,092	4,867	4,867
Cash at Bank	1,493	1,493	380	380
<b>Total Loans &amp; Receivables</b>	<b>10,589</b>	<b>10,589</b>	<b>12,960</b>	<b>12,960</b>

## Note 38 Nature and extent of Risks arising from Financial Instruments

### Key Risks

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

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

### Overall procedures for Managing Risks

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

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

These requirements are known as Prudential Indicators and are required to be reported and approved at or before the Council's annual Council Tax setting budget in late February along with the annual Treasury Management Strategy which outlines the detailed approach to

# Notes to Core Financial Statements

managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported monthly to Members.

These policies are implemented by the Council's Financial Services staff. The Council maintains written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash through Treasury Management Practices (TMPs). These TMPs are a requirement of the Code of Practice and are reviewed regularly.

## Credit Risk

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

The Council maintains strict criteria for investment counterparties and monitors activity against these criteria. As a result of this high credit criteria there has been no experience of defaults. The Council refers to an approved list of organisations for investment purposes, assessed by the rating agencies, consisting of major banks, building societies and other local authorities. Maturity limits apply for each counterparty category and maximum investment limits also exist per counterparty and per sector.

No breaches of these criteria occurred during the reporting period and the Council does not expect any losses from non-performance by any counterparty in relation to financial deposits. However, the council has supported Rossendale Leisure Trust through a £65k loan over five years (included within Long Term Debtors) and cash flow support (£300k at 31<sup>st</sup> March 2009 which is included in the Trade Debtors figure).

The following analysis summarises the Authority's potential maximum exposure to credit risk, based on experience of default assessed by the ratings agencies and the Council's experience of its customer collection levels over the last three financial years, adjusted to reflect current market conditions.

	31st March 2009	Historical default	Adj for market conditions	Estimated maximum exposure to default
	£000s	%	%	£000s
Deposits with banks & financial institutions (Market Value - AA rated counterparties)	5,880	-	-	-
Rossendale Leisure Trust	65	-	-	-
Long Term Debtors	46	0.11%	0.11%	-
Trade Debtors	1,529	6.08%	6.08%	93
<b>Total Loans &amp; Receivables</b>	<b>7,520</b>			<b>93</b>

# Notes to Core Financial Statements

The Council does not generally allow credit for its trade debtors. Of the £1,529k outstanding at 31st March 2009 only £293k was overdue. The past due amount can be analysed by age as follows:

	31st March 2008 £000s	31st March 2009 £000s
Less than one month	43	11
One to Two months	29	16
Two to three months	1	2
Three to six months	36	63
Six months to one year	229	62
Over one year	85	139
<b>Total Trade Debtors</b>	<b>423</b>	<b>293</b>

## Liquidity Risk

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

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

## Refinancing and Maturity Risk

The approved prudential indicator limits for the maturity structure of debt and the limits placed on investments of greater than one year in duration are the key parameters used to address this risk. Although the Council at this time has no borrowings, the approved treasury and investment strategy addresses the main risks and the sets the operational parameters should the Council ever need to borrow funds.

## Market Risk

There are three related risks the Council is aware of:

- interest rate risk
- price risk
- foreign exchange risk

## Interest Rate Risk

The Council has limited exposure to interest rate movements on its borrowings and investments. Borrowings, were the Council to have any, would not be carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Income and Expenditure Account or the Statement of Recognised Gains and Losses. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the income and Expenditure Account and reflected in the General Fund Balance.

The Council has a number of strategies for managing interest rate risk. The annual Medium Term Financial Strategy draws together the Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. The aim of the prudential indicators is to contain the activity of the treasury function within certain limits reducing the risk or likelihood of an adverse movement in certain interest rates or borrowing decisions that could impact negatively on the Council's overall financial position.

# Notes to Core Financial Statements

Within this Strategy prudential indicators are set which provide maximum and minimum limits for fixed and variable interest rate exposure. The Financial Services staff monitor markets and forecast interest rates within the year to adjust exposure appropriately. The indicators in force during 2008/2009, which were approved along with the Council's annual budget as part of the annual Medium Term Financial Strategy review on 27<sup>th</sup> February 2008, are shown below. This table also shows the changes to these indicators for the two financial years ahead which were made in February 2009 when the Medium Term Financial Strategy was again reviewed

Limits in interest rate exposure	2007/2008	2008/2009	2009/2010	2010/2011
	£000s	£000s	£000s	£000s
Maximum principal sums borrowed > 364 days	£4m	£4m	£7m	£7m
Limits on Fixed Interest Rates	100%	100%	100%	100%
Limits on Variable Interest Rates	30%	30%	30%	30%
Maximum principal sums invested > 364 days	£500k	£500k	£4m	£4m

If all lending interest rates had been 1% higher with all other variables held constant the financial effect would only impact on the interest receivable on variable rate investments by an extra £68k. The approximate impact of a 1% fall in interest rates would be the reverse. All other interest payable and receivable is fixed.

