

LANCASTER CITY COUNCIL

# Statement of Accounts 2006-07



LANCASTER  
CITY COUNCIL

Promoting City, Coast & Countryside



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# STATEMENT OF ACCOUNTS

## EXPLANATORY FOREWORD

### 1 INTRODUCTION

This document sets out the City Council's annual accounts for the financial year ended 31 March 2007. The format follows the requirements for publication of financial information as set out by the Code of Practice on Local Authority Accounting, issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The document includes a statement of the accounting policies adopted by the Authority, together with a brief explanation of the purpose of and links between the main accounting statements. Readers should note that for 2006/07, the Code of Practice was updated to take account of various aspects of Generally Accepted Accounting Practice (known as 'GAAP') and this has required restatement of the figures for 2005/06, to enable year on year comparisons to be made.

The purpose of this foreword is to provide an overall summary of the Council's financial position for 2006/07 and assist in the interpretation of the accounting statements.

### 2 REVENUE POSITION

#### 2.1 Revenue Summary

The table below summarises the General Fund revenue income and expenditure for the financial year 2006/07.

|   | 2006/07                      |                             | Actual<br>£000  | Variance<br>from<br>Revised<br>Estimate<br>£000 |
|---|------------------------------|-----------------------------|-----------------|---|
|   | Original<br>Estimate<br>£000 | Revised<br>Estimate<br>£000 |                 |   |
| <b>Expenditure</b>                            |                              |                             |                 |   |
| Central Services to the Public                | 744                          | 813                         | 712             | (101)   |
| Cultural, Environmental and Planning Services | 17,946                       | 14,464                      | 13,252          | (1,212)   |
| Highways, Roads & Transport Services          | 1,305                        | 271                         | 189             | (82)  |
| Housing Services                              | 3,595                        | 2,798                       | 2,307           | (491)   |
| Corporate & Democratic Core                   | 2,455                        | 2,483                       | 2,548           | 65  |
| Unapportionable Central Overheads             | (143)                        | (840)                       | 738             | 1,578   |
| <b>Net Cost of General Fund Services</b>      | <b>25,902</b>                | <b>19,989</b>               | <b>19,746</b>   | <b>(243)</b>                                    |
| Corporate Income & Expenditure                | (422)                        | (777)                       | (919)           | (142)   |
| Interest Payable & Similar Charges            | (1,639)                      | 1,692                       | 1,696           | 4   |
| Parish Precepts                               | 260                          | 260                         | 260             | 0   |
| Contribution to/(from) General Fund Reserve   | (410)                        | 573                         | 954             | 381   |
| <b>BUDGET REQUIREMENT</b>                     | <b>23,691</b>                | <b>21,737</b>               | <b>21,737</b>   | <b>0</b>  |
| <b>Funded by :</b>                            |                              |                             |                 |   |
| General Government Grants                     | (2,342)                      | (2,342)                     | (2,342)         | 0   |
| National Non Domestic Rates                   | (12,130)                     | (12,130)                    | (12,130)        | 0   |
| Council Tax                                   | (7,265)                      | (7,265)                     | (7,265)         | 0   |
| Collection Fund Balance                       | 0                            | 0                           | 0               | 0   |
| <b>TOTAL FUNDING</b>                          | <b>(21,737)</b>              | <b>(21,737)</b>             | <b>(21,737)</b> | <b>0</b>  |

## **2.2 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, with the exception of local authority housing (see section 2.3 below). The General Fund Revenue Budget for 2006/07 was originally approved by Council on 01 March 2006 at £21.737M (including £260,300 for precept payments to parishes) and assumed that balances would be £1.410M by 31 March 2007, though these were increased by a further £241,000 following the 2005/06 outturn.

Overall in 2006/07 there has been a net underspending of £381,000 against the Revised Budget. The main savings areas have been staff turnover, LABGI grant and investment interest. Net expenditure has also increased in some areas, however, such as Salt Ayre Sports Centre, searches and markets.

As a result of all these changes General Fund unallocated balances stand at £3.015M as at 31 March 2007, which is well in excess of the basic minimum £1M level. This is before consideration of any requests by Services to carry forward budgets; if any are approved this will effectively reduce available amounts. It is also highlighted that of the £3.015M, use of approximately £1.6M has already been built into the Council's revenue budget forecasts for 2007/08 onward, as set out in its Medium Term Financial Strategy (MTFS).

## **2.3 Housing Revenue Account (HRA)**

The Local Government and Housing Act 1989 requires Councils to maintain a separate ring-fenced account for the provision of local authority housing, which cannot be subsidised by the General Fund. This account, known as the Housing Revenue Account (HRA), deals with all the transactions involving the management of the Council's housing stock. Full details of this are included later within these accounts.

As at 31 March 2007 the working balance on the Housing Revenue Account amounted to £758,000, giving a reduction of £394,000 from the position at the start of the year. This still represents an improvement of £408,000, however, when compared with the Revised Budget. This improvement is mainly due to reduced spending on repair and maintenance, additional investment interest, and a reduced contribution to the bad debt provision. Current Council Policy is to maintain housing balances at £350,000.

## **3 CAPITAL POSITION**

In 2006/07 the City Council spent £33.631M on capital schemes. An analysis of the expenditure and funding is shown on the following page.

The Council's revised Capital Programme for 2006/07 was £36.223M, however due to delays in starting a number of schemes, around £2.5M will need to be rolled forward into 2007/08.

The capital programme is financed from a variety of sources such as capital receipts, grants, revenue, reserves and borrowing. With regard to the latter, the Council can borrow money for capital purposes provided it can meet certain criteria, linked to affordability, sustainability and prudence, as determined by the Prudential Code Framework.

## Summary of Capital Expenditure and its Financing

| Capital Expenditure             | £'000         | Capital Financing      | £'000         |
|---------------------------------|---------------|------------------------|---------------|
| Council Housing                 | 3,723         | Grants & Contributions | 27,346        |
| City Council (Direct) Services  | 1,264         | Reserves               | 3,115         |
| Health & Strategic Housing      | 5,647         | Unsupported Borrowing  | 1,182         |
| Cultural Services               | 234           | Capital Receipts       | 1,988         |
| Planning                        | 11,595        |                        |               |
| Economic Development            | 10,624        |                        |               |
| Information & Customer Services | 209           |                        |               |
| Property Services               | 295           |                        |               |
| Corporate Strategy              | 40            |                        |               |
|                                 | <b>33,631</b> |                        | <b>33,631</b> |

In 2006/07 the cost of financing external borrowing (i.e. interest charges) was £2.7M, and the value of long term debt owed as at 31 March 2007 amounted to £44.8M, which is the same as the previous year. The overall level of debt should be viewed in relation to the Council's long term assets, which had a net book value of around £270M as at 31 March 2007.

#### 4 PENSION LIABILITY

In accordance with recent changes to accounting practice, the Council must show the present surplus or deficit position on its share of the Pension fund. For Lancaster, the net position as at 31 March 2007 showed a liability of £27.803M compared to a liability of £33.031M for the previous financial year. This represents a reduction in liability of £5.228M.

The liabilities have been assessed on an actuarial basis using an estimate of the pensions that will be payable in future years, taking account of assumptions about mortality rates, salary levels etc., and clearly these may vary. Also it is emphasised that such estimated liabilities will not become due immediately or all at once, as they relate to estimated pensions payable to current scheme members on their normal retirement dates. The position represents simply a snapshot as at the end of the financial year, based on prevailing market and other economic conditions and assumptions. As such, it may fluctuate markedly from one year to the next.

Notwithstanding these points, however, the future costs and funding of pensions are national issues that are still being considered by Government.

#### 5 CONCLUSION

During 2006/07 the Council continued to strengthen its overall financial position, in line with the improvements made in previous years. It has kept its net spending within budget and whilst there are some areas of overspending, the majority of underspends have been on controllable income and expenditure areas. As at 31 March 2007 balances were well above the basic minimum level, though as mentioned earlier the majority of this has already been identified to support future years' budget forecasts.

A more detailed report on the outturn position will be presented in due course to Cabinet and the Budget and Performance Panel. This scrutiny of the 2006/07 financial performance will then inform the review of the Council's Medium Term Financial Strategy, and the 2007/08 corporate financial monitoring processes.

## STATEMENT OF ACCOUNTING POLICIES

### 1 GENERAL

The accounts of the authority have been prepared in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom : A Statement of Recommended Practice* (SORP) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), taking account of the supplementary guidance notes issued by CIPFA on the application of the Statement of Recommended Accounting Practice to local authorities.

The purpose of this statement is to explain the basis of the figures included in the accounts, as the view that they present can only be properly appreciated if these policies are explained fully. This statement provides this information.

### 2 ACCRUALS OF INCOME AND EXPENDITURE

All expenditure and income, both revenue and capital, has been accrued and accounted for in the period to which it relates.

### 3 FIXED ASSETS

#### 3.1 Recognition

Expenditure on the acquisition of a tangible asset, or expenditure which adds to, and not merely maintains, the value of an existing asset, is capitalised and classified as a fixed asset, provided that the fixed asset yields benefits to the Authority and the services it provides for a period of more than one year. Generally where such expenditure is less than the de minimis level of £10,000, it is not capitalised, but is charged to revenue in the year in which it is incurred.

Assets acquired under finance leases are capitalised and included together with a liability to pay future rentals.

Where a fixed asset is acquired for other than a cash consideration or where payment is deferred, the asset is recognised and included in the balance sheet at fair value.

Capital expenditure incurred on fixed assets, which does not materially add to the value of the assets concerned, is charged in full to the relevant fixed asset with the excess of any cost over value being written off to the fixed asset restatement reserve.

#### 3.2 Measurement

De minimis levels were last revised in 2004/2005 and set so that assets of small value do not have to be included in the balance sheet. This is done on the grounds that their exclusion has no material effect.

Infrastructure assets and community assets are included in the balance sheet at historical cost, net of depreciation, where appropriate.

Properties regarded by the Authority as operational have been valued on the basis of open market value for their existing use or, where this could not be assessed because there was no market for the subject asset, the depreciated replacement cost.

Vehicles and moveable plant are regarded as operational, and are included in the balance sheet at depreciated replacement cost. Where depreciated replacement cost is not available, historic cost has been used as a proxy.

Properties regarded by the Authority as non-operational have been valued on the basis of open market value.



Fixtures, fittings and immovable plant are included in the valuation of the buildings.

### **3.3 Revaluations**

Where an asset is included in the balance sheet at current value, it should be formally revalued at intervals of not more than five years and the revised amount included in the balance sheet.

The value at which each category of assets is included in the balance sheet is reviewed at the end of each reporting period and where there is reason to believe that its value has changed materially in the period, and that the change is likely to be other than temporary, the valuation is adjusted accordingly. Any such general reductions in asset values are disclosed as impairment changes.

### **3.4 Disposals**

Income from the disposal of fixed assets is credited to the usable capital receipts reserve, and accounted for on an accruals basis.

