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Council Leader



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



**Councillor T Unsworth**  
Mayor

**Helen Lockwood**  
Chief Executive



**Philip Seddon**  
Head of Finance

# **Statement of Accounts 2009/2010**

as presented to the  
**Audit & Accounts Committee**  
27th September 2010

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Chairman of the Audit & Accounts Committee

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# Independent Auditor's Report

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

### Opinion on the accounting statements

I have audited the Authority and Group accounting statements and related notes of Rossendale Borough Council for the year ended 31 March 2010 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 published by the Audit Commission in April 2008.

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

The Head of Finance's responsibilities for preparing the accounting statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the accounting 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 give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of:

- 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 accounting 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 accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Authority as at 31 March 2010 and its income and expenditure for the year then ended; and

The Group accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Group as at 31 March 2010 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 for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009. 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 October 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 ended 31 March 2010.

### 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,  
27 September 2010

**Audit Commission**  
Aspinall Close, Aspinall House,  
Middlebrook, Bolton, BL6 6QQ

# Explanatory Foreword

## Introduction by the Head of Finance

This booklet presents the Council's accounts for the year ended 31<sup>st</sup> March 2010. In doing so it now conforms to the Statement of Recommended Practice 2009 (SORP), which introduced changes relating to the operation of the Collection Fund on an agency basis, as explained in Note 1 to the Core Statements.

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, the County Council and others and how they were funded. Changes have been made to the presentation of this account in line with the SORP 2009.*
- The Group Accounts - *the Group Accounts show the consolidated financial position of the Council, its interest in Rossendale Transport Limited and the Trust Funds it administers.*
- Capital Expenditure Report - *a detailed analysis of the capital projects and funding during 2009/2010.*

### 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 26th February 2009 approved a total General Fund Services Budget for 2009/2010 of £11.727m and received a request for a precept on the Collection Fund of £53k to fund expenditure by Whitworth Town Council. In total this resulted in a Collection Fund Precept of £5.542m and central government Formula Grant of £6.239m made up of Rate Support Grant and Re-distributed National Non-Domestic Rates funding streams.

The net amount transferred to Earmarked Reserves in 2009/2010 was £702k. This included the receipt of several government grants not originally anticipated, as listed below and at Note 30.

- The NNDR Pool awarded the Council a further £16k under the Local Authority Business Growth Incentive Scheme (LABGIS) transferred to the Economic Regeneration Reserve.
- Performance in the Local Area Agreement targets earned the Council £478k in Performance Reward Grant for 2009/2010 which has been transferred to a separate Performance Reward Grant Reserve for future Local Strategic Partnership projects.
- The Council received £175k in Area Based Grant transferred to a separate Reserve.

In addition to the planned usage of £100k from the Single Status Reserve and £34k from the Area Based Grant Reserve, 2009/2010 saw the application of Reserves to projects such as:

- site investigations which used £91k from the Contaminated Land Reserve;
- over £101k used from the Health and Wellbeing Projects Reserve;
- £94k applied from the Economic Regeneration Reserve to fund projects such as tourism and business start-up support as well as physical regeneration projects;
- a little over £150k has been applied from the Leisure Services Reserve to fund the Leisure Review and the increase in grant during the review process.

As a result of the housing stock transfer in March 2006 the Council received £430k VAT receipts in 2009/2010, of which £350k was transferred to the Pension Reserve to fund contributions specifically related to the former Housing Revenue Account staff, £20k was used to enhance the Pride in Rossendale activity in the year and £60k was used to support capital expenditure as explained in Note 13 to the Core Statements.

During 2009/2010 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 £10k above original budgets;
- a decline of £90k in planning income and £30k in building control fees;
- utility costs for the Council's properties saw marked increases - £15k increase as surface water drainage charges were introduced and electricity and gas have risen by £101k. At the same time rental income has continued to drop by £18k;
- detailed management of the Council's cash flow requirements enabled better interest rates to be achieved, resulting in £75k more in interest income received.

A strong monthly financial monitoring regime ensured that the medium term financial strategy was adhered to and consequently the outturn for 2009/2010 resulted in savings of £290k on revenue activities within the year. Following the transfer of £233k to a Directorate Investment Reserve, £57k was added to the General Fund Reserve, giving a closing balance at 31<sup>st</sup> of March 2010 of £999k.

Full details can be found in the table and charts overleaf and in Notes 30 and 31 to the Core Statements.

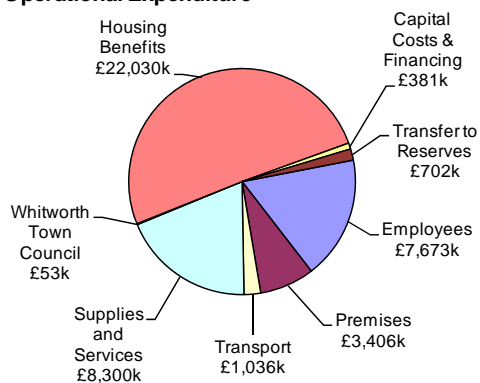
Detailed reports on operational variances have been submitted to the Council's Cabinet meetings throughout the year.

# Explanatory Foreword

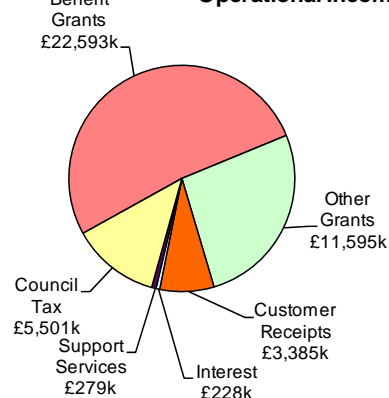
GENERAL FUND SERVICES	2008/2009	2009/2010		Note
	Actual £000s	Original Budget £000s	Actual £000s	
Place Directorate				
Communities	1,223	1,279	1,121	
Customer Services & E-govt	3,228	2,843	2,657	
Regeneration	717	586	508	
Operations	3,972	3,765	3,705	
Business Directorate				
Building Control	158	155	168	
Planning	615	547	806	
Local Land Charges	68	73	52	
Environmental Health	593	782	966	
Democratic Services	1,070	1,142	909	
Corporate Management				
Executive Team	475	540	173	
Finance and Property Services	346	238	4,318	3, 11
People and Organisational Development	331	253	202	
Non-distributed Costs	(1,799)	(341)	(7,342)	3, 11, 23
<b>Total cost of General Fund Services</b>	<b>10,997</b>	<b>11,862</b>	<b>8,243</b>	
Whitworth Town Council Precept	50	53	53	
Revenue Contribution to Capital Outlay	513		260	9, 28
Contribution to/(from) GF Reserves	129		57	31
Transfers to/(from) CFA / CAA	(78)		3,421	23
Contributions to/(from) Earmarked Reserves	148	(134)	702	9, 30
<b>Amount to be met from government grants &amp; local tax payers</b>	<b>11,759</b>	<b>11,781</b>	<b>12,736</b>	
Precept on the Collection Fund	5,346	5,542	5,542	
Redistributed Collection Fund Surplus	-	-	-	
General Government Grants (see Note 4)	963	1,170	2,125	
Distribution from NNDR Pool	5,450	5,069	5,069	
<b>Amounts received from government grants &amp; local tax payers</b>	<b>11,759</b>	<b>11,781</b>	<b>12,736</b>	

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

## Operational Expenditure



## Operational Income

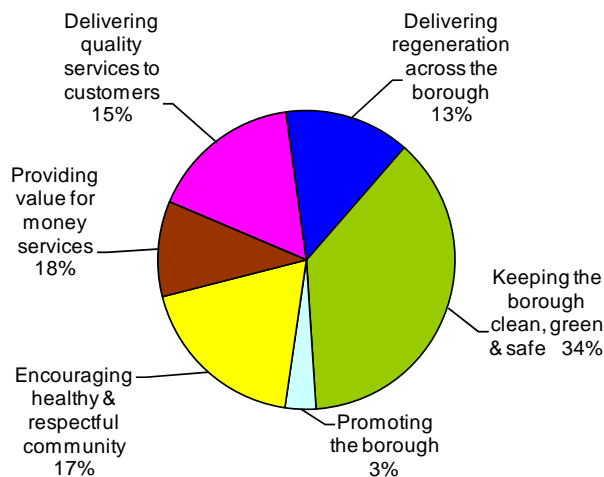


# Explanatory Foreword

For 2009/2010 the Council identified 6 corporate priorities for the services it provides

- delivering quality services to our customers,
- delivering regeneration across the borough,
- keeping the borough clean, green and safe,
- promoting the borough,
- encouraging healthy and respectful communities,
- providing value for money services.

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



## Capital Expenditure and Income

The capital works undertaken by the Council in 2009/2010 amounted to £5,515k of which £2,420k related to work on the Council's own assets which are summarised in Note 12 to the Core Statements. Works on private housing stock included £746k relating to disabled facilities and decent homes improvements and £2,229k related to Elevate housing market renewal works.

Funding of these capital works was predominantly through government grants, with £3,098k received in relation to the private housing works and £43k received from lottery grants to support playground improvements. The Council's own capital receipts from the sale of assets contributed £405k and £260k was contributed from the General Fund revenue operations 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 2009/2010 the economic downturn resulted in fewer applications to buy homes and the income from sales dropped to £140k. In addition the sale of the Council's own assets resulted in only £296k in new receipts (as shown at Note 29).

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% which was repaid in January 2010. In order to meet the Council's ambitions following the Leisure Services Review, a further loan of £4.6m was entered into in March 2010 for a period of 25 years at 4.49%. Both loans are reflected in the Balance Sheet and the Financial Instruments at Note 33 to the Core Statements.

## 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 £75k more income than originally budgeted. Local custom and practice is not to invest in any foreign currency investments or foreign institutions.

## Pensions and FRS17

Note 26 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 almost £32m at 31<sup>st</sup> March 2010. This measure compares the Fund's assets with the value of the past service benefits calculated at 31<sup>st</sup> 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. In addition, for the last 3 years this Council has made a supplementary contribution of £350k per year in relation to former housing revenue account employees, funded through VAT shelter receipts from Greenvale Homes as part of the LSVT agreement

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 2009 (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. As shown in Note 11, the revaluation of assets in 2009/2010 has added £129k to the Balance Sheet. Conversely the valuation of the Business Centre, Futures Park at market value contributed to a total impairment loss for the year of £3,415k.

## 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. Charges for Depreciation cover buildings, plant, furniture and equipment as well as intangible assets. Community and non-operational assets are not depreciated each year. Following the implementation of a computerised asset management system in 2008, depreciation is now calculated on a daily basis.

Where the asset comprises two or more major components with substantially different useful economic lives, each component should be accounted for separately for depreciation purposes and depreciated over its individual useful life. Componentization will be introduced officially from 1<sup>st</sup> April 2010 as assets are revalued within the 5-year programme. However, the major components of land and buildings have already been separated for many years, with no depreciation being applied to the land element.