## Price Risk

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

## Foreign exchange risk

Local custom and practice is not to engage in foreign currency trade or deal with foreign financial institutions. The Council, therefore, has no financial assets or liabilities denominated in foreign currencies and has no exposure to loss arising from movements in exchange rates.

## Note 39 Local Area Agreements / Area Based Grants

Rossendale is a participant in a Local Area Agreement (LAA) – a partnership with other public bodies involving the pooling of Area Based Grants (ABG) from the government to finance work towards jointly agreed objectives for local public services. In 2008/09 the LAA completed its three-year agreement. The purpose of the LAA is:

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

The LAA partners are:

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

# Notes to Core Financial Statements

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

- Community protection authorities – Lancashire Police Authority, Lancashire Constabulary, Lancashire Fire & Rescue.
- Health bodies – Central Lancashire, East Lancashire and North Lancashire PCTs.
- Other bodies – Business Link Lancashire, Connexions, East Lancashire Chamber of Commerce, Elevate, the Environment Agency, Job Centre Plus Lancashire, Lancashire Drug Action Team, Lancashire Economic Partnership, Lancashire Probation Service, Lancashire VCFS Consortium, Learning & Skills Council Lancashire, North West Development Agency.

Lancashire County Council acts as the accountable body for the Area Based Grants and in 2008/2009 Rossendale Borough Council received £95k of this total to fund its own services. Future potential income of around £1m from the LAA Performance Reward Grant is disclosed in Note 35 as a Contingent Asset.

## Note 40 Reconciliation of Revenue Surplus to Net Cash Flow

	31 <sup>st</sup> March 2008	31 <sup>st</sup> March 2009
	£000s	£000s
Surplus/(Deficit) on Income & Expenditure Account	1,540	(801)
Surplus/(Deficit) on Collection Fund	(354)	53
<b>Total Surplus/(Deficit) for the Year</b>	<b>1,186</b>	<b>(748)</b>
<b>Non-Cash Transactions</b>		
Depreciation and Impairments	(999)	(989)
Amortisation of Government Grants Deferred	192	188
Application of Grants Unapplied Reserves	179	(187)
Pension Fund Adjustment	(100)	(533)
<b>Adjustment between accruals and cash accounting</b>		
Increase/(Decrease) in Long Term Debtors	40	4
Increase/(Decrease) in Stocks	2	(40)
Increase/(Decrease) in Debtors	(100)	(542)
(Increase)/Decrease in Creditors	(690)	114
(Increase)/Decrease in Provisions	(248)	99
<b>Other items</b>		
Income from servicing of finance	359	458
Capital Grants used to fund Revenue Expenditure under statue (on a cash basis)	(595) *	489
Gains/(losses) on the disposal of assets	1,257	607
<b>Net cash (inflow)/outflow from revenue activities</b>	<b>483</b>	<b>(1,080)</b>

\* Restated as per Note 1

## Note 41 Net Change in Liquid Resources

	31 <sup>st</sup> March 2008	31 <sup>st</sup> March 2009	Movement
	£000s	£000s	£000s
Cash in Hand	3	3	-
Cash at Bank	1,490	377	1,113
<b>Net Book Value at 31st March</b>	<b>1,493</b>	<b>380</b>	<b>1,113</b>



# Notes to Core Financial Statements

## Note 42 Cash Received through Government Grants

	31 <sup>st</sup> March 2008	31 <sup>st</sup> March 2009
	£000s	£000s
<b>Revenue Grants</b>		
General Grants	914	1,336
NNDR	5,231	5,450
DWP grants for benefits	<u>16,339</u>	<u>19,876</u>
	22,484	26,662
<b>Other Government Revenue grants</b>		
Business Rates Admin	102	101
Pathfinder ( Elevate )	528	350
North West Development Agency	52	92
Single Regeneration Budget	24	11
DEFRA - Contaminated Land Grant	-	98
Planning Delivery Grant	215	83
Housing Benefits Grant	632	608
Supporting People Grant (Homelessness)	40	40
Capacity Building	3	5
Planning for Climate Change	-	23
Electoral Commission support	24	-
Communities for Health	50	120
Pathfinder ( Elevate )	1,993 *	1,869
Housing Subsidies- Disabled facilities	231 *	294
Regional Housing Pot	668 *	552
Others	<u>8</u>	<u>-</u>
	4,570	4,246
<b>Capital Grants</b>		
Single Regeneration Budget	<u>70</u>	<u>-</u>
	70	-
	<b>27,124</b>	<b>30,908</b>

\* Restated as per Note 1

## Note 43 Approval of Statement of Accounts

The Audit Committee considered and approved the draft Statement of Accounts on the 30th June 2009. In July 2009 an Adjusting Post Balance Sheet Event arose in relation to the partial settlement of the VAT claim disclosed as a Contingent Asset at Note 35. These Accounts have subsequently been amended to include events up to the 30<sup>th</sup> September 2009, as described in the note below the Balance Sheet and audited by Council's external auditor – the Audit Commission.