Where a fixed asset is disposed of for other than a cash consideration, or payment is deferred, an equivalent asset is recognised and included in the balance sheet at its fair value.

### **3.5 Depreciation**

Depreciation is provided for all relevant categories of fixed assets with a finite useful life, including council dwellings. For council dwellings the Major Repairs Allowance (MRA) is used as a proxy for depreciation.

For other assets, provision for depreciation is made by allocating the cost (or revalued amount) less estimated residual value of the assets as fairly as possible to the periods expected to benefit from their use. The depreciation methods used are the ones which are the most appropriate to the type of asset and their use in the provision of services.

The useful lives of assets are estimated on a realistic basis, reviewed regularly and, where necessary, revised.

Depreciation is not provided for freehold land (whether operational or non-operational). Depreciation is based on the amount at which the asset is included in the balance sheet, whether net current replacement cost or historical cost, and is calculated on the opening balance.

## **4 DEFERRED CHARGES**

Following earlier changes to the SORP the heading for deferred charges has been replaced with intangible assets, which brings the terminology in line with UK Generally Accepted Accounting Practice (GAAP) and recognises the requirements of Financial Reporting Standard (FRS)10 "Goodwill and Intangible Assets".

Deferred charges should be amortised to revenue over an appropriate period consistent with the consumption of the economic benefits controlled by the Local Authority. Because of the types of expenditure to which deferred charges usually apply, eg improvement grants, a local authority will seldom control the economic benefit arising from the expenditure and in such cases 100% of the deferred charge is amortised to revenue in the year the deferred charge is recognised.

## **5 INTANGIBLE ASSETS**

In those cases where the authority does control the economic benefit arising from the expenditure then it is recognised as an asset in the balance sheet. Purchased intangible assets (eg software licences) are now capitalised as assets based on actual cost, and are amortised to revenue over a five year period.

## **6 BASIS FOR CHARGES FOR CAPITAL**

Each service within the City Council is charged with a capital charge for all fixed assets used in the provision of that service. The now consists only of the relevant charge for depreciation. The

requirement for the charges to include a capital financing charge, determined by applying a specified notional rate of interest to the net value at which the asset is included in the balance sheet, has now been removed.

## **7 DEBTORS AND CREDITORS**

The revenue and capital accounts of the Council are maintained on an accruals basis in accordance with the Code of Accounting Practice and FRS 18. 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. There are minor exceptions but these are not material compared with the total for the year.

## **8 STOCKS AND WORKS IN PROGRESS**

Goods and materials chargeable to revenue, which have not been consumed by the end of the year, have been carried forward to be charged in the accounting period in which they are consumed. Statement of Standard Accounting Practice (SSAP) 9 requires that stocks should be shown at the lower of cost or net realisable value. Stocks held in stores are shown in the accounts at their latest replacement cost net of provision for obsolescence / reduction in value, as an estimation of their net realisable value. Other stocks are shown at cost price.

Work in progress at the year end is included in the accounts at cost price.

## **9 OVERHEADS**

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, services provided for other bodies and other support services.

The cost of service management (comprising all management except corporate management) is in the same way apportioned to the accounts representing the activities managed.

The bases of apportionment adopted is consistent for all the heads to which apportionments are made.

The costs of corporate management and unapportionable central overheads are allocated to separate objective headings kept for these purposes and are not reapportioned to any other heading.

## **10 PROVISIONS FOR BAD AND DOUBTFUL DEBTS**

Provision has been made for doubtful debts, and known uncollectable debts have been written off during the year.

## **11 RESERVES**

Amounts set aside for purposes falling outside the definition of provisions are considered as reserves, and transfers to and from them are distinguished from service expenditure disclosed in the Statement of Accounts. No expenditure is charged directly to any reserve.

Capital reserves are not available for revenue purposes and certain elements of them can only be used for specific statutory purposes. The fixed asset restatement account, usable capital receipts, and capital financing account are examples of such reserves.

## **12 PENSIONS**

The attributable assets (if any) of each scheme should be measured at their fair value at the balance sheet date. Scheme assets include current assets as well as investments. Any liabilities such as accrued expenses should be deducted. The attributable scheme liabilities should be measured on an actuarial basis using the projected unit method. The scheme liabilities comprise:

- i. any benefit promised under the formal terms of the scheme; and

- ii. any constructive obligations for further benefits where a public statement or past practice by the employer has created a valid expectation in the employees that such benefits will be granted.

The surplus/deficit in a scheme is the excess/shortfall of the value of the assets in the scheme over/below the present value of the scheme liabilities. An authority should recognise an asset to the extent that it is able to redress a surplus either through reduced contributions in the future or through refunds from the scheme. An authority should recognise a liability to the extent that it reflects its legal or constructive obligation.

Any unpaid contributions to the scheme should be presented in the balance sheet as a creditor due within one year.

The change in the defined benefit asset or liability (other than that arising from contributions to the scheme) should be analysed into the following components:

- i. Periodic costs:
  - a. current service cost;
  - b. interest cost;
  - c. expected return on assets; and
  - d. actuarial gains and losses; and
- ii. Non-periodic costs:
  - a. past service costs; and
  - b. gains and losses on settlements and curtailments.

The current service cost should be included within Net Cost of Services (except in so far as the related employee remuneration is capitalised in accordance with the Code and Statute). The net of the interest cost and the expected return on assets should be included within Net Operating Expenditure. Actuarial gains and losses arising from any new valuation and from updating the latest actuarial valuation to reflect conditions at the balance sheet date should be recognised in the Statement of Total Movements for the period.

Past service costs should be recognised in Net Cost of Services on a straight-line basis over the period in which the increases in benefit vest. To the extent that the benefits vest immediately, the past service cost should be recognised immediately.

Losses arising on a settlement or curtailment not allowed for in the actuarial assumptions should be measured at the date on which the authority becomes demonstrably committed to the transaction and recognised in Net Cost of Service at that date. Gains arising on a settlement or curtailment now allowed for in the actuarial assumptions should be measured at that date on which all parties whose consent is required are irrevocably committed to the transaction and recognised in Net Cost of Services at that date.

### **13 INVESTMENT INTEREST**

Interest is credited to the General Fund and the Housing Revenue Account based on the equated level of their respective fund balances.

### **14 INVESTMENTS**

Current investments are shown in the Balance Sheet at cost less any provision required for loss in value. Dividends on Longer Term Investments have been credited to revenue when paid. Details of the Council's holdings in any companies are set out in the notes to the Balance Sheet.

### **15 GOVERNMENT GRANTS**

Where the acquisition of a fixed asset is financed either wholly or in part by a government grant or other contribution, the amount of the grant or contribution is credited initially to the government grants-deferred account. Amounts are released to the income and expenditure account over the useful life of the asset to match the depreciation charged on the asset to which it relates.

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.

## **16 LEASES**

Rental payments under finance leases are apportioned between the finance charge and the principal element, i.e. the reduction of the liability to pay future rentals. The finance element of rentals is charged to the relevant service account.

Rentals payable under operating leases are charged to revenue on an accruals basis.

## **17 DEBT RESCHEDULING**

Gains or losses arising on the repurchase or early settlement of borrowing are recognised in the income and expenditure account in the periods during which the repurchase or early settlement is made. Where however the repurchase of borrowing is coupled with a refinancing or restructuring of borrowing with substantially the same economic effect when viewed as a whole, gains and losses are recognised over the life of the replacement borrowing. The balance of any outstanding premia is held on the balance sheet as a deferred premium, and the balance of any outstanding discounts is shown as a deferred credit.

## **18 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. This is the aggregate of 4% of the Adjusted Capital Financing Requirement at the beginning of the year for the General Fund.

## **19 CAPITAL RECEIPTS**

Previously, capital receipts from the disposal of assets were treated in accordance with the provisions of the Local Government and Housing Act 1989, whereby 75% of council house sales were set aside to repay debt, however Section 11 (2)(b) of the Local Government Act 2003 now requires all or part of these receipts to be pooled and paid to the Secretary of State.

Capital receipts other than from the sale of council houses can be fully utilised to finance capital expenditure. Capital receipts from asset sales are held in the usable capital receipts reserve until such time as they are required to fund other capital expenditure. There is a statutory de minimis level of £10,000 in respect of capital receipts and sums received up to this limit are credited into the appropriate revenue account.

## **20 VALUE ADDED TAX**

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

## **21 EXCEPTIONAL ITEMS, EXTRAORDINARY ITEMS AND PRIOR YEAR ADJUSTMENTS**

Exceptional items should be included in the cost of the service to which they relate or on the face of the Income and Expenditure Account if that degree of prominence is necessary in order to give a fair presentation of the accounts. An adequate description of each exceptional item should be given within the notes to the accounts.

Extraordinary items should be disclosed and described on the face of the Income and Expenditure Account after dealing with all items within the ordinary activities of the authority and should be explained fully in a note to the accounting statements.

The majority of prior period items arise from corrections and adjustments that are the natural result of estimates inherent in the accounting process. Such adjustments constitute normal transactions for the year in which they are identified, and should be accounted for accordingly.

Material adjustments applicable to prior years arising from changes in accounting policies or from fundamental errors should be accounted for by restating the comparative figures for the preceding period in the statement of account and notes and adjusting the opening balance or reserves for the cumulative effect. The cumulative effect of the any such adjustments should also be noted within the note to the accounts which details movements in Reserves. The effect of prior period adjustments on the outturn for the preceding period should be disclosed where practicable.

## **22 POST BALANCE SHEET EVENTS**

Where a material post balance sheet event occurs which:

- provides additional evidence relating to conditions existing at the balance sheet date; or
- indicates that application of the going concern concept to a material part of the authority is not appropriate.

changes should be made in the amounts to be included in the Statements of Accounts.

The occurrence of a material post balance sheet event which concerns conditions which did not exist at the balance sheet date should be disclosed. The disclosure should state the nature of the event and, where possible, an estimate of the financial effect of the event.

## **23 FOREIGN CURRENCY TRANSLATION**

Income and expenditure arising from a transaction denominated in a foreign currency should be translated into £ sterling at the exchange rate in operation on the date on which the transaction occurred; if the rates do not fluctuate significantly, an average rate for a period may be used as an approximation. Where the transaction is to be settled at a contracted rate, that rate should be used.

At each balance sheet date, monetary assets and liabilities denominated in a foreign currency should be translated by using the closing rate or, where appropriate, the rates of exchange fixed under the terms of the relevant transactions.

## **24 CONTINGENT ASSETS**

Contingent assets should not be accrued in the accounting statements, they should be disclosed by way of notes if the inflow of a receipt or economic benefit is probable.

## **25 CONTINGENT LIABILITIES**

Contingent liabilities should not be accrued in the accounting statements, they should be disclosed by way of notes if there is a possible obligation which may require a payment or a transfer of economic benefits.