Charges for depreciation in 2009/2010 amounted to £726k on tangible assets and £129k on intangible assets (£667k and £111k respectively in 2008/2009). 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 10 and 11.

## 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 15.

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 15.

## 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 and 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, see Note 9.

## Grants and Deferred 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. Grants received in advance of these conditions are held as Unapplied Government Grants until released into the Income and Expenditure Account as entitlement allows (see Note 24).

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. A reversing entry in the Statement of Movement on the General Fund Balance ensures there is no impact on the Council Tax.

In 2009/2010 the impairment of one of the main assets funded in this way, led to an amortization in the year of £3.4m (compared to £188k in 2008/2009). Details can be found in Note 23.

## 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 £140k in 2009/2010, as shown in Note 29.

## 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 19 and 22.

## 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. Details can be found in Note 18.

## 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

# Statement of Accounting Policies

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 26 explains.

## Interest

Interest paid on external borrowings is accrued 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 the Group Accounts at Section 3.

## 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 16 and the Group Accounts at Section 3. 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 25.

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 19.

## 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 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 27)
- 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 28).
- Useable Capital Receipts Reserve holds the proceeds of fixed asset sales available to meet future capital investment (see Note 29).
- 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 30 and the value of the investment asset at Note 16. This is a technical gain and in no way assumed that any decision has yet been made to dispose of this asset.

- Collection Fund Adjustment Account is a new account created by the changes in the SORP 2009 to hold the surplus/(deficit) on the Collection Fund which is directly attributable to Rossendale Borough Council (details can be found in Note 31 and the Collection Fund at Section 3).
- 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 17.
- Pensions Reserve is a balancing account to allow the inclusion of Pensions Liability in the Balance Sheet. Details of Pension Fund assets/liabilities can be found in Note 26.
- Earmarked Reserves are resources set aside to meet specific future running costs and investments. Full details can be found at Note 30.
- Fund Balances and Reserves now only cover the General Fund Balance for this Council, details of which can be found in Note 31.

Only the Useable Capital Receipts Reserve, the Collection Fund Adjustment Account , Earmarked Reserves and the General Fund Balance represent cash which can be called upon to support spending.

## 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. No such gains or losses were experienced in 2009/2010.

## 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 13 and Note 9. In March 2008 the Government changed the basis on which MRP should be calculated to more closely match the life of the asset. In 2009/2010 the value charged to the General Fund was £106k.

## 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 2009/10.

### 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 33.

## 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 32.

## 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 Core Statements and Notes as a result of a change in the treatment of the Collection Fund on an agency basis. The extensive nature of this policy change has affected all the Core Statements, though the explanations at Note 1 only show extracts of each Statement where amounts have been amended.

A further change in the SORP is in the treatment of Housing Planning Delivery Grant. From 2009/2010 this is no longer classed as a specific grant, but shown on the Income and Expenditure Account as a General Grant. Amounts received in 2008/2009 were less than £100k and therefore determined as not material and accordingly the 2008/2009 accounts have not been adjusted for this change.

## 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 its 100% shareholding in Rossendale Transport Ltd.

## Changes in Accounting Policies

In the 2009/2010 Statement of Accounts, the Council has adopted two changes to its accounting policies.

- the implementation of the SORP changes to the treatment of the Collection Fund on an agency basis.
- the implementation of the SORP treatment of Housing Planning Delivery Grant as a General Grant.
- following the removal of Collection Fund transactions from the Cash Flow Statement, the Council has taken the opportunity to adopt the indirect method of Cash Flow presentation.



## Annual Governance Statement: Year Ended 31st March 2010

### 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, 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 2009/2010 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 Committee 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 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 & Accounts 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, yet 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 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 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 requirements and internal policies 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 s.151 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 Directorate Business plans, including a mechanism for identifying and managing risks, which continues to be consolidated and embedded across the Council

### The Cabinet

- Cabinet Member terms of reference
- Portfolio Holder role descriptions

### Overview and Scrutiny Committees

- 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
- Development and review of policy matters and the encouragement of community participation in the development of policy options

### 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

## Audit and Accounts Committee

- 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 plan to ensure continuous improvements of the system are put in place.

This statement is signed by the current Leader and Chief Executive, the time period for which is entirely under their tenure.

## 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 and in light of any significant impact on governance issues arising out of the 2010 Spending 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: Regeneration, Leisure, Waste Management, Economy, Housing etc.)



**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, 2010.

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 2010, and its income and expenditure for the year ended 31<sup>st</sup> March 2010, including any known post balance sheet events as at 29<sup>th</sup> June 2010.



Phil Seddon  
Head of Finance

27<sup>th</sup> September 2010



# Core Financial Statements

<i>Amended as per Note 1*</i>		<b>INCOME AND EXPENDITURE ACCOUNT</b>			
2008/2009		2009/2010	2009/2010	2009/2010	
Net Expend		Gross Expend	Income	Net Expend	Note
£000s		£000s	£000s	£000s	
Continuing Operations					
892	Central Services to the Public	1,276	(560)	716	
7,691	Cultural, Environmental & Planning	9,780	(2,292)	7,488	
949	Highways, Roads & Transport Services	1,219	(323)	896	
803	Housing General Fund	26,626	(26,154)	472	
2,064	Corporate & Democratic Core	1,878	(197)	1,681	
(901)	Other Central Services	798	(610)	188	
674	Non-Distributed Costs	111	-	111	
<b>12,172</b>	<b>Net Cost of Services</b>	<b>41,688</b>	<b>(30,136)</b>	<b>11,552</b>	
(206)	(Gain)/Loss on disposal of fixed assets			(44)	29-11
(401)	Other Income			(148)	29
50	Whitworth Town Council Precept			53	
23	(Surplus)/Deficit on Trading Undertakings			211	3
-	Contribution of housing capital receipts to Government Pool			7	29
10	Interest Payable			13	33
(861)	Interest and investment income			(225)	33
1,113	Pensions interest cost and expected return on pension assets			1,903	26
<b>11,900</b>	<b>Net Operating Expenditure</b>			<b>13,322</b>	
(5,338)*	Precept on Collection Fund			(5,521)	
-	Redistributed Surplus on Collection Fund			-	
(964)	Government Grants: General Government Grants			(2,125)	4
(5,450)	Distribution from NNDR Pool			(5,069)	
<b>148</b>	<b>Net Deficit</b>			<b>607</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 are explained in Note 9 in relation to the calculation of amounts to be included in the following Statement of Movement on General Fund Balance.

Note 1 explains the Prior Period Adjustment in respect of the change in treatment of the Collection Fund in line with the SORP 2009.

# Core Financial Statements

<i>A amended as per Note 1*</i>		<b>STATEMENT OF MOVEMENT ON GENERAL FUND BALANCE</b>		
2008/2009			2009/2010	Note
£000s			£000s	
148 *	(Surplus)/deficit for the year on the Income and Expenditure Account		607	
(277) *	Net additional amount required by statute and non-statutory proper practices to be debited/(credited) to the General Fund Balance		(664)	9
<b>(129)</b>	<b>(Increase)/Decrease in General Fund Balance for the Year</b>		<b>(57)</b>	
813	General Fund Balance brought forward		942	
<b>942</b>	<b>General Fund Balance carried forward</b>		<b>999</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 9 to the Core Financial Statements.

Note 9 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.

<i>A amended as per Note 1*</i>		<b>STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES</b>		
2008/2009			2009/2010	Note
£000s			£000s	
(148) *	Surplus/(deficit) on Income & Expenditure Account		(607)	
(637)	Surplus/(deficit) on revaluation of fixed assets		128	11
1,455	Surplus/(deficit) on revaluation of available-for-sale financial assets		-	33
(377)	Actuarial gains/(losses) on pension fund assets		(7,081)	26
- *	Surplus/(deficit) on Collection Fund		-	
<b>293</b>	<b>Total recognised gains &amp; (losses) for the year</b>		<b>(7,560)</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 has not had a material effect on the overall net worth of the authority in the 2008/2009 accounts.

# Core Financial Statements

<i>Amended as per Note 1* 2008/2009</i>		<b>BALANCE SHEET</b>		2009/2010		Note
£000s	£000s			£000s	£000s	
	378	Intangible Assets			260	10
		Tangible Assets				
		Operational Assets				
15,972		Other Land and Buildings		12,510		
1,386		Vehicles, Plant, Furniture & Equipment		2,770		
303		Community Assets		327		
		Non-Operational Assets				
654		Investment Assets		895		
125		Infrastructure		278		
781		Surplus assets held for disposal		601		
	19,221				17,381	11
2,102		Long-term Investments		2,102		16
111		Long-term Debtors		118		17
	2,213				2,220	
	<b>21,812</b>	<b>Total long-term Assets</b>			<b>19,861</b>	
		Current Assets				
12		Stocks and Work in Progress		28		18
5,672	*	Debtors		6,472		19
(918)	*	Provision for Impairment		(957)		19
5,500		Investments		8,000		20
380		Cash at Bank		1,225		20
	10,646				14,768	
		Current Liabilities				
(1,500)		Borrowing repayable within 12 months		(184)		21
(3,751)	*	Creditors		(5,286)		22
	(5,251)				(5,470)	
	<b>27,207</b>	<b>Total Assets less Current Liabilities</b>			<b>29,159</b>	
		Long-term Liabilities				
-		Long Term Borrowing		(4,416)		21
(4,104)		Government Grants Deferred		(741)		23
(515)		Grants Unapplied		(579)		24
(711)		Provisions		(986)		25
(23,839)		Liability related to defined benefit Pension Scheme		(31,959)		26
	(29,169)				(38,681)	
	<b>(1,962)</b>	<b>Total Assets less Liabilities</b>			<b>(9,522)</b>	
2,868		Revaluation Reserve		3,024		27
10,513		Capital Adjustment Account		10,170		28
1,338		Useable Capital Receipts Reserve		1,354		29
1,455		Available-for-sale Financial Instruments Reserve		1,455		33
11	*	Collection Fund Adjustment Account		(9)		31
18		Deferred Capital Receipts		10		
(23,839)		Pension Reserve		(31,959)		26
4,732		Earmarked Reserves		5,434		30
942	*	Fund Balances and Reserves		999		31
	<b>(1,962)</b>	<b>Net Equity</b>			<b>(9,522)</b>	14

# Core Financial Statements

<i>Amended as per Note 1*</i>		<b>CASH FLOW STATEMENT</b>		
2008/2009		2009/2010		<b>Note</b>
£000s	£000s	£000s	£000s	
	760	* <b>Net cash inflow/(outflow) from revenue activities</b>	273	36
		<b>Returns on Investments &amp; Servicing of Finance</b>		
(4)		Cash Outflows - Interest paid	(14)	
606		Cash Inflows - Interest Received	460	
	602		446	
		<b>Capital Activities</b>		
		Cash Outflows		
(1,536)		Purchase fixed assets & other capital expenditure	(101)	
(25)		Other Capital cash payments	(41)	
		Cash Inflows		
467		Sale of fixed assets	296	
-		Capital grants received	113	38
430		Other capital cash receipts	167	
	(664)		434	
	<b>698</b>	<b>NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING</b>	<b>1,153</b>	
		<b>Management of Liquid Resources</b>		
	(3,250)	Net (increase)/decrease in short-term deposits	(2,500)	
	(61) *	Net (increase)/decrease in other liquid resources	(908)	
		<b>Financing</b>		
-		Cash Outflows - Repayments of amounts borrowed	(1,500)	
-		Cash Inflows - New loans raised	4,600	
1,500		Cash Inflows - New short-term loans	-	
	1,500		3,100	
	<b>(1,113)</b>	<b>NET INCREASE/(DECREASE) IN CASH</b>	<b>845</b>	37

Following the change in treatment of the Collection Fund on an agency basis, the cash activities in relation to Council Tax, National Non-Domestic Rates (NNDR) and Council Tax Benefits have been removed from this Statement. The removal of these large items has led to a change in the presentation of the Cash Flow to the indirect method. Note 36 provides a reconciliation of cash flows from revenue activities to the Income & Expenditure Account.