This amended and audited Statement of Accounts has now been considered at the Audit and Accounts Committee on the 30<sup>th</sup> September 2009 and authorised for issue as at that date.



### Councillor Granville Morris

Chair of the Audit and Accounts Committee

<b>COLLECTION FUND</b>			
2007/2008 £000		2008/2009 £000	Note
<b>Income</b>			
26,895	Council Tax Income	27,946	1
4,627	Council Tax Benefit	5,044	
11,120 *	Non-Domestic Rates	12,012	4
<b>42,642</b>	<b>Total Income</b>	<b>45,002</b>	
<b>Expenditure</b>			
<b>Precepts and Demands</b>			
22,253	Lancashire County Council	23,163	
5,138	Rossendale Borough Council	5,346	
2,679	Lancashire Police Authority	2,924	
1,222	Lancashire Fire Authority	1,294	
<b>Distribution of Accumulated Surplus</b>			
260	Lancashire County Council	-	
68	Rossendale Borough Council	-	
30	Lancashire Police Authority	-	
14	Lancashire Fire Authority	-	
<b>Non-Domestic Rates</b>			
11,017	Payment to National Pool	11,911	
102	Cost of Collection Allowance	101	
213 *	Provisions for Council Tax Bad Debts	210	2
<b>42,996</b>	<b>Total Expenditure</b>	<b>44,949</b>	
<b>(354)</b>	<b>Surplus/(deficit) for the year</b>	<b>53</b>	
371	Balance brought forward at 1st April 2008	17	
<b>17</b>	<b>Balance carried forward at 31st March 2009</b>	<b>70</b>	

\* The 2007/2008 accounts have been adjusted to reflect SORP recommendations that Non-domestic Rates income is shown net of provisions for bad and doubtful debts in order to provide comparable figures for the 2008/2009 figures.

## Note 1 Council Tax Base

Council tax income derives from charges raised according to the value of residential properties, which have been classified into eight valuation bands estimating 1st April 1991 values for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by the precepting authorities and the Council for the forthcoming year and dividing this by the council tax base (the total number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent and adjusted for discounts: 21,506 for 2008/2009). This basic amount of council tax for a Band D property (£1,519.44 for 2008/2009 – see note 5 for details) is multiplied by the proportion specified for the particular band to give an individual amount due.

# Collection Fund

The council tax base has been calculated as follows:-

Band	Ratio to Band D	Total No. Properties	Total equivalent number after Discounts & Exemptions	2008/2009 Band D Equivalent	2007/2008 Band D Equivalent
Special	5/9		48.75	27.10	26.50
A	6/9	15,702	13,293.50	8,862.30	8,758.80
B	7/9	4,636	4,122.25	3,206.20	3,148.10
C	8/9	3,771	3,443.25	3,060.70	3,011.30
D	1	3,189	2,964.75	2,964.80	2,929.50
E	11/9	1,814	1,707.25	2,086.60	2,043.60
F	13/9	639	594.00	858.00	847.20
G	15/9	438	412.25	687.10	666.30
H	2	37	27.25	54.50	54.00
			<b>30,226</b>	<b>21,807.30</b>	<b>21,485.30</b>
Less adjustments for anticipated changes to the base and losses on collection				(301.30)	(215.30)
<b>Band D equivalent number of properties</b>				<b>21,506.00</b>	<b>21,270.00</b>

## Note 2 Council Tax Provision for Bad Debts

	Total 2007/2008 £000s	Total 2008/2009 £000s
Balance as 1st April	1,344	1,372
Provision made in year	213	210
Debts written off	(185)	(42)
<b>Balance at 31st March</b>	<b>1,372</b>	<b>1,540</b>

## Note 3 Arrears

	Total 2007/2008 £000s	Total 2008/2009 £000s
Council Tax	2,678	2,838
Non-Domestic Rates	254	376
<b>Total Arrears at 31st March</b>	<b>2,932</b>	<b>3,214</b>

In-year collection rates have been consistently improving, rising to 97.4% for Council Tax and 98% for NNDR in 2008/2009. The Council Tax arrears, however, reflect the increasing problem of collecting prior-years debts and hence the formula calculation for the Bad Debt Provision has resulted in a rise during the year to reflect the increasing exposure to risk of arrears not being paid. In NNDR cases, however, the older arrears are still being collected and hence the formula for calculating the bad debt provision required has not resulted in the same proportionate rise as in the case of Council Tax.