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## SUMMARY OF FINANCIAL STATEMENTS

### **Statement of Responsibilities**

This explains the statutory responsibilities of the Council and its appropriate officers for the compilation and approval of the Statement of Accounts.

### **Statement of Accounting Policies**

This explains the basis of the figures shown in the accounts. It sets out the policies that have been followed in dealing with major items to help with understanding the accounts.

### **Statement on the Systems of Internal Control and Corporate Governance**

This sets out the framework within which internal control and corporate governance are managed and reviewed, and highlights any major weaknesses and corrective action.

## **THE CORE FINANCIAL STATEMENTS**

### **Income and Expenditure Account**

This reports the costs for the year of the major functions for which the Council is responsible and compares that cost with the finance provided from Council Tax, redistributed Non Domestic Rates and General Grants from Central Government. It provides a performance statement for the Council applying the standard accounting practices applicable in the UK. However, because there are some specific requirements that apply only to local authorities, the surplus or deficit shown does not have a direct impact on the Council Tax.

### **Statement of Movement on the General Fund Balance**

This takes as its starting point the surplus or deficit on the Income and Expenditure Account. It then takes into account the specific statutory and other items that apply to local authorities, to produce the overall impact on the General Fund, and so on the Council Tax.

### **Statement of Total Recognised Gains and Losses**

Not all of the Council's gains and losses will be recognised in the Income and Expenditure Account, for example gains which result from revaluations of fixed assets. This statement includes these items and so illustrates the overall financial gain or loss for the year. The bottom line on this statement will be equal to the change in 'Total Equity' as shown in the Balance Sheet.

### **Balance Sheet**

This is fundamental to the understanding of the Council's year end financial position. It shows the balances and reserves at the Council's disposal and its long term indebtedness, the net current assets employed in the operations, and summarises information on fixed assets held. (It excludes Trust Funds).

### **Cash Flow Statement**

This statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

## **THE SUPPLEMENTARY FINANCIAL STATEMENTS**

### **Housing Revenue Account Income and Expenditure Account**

This is prepared on the same accounting basis as for the main Income and Expenditure Account above. It reflects a statutory obligation to account separately for local authority housing provision. It shows the major elements of housing revenue expenditure and how these are met by rents, subsidy and other income.

### **Statement of Movement on the Housing Revenue Account Balance**

This serves the same purpose, for the Housing Revenue Account, as the equivalent statement above does for the Council as a whole. It brings into account specific statutory and other items, and produces a figure which shows the overall impact of the year's activities on council house rents.

**Collection Fund**

This shows the transactions of the Council as a charging authority in relation to Non Domestic Rates, the Council Tax and any residual Community Charge. It illustrates the way in which these have been distributed to precepting authorities (such as the County Council and Police Authority) and the Council's own General Fund.

**Group Accounts**

This statement consolidates any material interests the Council may have in subsidiary and associated companies within one set of accounts.

It should be noted that Lancaster has no material interest in any companies and as such, there are no Group Accounts included in the Statement. Details of the Council's minority interests in any companies are shown in the notes to the Balance Sheet.

**Bequests, Endowments and Trust Funds**

These show the accounts of various Funds for which the Council is Trustee.

To be included after the audit of accounts



**Reserved for Auditor's Report**

# STATEMENT OF ACCOUNTS

## STATEMENT OF RESPONSIBILITIES

### 1 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 Financial Services;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- approve the statement of accounts, with the Chairman of the appropriate Committee signing and dating the statement accordingly.

### 2 AUDIT COMMITTEE CHAIRMAN'S CERTIFICATE

I certify that the Statement of Accounts for the financial year 2006/07 was approved by the Audit Committee at its meeting held on 27 June 2007, prior to the audit being completed.

Cllr M Thomas

### 3 THE HEAD OF FINANCIAL SERVICES' RESPONSIBILITIES

The Head of Financial Services as Section 151 Officer is responsible for the preparation of the authority's statement of accounts in accordance with proper practices set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ("the Code of Practice").

In preparing this statement of accounts, the Head of Financial Services has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with the Code of Practice.

The Head of Financial Services has also:

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

### 4 HEAD OF FINANCIAL SERVICES' CERTIFICATE

I certify that the Statement of Accounts presents fairly the financial position of the authority as at 31 March 2007 and the income and expenditure for the year then ended.

Nadine Muschamp, CPFA  
Head of Financial Services

To be included after approval by Audit Committee

**Reserved for Statement of Internal Control**

**Reserved for Statement of Internal Control**

**Reserved for Statement of Internal Control**

**Reserved for Statement of Internal Control**

# CORE FINANCIAL STATEMENTS

## INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2007

The Income and Expenditure Account shows the Council's actual financial performance, measured in terms of the resources consumed and generated over the financial year. However, the authority is required to raise Council Tax on a different accounting basis, the main differences being as follows;

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.
- The payment to the Government of a share of housing capital receipts counts as a loss in the Income and Expenditure Account, but is met from the monies from the capital receipts themselves, rather than from Council Tax.
- Retirement benefits are charged as amounts become payable to pensions funds and pensioners, rather than when future benefits are earned (for more detail see Note 39 page 41).

| 2005/06       |  | 2006/07        |                 |                | Notes |
|---------------|--|----------------|-----------------|----------------|-------|
|               |  | EXP            | INC             | NET            |       |
| £'000         |  | £'000          | £'000           | £'000          |       |
| 719           | Central Services to the Public   | 10,099         | (9,388)         | 711            |       |
| 13,705        | Cultural, Environmental and Planning Services  | 23,815         | (10,562)        | 13,253         |       |
| (194)         | Highways, Roads and Transport Services   | 3,921          | (3,732)         | 189            |       |
| 2,284         | Local Authority Housing (HRA)  | 11,070         | (14,229)        | (3,159)        |       |
| (1,005)       | Other Housing Services   | 30,296         | (27,989)        | 2,307          |       |
| 2,213         | Corporate and Democratic Core  | 2,624          | (77)            | 2,547          |       |
| (1,197)       | Non Distributed Costs  | 431            | (598)           | (167)          |       |
| <b>16,525</b> | <b>Net Cost of Services</b>  | <b>82,256</b>  | <b>(66,575)</b> | <b>15,681</b>  |       |
| (24)          | (Gains) or Loss on Disposal of Fixed Assets  | 2,594          | (2,659)         | (65)           | 1     |
| 245           | Precepts of Local Precepting Authorities   | 260            |                 | 260            | 2     |
| (993)         | Surplus or Deficit of Trading Undertakings or Other Operations, including Dividends from Companies | 5,134          | (5,783)         | (649)          | 3     |
| 2,783         | Interest Payable & Similar Charges   | 2,739          | (5)             | 2,734          | 10    |
| 1,494         | Amounts Payable into the Housing Capital Receipts Pool   | 1,557          | 0               | 1,557          |       |
| (749)         | Interest & Investment Income   | 8              | (908)           | (900)          |       |
| 946           | Pensions Interest Cost & Expected Return on Pensions Assets  | 6,470          | (6,024)         | 446            | 39    |
| 0             | Extraordinary Items  | 0              | 0               | 0              |       |
| <b>20,227</b> | <b>Net Operating Expenditure</b>   | <b>101,018</b> | <b>(81,954)</b> | <b>19,064</b>  |       |
| (6,894)       | Demand on the Collection Fund  |                |                 | (7,266)        |       |
| (9,033)       | General Government Grants  |                |                 | (2,802)        |       |
| (3,922)       | Distribution from Non-Domestic Rate Pool   |                |                 | (12,130)       |       |
| <b>378</b>    | <b>(Surplus) / Deficit for the Year</b>  |                |                 | <b>(3,134)</b> |       |



## STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE FOR THE YEAR ENDED 31 MARCH 2007

The overall movement in the General Fund Balance then compares the amount raised in Council Tax for the year against the Council's spending for the year (after allowing for the use of reserves built up in the past and any contributions to those reserves to cover future expenditure).

| 2005/06<br>£'000                                    |   | 2006/07<br>£'000 | NOTES |
|---|---|------------------|-------|
| <b>OVERALL MOVEMENT ON THE GENERAL FUND BALANCE</b> |   |                  |       |
| 378   | (Surplus) / Deficit for year on the Income & Expenditure Account  | (3,134)          |       |
| (432)   | Net additional amount required by Statute & Non-Statutory proper practices to be debited or (credited) to the General Fund Balance for the year | 2,181            |       |
| <b>(54)</b>   | <b>Net (Increase) / Decrease in General Fund Balance</b>  | <b>(953)</b>     |       |
| <b>(2,007)</b>                                      | <b>General Fund Balance brought forward</b>   | <b>(2,061)</b>   |       |
| <b>(2,061)</b>                                      | <b>General Fund Balance carried forward</b>   | <b>(3,014)</b>   |       |

### NOTE OF RECONCILING ITEMS

| 2005/06<br>£'000 | Amounts included in the income and expenditure account but required by Statute to be excluded when determining the Movement on the General Fund Balance for the year            | 2006/07<br>£'000 |    |
|------------------|---|------------------|----|
| (226)            | Amortisation of intangible fixed assets   | (217)            |    |
| (1,840)          | Depreciation and impairment of fixed assets   | (1,738)          |    |
| 0                | Excess of depreciation charged to HRA services over Major Repairs Allowance   | 0                |    |
| 1,793            | Government Grants Deferred amortisation   | 4,385            |    |
| (3,057)          | Deferred Charges  | (3,071)          |    |
| 24               | Net gain or loss on sale of fixed assets  | 65               | 2  |
| 1,088            | Amount by which pension costs calculated in accordance with FRS 17 are different from actual contributions due  | (502)            | 39 |
| <b>(2,218)</b>   | <b>Amounts not included in the income and expenditure account but required by Statute to be included when determining the Movement on the General Fund Balance for the year</b> | <b>(1,078)</b>   |    |
| 814              | Minimum Revenue Provision   | 1,007            | 16 |
| 24               | Revenue financing of Capital Expenditure  | 128              |    |
| (1,494)          | Transfer from Usable Capital Receipts equal to amount payable to Housing Capital Receipts Pool  | (1,557)          |    |
| <b>(656)</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>(422)</b>     |    |
| 1,519            | Transfer of (surplus) or deficit on Housing Revenue Account Income & Expenditure Account  | 2,164            |    |
| 140              | Voluntary provision for repayment of debt   | 311              | 16 |
| 783              | Net transfer to / (from) earmarked reserves   | 1,206            |    |
| <b>2,442</b>     | <b>Net additional amount required to be (credited)/debited to the General Fund Balance for the year</b>   | <b>3,681</b>     |    |
| <b>(432)</b>     | <b>General Fund Balance for the year</b>  | <b>2,181</b>     |    |