# Notes to Core Financial Statements

## Note 1 Restatement of Prior Year Accounts

Following the SORP change in treatment of the Collection Fund, the 2008/2009 accounts have been re-stated as follows.

The Income & Expenditure Account has seen an additional amount of £8k, being the proportion of the 2008/2009 Collection Fund surplus directly attributable to Rossendale Borough Council, as shown in the extract below.

INCOME & EXPENDITURE ACCOUNT (extract)	Original Value £000s	Adjustments		Restated Value £000s
		NNDR £000s	Council Tax £000s	
REMOVE Precept on Collection Fund	5,346			
ADD Income from Council Tax (on agency & accruals basis)			8	(5,338)
<b>Net (Surplus)/Deficit</b>	<b>140</b>	<b>-</b>	<b>8</b>	<b>148</b>

The same value is then included in Note 12, shown in the extract below, as part of the amounts to be deducted from the Income & Expenditure Account to arrive at the General Fund Balance.

Note 12 - Net additional amount required by statute and non-statutory proper practices to be debited /(credited) to the General Fund Balance (extract)	Original Value £000s	Adjustments		Restated Value £000s
		NNDR £000s	Council Tax £000s	
ADD Amount by which Council Tax income included in the Income & Expenditure Accounts is different from the amount taken to the General Fund in accordance with regulation			(8)	(8)
<b>Net additional amount required to be debited/(credited) to the General Fund Balance for the year</b>	<b>(269)</b>	<b>-</b>	<b>(8)</b>	<b>(277)</b>

Both figures above then transfer into the Statement of Movement on General Fund Balance, restated in full below.

STATEMENT OF MOVEMENT IN GENERAL FUND BALANCE	Original Value £000s	Adjustments		Restated Value £000s
		NNDR £000s	Council Tax £000s	
(Surplus)/deficit for the year on the Income and Expenditure Account	140		8	148
Net additional amount required by statute and non-statutory proper practices to be debited/(credited) to the General Fund Balance	(269)		(8)	(277)
<b>(Increase)/Decrease in General Fund Balance for the Year</b>	<b>(129)</b>	<b>-</b>	<b>-</b>	<b>(129)</b>
General Fund Balance brought forward	813			813
<b>General Fund Balance Carried Forward</b>	<b>942</b>	<b>-</b>	<b>-</b>	<b>942</b>

# Notes to Core Financial Statements

The changes to the Income and Expenditure Account above are shown alongside the withdrawal of the Collection Fund Surplus/(Deficit) in the Statement of Total Gains and Losses, restated in full below.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES	Original Value £000s	Adjustments		Restated Value £000s
		NNDR £000s	Council Tax £000s	
(Surplus)/deficit for the year on the Income and Expenditure Account	(140)		(8)	(148)
Surplus/(deficit) on revaluation of fixed assets	(637)			(637)
Surplus/(deficit) on revaluation of available-for-sale financial assets	1,455			1,455
Actuarial gains/(losses) on pension fund assets	(377)			(377)
Surplus/(deficit) on Collection Fund	53		(53)	-
<b>Total recognised gains &amp; (losses) for the year</b>	<b>354</b>	<b>-</b>	<b>(61)</b>	<b>293</b>

The same adjustments are also reflected in the Balance Sheet. The Balance sheet extract below shows the individual changes to the current assets and liabilities split between NNDR and Council Tax, with prior-year balances for Council Tax identified separately.

BALANCE SHEET (extract)	Original Value	Adjustments			Restated Value
	March 2009	NNDR	Council Tax		March 2009
	£000s	£000s	March 2008	March 2009	£000s
Debtors	7,970	(378)	(1,807)	(113)	5,672
Provision for Impairment	(2,277)	70	1,148	141	(918)
Creditors	(4,631)	308	645	(73)	(3,751)
<b>Total Assets less Liabilities</b>	<b>(1,903)</b>	<b>-</b>	<b>(14)</b>	<b>(45)</b>	<b>(1,962)</b>
Collection Fund Adjustment Account			3	8	11
Fund Balances and Reserves	1,012		(17)	(53)	942
<b>Net Equity</b>	<b>(1,903)</b>	<b>-</b>	<b>(14)</b>	<b>(45)</b>	<b>(1,962)</b>

Similarly the extract of the Cash Flow Statement below shows the impact of the changes on the revenue activities of Rossendale Borough Council and the creation of a new line for 'Other liquid resources'.

CASH FLOW STATEMENT (extract)	Original Value	Adjustments		Restated Value
	March 2009	NNDR	Council Tax	March 2009
	£000s	£000s	£000s	£000s
Net cash (inflow)/outflow from revenue activities	(1,080)		(61)	(1,141)
Net (increase)/decrease in other liquid resources	-		61	61
<b>Net (increase)/decrease in Cash</b>	<b>1,113</b>	<b>-</b>	<b>-</b>	<b>1,113</b>

## Note 2 Long Term Contracts

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 2009/2010 the contract value was £1,375k. In 2010/2011 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 £9.03m.

## Note 3 Trading Operations

During 2009/2010 the Council took over the running of the Business Centre, Future Park, Bacup. This is now included within trading operations, along with Markets and Industrial Units, whose financial results are shown below. At the end of 2009/2010 the Business Centre was revalued in accordance with the SORP guidelines and the Council policies on a market value basis at £1.2m. The resulting fall in value of £3,224k is shown as an impairment at Note 11 and within the expenditure column in the table below. This is matched by a similar amortisation of the Deferred Government Grant, shown in the income column below and at Note 23.

	Net Expend/ (Income) 2008/2009 £000s	Gross Expend 2009/2010 £000s	Income 2009/2010 £000s	Net Expend/ (Income) 2009/2010 £000s
Markets	109	256	(140)	116
Industrial Units	(86)	174	(82)	92
Business Office Facilities	-	3,427	(3,424)	3
<b>Total Trading Accounts</b>	<b>23</b>	<b>3,857</b>	<b>(3,646)</b>	<b>211</b>

## Note 4 General Government Grants

The value included in the Income and Expenditure Account as General Government Grants can be split down as follows:

	2008/2009 £000s	2009/2010 £000s
Rate Support Grant	759	1,170
Housing & Planning Delivery Grant	-	286
Local Authority Business Growth Incentive Scheme (LABGIS)	110	16
Area Based Grant	95	175
Performance Reward Grant	-	478
	<b>964</b>	<b>2,125</b>



# Notes to Core Financial Statements

## Note 5 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 respect of the hours attributable to each role.

Total Cost of Elected Members	2008/2009 £000s	2009/2010 £000s
Basic Allowance	110	112
Special Responsibility Allowance	83	89
Employers National Insurance incurred	6	7
Employers Superannuation Contributions	2	4
Mileage allowance	5	5
Subsistence and other reimbursements	-	-
	<b>206</b>	<b>217</b>

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

Annual amounts payable for elected roles	2008/2009 £s	2009/2010 £s
<b>Basic Allowance</b>	3,240	3,320
<b>Special Responsibility Allowances</b>		
Leader of Majority or Largest Group	12,960	13,280
Deputy Leader of Majority or Largest Group	9,720	9,960
Leader of Minority or Second Largest Group	6,480	6,640
Executive Members	6,480	6,640
Chair of Overview & Scrutiny Management Committee	-	6,640
Other Committee Chairs	3,240	3,320
Other Committee Vice-Chairs	1,620	1,670



## Note 6 Officers Emoluments

The disclosure of remuneration paid to Senior Officers within the Council has changed slightly for 2009/2010. The table below shows details of the Chief Executive and Senior Officers directly responsible to the Chief Executive, along with their respective salary (including fees and allowances), employer's pension contributions and total remuneration during 2009/2010.

Senior Officers		Salary	Pension	Total R	Note
		£	£	£	
Chief Executive	H Lockwood	98,722	17,548	116,270	
Head of Legal & Democratic Services	L Fisher	22,239	3,124	25,363	
Director for Business	S Sugarman	49,304	8,657	57,961	
Director for Place	F Meechan	4,375	792	5,167	
Head of Finance & Property Services	P Seddon	60,741	10,734	71,475	
Head of People & Policy	L Sandiford	52,169	9,549	61,718	

In the table above it should be noted that L Fisher left the authority on the 30<sup>th</sup> June 2009, and that S Sugarman and F Meechan joined the authority on the 3<sup>rd</sup> August 2009 and 1<sup>st</sup> March 2010 respectively.

The number of employees whose remuneration, excluding pension contributions, was £50,000 or more are listed in the table below in bands of £5,000. Two of the above Senior Officers joined the authority during 2009/2010 and so their total remuneration in the year does not fall above the £50,000 minimum disclosure requirement and are therefore excluded from the following table.

Officers with remuneration above £50,000	2008/2009 Number	2009/2010 Number	Note
£50,000 - £54,999	2	1	
£54,000 - £59,999	1	1	
£60,000 - £64,999	-	1	
£65,000 - £69,999	1	-	
£70,000 - £74,999	2	-	
£95,000 - £99,999	-	1	
£100,000 - £104,999	1	-	
	<b>7</b>	<b>4</b>	

## Note 7 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 Notes 4 and 38.

### Other local authorities and precepting bodies

- payments to the Lancashire County Council Pension Fund– see Note 26.
- 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 management of Rossendale Transport Ltd is supported by Council Members and staff, for which the company makes some contributions towards specific services provided - see Note 16 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 2009/2010 can be seen in Note 38.
- 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 2009/2010 was £704k (£513k in 2008/2009).
  - 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. A further £18k was added to this loan during 2009/2010 as disclosed in Note 17.
  - In 2009/2010 the Trust was also given a cash-flow loan by the Council totalling £400k at 31<sup>st</sup> March 2010 which was repaid in April 2010. This is included within Sundry Debtors at Note 19.
  - Interest is charged on the above loans at base rate plus 0.43% and as a result £1,998 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 £439k at 31<sup>st</sup> March 2010 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 2010. More information on these transactions can be found in Note 30 on Earmarked Reserves and Note 32 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 2009/2010 (the same figure as paid in 2008/2009).