# Collection Fund

## Note 4 National Non-Domestic Rates (NNDR)

NNDR is organised on a national basis. The Government specifies an amount (46.2p in 2008/2009 and 44.1p in 2007/2008) and, subject to the effects of transitional arrangements, local businesses pay rates calculated by multiplying their rateable value by that amount. The Council is responsible for collecting rates due from ratepayers in its areas but it pays the proceeds into an NNDR pool administered by the Government. The Government redistributes the sums paid into the pool back to local authorities' General Funds on the basis of a fixed amount per head of population.

The NNDR income, after reliefs and provisions, was £12,186k for 2008/2009 (£11,150k for 2007/2008).

The rateable value for the Council's area at the end of the financial year 2008/2009 was £30,388k (2007/2008 was £31,162k).

## Note 5 Council Tax for all Precepting Bodies 2008/2008

Precepting Bodies	2007/2008		2008/2009							
	Band D £	Increase %	Band A £	Band B £	Band C £	Band D £	Band E £	Band F £	Band G £	Band H £
Rossendale	239.32	2.90%	164.17	191.54	218.90	246.26	300.98	355.71	410.43	492.52
LCC	1,046.20	2.95%	718.04	837.71	957.39	1,077.06	1,316.41	1,555.75	1,795.10	2,154.12
Fire	57.44	4.74%	40.11	46.79	53.48	60.16	73.53	86.90	100.27	120.32
Police	125.95	7.95%	90.64	105.75	120.85	135.96	166.17	196.39	226.60	271.92
<b>Total (excl parish)</b>	<b>1,468.91</b>	<b>3.44%</b>	<b>1,012.96</b>	<b>1,181.79</b>	<b>1,350.62</b>	<b>1,519.44</b>	<b>1,857.09</b>	<b>2,194.75</b>	<b>2,532.40</b>	<b>3,038.88</b>
Whitworth Parish	20.72	3.67%	14.32	16.71	19.09	21.48	26.25	31.03	35.80	42.96
<b>Total (incl parish)</b>	<b>1,489.63</b>	<b>3.44%</b>	<b>1,027.28</b>	<b>1,198.50</b>	<b>1,369.71</b>	<b>1,540.92</b>	<b>1,883.34</b>	<b>2,225.78</b>	<b>2,568.20</b>	<b>3,081.84</b>

In the above table the abbreviated precepting authorities are Rossendale Borough Council, Lancashire County Council (LCC), Lancashire Fire Authority (Fire), Lancashire Police Authority (Police) and Whitworth Parish Council.



<b>GROUP INCOME AND EXPENDITURE ACCOUNT</b>			Note
2007/2008 £000s		2008/2009 £000s	
	Continuing Operations		
790	Central Services to the Public	892	
6,926	Cultural, Environmental & Planning	7,691	
733	Highways, Roads & Transport Services	802	
526	Housing General Fund	803	
1,624	Corporate & Democratic Core	2,064	
311	Other Central Services	(919)	
430	Non-Distributed Costs	674	
<b>11,340</b>	<b>Net Cost of Services</b>	<b>12,007</b>	2
(73)	(Gain)/Loss on disposal of fixed assets	(1,544)	
(1,234)	Other Income	(401)	
48	Whitworth Town Council Precept	50	
(54)	(Surplus)/Deficit on Trading Undertakings	23	
12	Contribution of housing capital receipts to Government Pool	-	
216	Interest Payable	219	
(446)	Interest and investment income	(865)	
15	Taxation	(26)	
170	Pensions interest cost and expected return on pension assets	1,124	
<b>9,994</b>	<b>Net Operating Expenditure</b>	<b>10,587</b>	
(5,138)	Precept on Collection Fund	(5,346)	
(68)	Redistributed Surplus on Collection Fund	-	
(1,287)	Government Grants: General Government Grants	(964)	
(5,231)	Distribution from NNDR Pool	(5,450)	
<b>(1,730)</b>	<b>Net (Surplus)/Deficit</b>	<b>(1,173)</b>	