## STATEMENT OF TOTAL RECOGNISED GAINS & LOSSES FOR THE YEAR ENDED 31 MARCH 2007

| 2005/06<br>£000   | 2006/07<br>£000 | NOTES |
|---|-----------------|-------|
| 378 (Surplus) / Deficit for Year on the Income & Expenditure Account    | (3,134)         |       |
| 805 (Surplus) / Deficit for Year Arising on Revaluation of Fixed Assets | (4,752)         |       |
| (946) Actuarial (Gains) & Losses on Pension Fund Assets & Liabilities   | (5,789)         |       |
| Any Other Gains or Losses :   |                 |       |
| (98) Attributable movement on Collection Fund                           | (210)           |       |
| <b>139 TOTAL RECOGNISED (GAINS) &amp; LOSSES FOR THE YEAR</b>           | <b>(13,885)</b> |       |

## BALANCE SHEET AS AT 31 MARCH 2007

This shows the financial position of the Council as a whole and summarises its assets and liabilities.

| 2005/06        |   | 2006/07        | NOTES  |
|----------------|---|----------------|--------|
| £000           |   | £000           |        |
| 606            | <b>Intangible Assets</b>                            | 485            | 17     |
|                | <b>Tangible Fixed Assets</b>                        |                | 18     |
|                | Operational Assets :                                |                |        |
| 141,589        | Council Dwellings                                   | 150,436        |        |
| 42,663         | Other Land & Buildings                              | 44,992         |        |
| 3,911          | Vehicles, Plant & Equipment                         | 4,739          |        |
| 19,613         | Infrastructure                                      | 19,321         |        |
| 4,897          | Community Assets                                    | 4,966          |        |
|                | Non Operational Assets :                            |                |        |
| 11,175         | Investment Properties                               | 11,137         |        |
| 4,255          | Assets Under Construction                           | 14,226         |        |
| 7,503          | Surplus assets held for disposal                    | 14,389         |        |
| <b>236,212</b> | <b>TOTAL FIXED ASSETS</b>                           | <b>264,691</b> |        |
| 0              | Long Term Investments                               | 2,000          | 27     |
| 225            | Long Term Debtors                                   | 80             | 28     |
| 1,361          | Deferred Premiums                                   | 1,186          |        |
| <b>237,798</b> | <b>TOTAL LONG TERM ASSETS</b>                       | <b>267,957</b> |        |
|                | <b>Current Assets</b>                               |                |        |
| 255            | Stocks & Work in Progress                           | 327            | 29     |
| 11,568         | Debtors   | 15,588         | 30     |
| 10,200         | Investments   | 9,500          |        |
| 0              | Cash & Bank   | 0              |        |
|                | <b>Current Liabilities</b>                          |                |        |
| (174)          | Borrowing (Amounts due within one year)             | 0              | 32     |
| (11,260)       | Creditors   | (12,163)       | 31     |
| (379)          | Bank Overdraft                                      | (1,809)        |        |
| <b>248,008</b> | <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>        | <b>279,400</b> |        |
| (44,800)       | Long Term Borrowing                                 | (44,800)       | 32     |
| (223)          | Deferred Liabilities                                | (223)          | 37     |
| (70)           | Deferred Credits                                    | (57)           |        |
| (32)           | Deferred Discounts                                  | (27)           |        |
| (23,440)       | Government Grants & Contributions Deferred          | (46,401)       | 33, 35 |
| (556)          | Provisions  | (348)          | 34     |
| (33,031)       | Liability related to defined benefit pension scheme | (27,803)       |        |
| <b>145,856</b> | <b>TOTAL ASSETS LESS LIABILITIES</b>                | <b>159,741</b> |        |
| 126,701        | Fixed Asset Restatement Account                     | 128,854        | } 35   |
| 40,512         | Capital Financing Account                           | 44,013         |        |
| 2,474          | Usable Capital Receipts Reserve                     | 1,594          |        |
| (33,031)       | Pension Reserve                                     | (27,803)       | } 35   |
| 2,099          | Major Repairs Reserve                               | 3,716          |        |
| 3,500          | Earmarked Reserves                                  | 4,997          |        |
| 2,061          | Balances : General Fund                             | 3,015          |        |
| 1,153          | Housing Revenue Account                             | 759            |        |
| 387            | Collection Fund                                     | 596            |        |
| <b>145,856</b> | <b>TOTAL EQUITY</b>                                 | <b>159,741</b> |        |

## CASH FLOW STATEMENT AS AT 31 MARCH 2007

This statement summarises the inflows and (outflows) of cash arising from transactions with third parties for revenue and capital purposes.

|  | NOTES    | 2005/06         |                  | 2006/07         |                  |
|--|----------|-----------------|------------------|-----------------|------------------|
|  |          | £000            | £000             | £000            | £000             |
| <b>Revenue Activities</b>                              |          |                 |                  |                 |                  |
| <i>Cash Outflows</i>                                   |          |                 |                  |                 |                  |
| Cash paid to and on behalf of employees                |          | (22,681)        |                  | (24,353)        |                  |
| Other operating cash payments                          |          | (52,023)        |                  | (36,486)        |                  |
| Housing Benefit paid out                               |          | (32,593)        |                  | (33,077)        |                  |
| Non-Domestic Rates payments to National Pool           |          | (36,902)        |                  | (27,895)        |                  |
| Precepts paid  |          | (47,156)        |                  | (49,804)        |                  |
| Payments to Capital Receipts Pool                      |          | (1,494)         |                  | (1,557)         |                  |
| <b>TOTAL PAYMENTS</b>                                  |          |                 | <b>(192,849)</b> |                 | <b>(173,172)</b> |
| <i>Cash inflows</i>                                    |          |                 |                  |                 |                  |
| Rents (after rebates)                                  |          | 2,173           |                  | 2,357           |                  |
| Council Tax receipts                                   |          | 55,354          |                  | 58,370          |                  |
| NNDR receipts  |          | 36,603          |                  | 28,365          |                  |
| NNDR receipts from National Pool                       |          | 3,922           |                  | 12,130          |                  |
| Revenue Support Grant                                  | 2        | 8,888           |                  | 2,342           |                  |
| DWP grants for benefits                                | 2        | 34,118          |                  | 33,077          |                  |
| Other government grants                                | 2        | 936             |                  | 1,030           |                  |
| Cash received for goods and services                   |          | 36,519          |                  | 38,074          |                  |
| Other operating cash receipts / payments               |          | 22,753          | 201,266          | 7,983           | 183,728          |
| <b>NET CASH INFLOW FROM REVENUE ACTIVITY</b>           | <b>1</b> |                 | <b>8,417</b>     |                 | <b>10,556</b>    |
| <b>Returns on Investments and Servicing of Finance</b> |          |                 |                  |                 |                  |
| Cash outflows : Interest paid                          |          | (2,476)         |                  | (2,582)         |                  |
| Cash inflows : Interest received                       |          | 660             | (1,816)          | 908             | (1,674)          |
| <b>Capital Activities</b>                              |          |                 |                  |                 |                  |
| Cash outflows : Purchase of fixed assets               |          | (13,965)        |                  | (31,030)        |                  |
| Long Term Investments                                  |          | 0               |                  | (2,000)         |                  |
| Other capital cash payments                            |          | (3,768)         |                  | (3,168)         |                  |
| <b>TOTAL PAYMENTS</b>                                  |          | <b>(17,733)</b> |                  | <b>(36,198)</b> |                  |
| Cash inflows : Sale of fixed assets                    |          | 1,172           |                  | 1,108           |                  |
| Capital grants received                                |          | 9,620           |                  | 24,252          |                  |
| Other capital cash receipts                            |          | 0               |                  | 0               |                  |
| <b>TOTAL RECEIPTS</b>                                  |          | <b>10,792</b>   |                  | <b>25,360</b>   |                  |
| <b>NET CASH OUTFLOW FROM CAPITAL</b>                   |          |                 | <b>(6,941)</b>   |                 | <b>(10,838)</b>  |
| <b>NET CASH INFLOW/OUTFLOW(-) BEFORE FINANCING</b>     | <b>5</b> |                 | <b>(340)</b>     |                 | <b>(1,956)</b>   |
| <b>Management of Liquid Resources</b>                  |          |                 |                  |                 |                  |
| Net increase / decrease in short term deposits         |          |                 | (3,700)          |                 | 700              |
| <b>Financing</b>                                       |          |                 |                  |                 |                  |
| <i>Cash outflows</i>                                   |          |                 |                  |                 |                  |
| Repayments of amounts borrowed                         |          | (321)           |                  | (174)           |                  |
| <i>Cash inflows</i>                                    |          |                 |                  |                 |                  |
| New Loans Raised                                       |          | 3,500           | 3,179            | 0               | (174)            |
| <b>NET CASH INFLOW/OUTFLOW(-)</b>                      |          |                 | <b>(521)</b>     |                 | <b>526</b>       |
| <b>NET (INCREASE)/DECREASE IN CASH</b>                 |          |                 | <b>(861)</b>     |                 | <b>(1,430)</b>   |

For further detail see Notes 40 to 44

## DISCLOSURE NOTES TO THE CORE FINANCIAL STATEMENTS

The Accounting Code of Practice (ACOP) on Local Authority Accounting requires the publication of additional financial information as notes to the Core Financial Statements. The figures contained in these notes are either not shown separately on the face of the main financial statements, or they disclose information in relation to responsibilities and functions which the Council undertakes on behalf of other bodies.

### 1 GAINS AND LOSSES ON SALE OF FIXED ASSETS

Overall gains and losses on sales of fixed assets during the year were as follows. The book value of council dwellings sold has been reduced for any right to buy discounts.

|                                  | £000        |
|----------------------------------|-------------|
| Book value of assets disposed of | 2,607       |
| Less accumulated depreciation    | (13)        |
|                                  | 2,594       |
| Sale proceeds                    | (2,659)     |
| <b>(GAIN)/LOSS ON DISPOSAL</b>   | <b>(65)</b> |

### 2 PARISH PRECEPTS

In line with previous years local parishes levied their own precept within their parish boundaries. In total the precepts levied amounted to £260,303.82. Full details of individual parish precepts are available from the Head of Financial Services at Lancaster Town Hall.

### 3 TRADING SERVICES

Trading services cover undertakings with the public or with other third parties, and include such activities as markets, trade refuse collection, industrial units and the remainder of the former Direct Service Organisations (DSO's) which have not been consolidated into their relevant service areas.

The DSO's were set up originally to allow the Council to bid for work under the Compulsory Competitive Tendering (CCT) legislation. However, from 02 January 2000 this legislation was abolished and replaced by a new Best Value system designed to establish a continuing process of cost effective service improvements.