## 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 8 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 2009/2010 were:-

Audit costs	2008/2009 £000s	2009/2010 £000s	Note
Fees payable in respect of external audit of accounts	107	100	
Fees payable in respect of statutory inspection	6	8	
Fees payable for the certification of grant claims and returns	21	21	
	<b>134</b>	<b>129</b>	

# Notes to Core Financial Statements

## Note 9 Breakdown of the amounts used to reconcile the Income and Expenditure Account to the General Fund activity

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.

<i>Amended as per Note 1*</i>			
2008/2009	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance	2009/2010	Note
£000s		£000s	
(111)	Amortisation of Intangible Assets	(129)	10
(878)	Depreciation & impairment of fixed assets	(4,141)	11
401	Other Income to Useable Capital Receipts	148	29
188	Govt Grants Deferred Amortisation	3,420	23
(266)	Revenue Expenditure funded from Capital under statute (net of grants)	(1)	23, 28
206	Net gain on sale of fixed assets	44	29-11
(2,039)	Net charges made for retirement benefits in accordance with FRS17	(2,469)	26
(8)*	Amount by which Council Tax income included in the Income & Expenditure Accounts is different from the amount taken to the General Fund in accordance with regulation	(20)	
<b>(2,507)</b>	<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>(3,148)</b>	
61	Minimum Revenue Provision	106	13
513	Capital expenditure in year charged to General Fund	260	13
-	Transfer from usable capital receipts to meet Payments into the pool	(7)	29
1,508	Employer contributions paid to the Pension Fund	1,423	26
<b>2,082</b>	<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>1,782</b>	
148	Net transfer to/(from) Earmarked Reserves	702	30
<b>148</b>	<b>Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year</b>	<b>702</b>	
<b>(277)</b>	<b>Net additional amount required to be debited/(credited) to the General Fund Balance for the year</b>	<b>(664)</b>	

# Notes to Core Financial Statements

## Note 10 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 2009/2010 were as follows:-

	Total Intangible Assets £000s	Note
Gross Book Value at 1 <sup>st</sup> April	690	
Accumulated Depreciation/Impairments	(312)	
<b>Net Book Value at 1<sup>st</sup> April</b>	<b>378</b>	
Revaluations	-	
Reclassification	-	
Additions	11	12
Disposals	-	9, 28
Impairments	-	
Depreciation for the year	(129)	
<b>Net Book Value at 31<sup>st</sup> March</b>	<b>260</b>	

## Note 11 Tangible Assets

Movements on tangible assets in 2009/2010 were as follows:-

	Operational			Non-Operational			Total Assets £000s	Note
	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	17,055	2,724	416	707	125	781	21,808	
Accumulated Depreciation/Impairments	(1,083)	(1,338)	(113)	(54)	-	-	(2,588)	
<b>Net Book Value at 1<sup>st</sup> April</b>	<b>15,972</b>	<b>1,386</b>	<b>303</b>	<b>653</b>	<b>125</b>	<b>781</b>	<b>19,220</b>	
Revaluations	(146)	-	-	167	-	108	129	27, 28
Reclassification	(23)	-	-	75	-	(52)	-	
Additions	473	1,757	26	-	153	-	2,409	12
Disposals	-	-	-	-	-	(235)	(235)	27, 28
Impairments	(3,413)	-	(2)	-	-	-	(3,415)	9, 28
Depreciation for the year	(353)	(373)	-	-	-	-	(726)	9, 28
<b>Net Book Value at 31<sup>st</sup> March</b>	<b>12,510</b>	<b>2,770</b>	<b>327</b>	<b>895</b>	<b>278</b>	<b>602</b>	<b>17,382</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. The land upon which the buildings reside is not subject to depreciation.
- 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 2010

Capital Expenditure on Council assets	31 <sup>st</sup> March 2009	31 <sup>st</sup> March 2010
	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	4	7
	<b>225</b>	<b>228</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.I.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, £1.85m of land and building assets were last revalued in 2005/2006 or before and hence are due to be revalued again in 2010/11. 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	Community Assets £000s	Investment Assets £000s	Infra-structure	Surplus Assets for Disposal	
		Plant Equipment £000s			Assets	£000s	
Valued at historical cost	-	-	282	-	-	-	<b>282</b>
Valued at current value in:							
2004/2005	279	141	-	685	-	-	<b>1,105</b>
2005/2006	666	72	-	12	-	-	<b>750</b>
2006/2007	4,796	103	-	23	-	-	<b>4,922</b>
2007/2008	1,910	204	-	55	-	-	<b>2,169</b>
2008/2009	4,769	682	45	100	-	500	<b>6,096</b>
2009/2010	90	1,568	-	20	278	102	<b>2,058</b>
<b>Net Book Value at 31<sup>st</sup> March</b>	<b>12,510</b>	<b>2,770</b>	<b>327</b>	<b>895</b>	<b>278</b>	<b>602</b>	<b>17,382</b>

## Note 12 Capital Expenditure on Council Assets

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

	2008/2009 £000s	2009/2010 £000s
IT Strategy	92	12
Waste Collection & Recycling	46	28
Vehicle Replacement Programme	307	1,510
Bacup town centre culvert	125	125
Disabled Access Improvements	111	17
Car Parks	16	50
Civic Hall, Whitworth	30	2
Henrietta Street Depot	13	148
Cemeteries	29	6
Leisure Buildings	347	44
Pavillions	50	5
Playing fields, playgrounds & parks	199	233
The Business Centre, Futures Park	-	127
Others	170	113
	<b>1,535</b>	<b>2,420</b>

Further information on capital expenditure in 2009/2010 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 £5.516m spent in 2009/2010 slippage of £1.4m was carried forward into 2010/2011 onwards, of which £832k related to council assets, including a further £659k in relation to the vehicle replacement programme.

Contractual Commitments carried forward	31 <sup>st</sup> March 2009 £000s	31 <sup>st</sup> March 2010 £000s
Vehicle Replacement Programme	-	659
Building Maintenance	50	156
Rossendale Homecare & Repair	24	-
Wheeled Bins	-	17
	<b>74</b>	<b>832</b>



# Notes to Core Financial Statements

## Note 13 Capital Financing Requirement

	2008/2009 £000s	2009/2010 £000s	Note
<b>Opening Capital Financing Requirement</b>	<b>1,656</b>	<b>2,116</b>	
Capital investments			
Operational assets	1,444	2,409	
Non-operational assets	92	11	
Revenue Expenditure funded from Capital under Statute	3,470	3,095	
	<u>5,006</u>	<u>5,515</u>	
Sources of Finance			
Capital Receipts	(664)	(405)	29
Government Grants and other contributions	(3,308)	(3,141)	
Sums set aside from Revenue:-			
Use of Revenue Resources	(513)	(260)	9
Minimum Revenue Provision	(61)	(106)	9
<b>Closing Capital Financing Requirement</b>	<b>2,116</b>	<b>3,719</b>	
Explanation of movements in the year			
Increase/(Decrease) in underlying need to borrow	460	1,603	
<b>Increase/(Decrease) in Capital Financing Requirement</b>	<b>460</b>	<b>1,603</b>	

## Note 14 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:

Net Assets Employed	Amended per Note 1*	
	31 <sup>st</sup> March 2009 £000s	31 <sup>st</sup> March 2010 £000s
General Fund	(3,324) *	(12,004)
Trading Operations	1,362	2,482
<b>Balance at 31st March</b>	<b>(1,962)</b>	<b>(9,522)</b>

## Note 15 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.

Leases as a Lessee	2008/2009 £000s	2009/2010 £000s
<b>Amounts paid in the year</b>	<b>484</b>	<b>539</b>
Future Commitments		
Amounts Falling due within 1-2 years	311	36
Amounts Falling due within 2-5 years	20	23
Amounts Falling due within 5-10 years	58	-
<b>Total Rental Payments</b>	<b>389</b>	<b>59</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:

Leases as a Lessor	2008/2009	2009/2010			Total £000s
	Total £000s	Industrial/ Business Properties £000s	Leisure Premises £000s	Offices and Other Properties £000s	
Gross Value at 31st March	11,454	2,159	6,006	317	8,482
Accumulated Depreciation	(540)	(71)	(340)	(31)	(442)
<b>Net Book Value at 31st March</b>	<b>10,914</b>	<b>2,088</b>	<b>5,666</b>	<b>286</b>	<b>8,040</b>
<b>Total Rental Income</b>	<b>176</b>	<b>171</b>	<b>-</b>	<b>10</b>	<b>181</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 7 on Related Party Transactions.

## Note 16 Long Term Investments

The long term investments consist of:-

Long Term Investments	31 <sup>st</sup> March 2009 £000s	31 <sup>st</sup> March 2010 £000s
Rossendale Transport Ltd	2,100	2,100
Marketable Securities	2	2
<b>Balance at 31st March</b>	<b>2,102</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. The data included here from the company's Statement of Accounts for the year to 31<sup>st</sup> March 2010 will now be subject to audit.

In 2008/2009 the Council's investment in Rossendale Transport Ltd was 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 was 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.

Rossendale Transport Ltd.	31 <sup>st</sup> March 2009 £000s	31 <sup>st</sup> March 2010 £000s
Profit/(Loss) on ordinary activities before taxation	1,265	(10)
Tax on profit on ordinary activities	26	1
<b>Retained profit/(loss) for the financial year</b>	<b>1,291</b>	<b>(9)</b>
<b>Net Assets of the company</b>	<b>2,592</b>	<b>2,347</b>

# Notes to Core Financial Statements

## Note 17 Long-term Debtors

The analysis of outstanding long term debtors is:

Long Term Debtors	Balance 1 <sup>st</sup> April £000s	Advances £000s	Receipts £000s	Balance 31 <sup>st</sup> March £000s
Mortgages (pre 1991)	19	-	(9)	10
Car Loans	27	5	(18)	14
Rossendale Leisure Trust	65	18	-	83
Mortgage Rescue Scheme loans	-	11	-	11
	<b>111</b>	<b>34</b>	<b>(27)</b>	<b>118</b>

## Note 18 Stocks

The total value of stocks at 31 March 2010 is an amount of £28k (£12k at 31<sup>st</sup> March 2009), 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 19 Debtors

Debtors	Amended per Note 1*	
	31 <sup>st</sup> March 2009 £000s	31 <sup>st</sup> March 2010 £000s
Government Departments	2,728	3,166
Other Public Bodies	601 *	1,205
Business Rates	- *	-
Council Tax	470 *	513
Advance Payments	132	193
Sundry Debtors	1,741	1,360
	<u>5,672</u>	<u>6,437</u>
Less provision for impairment	(918) *	(922)
<b>Balance at 31st March</b>	<b>4,754</b>	<b>5,515</b>

## Note 20 Investments and Cash

Investments and Cash	31 <sup>st</sup> March 2009 £000s	31 <sup>st</sup> March 2010 £000s
Bank Deposits - instant access	377	1,223
Bank Deposits - access less than 3 months	1,000	-
Bank Deposits - access 3 to 6 months	-	-
Bank Deposits - access 6 to 12 months	4,500	8,000
Cash in Hands of Officers	3	2
<b>Balance at 31st March</b>	<b>5,880</b>	<b>9,225</b>

# Notes to Core Financial Statements

## Note 21 Borrowing

The £1.5m 364-day loan from the Public Works Loans Board (PWLB) taken out in January 2009 to fund capital programme costs whilst the economic downturn depressed the expected levels of capital receipts was repaid in January 2010.