## Reconciliation of Single Entity (surplus)/deficit for the year to the Group (surplus)/deficit

	2007/2008 £000s	2008/2009 £000s
(Surplus)/Deficit for Rossendale Borough Council	(1,540)	140
(Surplus)/Deficit arising from other entities:		
Rossendale Transport Ltd	(185)	(1,291)
Trust Funds	(5)	(22)
	<b>(1,730)</b>	<b>(1,173)</b>

<b>GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES</b>		
2007/2008 £000s		2008/2009 £000s
1,730	Surplus/(deficit) on Income & Expenditure Account	1,173
1,380	Surplus/(deficit) on revaluation of assets	(739)
-	Surplus/(deficit) on revaluation of available-for-sale financial assets	1,455
(9,404)	Actuarial gains/(losses) on pension fund assets	(728)
(17)	Surplus/(deficit) on Collection Fund	53
<b>(6,311)</b>	<b>Total recognised gains &amp; (losses) for the year</b>	<b>1,214</b>



# Group Accounts

<b>GROUP BALANCE SHEET</b>					
<b>2007/2008</b>			<b>2008/2009</b>		
<b>£000s</b>	<b>£000s</b>		<b>£000s</b>	<b>£000s</b>	<b>Note</b>
	397	Intangible Assets		378	
		Tangible Assets			
		Operational Assets			
16,868		Other Land and Buildings	19,913		
5,234		Vehicles, Plant, Furniture & Equipment	4,781		
153		Community Assets	303		
		Non-Operational Assets			
654		Investment Assets	654		
-		Infrastructure	125		
2,062		Surplus assets held for disposal	781		
	24,971			26,557	3
7		Long-term Investments	1,462		
107		Long-term Debtors	111		
	114			1,573	
	<b>25,482</b>	<b>Total long-term Assets</b>		<b>28,508</b>	
		Current Assets			
154		Stocks and Work in Progress	72		
8,605		Debtors	8,614		
(2,057)		Provision for Impairment	(2,277)		
2,250		Investments	5,500		
1,595		Cash at Bank	505		1
	10,547			12,414	
		Current Liabilities			
-		Borrowing repayable within 12 months	(1,500)		
(6,479)		Creditors	(6,004)		
(286)		Bank Overdraft	(425)		1
	(6,765)			(7,929)	
	<b>29,264</b>	<b>Total Assets less Current Liabilities</b>		<b>32,993</b>	
		Long-term Liabilities			
(1,433)		Long-term Borrowing	(2,663)		
(4,190)		Government Grants Deferred	(4,104)		
(356)		Grants Unapplied	(515)		
(781)		Provisions	(711)		
(23,550)		Liability related to Pension Scheme	(24,831)		
	(30,310)			(32,824)	
	<b>(1,046)</b>	<b>Total Assets less Liabilities</b>		<b>169</b>	
	2,819	Revaluation Reserve		3,009	
12,133		Capital Adjustment Account		10,513	
1,134		Useable Capital Receipts Reserve		1,338	
-		Available-for-sale Financial Instruments Reserve		1,455	
26		Deferred Capital Receipts		18	
(22,941)		Pension Reserve		(23,839)	
4,584		Earmarked Reserves		4,732	
1,200		Fund Balances and Reserves		2,943	
	<b>(1,045)</b>	<b>Net Equity</b>		<b>169</b>	



# Group Accounts

## Note 1 Net change in liquid resources

	March 2008 £000s	March 2009 £000s	Movement in Year £000s
Cash in Hand	3	3	-
Cash at Bank	1,592	502	1,090
Bank Overdraft	(286)	(425)	139
	<b>1,309</b>	<b>80</b>	<b>1,229</b>

## Note 2 Detailed analysis of Net Cost of Services

	2007/2008 £000s	2008/2009 £000s
Net Cost of Continuing Services - Rosendale Borough Council	11,624	12,172
Net Cost of Continuing Services - Rosendale Transport Ltd	(284)	(147)
Trust Funds	-	(18)
	<b>11,340</b>	<b>12,007</b>

## Note 3 Tangible Assets

	Operational			Non-Operational			Total Assets £000s
	Land & Buildings £000s	Vehicles Plant Equip £000s	Community Assets £000s	Investment Assets £000s	Infra- structure Assets £000s	Surplus Assets for Disposal £000s	
Gross Book Value at 1 <sup>st</sup> April	18,701	11,006	163	690	-	2,074	32,634
Accumulated Depreciation & Impairment	(1,833)	(5,772)	(10)	(36)	-	(12)	(7,663)
<b>Net Book Value at 1<sup>st</sup> April</b>	<b>16,868</b>	<b>5,234</b>	<b>153</b>	<b>654</b>	<b>-</b>	<b>2,062</b>	<b>24,971</b>
Revaluations	578	-	(257)	23	-	(1,083)	(739)
Reclassification	(407)	-	407	-	-	-	-
Additions	4,151	664	80	-	125	-	5,020
Disposals	(790)	-	-	(23)	-	(198)	(1,011)
Impairments	(131)	-	(80)	-	-	-	(211)
Depreciation for the year	(356)	(1,117)	-	-	-	-	(1,473)
<b>Net Book Value at 31<sup>st</sup> March</b>	<b>19,913</b>	<b>4,781</b>	<b>303</b>	<b>654</b>	<b>125</b>	<b>781</b>	<b>26,557</b>