For 2006/07, of the former DSO activities, trading accounts for Repairs and Maintenance and Highways Contractor were still operated. Any surplus/deficits in respect of Repairs and Maintenance are attributable to the Housing Revenue Account, and Highways are attributable to the General Fund. Following a review of the working arrangements under the Lancashire Highways Partnership (LHP), with effect from 01 July 2006 the City Council was retained as a preferred contractor for the LHP, with the exception of street lighting,.

|  | Income         | Expenditure  | 2006/07<br>(Surplus) /<br>Deficit | 2005/06<br>(Surplus)<br>/ Deficit |
|--|----------------|--------------|-----------------------------------|-----------------------------------|
|  | £000           | £000         | £000                              | £000                              |
| General highway and sewer work                           | (1,223)        | 1,080        | (143)                             | (230)                             |
| Other maintenance work                                   | (1,930)        | 1,846        | (84)                              | 131                               |
| Trade refuse collection                                  | (816)          | 649          | (167)                             | (304)                             |
| Markets  | (843)          | 1,048        | 205                               | 263                               |
| Commercial Properties / Industrial Units                 | (971)          | 511          | (460)                             | (476)                             |
| <b>Total (Surplus) / Deficit on Trading Undertakings</b> | <b>(5,783)</b> | <b>5,134</b> | <b>(649)</b>                      | <b>(616)</b>                      |

#### 4 LEASING AND OTHER LONG TERM COMMITMENTS

The following table summarises current operating lease obligations for future years.

| Leased Assets – Rentals (excluding staff car leases) |                          |
|--|--------------------------|
|  | Operating Leases<br>£000 |
| Total rentals paid in 2006/07                        | 455                      |
| Outstanding undischarged leasing obligations:        |                          |
| 2007/08  | 393                      |
| 2008/09  | 340                      |

At 31 March 2007, 40 cars were leased for staff. The total cost in 2006/07 was £168,000 and after contributions by staff of £21,481, it resulted in a charge to the Authority of £146,519.

The Council had no outstanding obligations in respect of finance leases as at 31 March 2007, nor did it have any outstanding obligations arising from other long term contracts such as Private Finance Initiative agreements.

#### 5 SECTION 137 EXPENDITURE

Section 137 of the Local Government Act 1972 enables a local authority to make contributions to charities operating in the UK and to not for profit making bodies providing public services in the UK. This expenditure is limited to £1.90 per head of relevant population as defined by statute. For Lancaster, this produces a spending limit for 2006/07 of £262,200. The table below sets out relevant expenditure incurred against this limit.

| Analysis                      | 2005/06<br>£  | 2006/07<br>£  |
|-------------------------------|---------------|---------------|
| Victim Support                | 4,400         | 4,500         |
| Council for Voluntary Service | 17,700        | 22,850        |
| Lancaster DISC                | 5,500         | 5,600         |
| Relate                        | 6,400         | 6,400         |
| Miscellaneous Grants          | 5,508         | 5,150         |
| Twinning                      | 3,800         | 3,900         |
| <b>Total</b>                  | <b>43,308</b> | <b>48,400</b> |

#### 6 PUBLICITY EXPENDITURE

The Council is required by Section 5(1) of the Local Government Act 1986 to provide details of its spending on Publicity. The Act does not provide a clear definition of Publicity, but the following analysis shows the elements of expenditure that are judged to be relevant.

| Section 5 Local Government Act 1986 | 2005/06<br>£000 | 2006/07<br>£000 |
|-------------------------------------|-----------------|-----------------|
| Promotions and Publicity            | 145             | 162             |
| Recruitment Advertising             | 67              | 66              |
| Other Advertising                   | 29              | 25              |
| <b>TOTAL</b>                        | <b>241</b>      | <b>255</b>      |

#### 7 BUILDING CONTROL TRADING ACCOUNT

The Building (Local Authority Charges) Regulations 1998 require the disclosure of information regarding the setting of charges for the administration of the building control function. Lancaster City Council sets charges for work carried out in relation to building regulations, with the aim of covering all costs incurred. However, certain activities performed by the Building Control Unit cannot be charged for, such as providing general advice and liaising with other statutory authorities. The statement below shows the total cost of operating the building control unit for 2006/07, divided between chargeable and non-chargeable activities.

| 2006/07                           | Chargeable<br>£000 | Non-<br>Chargeable<br>£000 | Total<br>£000 |
|-----------------------------------|--------------------|----------------------------|---------------|
| Expenditure                       |                    |                            |               |
| Employee Expenses                 | 301                | 122                        | 423           |
| Transport                         | 21                 | 9                          | 30            |
| Supplies & Services               | 31                 | 4                          | 35            |
| Central & Support Recharges       | 150                | 17                         | 167           |
| <b>TOTAL EXPENDITURE</b>          | <b>503</b>         | <b>152</b>                 | <b>655</b>    |
| Income                            |                    |                            |               |
| Building Regulation Charges       | (471)              | 0                          | (471)         |
| Miscellaneous Income              | (25)               | 0                          | (25)          |
| <b>TOTAL INCOME</b>               | <b>(496)</b>       | <b>0</b>                   | <b>(496)</b>  |
| <b>(Surplus)/Deficit for Year</b> | <b>7</b>           | <b>152</b>                 | <b>159</b>    |

| Comparatives for previous year    |          |            |            |
|-----------------------------------|----------|------------|------------|
| Expenditure                       | 503      | 148        | 651        |
| Income                            | (494)    | --         | (494)      |
| <b>(Surplus)/Deficit for Year</b> | <b>9</b> | <b>148</b> | <b>157</b> |

## 8 AGENCY SERVICE

On 01 July 2003 the Council entered into the Lancashire Highways Partnership (LHP) which replaced the work undertaken by the Council acting as highways agent for Lancashire County Council. The majority of LHP work is delivered through a single works contract with Lancashire County Engineering Services (LCES) in which City Council (Direct) Services (CC(D)S) are involved as a sub-contractor. The only area of work falling outside the single works contract is Highways Grounds Maintenance, which is carried out by CC(D)S and for which reimbursement is made subject to defined limits. Expenditure in this area of work amounted to £121,789, of which £83,932 was reimbursed by LCES and £37,857 was the contribution made by Lancaster City Council General Fund to provide a higher level of service in this area to its ratepayers.

In accordance with recommended accounting practice, only the net cost of agency activities is shown (where applicable) in the Income and Expenditure Account.

## 9 LOCAL AUTHORITIES (GOODS AND SERVICES) ACT 1970

Under the Act the Council is empowered to provide goods and services to other public bodies. The authority provided grounds maintenance, cleansing, trade refuse and other minor services for Lancashire County Council and various schools to the value of £227,301 during 2006/07. Charging for such services is based on full cost recovery, and the expenditure relating to these functions is included within the Income and Expenditure Account.

## 10 INTEREST PAYABLE AND SIMILAR CHARGES

This has two elements; firstly the interest payable during the year on external debt and, secondly, the writing off of a proportion of the premia payable and discounts receivable on the early redemption of debt, as part of the Council's treasury management activities.

|  | £'000        |
|--|--------------|
| Interest Payable on External Debt                              |              |
| PWLB   | 2,575        |
| Other  | 0            |
|  | <b>2,575</b> |
| Amortisation of amounts in respect of early redemption of debt |              |
| Premia   | 174          |
| Discounts  | (5)          |
|  | <b>2,744</b> |

## 11 OFFICERS' EMOLUMENTS

Regulation 7(2) of the Accounts and Audit Regulations require a specific disclosure of officers' annual remuneration in excess of £50,000. Only six officers of the Council received in excess of this amount during 2006/07.

| Remuneration Band | No. of Employees |         |
|-------------------|------------------|---------|
|                   | 2005/06          | 2006/07 |
| £50,000 - £59,999 | 1                | 2       |
| £60,000 - £69,999 | 3                | 3       |
| £70,000 - £79,999 |                  | 0       |
| £80,000 - £89,999 | 0                | 0       |
| £90,000 - £99,999 |                  | 1       |
| £100,000 +        | 1                |         |

The emoluments are in respect of taxable pay and values associated with car benefits.

## 12 MEMBERS ALLOWANCES

The total amounts of allowances paid to Members are as follows.

| Type of Allowance                | 2005/06        |  | 2006/07        |  |
|----------------------------------|----------------|--|----------------|--|
|                                  | £              |  | £              |  |
| Basic Allowance                  | 172,821        |  | 175,437        |  |
| Special Responsibility Allowance | 90,686         |  | 91,524         |  |
| Carer Allowance                  | 1,587          |  | 937            |  |
| <b>Total For All Members</b>     | <b>265,094</b> |  | <b>267,898</b> |  |

Further details can be obtained by contacting the Head of Democratic Services at the Town Hall, Dalton Square, Lancaster.

## 13 EXCEPTIONAL ITEMS, EXTRAORDINARY ITEMS AND PRIOR YEAR ADJUSTMENTS

There have been no exceptional items, extraordinary items or prior year adjustments within the accounts.

## 14 RELATED PARTY TRANSACTIONS

Under the Accounting Code of Practice, the Council is required to disclose details of any material transactions with third parties. A number of these transactions have already been disclosed within the financial statements as follows:

- 1 Transactions with Central Government have been disclosed within both the Income and Expenditure Account and the Cash Flow Statement, as well as in other notes to the accounts.
- 2 Transactions with the Lancashire Pensions Fund have been disclosed within the Statement of Accounting Policies and the notes to the Income and Expenditure Account Balance Sheet.
- 3 Transactions with associated companies have been disclosed within the notes to the Balance Sheet.

There are no other material transactions to disclose in respect of other Elected Members or Directors (including their close families), or regarding grants to voluntary and other organisations.

## 15 AUDIT COSTS

In 2006/07 Lancaster City Council incurred the following fees relating to external audit and inspection:



|  | 2005/06<br>£   | 2006/07<br>£   |
|--|----------------|----------------|
| Fees payable to the Audit Commission with regard to external audit services carried out by the appointed auditor | 99,410         | 121,082        |
| Fees payable to the Audit Commission in respect of statutory inspection  | 11,350         | 2,859          |
| Fees payable to the Audit Commission for the certification of grant claims and returns                           | 42,416         | 46,631         |
| Fees payable in respect of other services provided by the appointed auditor                                      |                | 0              |
|  | <b>153,176</b> | <b>170,572</b> |

The fees disclosed above do not account for accruals or prepayments; they represent purely the Audit & Inspection fees paid in the year.

## 16 MINIMUM REVENUE PROVISION (MRP)

The Authority is required by statute to set aside a minimum revenue provision for the redemption of external debt. The method of calculating the provision is defined by statute. For 2006/07 the amount is £1,007,000 as set out below.

|  | 2005/06<br>£000 | 2006/07<br>£000 |
|--|-----------------|-----------------|
| Non-housing amount - 4% of opening Capital Financing requirement (adjusted re commutation) | 814             | 1,007           |
| <b>Minimum Revenue Provision</b>   | <b>814</b>      | <b>1,007</b>    |

Following the introduction of the Major Repairs Allowance there is no longer a requirement for the Housing Revenue Account to set aside a minimum revenue provision.

In addition to the Minimum Revenue Provision, the Council has voluntarily set aside a further £311,000 in respect of financing costs associated with unsupported borrowing used to purchase vehicles during 2006/07.