Following the Budget in February 2010, a loan of £4.6m was taken out, again from the PWLB, over a life of 25 years at 4.49% to part-finance the capital costs of the Council's Leisure Services Review. Of this loan £184k was repayable within 12 months of the financial year end. Further information can be found in the Financial Instruments Note 33.

PWLB Borrowing	31 <sup>st</sup> March 2009	31 <sup>st</sup> March 2010
	£000s	£000s
Repayable in less than 12 months	1,500	184
Repayable between 1 and 2 years	-	184
between 2 and 5 years	-	552
between 5 and 10 years	-	920
in 10 years or more	-	2,760
	<b>1,500</b>	<b>4,600</b>

## Note 22 Creditors

Creditors	Amended per Note 1*	
	31 <sup>st</sup> March 2009	31 <sup>st</sup> March 2010
	£000s	£000s
Government Departments	52 *	-
Other Public Bodies	21	415
Advance Receipts:		
Business Rates	- *	-
Council Tax	112 *	113
Others	338	85
Sundry Creditors	3,228	4,673
<b>Balance at 31st March</b>	<b>3,751</b>	<b>5,286</b>

## Note 23 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.

Government Grants Deferred	2008/2009	2009/2010	Note
	£000s	£000s	
Balance at 1st April	4,190	4,104	
Capital Grants Received	3,307	3,152	
Transfers to Reconciling Items for the Statement of Movement on the General Fund Balance			
Revenue Expenditure funded from Capital under Statute	(3,205)	(3,095)	9, 28
Amortisation of grants to match depreciation	(188)	(3,420)	9
<b>Balance at 31st March</b>	<b>4,104</b>	<b>741</b>	

The Government Grant Deferred in relation to the Business Centre at Futures Park, was amortised during 2009/2010 in line with the impairment of economic value described at Note 3 and shown in Note 11.

## Note 24 Government Grants Unapplied

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. This account holds the balance of grants unapplied at year-end.

Government Grants Unapplied	Balance 31 <sup>st</sup> March 2009 £000s	Receipts £000s	Applied £000s	Balance 31 <sup>st</sup> March 2010 £000s
Planning Delivery Grant	150	-	(150)	-
Area Based Grant	83	-	(83)	-
Communities for Health Grant	282	100	(203)	179
Mortgage Rescue Scheme	-	60	(11)	49
Empty Shops Revival Grant	-	53	-	53
Housing Capital Pot	-	431	(213)	218
Sports Council Grant	-	10	(10)	-
Big Lottery Grant	-	63	-	63
Communities for Habitats	-	17	-	17
	<b>515</b>	<b>734</b>	<b>(670)</b>	<b>579</b>

The criteria required for receipt of Planning Delivery Grant and Area Based Grant have now been achieved, therefore these grants have now been reclassified as 'earned' and transferred through the Income & Expenditure Account to Earmarked Reserves (see Note 30).

## Note 25 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.

Provisions	Balance 31 <sup>st</sup> March 2009 £000s	Provisions Made £000s	Provisions Utilised £000s	Balance 31 <sup>st</sup> March 2010 £000s
English Heritage	358	-	-	358
Vehicle Replacement Provision	-	39	-	39
Customer Services Projects Provision	50	35	(13)	72
Other Provisions	303	414	(200)	517
	<b>711</b>	<b>488</b>	<b>(213)</b>	<b>986</b>

The English Heritage Provision relates to any potential clawback on a previous regeneration project and is due for full review in 2010/11.

As a result of the Vehicle Replacement Programme in 2009/10, a provision has been created to provide funds in 2013/14 to replace the refuse fleet. Contributions will be made each year from operational savings on former lease costs.

The Customer Services Projects Provision is an ongoing provision utilising in-year savings on Information Technology schemes to finance further introduction of electronic service delivery projects.

Other provisions are for operational running costs which are known commitments, but are subject to uncertainty about either the timing or value.

## Note 26 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 31st March 2009 and 31<sup>st</sup> March 2010.

### 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).

### Present Net Value of Scheme

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

	2008/2009	2009/2010
	£000s	£000s
Scheme Liabilities as at 31 <sup>st</sup> March	(57,329)	(75,151)
Scheme Assets as at 31 <sup>st</sup> March	33,490	43,192
<b>Net Scheme Assets/(Liabilities)</b>	<b>(23,839)</b>	<b>(31,959)</b>

The liabilities show the underlying commitments that the authority has in the long-run to pay retirement benefits. The total net liability of £32m 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.

In his budget statement on 22 June 2010, the Chancellor announced that the government would start to increase public service pensions in line with the consumer price index (CPI) rather than the retail price index (RPI), which has been the practice in the past. As a result, future pension increases under the Lancashire County Pension Fund are expected to be slightly lower, on average, than would have been the case if this change had not been made. In the opinion of the Pension Fund Actuary, this change is estimated to reduce the FRS17/IAS19 benefit obligations by between 5% and 8% for most employers. The precise financial effect will be taken into account in the FRS17/IAS19 figures for the financial year ending 31 March 2011.

## Present Value of Scheme Liabilities

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

	2008/2009	2009/2010
	£000s	£000s
Scheme Liabilities as at 1 <sup>st</sup> April	75,121	57,329
Current Service Cost	853	566
Interest on Pension Liabilities	4,295	3,998
Member Contributions	294	305
Past Service Cost	10	-
Actuarial (gains)/losses on liabilities	(12,727)	15,849
Curtailements	65	-
Benefits/transfers paid	(10,582)	(2,896)
<b>Scheme Liabilities as at 31<sup>st</sup> March</b>	<b>57,329</b>	<b>75,151</b>

Of the above liabilities there is an unfunded element, for which the value at 31<sup>st</sup> March 2010 was £3,443k (£2,889k at 31<sup>st</sup> March 2009).

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 did not appear in the Income and Expenditure Account, rather the net effect on the actuarial assumptions of the scheme assets and liabilities was 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.

	2008/2009	2009/2010
	£000s	£000s
Scheme Assets as at 1 <sup>st</sup> April	52,073	33,490
Expected return on plan assets	3,190	2,095
Actuarial gains/(losses) on assets	(12,978)	8,768
Employer contributions	1,493	1,430
Member contributions	294	305
Benefits/transfers paid	(10,582)	(2,896)
<b>Scheme Assets as at 31<sup>st</sup> March</b>	<b>33,490</b>	<b>43,192</b>

These assets are broken down into the following major categories:

	31 <sup>st</sup> March 2009		31 <sup>st</sup> March 2010	
	£000s	%	£000s	%
Equities	20,497	61.20%	28,506	66.00%
Government Bonds	2,612	7.80%	3,023	7.00%
Other Bonds	4,119	12.30%	5,183	12.00%
Property	2,478	7.40%	2,160	5.00%
Cash/Liquidity	1,641	4.90%	1,728	4.00%
Other	2,143	6.40%	2,592	6.00%
<b>Total Scheme Assets</b>	<b>33,490</b>		<b>43,192</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 within the Income and Expenditure Account and the corresponding adjustments made in the Statement of Movement in General Fund Balance.

	2008/2009	2009/2010
	£000s	£000s
Net Costs of Services		
Current service cost	851	566
Past service cost	10	-
Curtailments & Settlements	65	-
Net Operating Expenditure		
Interest cost	4,295	3,998
Expected return on assets in the scheme	(3,190)	(2,095)
Prior year adjustment	8	-
<b>Net Charge to the Income &amp; Expenditure Account</b>	<b>2,039</b>	<b>2,469</b>
Reversal of net charges made for retirement benefits in accordance with FRS17	(2,039)	(2,469)
Actual amount charged against the General fund Balance for pensions in the year	1,508	1,423
<b>Net adjustment made in Statement of Movement in General Fund Balance</b>	<b>(531)</b>	<b>(1,046)</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

	2008/2009	2009/2010
	£000s	£000s
Actuarial gains/(losses) on Liabilities	12,727	(15,849)
Actuarial gains/(losses) on Assets	(12,978)	8,768
<b>Net Actuarial gains/(losses) in current year</b>	<b>(251)</b>	<b>(7,081)</b>
Difference in employers contributions estimate	(14)	-
Adjustment for prior-year gains/(losses) calculations	(6)	-
<b>Actuarial gains/(losses) on pension fund assets</b>	<b>(271)</b>	<b>(7,081)</b>

## 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:

	2008/2009		2009/2010	
	£000s	%	£000s	%
Actual Return on Plan Assets	(9,788)		10,863	
Experience gains/(losses) on Assets	(12,978)	38.8%	8,768	20.3%
Experience gains/(losses) on Liabilities	-	0.0%	-	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	3.30%	3.30%
Rate of increase in salaries	5.05%	5.05%
Rate of increase in pensions	3.30%	3.30%
Discount rate	7.10%	5.60%
<b>Expected rate of return on assets</b>		
Equities	7.50%	7.50%
Government Bonds	4.00%	4.50%
Other Bonds	6.00%	5.20%
Property	6.50%	6.50%
Cash/Liquidity	0.50%	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 (24.1) 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>		
	£2,934m mid market value at 31st March 2009	£3,718m bid value at 31st December 2009

## Scheme Membership

The membership of the scheme was as follows:

	31 <sup>st</sup> March 2009	31 <sup>st</sup> March 2010
Active Members	185	193
Deferred Members	247	244
Pensioners	414	416
Widows	153	146

## Note 27 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.

Revaluation Reserve	2008/2009 £000s	2009/2010 £000s	Note
Balance at 1st April	1,977	2,868	
Surplus/(Deficit) on revaluation of assets in the year	1,083	424	11, 28
Value of assets disposed of in the year	(171)	(210)	11, 28
Depreciation of Revaluation Balances brought forward	(21)	(58)	9, 11
<b>Balance at 31st March</b>	<b>2,868</b>	<b>3,024</b>	

## Note 28 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.

Capital Adjustment Account	2008/2009 £000s	2009/2010 £000s	Note
Balance at 1st April	12,133	10,513	
Revenue and Capital Receipts used to finance capital	1,177	3,759	9, 29
Losses on Revaluation of assets	(1,720)	(295)	11, 27
Write off NBV of disposals (net of Revaluation Reserve)	(90)	(25)	11, 27
Minimum Revenue Provision for repayment of debt	61	106	9, 13
Depreciation and amortisation (net of deferred grants)	(571)	2,622	9, 11
Impairment of fixed assets	(211)	(3,415)	9, 11
Revenue Expenditure funded from Capital under statute	(266)	(3,095)	9
<b>Balance at 31st March</b>	<b>10,513</b>	<b>10,170</b>	



## Note 29 Usable Capital Receipts Reserve

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

Usable Capital Receipts Reserve	2008/2009 £000s	2009/2010 £000s	Note
Balance at 1st April	1,134	1,338	
Capital receipts in year			
Sale of Assets	467	296	9
Other Income	401	148	9
Capital receipts used to fund capital expenditure	(664)	(405)	13, 28
Legal Costs of Sale	-	(16)	9
Payments to capital receipts pool	-	(7)	9
<b>Balance at 31st March</b>	<b>1,338</b>	<b>1,354</b>	

## Note 30 Earmarked Reserves

**Transport Reserve** – Historic valuation of the Council’s shares in Rossendale Transport Ltd.

**Change Management Reserve** – Resources to support future costs of change, such as 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 the Council Tax Collection and Housing 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.