# Capital Expenditure Report

Corporate Priority Capital Scheme	Total Capital Spend £000s	SOURCES OF FUNDING			
		Capital Receipts £000s	Revenue Contrib'n £000s	Internal Borrowing £000s	Grants Received £000s
<b>Delivering Quality Services</b>					
Car Park upgrading programme	31			31	
I.T Strategy & Systems	92		92		
Cemetery improvement programme	55	26	29		
Haslingden Sports Centre	100			100	
Ski Slope Rossendale	30			30	
Haslingden Pool	10		10		
Marl Pitts Pool	93			93	
Whitworth Pool disabled adaptations	59			59	
Ski Rossendale Main Building	34			34	
Bacup Leisure Hall	38			38	
Whitworth Civic Hall Replacement	30			30	
Marl Pits Pavillions	8		8		
Rawtenstall Market disabled adaptations	52			52	
Stubbylee Hall	17		17		
Heys Street - Insurance works	1		1		
Public address system	39		39		
Rossendale Leisure Trust	102	102			
	<b>791</b>	<b>128</b>	<b>196</b>	<b>467</b>	<b>-</b>
<b>Delivering Regeneration</b>					
Bacup Town Centre Culvert	125		125		
Elevate N'hood Environmental Wks	339				339
Elevate Facelifting Programme	2,121				2,121
Other Projects	41	39	1		1
	<b>2,626</b>	<b>39</b>	<b>126</b>	<b>-</b>	<b>2,461</b>
<b>Keeping the Borough Clean &amp; Green</b>					
Vehicle Replacement Program	307	291	16		
Wheeled Bins	46		46		
Depots and Workshops	21		8	13	
Playground Improvements	199	97			102
Pathway improvements - 5yr Programme	3		3		
Park Pavillions improvement programme	64		64		
Environmental Improvements Programme	32	32			
Cenotaphs / Memorials	1		1		
	<b>673</b>	<b>420</b>	<b>138</b>	<b>13</b>	<b>102</b>
<b>Promoting Rossendale</b>					
Museum Improvements	42			42	
	<b>42</b>	<b>-</b>	<b>-</b>	<b>42</b>	<b>-</b>
<b>Improving Health &amp; Wellbeing</b>					
CCTV Digitisation	14		14		
Disabled Facilities Grants	648	77	40		531
Decent Homes Programme	188				188
Home Care & Repair Scheme	24				24
	<b>874</b>	<b>77</b>	<b>54</b>	<b>-</b>	<b>743</b>
<b>Grand Total</b>	<b>5,006</b>	<b>664</b>	<b>514</b>	<b>522</b>	<b>3,306</b>

## Accounting Standards Board

The role of the Accounting Standards Board (ASB) is to issue accounting standards. Accounting standards developed by the ASB are contained in 'Financial Reporting Standards' (FRSs). Soon after it started its activities in 1990, the ASB adopted the standards issued by the Accounting Standards Committee (ASC), so that they also fall within the legal definition of accounting standards.

These are designated 'Statements of Standard Accounting Practice' (SSAPs). Whilst some of the SSAPs have been superseded by FRSs, some remain in force. Accounting standards apply to all companies, and other kinds of entities that prepare accounts that are intended to provide a true and fair view.

## Accruals

The concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

## Agency Services

Services provided by the Council, as an agent on behalf of the responsible body, where the principal reimburses the Council for the cost of the work carried out.

## Asset Management Revenue Account

An account which the Council is required to maintain under the new capital accounting arrangements, which apply from 1994/95 onwards. All principal repayments and interest charges on loans are charged to the account.

## Auditor's Opinion

The opinion required by statute from the Council's external auditors, indicating whether the statement of accounts presents fairly the financial position of the authority.

## Budget

A statement of the Council's spending plans for revenue and capital expenditure over a specified period of time.

## Capital expenditure

Spending on the acquisition or maintenance of assets either directly by the Council or indirectly in the form of grants to other persons or bodies. Section 40 of the Local Government and Housing Act 1989 defines 'expenditure for capital purposes'. Expenditure that does not fall within the definition must be charged to a revenue account.