## 17 INTANGIBLE ASSETS

Intangible assets result from expenditure of a capital nature which does not impact on the acquisition or enhancement of fixed assets owned by the City Council.

| Software Licences                                     | 31/03/2006<br>£000 | 31/03/2007<br>£000 |
|---|--------------------|--------------------|
| Opening Balance                                       | 465                | 606                |
| Amounts written off to Income and Expenditure Account |                    |                    |
| Expenditure during the year                           | 367                | 96                 |
| Written off to revenue in year                        | (226)              | (217)              |
| <b>Closing Balance</b>                                | <b>606</b>         | <b>485</b>         |

Software Licences are held for the Salt Ayre Computerised Booking System, Local Land and Property Gazetteer, Housing Rents and Repairs System, Cash Receipting System, National Non Domestic Rating System, Asset Management System, PC based software and Customer Relationship Management System together with the software associated with Implementing Electronic Government. The cost is being written off over the five year life of the licences.

## 18 FIXED ASSETS

Movements in fixed assets during the year were as follows:

|   | Council dwellings<br>£000 | Other land and<br>buildings<br>£000 | Vehicles plant and<br>equipment<br>£000 | Infrastructure<br>assets<br>£000 | Community<br>assets<br>£000 | Non-Operational<br>properties<br>£000 | TOTAL<br>£000   |
|---|---------------------------|-------------------------------------|---|----------------------------------|-----------------------------|---------------------------------------|-----------------|
| <b>Gross book value as at<br/>01 April 2006</b>   | <b>157,540</b>            | <b>46,422</b>                       | <b>5,672</b>                            | <b>23,328</b>                    | <b>4,897</b>                | <b>23,667</b>                         | <b>261,526</b>  |
| Additions   | 3,723                     | 907                                 | 1,174                                   | 372                              | 69                          | 24,218                                | 30,463          |
| Disposals   | (2,165)                   | (265)                               |   |                                  |                             | (183)                                 | (2,613)         |
| Revaluations                                      | 9,529                     | (387)                               |   |                                  |                             | (4,390)                               | 4,752           |
| Impairment  |                           |                                     |   |                                  |                             |                                       | 0               |
| Transfers   |                           | 2,710                               |   | 71                               |                             | (2,780)                               | 1               |
| <b>Gross book value as at<br/>31 March 2007</b>   | <b>168,627</b>            | <b>49,387</b>                       | <b>6,846</b>                            | <b>23,771</b>                    | <b>4,966</b>                | <b>40,532</b>                         | <b>294,129</b>  |
| <b>Depreciation as at<br/>01 April 2006</b>       | <b>(15,951)</b>           | <b>(3,759)</b>                      | <b>(1,761)</b>                          | <b>(3,715)</b>                   |                             | <b>(734)</b>                          | <b>(25,920)</b> |
| Depreciation for year<br>(on straight line basis) | (2,240)                   | (646)                               | (346)                                   | (735)                            |                             | (49)                                  | (4,016)         |
| Depreciation on assets<br>sold / transferred      |                           | 10                                  |   |                                  |                             | 3                                     | 13              |
| <b>Balance as at<br/>31 March 2007</b>            | <b>(18,191)</b>           | <b>(4,395)</b>                      | <b>(2,107)</b>                          | <b>(4,450)</b>                   | <b>0</b>                    | <b>(780)</b>                          | <b>(29,923)</b> |
| <b>Net book value as at<br/>31 March 2007</b>     | <b>150,436</b>            | <b>44,992</b>                       | <b>4,739</b>                            | <b>19,321</b>                    | <b>4,966</b>                | <b>39,752</b>                         | <b>264,206</b>  |

## 19 CAPITAL EXPENDITURE AND FINANCING

Capital expenditure incurred during the year was £33.631M. The following table sets out how this was funded.

| 2006/07   | £000          |
|---|---------------|
| <b>Opening Capital Financing Requirement</b>  | <b>45,559</b> |
| <b>Capital Investment</b>   |               |
| Intangible Assets   | 97            |
| Operational Assets  | 9,365         |
| Non Operational Assets  | 16,175        |
| Deferred Charges  | 3,071         |
| Fixed Asset Restatement Account   | 4,923         |
| <b>Sources of Finance</b>   |               |
| Capital Receipts  | (1,988)       |
| Government Grants, Contributions and Deferred<br>Charges                                  | (27,346)      |
| Revenue Provision   | (4,433)       |
| <b>Closing Capital Financing Requirement</b>  | <b>45,423</b> |
| <b>Explanation of Movements in Year</b>   |               |
| Increase in underlying need to borrow (supported by<br>Government financial assistance)   | 0             |
| Decrease in underlying need to borrow (unsupported<br>by Government financial assistance) | 136           |
| <b>Decrease in Capital Financing Requirement</b>  | <b>136</b>    |

## 20 CAPITAL COMMITMENTS

As at 31 March 2007 the Council was contractually committed to capital works, which amounted to approximately £7.617M. Major contracts included the following schemes:-

| Capital Projects                | £         |
|---------------------------------|-----------|
| EDZ Cycling & Walking Network   | 865,499   |
| Kitchen and External Renewals   | 874,896   |
| Ryelands Regeneration           | 77,257    |
| Morecambe Coastal Defence Works | 2,410,773 |

## 21 MAJOR FIXED ASSETS

The Council is required to disclose details of the major fixed assets that support its functions. The following table shows the number of each type of asset.

|                                     | Number as<br>31/03/2006 | Number as<br>31/03/2007 |
|-------------------------------------|-------------------------|-------------------------|
| <b>COUNCIL DWELLINGS</b>            | 3,881                   | 3,881                   |
| <b>OPERATIONAL BUILDINGS</b>        |                         |                         |
| Town Halls                          | 2                       | 2                       |
| Other Offices                       | 10                      | 8                       |
| Sports Centres with Pool            | 1                       | 1                       |
| Depots                              | 3                       | 3                       |
| Surfaced Car Parks                  | 17                      | 16                      |
| Multi-Storey Car Parks              | 2                       | 2                       |
| Cemeteries                          | 7                       | 7                       |
| Public Conveniences                 | 9                       | 9                       |
| <b>OPERATIONAL EQUIPMENT</b>        |                         |                         |
| Vehicles                            | 10                      | 22                      |
| Heavy Plant                         | 13                      | 13                      |
| <b>COMMUNITY ASSETS</b>             |                         |                         |
| Community Centres                   | 1                       | 1                       |
| Parks                               | 15                      | 15                      |
| Playing Fields                      | 6                       | 6                       |
| <b>NON OPERATIONAL ASSETS</b>       |                         |                         |
| Commercial/Investment<br>Properties | 58                      | 58                      |

## 22 FIXED ASSET VALUATION

The freehold and leasehold properties which comprise the Authority's property portfolio were originally valued as at 01 April 1994 by the City Council's Head of Property Services, G J Cox, ARICS, in accordance with the Statements of Asset Valuation Practice and Guidance Notes of the Royal Institution of Chartered Surveyors, except that not all the properties were inspected. This was neither practicable nor considered by the valuer to be necessary for the purpose of the valuation.

Since then, all assets valued on a current value basis, are being revalued on a rolling five year programme. This is in accordance with the requirements of the Accounting Code of Practice.

New additions during the year have been included at historic cost, and these will be formally valued in the future, as part of the rolling revaluation exercise. Specific valuation bases are disclosed within the Statement of Accounting Policies.

The following statement shows the progress of the Council's rolling programme for the revaluation of fixed assets.

|                      | Council dwellings | Other land and buildings | Vehicles plant and equipment | Infrastructure | Investment Properties | Non-Operational | TOTAL         |
|----------------------|-------------------|--------------------------|------------------------------|----------------|-----------------------|-----------------|---------------|
|                      | £000              | £000                     | £000                         | £000           | £000                  | £000            | £000          |
| Valued at Historical | --                | --                       | --                           | --             | --                    | --              | 0             |
| Valued at Current    |                   |                          |                              |                |                       |                 | 0             |
| 1999/2000            | --                | (1,496)                  | --                           | --             | (127)                 | --              | (1,623)       |
| 2000/2001            | --                | 2,438                    | --                           | --             | 369                   | --              | 2,807         |
| 2001/2002            | (61,723)          | 135                      | --                           | --             | 277                   | --              | (61,311)      |
| 2002/2003            | 14,146            | (2)                      | (3)                          | --             | --                    | --              | 14,141        |
| 2003/2004            | 31,635            | 2,376                    | --                           | --             | --                    | 798             | 34,809        |
| 2004/2005            | 42,786            | 818                      | --                           | --             | --                    | 2,499           | 46,103        |
| 2005/2006            | (7,469)           | 11,218                   | --                           | 126            | --                    | 112             | 3,987         |
| 2006/2007            | --                | --                       | --                           | --             | 3,363                 | 488             | 3,851         |
| <b>TOTAL CHANGE</b>  | <b>19,375</b>     | <b>15,487</b>            | <b>(3)</b>                   | <b>126</b>     | <b>3,882</b>          | <b>3,897</b>    | <b>42,764</b> |

## 23 FINANCE LEASES

As at 31 March 2007 there were no assets held under finance leases.

## 24 PRIVATE FINANCE INITIATIVE (PFI)

The PFI is a mechanism by which private sector investment is used to assist in the delivery of public services, normally for large schemes such as new schools, etc. The Council has not entered into any PFI arrangements and therefore there are no PFI related assets as at 31 March 2007.

## 25 NET ASSETS EMPLOYED

This summary gives details of the net assets employed during the year analysed over the Council's major accounts, namely General Fund and Housing Revenue Account.

|  | 31 March 06    | 31 March 07    |
|--|----------------|----------------|
|  | £000           | £000           |
| General Fund   | 14,333         | 18,294         |
| Housing Revenue Account  | 131,861        | 141,968        |
|  | <b>146,194</b> | <b>160,262</b> |
| Proportion of Collection Fund Surplus/(Deficit) not attributable to the City Council | (338)          | (521)          |
|  | <b>145,856</b> | <b>159,741</b> |

## 26 RELATED COMPANIES

Local authorities with material interests in subsidiary and associated companies must prepare, as supplementary information, a summarised set of accounts. These Group Accounts comprise of the local authority itself and its interests in any companies that would be regarded as its subsidiaries or associates within the Companies Act.

Lancaster City has relevant interests in the following companies:

- Williamson Park
- Dukes Playhouse Ltd
- Heysham Mossgate (Community Facilities) Company Ltd

Copies of the accounts can be obtained from the Head of Financial Services, Town Hall, Dalton Square, Lancaster.

None of the Council's interests in the above Companies are considered material when the tests as set out in the Code of Practice are applied with the aggregate financial liability totalling £14 (upper limit being £100,000). Consequently no Group Accounts are required to be prepared for the 2006/07 financial year.

## 26.1 WILLIAMSON PARK LTD

The Company is limited by guarantee. The principal activity of the Company during the year was the preservation of the park and the provision of amenities for the public benefit.