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

**Leisure Services Reserve** – This reserve was 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.

**Leisure Facilities Reserve** – This reserve was 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

**Performance Reward Grant Reserve** – This reserve has been created in 2009/2010 with grant received upon the achievement of Local Area Agreement targets. The allocation of these funds to specific projects is the remit of the Local Strategic Partnership and one such decision has been enacted in the year, namely to contribute £250k to the outcome of the Leisure Services Review, via the Earmarked Reserve above.

**Area Based Grant Reserve** – This reserve has been created in 2009/2010 to acknowledge the receipt of ‘earned’ Area Based Grant to fund further specific community projects.

**Planning Reserve** – This reserve now holds Housing Planning Delivery Grant earned through the achievement of performance targets, to be spent on future planning projects.

**Directorate Investment Reserve** – This reserve has been created during 2009/2010 to hold the amount of unspent budgets allowed to be carried forward for future one-off revenue projects within the General Fund Directorates.

**Planning for Climate Change Reserve** – This reserve has been created in 2009/2010 to hold ‘earned’ Climate Change grant intended for future specific projects to contribute towards the Council’s green agenda.

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

Earmarked Reserves	Balance	Income &	Utilised	Balance
	31 <sup>st</sup> March	Transfer to	from	31 <sup>st</sup> March
	2009	Reserves	Reserves	2010
	£000s	£000s	£000s	£000s
Transport Reserve	645	-	-	645
Change Management Reserve	392	-	(63)	329
Budget Volatility Reserve	284	30	-	314
IT Reserve	83	-	-	83
Pension Fund Reserve	356	350	(350)	356
Performance Management	65	-	-	65
Regulatory Services Reserve	397	-	(33)	364
Economic Regeneration Reserve	879	16	(94)	801
Single Status Reserve	530	-	(100)	430
Health and Wellbeing Projects Reserve	156	30	(101)	85
Contaminated Land Reserve	98	-	(91)	7
Leisure Services Reserve	186	193	(150)	229
Leisure Facilities Reserve	661	250	-	911
Performance Reward Grant Reserve	-	478	(250)	228
Area Based Grant Reserve	-	258	(47)	211
Planning Reserve	-	286	(158)	128
Directorate Investment Reserve	-	233	-	233
Planning for Climate Change Reserve	-	23	(8)	15
	<b>4,732</b>	<b>2,147</b>	<b>(1,445)</b>	<b>5,434</b>

## Note 31 Movement in Revenue Resources

Movement in Revenue Resources	Earmarked Reserves	General Fund	Collection Fund Adj Account	Pension Reserve
	£000s	£000s	£000s	£000s
Balance at 1st April	4,732	942	11	(23,839)
Surplus for 2009/2010	-	57	(20)	-
Transfers (to)/from Revenue	702	-	-	-
Actual losses on pensions	-	-	-	(8,120)
<b>Balance at 31st March</b>	<b>5,434</b>	<b>999</b>	<b>(9)</b>	<b>(31,959)</b>

## Note 32 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 Rossendale 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 2009/2010 the Council 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 for the 2008/2009 financial year, 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 was estimated to be in the region of £1m. In the 2009/2010 financial statements Rossendale Borough Council has accounted for £478k which was subsequently received in early April 2010. Following national announcements of central government cuts in June 2010 no further grant is now expected.

### 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 2009/2010 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 2010 the value of Trust's deficit was £439k and the earmarked reserve was £229k as explained in Note 30. 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 33 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 excluding 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 loan from the PWLB over a period of 25 years commencing March 2010
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 bank accounts with instant access.
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 was 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 2010.

## Financial Instrument Balances

The borrowings and investments disclosed in the Balance Sheet and Notes 20 and 21 are made up of the following categories of financial instruments:

	Long Term		Current	
	31 <sup>st</sup> March	31 <sup>st</sup> March	31 <sup>st</sup> March	31 <sup>st</sup> March
	2009	2010	2009	2010
	£000s	£000s	£000s	£000s
Financial liabilities (principal amounts)	-	(4,416)	(1,500)	(184)
Financial Liabilities at amortised cost	-	-	-	-
<b>Total Borrowings</b>	<b>-</b>	<b>(4,416)</b>	<b>(1,500)</b>	<b>(184)</b>
Long Term Investments	2,102	2,102		
Loans and receivables	111	118	5,500	8,000
Financial Assets at fair value through the I&E	-	-	1,300	2,013
<b>Total Investments</b>	<b>2,213</b>	<b>2,220</b>	<b>6,800</b>	<b>10,013</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:

	2008/2009	2009/2010			
	Total	Financial Liabilities	Loans and Receivables	Available for sale assets	Fair Value through the I&E
	£000s	£000s	£000s	£000s	£000s
Interest payable	(10)	(1)	(12)	-	-
Interest & Investment income	468	-	225	-	-
Surplus on Revaluation of Financial Assets	1,455	-	-	-	-
<b>Total Investments</b>	<b>1,913</b>	<b>(1)</b>	<b>213</b>	<b>-</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 was calculated by reference to the premature repayment set of rates in force on 30th March 2009 and 31st March 2010 respectively. At March 2010 Rossendale Borough Council has one outstanding PWLB loan taken out in March 2010 for 25 years.
- 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 2009		31st March 2010	
	Carrying amount £000s	Fair Value £000s	Carrying Amount £000s	Fair Value £000s
Borrowings <1 year	1,500	1,506	184	-
Borrowings >1 year	-	-	4,416	4,732
Creditors (excl Govt & Collection Fund)	3,549	3,549	3,903	3,903
<b>Total Financial Liabilities</b>	<b>5,049</b>	<b>5,055</b>	<b>8,503</b>	<b>8,635</b>
Investments <1 year	5,500	5,500	8,000	8,000
Investments >1 year	-	-	-	-
Long Term Debtors	107	107	114	114
Debtors (excl Govt & Collection Fund)	1,357	1,357	1,708	1,708
Cash at Bank	380	380	1,225	1,225
<b>Total Loans &amp; Receivables</b>	<b>7,344</b>	<b>7,344</b>	<b>11,047</b>	<b>11,047</b>

## Note 34 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 managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported monthly to Members.

# Notes to Core Financial Statements

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, and 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 (£400k at 31<sup>st</sup> March 2010 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 2010	Historical default	Adj for market conditions	Estimated maximum exposure to default
	£000s	%	%	£000s
Deposits with banks & financial institutions (Market Value - AA rated counterparties)	9,225	-	-	-
Rossendale Leisure Trust	83	-	-	-
Long Term Debtors	35	0.03%	0.03%	-
Trade Debtors	1,708	3.83%	3.83%	65
<b>Total Loans &amp; Receivables</b>	<b>11,051</b>			<b>65</b>

The Council does not generally allow credit for its trade debtors. Of the £1,708k outstanding at 31st March 2010 only £707k was overdue. The past due amount can be analysed by age as follows:

	31st March 2009	31st March 2010
	£000s	£000s
Less than one month	11	523
One to Two months	16	32
Two to three months	2	1
Three to six months	63	11
Six months to one year	54	17
Over one year	139	123
<b>Total Trade Debtors</b>	<b>285</b>	<b>707</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. The approved treasury and investment strategy addresses the main risks and 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 and foreign exchange risk.

### Interest Rate Risk

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

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 2009/2010, which were approved along with the Council's annual budget as part of the annual Medium Term Financial Strategy review on 26<sup>th</sup> February 2009, are shown below. This table also shows the changes to these indicators for the two financial years ahead which were made in February 2010 when the Medium Term Financial Strategy was again reviewed

Limits in interest rate exposure	2008/2009	2009/2010	2010/2011	2011/2012
	£000s	£000s	£000s	£000s
Maximum principal sums borrowed > 364 days	£4m	£7m	£10m	£10m
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	£4m	£6m	£6m

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 35 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 laid down a 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, 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 2009/2010 Rossendale Borough Council received £478k of this total to fund its own services (£95k in 2008/2009). Following central government announcements in June 2010, further funds from the LAA Performance Reward Grant are unlikely as disclosed in Note 32.