## Capital Receipts

Proceeds from the sale of fixed assets, such as land or buildings, or the repayment of capital grants or advances.

## Chartered Institute of Public Finance and Accountancy (CIPFA)

CIPFA is one of the leading professional accountancy bodies in the UK and the only one which specialises in the public sector. It is responsible for the education and training of professional accountants and for their regulation through the setting and monitoring of professional standards. Uniquely among the professional accountancy bodies in the UK, CIPFA has responsibility for setting accounting standards for a significant part of the economy, namely local government.



## Collection Fund

The account which shows the transactions of the Council in relation to non-domestic rates and Council Tax, and the distribution of these to precepting bodies and the General Fund. The Collection Fund is consolidated with the other accounts of the Council.

## Community Assets

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

## The department for Communities and Local Government (CLG)

The central government department for Communities and Local Government (CLG) has a powerful remit to promote community cohesion and equality, as well as responsibility for housing, urban regeneration, planning and local government. The CLG is responsible for national policy on local government in England, examining the future of local government and local democracy; reviewing performance and measurement through inspection and audit; driving through the modernisation agenda of efficiency and improvement of service delivery; and maintaining and developing a framework for local government finance.

## Comprehensive Performance Assessment

Comprehensive Performance Assessment (CPA) is a key element of the Government's performance framework for local government. It is intended to support improvement planning in local authorities and to lead to co-ordinated and proportionate audit and inspection, and increased freedoms and flexibilities for local government. Rossendale's CPA inspection took place during 2003/04. This scrutinises every aspect of the Council's work and operations, and is based on a Corporate Self-Assessment stating how good services are and the Council's corporate capacity to improve. There are also two crosscutting inspections based on the themes 'balancing housing markets' and 'managing public space'. Councils are then given a score based on service delivery and working practices, and are rated as 'excellent', 'good', 'fair', 'weak' or 'poor'.

## Consolidated Balance Sheet

The combined balance sheets of the Council's services.

## Contingency Sum

A sum set aside to provide for foreseen but unquantifiable future commitments or for unforeseen expenditure that may become necessary during the year.

## Cost of Management and Administration

An allocation to service accounts of the net cost of the administrative and professional departments which support all of the Council's services.

## Creditor

An amount owed by the Council for goods received, or services rendered to it within the accounting period, but for which payment has not been made.

## Current Costs Accounting (cca)

The presentation of the accounts in a form that aims to reflect the consequences of price and value charges.

## Debt redemption

The repayment of external loans previously raised to finance capital expenditure.

## Debtor

An amount of income due to the Council within the accounting period but not received at the balance sheet date.

## Deferred capital receipts

Capital receipts to be received by instalments over agreed periods of time.

## Deferred charges

Expenditure which may properly be deferred, but which does not result in, or remain matched with, tangible assets. An example of a deferred charge is expenditure on items such as improvement grants.

## D.E.F.R.A.

The Department for the Environment, Food and Rural Affairs supports the Council in its recycling projects.

## Depreciation

The measure of the wearing out, consumption, or other reduction in the useful economic life of a fixed asset.

## D.W.P.

The Department of Work and Pensions funds the Housing and Council Tax Benefits payable to borough residents and also funds the administration of those benefits.

## E.R.D.F.

The European Regional Development Fund which supports regeneration projects such as Futures Park managed office units.

## Fair Value

In accounting, fair value is used as an estimate of the market value of an asset (or liability) for which a market price cannot be determined (usually because there is no established market for the asset). Where a reasonable estimation of fair value cannot be calculated assets are carried at historical cost.

## Financial instruments

Financial instruments are cash, evidence of an ownership interest in an entity, or a contractual right to receive, or deliver, cash or another financial instrument. Financial instruments can refer to both receivables (including debtors and other investments) and payables (including creditors and other liabilities or borrowings).

## Financial reporting standard 17

FRS 17, issued by the Accounting Standards Board in November, 2000 and amended November, 2002, set out the accounting treatment for retirement benefits such as pensions and medical care during retirement.

## General Fund

The main revenue fund of the Council. Day-to-day spending on services is met from the General Fund. Spending on the provision of housing, however, must be charged to a separate Housing Revenue Account.

## Governance Framework

Authorities have a responsibility to ensure that their 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 governance framework comprises the systems and processes, and culture and values by which the Council is directed and controlled and its activities through which it accounts to and engages with and leads the community. The principles of this framework were laid down by the CIPFA/SOLACE Framework: Delivering Good Governance in Local Government.

## Housing General Fund

Strategy and support for domestic properties across the borough, as opposed to the operation of council-owned housing which is kept separate in the Housing Revenue Account, or strategy and support for commercial properties.