The Company's financial accounting period ended on 31 January 2007. Consequently the information below differs slightly from the other financial information in this summary. The City Council provided revenue grant support of £162,600 and capital grant support of £21,209 to the Company during the Council's 2006/07 financial year (2005/06 £173,900).

|                               | 31 Jan 06 | 31 Jan 07 |
|-------------------------------|-----------|-----------|
|                               | £         | £         |
| Net assets                    | 99,391    | 103,009   |
| Profit/(Loss) before taxation | (3,841)   | 2,653     |
| Profit/(Loss) after taxation  | (3,841)   | 2,653     |

## 26.2 DUKES PLAYHOUSE LTD

The Company is limited by guarantee with no share capital. It is also a registered charity.

The principal activity and objective of the charity is to promote and advance artistic and aesthetic education and the public appreciation of the arts and manage a theatre, which is at the service of the whole community. The City Council provided grant support totalling £159,400 to the Company during the 2006/07 financial year (2005/06 £156,100). This included the provision of grant in lieu of rent free accommodation to the value of £13,500 (2005/06 £13,500).

|                               | 31 March 06 | 31 March 07 |
|-------------------------------|-------------|-------------|
|                               | £           | £           |
| Net Assets                    | 187,709     | 168,349     |
| Profit/(Loss) before taxation | 17,312      | (19,360)    |
| Profit/(Loss) after taxation  |             |             |

## 26.3 HEYSHAM MOSSGATE (COMMUNITY FACILITIES) COMPANY LTD

The Company is limited by guarantee without share capital. The principal activity of the company is the development of community facilities in the Mossgate area of Heysham on a non-profit making basis.

The figures below have been provided on a provisional basis for both accounting periods as the Accounts are still being held by the Company's auditors waiting to be signed off.

|                               | 31 March 06 | 31 March 07 |
|-------------------------------|-------------|-------------|
|                               | £           | £           |
| Net Assets                    | 650,000     | 662,000     |
| Profit/(Loss) before taxation | 289,000     | 12,000      |
| Profit/(Loss) after taxation  |             |             |

## 27 LONG TERM INVESTMENTS

The Council holds one small investment and two larger investments consisting of :

|                                      | Cost Price<br>£  | Nominal Value<br>£ | Value at 31/03/2007<br>£ |
|--------------------------------------|------------------|--------------------|--------------------------|
| 3% Lincoln Redeemable Stock          | 606              | 700                | 410                      |
| EBS Building Society                 | 1,000,000        | 1,000,000          | 1,000,000                |
| Kaupthing Singer & Friedlander Bank  | 1,000,000        | 1,000,000          | 1,000,000                |
| <b>BALANCE SHEET VALUE OF ASSETS</b> | <b>2,000,606</b> | <b>2,000,700</b>   | <b>2,000,410</b>         |

## 28 LONG TERM DEBTORS

Long term debtors represent the value of long term loans granted by the Council to external organisations. The main element comprises mortgages granted to occupiers of council dwellings under the council house "right to buy" scheme, and mortgages granted to housing associations.

In addition, the Council approved on 03 July 1998 a £200,000 loan repayable over 10 years to Morecambe Football Club, to assist in the development of a new stand. The balance outstanding at 31 March 2007 was £20,000.

## 29 STOCKS AND WORK IN PROGRESS

At 31 March 2007 the City Council held stocks and work in progress to the value of £327,000 (£255,000 2005/06), after allowing for the provision of £40,000 for obsolescence / reductions in value, and excluding internal work in progress of £118,000.

## 30 ANALYSIS OF DEBTORS

Since the Council's Balance Sheet represents assets at the end of the financial year (31 March 2007), there are outstanding monies owed to the Council in respect of the 2006/07 financial year which at that date were yet to be received as cash. The amount in the Balance Sheet therefore, represents amounts owed **to** the Council, which had not been received at 31 March 2007.

The Council makes provision for outstanding monies which it anticipates will not be recovered. The amount in the Balance Sheet is net of such provisions. The Debtors balance as at 31 March 2007 is analysed as follows.

| DEBTORS                     | 31 March 06   | 31 March 07   |
|-----------------------------|---------------|---------------|
|                             | £             | £             |
| Government Departments      | 2,700         | 2,853         |
| Other Local Authorities     | 856           | 1,192         |
| Commercial Ratepayers       | 775           | 420           |
| Council Taxpayers           | 4,693         | 4,813         |
| Housing Rents               | 310           | 329           |
| Sundry Debtors and Accruals | 5,496         | 9,182         |
| Provisions for Bad Debts    | (3,262)       | (3,201)       |
| <b>Total</b>                | <b>11,568</b> | <b>15,588</b> |

## 31 ANALYSIS OF CREDITORS

Since the Council's Balance Sheet represents liabilities at the end of the financial year (31 March 2007), there are outstanding monies owed by the Council in respect of the 2006/07 financial year which at that date were yet to be paid. The amount in the Balance Sheet therefore, represents amounts owed **by** the Council, which had not yet been paid as at 31 March 2007. The Creditors balance as at 31 March 2007 is analysed as follows.

| CREDITORS                     | 31 March 06   | 31 March 07   |
|-------------------------------|---------------|---------------|
|                               | £             | £             |
| Government Departments        | 3,116         | 4,808         |
| Other Local Authorities       | 899           | 639           |
| Commercial Ratepayers         | 303           | 282           |
| Council Taxpayers             | 685           | 739           |
| Housing Rents                 | 92            | 84            |
| Sundry Creditors and Accruals | 6,165         | 5,611         |
| <b>Total</b>                  | <b>11,260</b> | <b>12,163</b> |

### 32 BORROWING

The following tables show the Council's Capital Related Longer Term Borrowing by lender and maturity.

| ANALYSIS OF LOANS BY TYPE | 31 March 06 | 31 March 07 |
|---------------------------|-------------|-------------|
|                           | £000        | £000        |
| Public Works Loan Board   | 44,974      | 44,800      |

| LOAN MATURITY ANALYSIS                       |               |               |
|--|---------------|---------------|
| Maturing in 1 - 2 years                      | 0             | 0             |
| Maturing in 2 - 5 years                      | 0             | 0             |
| Maturing in 5 – 10 years                     | 0             | 0             |
| Maturing in 10 – 15 years                    | 4,000         | 4,000         |
| Maturing in more than 15 years               | 40,800        | 40,800        |
| <b>TOTAL BORROWING (DUE AFTER ONE YEAR)</b>  | <b>44,800</b> | <b>44,800</b> |
| Maturing within one year                     | 174           | 0             |
| <b>TOTAL BORROWING (DUE WITHIN ONE YEAR)</b> | <b>174</b>    | <b>0</b>      |

It should be noted that loan repayments due within one year have been classified on the balance sheet under Current Liabilities – Borrowing (Amounts due within one year).

### 33 DEFERRED GOVERNMENT GRANTS AND CONTRIBUTIONS

The balance on this account represents, in general terms, the value of capital grants and contributions that have been applied to finance the acquisition or enhancement of fixed assets held in the asset register. A proportion of the balance on this account is released to revenue in line with any depreciation charges on such assets. Where no depreciation charges are to be made for assets financed by grants and contributions, the related financing has been transferred to the capital financing account.

### 34 PROVISIONS SUMMARY

|                            | Balance<br>01/04/06<br>£000 | Expenditure<br>£000 | Transfers<br>£000 | Income<br>£000 | Balance<br>31/03/07<br>£000 |
|----------------------------|-----------------------------|---------------------|-------------------|----------------|-----------------------------|
| <b>Revenue Provisions:</b> |                             |                     |                   |                |                             |
| Insurance                  | 378                         | (185)               | (8)               | 65             | 250                         |
| Car Parking Deficit        | 80                          | 0                   | (80)              |                | 0                           |
| Vehicle Replacements       | 41                          |                     |                   |                | 41                          |
| <b>Capital Provisions:</b> |                             |                     |                   |                |                             |
| General Fund Clawback      | 57                          |                     |                   |                | 57                          |
| <b>TOTAL</b>               | <b>556</b>                  | <b>(185)</b>        | <b>(88)</b>       | <b>65</b>      | <b>348</b>                  |

The closing balance on the Insurance Provision is in respect of outstanding insurance claims to be settled by the Council. The Council provides an element of self insurance whereby it pays varying levels of excess depending upon the type of insurance policy. The balance on the provision is assessed throughout the year to ensure it is sufficient to meet all anticipated claims. At the end of 2006/07 there was a total of 162 claims outstanding with an estimated value of £535,395, of which it is anticipated 59% will fall on the Council. As a result the provision has been set at £250,000 with a further £353,000 in an insurance reserve.

The vehicle provision was created in 2005/06 to cover future shortfalls in funding associated with timing differences when vehicles require replacement. The exact impact on the budget at the time of replacement is difficult to predict as it is dependent upon the procurement method used.

The capital Clawback provision is in respect of outstanding liabilities, where the Council has sold land originally financed by Derelict Land Grant. It is anticipated that the balance on this provision will be paid to English Partnerships during 2007/08, however the exact date has not been agreed as yet.

## 35 RESERVES

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

| Reserve                            | Balance at<br>1 April<br>2006<br>£'000 | Net<br>Movement in<br>Year<br>£'000 | Balance at<br>31 March<br>2007<br>£'000 | Purpose of<br>Reserve   | Further Detail of<br>Movements   |
|------------------------------------|--|-------------------------------------|---|---|--|
| Fixed Asset<br>Restatement Account | 126,701                                | 2,153                               | 128,854                                 | Records cumulative gains<br>and losses on the revaluation<br>of fixed assets  | See (a) below  |
| Capital Financing<br>Account       | 40,512                                 | 3,501                               | 44,013                                  | Records capital resources<br>that have been set aside to<br>finance past expenditure                                  | See (b) below  |
| Usable Capital<br>Receipts         | 2,474                                  | (880)                               | 1,594                                   | The balance of proceeds<br>from fixed assets sales that<br>remains available to finance<br>future capital expenditure | See (c) below  |
| Pensions Reserve                   | (33,031)                               | 5,228                               | (27,803)                                | Balance of pensions liability   | See Note -- above  |
| Major Repairs Reserve              | 2,099                                  | 1,617                               | 3,716                                   | Resources available for<br>capital investment in the<br>Council's housing stock                                       | See Note 2 to Housing<br>Revenue Account<br>statements below             |
| Earmarked Reserves                 | 3,500                                  | 1,497                               | 4,997                                   | Amounts set aside to meet<br>specific future spending plans   | See (e) below  |
| General Fund Balance               | 2,061                                  | 954                                 | 3,015                                   | Resources available to meet<br>the Council's future general<br>running costs  | See Statement of Movement<br>in General Fund Balance<br>above            |
| Housing Revenue<br>Account Balance | 1,153                                  | (394)                               | 759                                     | Resources available to meet<br>the future general running<br>costs of the Council's housing<br>stock                  | See Housing Revenue<br>Account Statement of<br>Movement in Balance below |
| Collection Fund<br>Balance         | 387                                    | 209                                 | 596                                     | Amount of Council Tax<br>collected over and above the<br>demands made by the<br>Council and precepting<br>authorities | See Collection Fund Income<br>& Expenditure Account below                |
| <b>TOTAL</b>                       | <b>145,856</b>                         | <b>13,885</b>                       | <b>159,741</b>                          |   |  |