# Notes to Core Financial Statements

## Note 36 Reconciliation of Revenue Surplus to Net Cash Flow

	31 <sup>st</sup> March 2009	31 <sup>st</sup> March 2010
	£000s	£000s
Income & Expenditure Account	(148)	(607)
<b>Total Surplus/(Deficit) for the Year</b>	<b>(148)</b>	<b>(607)</b>
<b>Non-Cash Transactions</b>		
Depreciation and Impairments	989	4,270
Amortisation of Government Grants Deferred	(188)	(3,421)
Application of Grants Unapplied Reserves	159	(154)
Grants funding REffCuS amortised/written off in the year	(3,205)	(3,094)
Pension Fund Adjustment	533	1,046
<b>Adjustment between accruals and cash accounting</b>		
(Increase)/Decrease in Stocks	40	16
(Increase)/Decrease in Debtors	292	(118)
Increase/(Decrease) in Creditors	(49)	(465)
Increase/(Decrease) in Provisions	70	(275)
<b>Adjustment for items reported separately on the Cash Flow Statement</b>		
Income from servicing of finance	(596)	(212)
Revenue expenditure funded from capital under statute	3,470	3,095
Gains/(losses) on the disposal of assets	(607)	192
<b>Net cash inflow/(outflow) from revenue activities</b>	<b>760</b>	<b>273</b>

## Note 37 Net Change in Liquid Resources

	31 <sup>st</sup> March 2009	31 <sup>st</sup> March 2010	Movement
	£000s	£000s	in/(out) £000s
Cash in Hand	3	2	(1)
Cash at Bank	377	1,223	846
<b>Net Book Value at 31st March</b>	<b>380</b>	<b>1,225</b>	<b>845</b>



# Notes to Core Financial Statements

## Note 38 Cash Received through Government Grants

	31 <sup>st</sup> March 2009	31 <sup>st</sup> March 2010
	£000s	£000s
<b>Revenue Grants</b>		
General Grants	1,336	1,497 *
NNDR	5,450	5,069
DWP grants for benefits	<u>19,876</u>	<u>21,729</u>
	26,662	28,295
<b>Other Government Revenue grants</b>		
Business Rates Admin	101	101
North West Development Agency	92	108
Single Regeneration Budget	11	-
DEFRA - Contaminated Land Grant	98	-
Housing Planning Delivery Grant	83	- *
Housing Benefits Grant	608	649
DWP Benefit Projects Grant	-	23
Supporting People Grant (Homelessness)	40	70
Dept for Transport (Concessionary Travel)	-	211
Planning for Climate Change	23	22
Communities for Health	120	100
Pathfinder ( Elevate )	2,219	2,637
Housing Subsidies- Disabled facilities	294	353
Regional Housing Pot	552	431
Others	<u>5</u>	<u>62</u>
	4,246	4,767
<b>Capital Grants</b>		
Mortgage Rescue Scheme	-	60
Empty Shops Revival Grant	-	53
	-	113
	<b>30,908</b>	<b>33,175</b>

\* Denotes the fact that Housing Planning Delivery Grant has changed classification in 2009/2010 to a General Government Grant.

## Note 39 Approval of Statement of Accounts

The Audit Committee considered and approved the Statement of Accounts on the 29th June 2010. These Accounts have subsequently been audited and any amendments required have been incorporated.

This amended and audited Statement of Accounts has now been considered at the Audit and Accounts Committee on the 27<sup>th</sup> September 2010 and is authorised for issue as at that date.



### Councillor Granville Morris

Chair of the Audit and Accounts Committee

# Collection Fund

2008/2009 £000	COLLECTION FUND		2009/2010 £000	Note
	<b>Income</b>			
27,946		Council Tax Income	28,449	
5,044		Council Tax Benefit	5,791	
12,012 *		Non-Domestic Rates	11,445	
<b>45,002</b>	<b>Total Income</b>		<b>45,685</b>	
	<b>Expenditure</b>			
	Precepts and Demands			
23,163		Lancashire County Council	24,005	
5,346		Rossendale Borough Council	5,541	
2,924		Lancashire Police Authority	3,077	
1,294		Lancashire Fire Authority	1,352	
	Non-Domestic Rates			
11,911		Payment to National Pool	11,343	
101		Cost of Collection Allowance	101	
210 *		Provisions for Council Tax Bad Debts	391	CF4
<b>44,949</b>	<b>Total Expenditure</b>		<b>45,810</b>	
<b>53</b>	<b>Surplus/(deficit) for the year</b>		<b>(125)</b>	

Note 1 to the Core Statements explains the treatment of the Collection Fund has changed in the SORP 2009.

## Note 1 Surplus/(deficit) apportionment

The table below shows how the surplus/(deficit) on the Collection Fund is distributed across the major preceptors on an agency basis each year.

2008/2009 £000	Apportionment of in-year surplus/(deficit) to major preceptor		2009/2010 £000	Note
	<b>%ge</b>	<b>Preceptor</b>		
38	71.23%	Lancashire County Council	(90)	
9	16.78%	Rossendale Borough Council	(20)	9
4	8.08%	Lancashire Police Authority	(10)	
2	3.91%	Lancashire Fire Authority	(5)	
<b>53</b>	<b>Surplus/(deficit) for the year</b>		<b>(125)</b>	

## Note 2 Collection Fund Adjustment Account

The surplus/(deficit) attributable to Rossendale Borough Council now resides in the Collections Fund Adjustment Account on the Balance Sheet, as shown below

2008/2009 £000	Apportionment of in-year surplus/(deficit) to major preceptor		2009/2010 £000	Note
2		Balance at 1st April	11	
9		Apportioned surplus/(deficit) for the year	(20)	9
<b>11</b>	<b>Balance at 31st March</b>		<b>(9)</b>	

# Collection Fund

## Note 3 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: 21,659 for 2009/2010). This basic amount of council tax for a Band D property (£1,566.19 for 2009/2010 – see note 7 for details) is multiplied by the proportion specified for the particular band to give an individual amount due.

The council tax base has been calculated as follows:-

Band	Ratio to Band D	Total No. Properties	Total equiv No. after Discounts & Exemptions	2009/2010 Band D Equivalent	2008/2009 Band D Equivalent
Special	5/9		52.00	27.20	27.10
A	6/9	15,775	13,348.50	8,899.00	8,862.30
B	7/9	4,689	4,201.50	3,267.80	3,206.20
C	8/9	3,855	3,520.00	3,128.90	3,060.70
D	1	3,222	2,999.30	2,999.30	2,964.80
E	11/9	1,839	1,736.25	2,122.10	2,086.60
F	13/9	643	608.75	879.30	858.00
G	15/9	436	409.00	681.70	687.10
H	2	37	27.00	54.00	54.50
			<b>30,496</b>	<b>26,902.30</b>	<b>22,059.30</b>
Less adjustments for anticipated changes to the base and losses on collection				(400.30)	(301.30)
<b>Band D equivalent number of properties</b>				<b>21,659.00</b>	<b>21,506.00</b>

## Note 4 Council Tax Provision for Bad Debts

	Total 2008/2009 £000s	Total 2009/2010 £000s
Balance as 1st April	1,372	1,540
Provision made in year	210	391
Debts written off	(42)	(181)
<b>Balance at 31st March</b>	<b>1,540</b>	<b>1,750</b>



# Collection Fund

## Note 5 Arrears

	Total 2008/2009 £000s	Total 2009/2010 £000s
Council Tax	2,838	3,088
Non-Domestic Rates	376	427
<b>Total Arrears at 31st March</b>	<b>3,214</b>	<b>3,515</b>

The Council Tax arrears pertaining to the Council are £470k 2008-09 and £513k 2009-10 (see note 19 to the core statement). The in-year collection rate for Council Tax has improved to 97.5% in 2009-10 from 97.4% in 2008-09. The Rossendale Borough Council portion of the Council Tax arrears is shown in Note 19 to the Core Statements.

The collection rate for NNDR in 2009-10 was 97.7% (98% in 2008-09), the decline reflecting the downturn in economic activity within the borough.

## Note 6 National Non-Domestic Rates (NNDR)

NNDR is organised on a national basis. The Government specifies an amount (48.5p in 2009/2010 and 46.2p in 2008/2009) 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 £11,631k for 2009/2010 (£12,186k for 2008/2009). This decline is attributable to the increase in relief on empty properties with a rateable value below £12,000.

The rateable value for the Council's area at the end of the financial year 2009/2010 was £30,250k (2008/2009 was £30,388k).

## Note 7 Council Tax for all Precepting Bodies 2009/2010

Precepting Bodies	2008/2009		2009/2010							
	Band D £	Increase %	Band A £	Band B £	Band C £	Band D £	Band E £	Band F £	Band G £	Band H £
Rossendale	246.26	2.90%	168.93	197.09	225.24	253.40	309.71	398.45	459.75	551.70
LCC	1,077.06	2.90%	738.87	862.01	958.16	1,108.30	1,354.59	1,600.88	1,847.17	2,216.60
Fire	60.16	3.74%	41.61	48.54	55.48	62.41	76.28	90.15	104.02	124.82
Police	135.96	4.50%	94.72	110.51	126.29	142.08	173.65	205.23	236.80	284.16
<b>Total (excl parish)</b>	<b>1,519.44</b>	<b>3.44%</b>	<b>1,044.13</b>	<b>1,218.15</b>	<b>1,365.17</b>	<b>1,566.19</b>	<b>1,914.23</b>	<b>2,294.71</b>	<b>2,647.74</b>	<b>3,177.28</b>
Whitworth Parish	21.48	4.52%	14.97	17.46	19.96	22.45	27.44	32.43	37.42	44.90
<b>Total (incl parish)</b>	<b>1,540.92</b>	<b>3.44%</b>	<b>1,059.10</b>	<b>1,235.61</b>	<b>1,385.13</b>	<b>1,588.64</b>	<b>1,941.67</b>	<b>2,327.14</b>	<b>2,685.16</b>	<b>3,222.18</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.

# Group Accounts

<i>Amended as Core Note 1*</i>		<b>GROUP INCOME AND EXPENDITURE ACCOUNT</b>	
2008/2009			2009/2010
£000s			£000s
	Continuing Operations		
892	Central Services to the Public		716
7,691	Cultural, Environmental & Planning		7,488
802	Highways, Roads & Transport Services		589
803	Housing General Fund		472
2,064	Corporate & Democratic Core		1,681
(919)	Other Central Services		188
674	Non-Distributed Costs		111
<b>12,007</b>	<b>Net Cost of Services</b>		<b>11,245</b>
(1,544)	(Gain)/Loss on disposal of fixed assets		(55)
(401)	Other Income		(148)
50	Whitworth Town Council Precept		53
23	(Surplus)/Deficit on Trading Undertakings		211
-	Contribution of housing capital receipts to Government Pool		7
219	Interest Payable		217
(865)	Interest and investment income		(227)
(26)	Taxation		(1)
1,124	Pensions interest cost and expected return on pension assets		2,027
<b>10,587</b>	<b>Net Operating Expenditure</b>		<b>13,329</b>
(5,338) *	Precept on Collection Fund		(5,521)
(964)	Government Grants: General Government Grants		(2,125)
(5,450)	Distribution from NNDR Pool		(5,069)
<b>(1,165)</b>	<b>Net (Surplus)/Deficit</b>		<b>614</b>

<b>Reconciliation of Single Entity (surplus)/deficit for the year to the Group (surplus)/deficit</b>	2008/2009	2009/2010
	£000s	£000s
(Surplus)/Deficit for Rossendale Borough Council	148	607
(Surplus)/Deficit arising from other entities:		
Rossendale Transport Ltd	(1,291)	9
Trust Funds	(22)	(2)
	<b>(1,165)</b>	<b>614</b>

<i>Amended as Core Note 1*</i>		<b>GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES</b>	
2008/2009			2009/2010
£000s			£000s
1,165 *	Surplus/(deficit) on Income & Expenditure Account		(614)
(739)	Surplus/(deficit) on revaluation of assets		128
-	Surplus/(deficit) on revaluation of available-for-sale financial assets		-
(728)	Actuarial gains/(losses) on pension fund assets		(7,317)
- *	Surplus/(deficit) on Collection Fund		-
<b>1,153</b>	<b>Total recognised gains &amp; (losses) for the year</b>		<b>(7,803)</b>