## Housing Revenue Account (HRA)

A separate account for the operation of the direct provision of housing by the Council, which is now closed following the LSVT to Green Vale Homes in March 2006.

## Infrastructure assets

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

## Intangible assets

Intangible assets are non-financial assets that do not have physical substance but are identifiable and are controlled by the Council through custody or legal rights, such as software. Intangible assets are capitalised at cost and depreciated to the revenue account over their useful economic life.

## Large scale voluntary transfer (LSVT)

This relates to the transfer of the housing stock, as voted by the tenants, and is generally referred to as a large scale voluntary transfer due to its size.

## Leasing

A method of utilising assets where a rental charge is paid for a specified period of time, instead of outright purchase.

## Loans outstanding

The total amounts borrowed from external lenders for capital and temporary revenue purposes but not repaid at the balance sheet date.

## Local Authority Business Growth Incentive Scheme (LABGIS)

This is a means to reward Councils for increases in the rateable value of business properties above a certain threshold. Rossendale has received this for the first time in 2006/07 and used the extra income to create a Reserve for future Economic Development activity.

## Materiality

Materiality is a concept within auditing and accounting relating to the importance of an amount, transaction, or discrepancy. Information is material if its omission or misstatement could influence the economic decision of users taken on the basis of the financial statements and depends on the size of the item or the particular circumstances of its omission or misstatement.

## Minimum Revenue Provision

The minimum amount which must be charged to the Council's revenue account each year and set aside as provision for credit liabilities, as required by the Local Government and Housing Act 1989.

## National non-domestic rates (NNDR)

A national non-domestic rate poundage for commercial premises is set annually by the government and collected by all local authorities. The proceeds are redistributed between local authorities in proportion to their adult populations.

## Net book value

The amount at which assets are included in the balance sheet, i.e. their historical cost of current value, less the cumulative amounts provided for depreciation.

## Non-operational assets

Assets held by the Council, but not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets are investment properties and assets that are surplus to requirements, pending sale or redevelopment.

## N.W.D.A.

The North West Regional Development Agency which supports regeneration projects such as Futures Park managed office units and the Strategic Economic Regeneration Programme.

## Operational assets

Assets held and occupied, used or consumed by the Council in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

## Precept

The levy made by precepting authorities on billing authorities, requiring the latter to collect income from Council Tax payers on their behalf.

## Prior Period Adjustment

Prior period adjustments are material adjustments applicable to prior years arising from changes in accounting policies or from the correction of fundamental errors.

## Post Balance Sheet Events

Events arising after the balance sheet date which provide additional evidence of conditions that existed at the balance sheet date and are of a material nature.

## Primacy of Legislative Requirements

The non-cash effects of transactions and other events should be reflected, as far as is possible, in the financial statements for the accounting period in which they occur and not in the period in which any cash involved is received or paid. (This replaces the principle of matching that underlies the accruals concept.)

## Provision

An amount set aside in the accounts for liabilities that are certain to be incurred in the future, but which cannot be quantified accurately at the balance sheet date.

## Public Works Loan Board (PWLB)

A Government agency that provides longer term loans to local authorities.

## Reserve

Amounts included in one financial year's accounts to provide for payment for goods or services, whether revenue or capital, in a future financial year.

## Revenue account

An account that records an authority's day-to-day expenditure and income on such items as salaries and wages and other running costs of services.

## Section 137 expenditure

Section 137 of the Local Government Act 1972, as amended by Section 36 of the Local Government and Housing Act 1989, empowers authorities to incur expenditure for the benefit of some or all of their inhabitants that is not authorised under other powers, within set maximum values per head of relevant population.

## SOLACE

The Society of Local Authority Chief Executives and Senior Managers was formed in 1974. SOLACE is the representative body for senior strategic managers working in the public sector. Its aim is to promote excellence in public service.

## Statement of Recommended Practice

A Statement of Recommended Practice (SORP) on Accounting Practices for local authorities is prepared regularly to assist in the determination of recommended accounting practices and the SORP's form enables it to be related to the Financial Reporting Standards issued by the Accounting Standards Board. In England and Wales, the SORP constitutes 'proper accounting practice' under the terms of Section 66(4) of the Local Government and Housing Act 1989. The Chartered Institute of Public Finance and Accountancy (CIPFA) is the recognised SORP setting body for local government in England and Wales. The SORP applicable to the production of these accounts was released in July 2008.

## Statement of Standard Accounting Practice (SSAP) 9

SSAP 9 gives guidance on the accounting treatment of both stocks and long-term contracts. Stocks should be valued at the lower of cost and net realisable value (actual or estimated selling price after deduction).

## Tangible Assets

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