# Group Accounts

Amended as per Core Note 1* 2008/2009		GROUP BALANCE SHEET		2009/2010		Note
£000s	£000s			£000s	£000s	
	378	Intangible Assets			260	
		Tangible Assets				
		Operational Assets				
19,913		Other Land and Buildings		16,383		
4,781		Vehicles, Plant, Furniture & Equipment		6,695		
303		Community Assets		327		
		Non-Operational Assets				
654		Investment Assets		895		
125		Infrastructure		278		
781		Surplus assets held for disposal		601		
	26,557				25,179	GR3
1,462		Long-term Investments		1,462		
111		Long-term Debtors		118		
	1,573				1,580	
	<b>28,508</b>	<b>Total long-term Assets</b>			<b>27,019</b>	
		Current Assets				
72		Stocks and Work in Progress		152		
6,316	*	Debtors		6,966		
(918)	*	Provision for Impairment		(957)		
5,500		Investments		8,000		
505		Cash at Bank		1,476		GR1
	11,475				15,637	
		Current Liabilities				
(1,500)		Borrowing repayable within 12 months		(184)		
(5,124)	*	Creditors		(6,921)		
(425)		Bank Overdraft		-		GR1
	(7,049)				(7,105)	
	<b>32,934</b>	<b>Total Assets less Current Liabilities</b>			<b>35,551</b>	
		Long-term Liabilities				
(2,663)		Long-term Borrowing		(7,653)		
(4,104)		Government Grants Deferred		(741)		
(515)		Grants Unapplied		(579)		
(711)		Provisions		(986)		
(24,831)		Liability related to Pension Scheme		(33,285)		
	(32,824)				(43,244)	
	<b>110</b>	<b>Total Assets less Liabilities</b>			<b>(7,693)</b>	
	3,009	Revaluation Reserve			3,165	
	10,513	Capital Adjustment Account			10,170	
	1,338	Useable Capital Receipts Reserve			1,354	
	1,455	Available-for-sale Financial Instruments Reserve			1,455	
	11 *	Collection Fund Adjustment Account			(9)	
	18	Deferred Capital Receipts			10	
	(23,839)	Pension Reserve			(31,959)	
	4,732	Earmarked Reserves			5,434	
	2,873 *	Fund Balances and Reserves			2,687	
	<b>110</b>	<b>Net Equity</b>			<b>(7,693)</b>	

# Group Accounts

<i>Amended as per Core Note 1*</i>		<b>GROUP CASH FLOW STATEMENT</b>		Note
2008/2009		2009/2010		
£000	£000	£000	£000	
	1,555		1,625	
	(41)		13	
	(213)		(218)	
	610		462	
	397		244	
	(5,113) *		(426)	
	(25)		(41)	
	2,525		600	
	-		113	
	430		167	
	(2,183)		413	
	<b>(3,088)</b>		<b>2,295</b>	
	(3,250)		(2,500)	
	(61)		(908)	
	-		(1,500)	
	-		4,600	
	2,354		(591)	
	1,130		2,509	
	<b>607</b>		<b>1,396</b>	GR1

## Note 1 Net change in liquid resources

	31st March 2009 £000s	31st March 2010 £000s	Movement in Year £000s
Cash in Hand	3	2	(1)
Cash at Bank	502	1,474	972
Bank Overdraft	(425)	-	425
	<b>80</b>	<b>1,476</b>	<b>1,396</b>

## Note 2 Detailed analysis of Net Cost of Services

	2008/2009 £000s	2009/2010 £000s
Net Cost of Continuing Services - Rossendale Borough Council	12,172	11,552
Net Income from Continuing Services - Rossendale Transport Ltd	(147)	(307)
Trust Funds	(18)	-
<b>Total Group Net Cost of Continuing Services</b>	<b>12,007</b>	<b>11,245</b>

# Group Accounts

## Note 3 Tangible Assets

	Operational			Non-Operational			Total Assets £000s
	Land & Buildings £000s	Vehicles	Community Assets £000s	Investment Assets £000s	Infra-structure Assets £000s	Surplus Assets for Disposal £000s	
		Plant Equip £000s					
Gross Book Value at 1 <sup>st</sup> April	21,083	11,671	416	707	125	781	34,783
Accumulated Depreciation & Impairment	(1,170)	(6,890)	(113)	(54)	-	-	(8,227)
<b>Net Book Value at 1<sup>st</sup> April</b>	<b>19,913</b>	<b>4,781</b>	<b>303</b>	<b>653</b>	<b>125</b>	<b>781</b>	<b>26,556</b>
Revaluations	(146)	-	-	167	-	108	129
Reclassification	(23)	-	-	75	-	(52)	-
Additions	473	3,091	26	-	153	-	3,743
Disposals	-	(12)	-	-	-	(235)	(247)
Impairments	(3,413)	-	(2)	-	-	-	(3,415)
Depreciation for the year	(421)	(1,166)	-	-	-	-	(1,587)
<b>Net Book Value at 31<sup>st</sup> March</b>	<b>16,383</b>	<b>6,694</b>	<b>327</b>	<b>895</b>	<b>278</b>	<b>602</b>	<b>25,179</b>

## Note 4 Trust Funds

The Council acts as trustee for a number of legacy trust funds shown below in £s.

Trust Funds	Value of Original Asset £	Balance 31 <sup>st</sup> March 2009 £	Income Earned & Transfers £	Utilised £	Balance 31 <sup>st</sup> March 2010 £
J H Pilling Legacy <i>Maintenance of Stubbylee Park</i>	3,348	19,244	154	-	19,398
Miles Ashworth Endowment <i>Maintenance of Stubbylee Park</i>	6,574	14,718	522	-	15,240
Mechanics Institute Scholarship <i>Student scholarship for Bacup</i>	60	3,061	25	-	3,086
W Hardman Bequest <i>Exhibits for Rosendale Museum</i>	100	4,390	35	-	4,425
Local Charities Account <i>Charitable activities in Haslingden</i>	2,200	23,307	186	-	23,493
S Pilling Trust <i>Student support in Haslingden</i>	200	2,803	22	-	2,825
Greenfield Trust Massage Centre <i>Haslingden War Memorial</i>	1,157	22,958	184	-	23,142
Bacup Orchestral Scholarship <i>School instrumental scholarship</i>	200	892	7	-	899
Smith Prize for Music <i>Boys Music Festival Prize</i>	150	1,104	9	-	1,113
Mayor of Haslingden Relief Fund <i>Charitable relief in Haslingden</i>	176	922	7	-	929
Haslingden Grane Duckworth <i>Charitable relief in Haslingden</i>	1,990	13,852	111	-	13,963
Lawrence Henry & Minetta Clegg <i>Charitable relief in Rawtenstall</i>	2,550	9,501	63	-	9,564
Mayor of Rosendale Fund <i>Charitable activities in Rosendale</i>	170	8,662	57	-	8,719
	<b>18,875</b>	<b>125,414</b>	<b>1,382</b>	<b>-</b>	<b>126,796</b>

# Capital Expenditure Report

The cost of capital projects in the table below can be seen in the Capital Financing Requirement at Note 13 to the Core Statements.

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	50	50			
I.T Strategy & Systems	3	3			
Cemetery improvement programme	9	9			
Haslingden Sports Centre	33			33	
Whitworth Pool disabled adaptations	13			13	
Other Leisure Buildings	13	13			
A, B & D Centre	22			22	
Emergency Works, Rochdale Road	13			13	
	<b>156</b>	<b>75</b>	<b>-</b>	<b>81</b>	<b>-</b>
<b>Delivering Regeneration</b>					
Bacup Town Centre Culvert	125	125			
Park Road Industrial Estate road surface	28			28	
The Business Centre, Futures Park	127	3		124	
Site investigations, former gas works	91				91
Elevate Environmental Wks	248				248
Elevate Facelifting Programme	1,857				1,857
Other Elevate Projects	124				124
Other Regeneration Projects	32				32
	<b>2,632</b>	<b>128</b>	<b>-</b>	<b>152</b>	<b>2,352</b>
<b>Keeping the Borough Clean &amp; Green</b>					
Vehicle Replacement Program	1,510		160	1,350	
Wheeled Bins	28		28		
Depots and Workshops	148		22	126	
Environmental Improvements Programme	8	8			
Playgrounds - Year 4 of a 5 yr Plan	177	87	47		43
Cemeteries - Year 4 of a 5 yr Plan	15	15			
Pathways - Year 3 of a 5 yr Plan	36	36			
Playing fields - Year 3 of a 5 yr Plan	19	19			
Cenotaphs / Memorials	6	6			
Other Parks & Pavillions	9	6	3		
	<b>1,956</b>	<b>177</b>	<b>260</b>	<b>1,476</b>	<b>43</b>
<b>Promoting Rossendale</b>					
Borough signs	23	23			
Museum Improvements	2	2			
	<b>25</b>	<b>25</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Improving Health &amp; Wellbeing</b>					
Disabled Facilities Adaptation Grants	714				714
Home Care & Repair Scheme	32				32
	<b>746</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>746</b>
<b>Grand Total</b>	<b>5,515</b>	<b>405</b>	<b>260</b>	<b>1,709</b>	<b>3,141</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.

## 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 other precepting bodies and to Rossendale Borough Council's General Fund for the year.

Following the SORP 2009, the Collection Fund is now operated on an agency basis. That means that the accumulated balances at the year end, including arrears and accounts in credit are apportioned over the main precepting bodies. Rossendale Borough Council's proportion of the debtors and accounts in credit can be directly on the Balance Sheet and at Note 19 and 22 to the Core Statements and the Council's proportion of the overall surplus/(deficit) on the account is now held in the Collection Fund Adjustment Account. Those amounts attributable to each of the other preceptors are included as a net position within the Other Public Bodies sections of Note 19 and Note 22 respectively.

## Collection Fund Adjustment Account

A new account created following the SORP 2009, which holds that portion of the Collection Fund cumulative balance attributable solely to Rossendale Borough 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 coordinated 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 (FRS17)

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.

## Impairment

A measure of abnormal consumption of the economic benefit of an asset over and above the normal annual depreciation.

## 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.

## International Financial Reporting Standards (IFRS)

International Financial Reporting Standards will replace the current Statement of Recommended Practice for all local authorities in the UK from the financial year commencing 1<sup>st</sup> April 2010. These accounts have not been prepared on an IFRS basis, but follow the SORP 2009. However, work has already begun to allow these 2009/2010 accounts to be fully re-stated next year following IFRS to enable true year-on-year comparisons to be made within the 2010/2011 Statement of Accounts. Full details of any changes will be explained within those accounts.

## 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, for example Lancashire County Council is a precepting authority which requires Rossendale Borough Council to collect an amount from each householder within the borough. Details of these charges made and the amounts collected and owing are kept separate from the day-to-day running of Rossendale Borough Council in the Collection Fund.

## **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 underlays 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.

## **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.

# Glossary

## Statement of Recommended Practice (SORP)

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.