| (e) Earmarked Reserves               | Balance at 1<br>April 2006 | Net<br>Movement in<br>Year | Balance at<br>31 March<br>2007 |
|--------------------------------------|----------------------------|----------------------------|--------------------------------|
|                                      | £'000                      | £'000                      | £'000                          |
| Flats Planned Maintenance            | (451)                      | (126)                      | (577)                          |
| Job Evaluation Reserve               | (313)                      | (242)                      | (555)                          |
| Capital Support                      | 0                          | (460)                      | (460)                          |
| Insurance Reserve                    | (110)                      | (243)                      | (353)                          |
| Access To Services Reserve           | (413)                      | (78)                       | (491)                          |
| Open Spaces Commuted Sum             | (353)                      | 41                         | (312)                          |
| Concessionary Travel                 | 0                          | (290)                      | (290)                          |
| Welfare Planned Maintenance          | (245)                      | 27                         | (218)                          |
| Welfare Equipment                    | (151)                      | (36)                       | (187)                          |
| Other Commuted Sums                  | 0                          | (183)                      | (183)                          |
| Building Regs Reserve                | (150)                      | 7                          | (143)                          |
| Fixed Lifeline Equipment             | (116)                      | (27)                       | (143)                          |
| CC(D)S Reserve                       | (286)                      | 185                        | (101)                          |
| Housing Software Replacement Reserve | (89)                       | (45)                       | (134)                          |
| Central Control Equipment            | (87)                       | (15)                       | (102)                          |
| Business Continuity Reserve          | 0                          | (100)                      | (100)                          |
| Renewals Reserve                     | 0                          | (100)                      | (100)                          |
| Dispersed Lifeline Equipment         | (109)                      | 34                         | (75)                           |
| Industrial Aid                       | (166)                      | 166                        | 0                              |
| Other Reserves (less than £100,000)  | (461)                      | (12)                       | (473)                          |
| <b>Total</b>                         | <b>(3,500)</b>             | <b>(1,497)</b>             | <b>(4,997)</b>                 |

### 36 CONTINGENT ASSETS AND LIABILITIES

There were no contingent assets or liabilities as at 31 March 2007.

### 37 DEFERRED LIABILITIES AND DEFERRED CREDITS

Deferred liabilities consist of liabilities which are payable at some point in the future. The amount in the Balance Sheet represents balances held in respect of shared ownership and leasehold sheltered dwellings where the conditions of the lease include an option for the property to be sold back to the authority at a later point.

Deferred credits represent amounts due, by way of mortgages, from sales of properties in previous years.

### 38 POST BALANCE SHEET EVENTS

Where a material post balance sheet event occurs which:

- provides additional evidence relating to conditions existing at the balance sheet date; or
- indicates that application of the going concern concept to a material part of the authority is not appropriate.

changes should be made in the amounts to be included in the Statements of Accounts.

There have been no material post balance sheet events at the date of approval by Audit Committee (27 June 2007)

### 39 PENSIONS

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

The Authority participates in one principal pension scheme.

The Local Government Pension Scheme for civilian employees, administered by Lancashire County Council – this is a funded scheme, meaning that the Council and employees pay contributions into a fund, those contributions being calculated at a level intended to balance the pensions liabilities with investment assets.

The Council recognises the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge it is required to make against the Council Tax is based on the cash payable in the year, so although the full cost of retirement benefits is contained out in the Income and Expenditure Account, this is partially offset by an adjustment within the Statement of Movement on the General Fund Balance.

The following transactions have been made in the Income and Expenditure Account during the 2006/07 year in accordance with FRS 17.

| Net Cost of Services:                                 | £000         |
|---|--------------|
| Current Service Costs                                 | (3,033)      |
| Past Service & Curtailment (Gain)/Loss                | 0            |
| <b>Net Operating Expenditure</b>                      |              |
| Interest Costs  | (6,470)      |
| Expected return on Assets in the scheme               | 6,024        |
| <b>Employer's contributions payable to the scheme</b> | <b>2,918</b> |
| <b>Overall impact of FRS 17 transactions</b>          | <b>(561)</b> |

This is balanced by a contribution of £502,600 from the Pensions Reserve and the Statement of Movement on the General Fund Balance, and a contribution of £58,400 to the Pensions Reserve in the corresponding statement for the Housing Revenue Account.

The actuarial gains identified as movements on the Pension Reserve in 2006/07 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2007.

|   | 2003/04      |      | 2004/05         |      | 2005/06    |      | 2006/07      |       |
|---|--------------|------|-----------------|------|------------|------|--------------|-------|
|   | £000         | %    | £000            | %    | £000       | %    | £000         | %     |
| Differences between the expected and actual return on assets                      | 9,574        | 13.1 | 3,768           | 4.7  | 13,587     | 13.7 | (711)        | (0.7) |
| Differences between actuarial assumptions about liabilities and actual experience | --           | --   | (1,546)         | 1.3  | (2,461)    | 1.9  | 0            | 0.0   |
| Changes in the demographic and financial assumptions used to estimate liabilities | --           | --   | (18,681)        | 16.3 | (10,180)   | 7.7  | 6,500        | 4.9   |
|   | <b>9,574</b> |      | <b>(16,459)</b> |      | <b>946</b> |      | <b>5,789</b> |       |

As at 31 March 2007, the Authority had the following overall assets and liabilities for pensions as disclosed in the Balance Sheet :

|                                 | Local Government Pension Scheme |                    |
|---------------------------------|---------------------------------|--------------------|
|                                 | 31/03/2006<br>£000              | 31/03/2007<br>£000 |
| Estimated liabilities in scheme | (132,216)                       | (131,840)          |
| Estimated assets in scheme      | 99,185                          | 104,037            |
| <b>Net asset/(liability)</b>    | <b>(33,031)</b>                 | <b>(27,803)</b>    |

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. The overall Pension Fund liabilities have been assessed by Mercer Human Resource Consulting Ltd., an independent firm of actuaries. The main assumptions used in their calculations are set out below, but it should be noted that as such, the position presented above represents an estimated snapshot position as at 31 March 2007, based on prevailing market and other economic conditions. Where relevant, assumptions were made for both the position at the beginning and end of the financial year, although the figures shown below represent the average assumptions applied for the year.

The figures quoted are based on a full valuation of the Pension Fund, which was carried out during 2004/05. The deficit for accounting purposes also includes liabilities in respect of added years enhancements for non-ill health early retirements, which are a charge directly on the authority's revenue account and not a charge to the Pension Fund.

The latest assessment took into account market movements up to 31 December 2006 and projected the likely position at 31 March 2007. It also took into account the funding methodology and assumptions considered appropriate, the length of any recovery plan and any smoothing mechanisms that might be adopted.

#### **Changes to the Local Government Pension Scheme (LGPS)**

Changes to the LGPS permit employees retiring on or after 06 April 2006 to take an increase in their lump sum payment on retirement in exchange for a reduction in their future annual pension. On the advice of our actuaries we have assumed that 50% of employees retiring after 06 April 2006 will take advantage of this change to the pension scheme. Our actuaries have advised that this will reduce the value of the Council's pension liabilities by £1.726m and this has been included within the non-distributed costs on the face of the Income and Expenditure Account.

| Local Government Pension Scheme                            |              |              |
|--|--------------|--------------|
| Financial Assumptions                                      | 2005/06<br>% | 2006/07<br>% |
| Rate of inflation  | 2.9          | 3.1          |
| Rate of increase in salaries                               | 4.7          | 4.9          |
| Rate of increase in pensions                               | 2.9          | 3.1          |
| Rate of discounting scheme liabilities                     | 4.9          | 5.4          |
| Proportion of employees opting to take a commuted lump sum | 50.0         | 50.0         |

| Expected rate of return on assets | 2005/06 | 2006/07 |
|-----------------------------------|---------|---------|
|                                   | %       | %       |
| Equity investments                | 7.0     | 7.5     |
| Government Bonds                  | 4.3     | 4.7     |
| Other Bonds                       | 4.9     | 5.4     |
| Property                          | 6.0     | 6.5     |
| Cash/Liquidity                    | 4.5     | 5.3     |
| Other assets                      | 7.0     | 7.5     |

| Split of assets between investment categories | 2005/06 |      | 2006/07 |      |
|---|---------|------|---------|------|
|   | £000    | %    | £000    | %    |
| Equity investments                            | 63,974  | 64.5 | 66,895  | 64.3 |
| Government Bonds                              | 7,241   | 7.3  | 8,739   | 8.4  |
| Other Bonds                                   | 15,572  | 15.7 | 13,005  | 12.5 |
| Property                                      | 5,951   | 6.0  | 7,283   | 7.0  |
| Cash/Liquidity                                | 3,769   | 3.8  | 4,682   | 4.5  |
| Other Assets                                  | 2,678   | 2.7  | 3,433   | 3.3  |
|   | 99,185  | 100  | 104,037 | 100  |

The movement in the net pension liability for the year to 31 March 2007 is as follows :

| Movement in Surplus during 2006/07              | £000            |
|---|-----------------|
| <b>Surplus / (Deficit) at Beginning of Year</b> | <b>(33,031)</b> |
| Current Service Costs                           | (3,033)         |
| Employer Contributions                          | 2,918           |
| Past Service Cost / Curtailment Cost            | 0               |
| Net Interest / Return on Assets                 | (446)           |
| Actuarial Gain or (Loss)                        | 5,789           |
| <b>Surplus / (Deficit) at End of Year</b>       | <b>(27,803)</b> |

The actuarial loss can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities as at 31 March 2007.

| Statement of Actuarial Gains & (Losses)   | £000         | %                            |
|---|--------------|------------------------------|
| Differences between the expected and actual return on assets                      | (711)        | (0.7% of Assets)             |
| Differences between actuarial assumptions about liabilities and actual experience | 0            | (0% of liabilities)          |
| Changes in the demographic and financial assumptions used to estimate liabilities | 6,500        | (4.9% of liabilities)        |
|   | <b>5,789</b> | <b>(0.7% of liabilities)</b> |

#### 40 RECONCILIATION OF REVENUE CASH FLOW

The (surplus)/deficit on the Income and Expenditure Account includes transactions which do not result in cash flows. The following table identifies these transactions and reconciles the Income and Expenditure Account surplus with the actual net revenue cash flows.

NOTE I: These figures are shown gross of provisions whereas they are shown net on the Balance Sheet. Provisions are shown separately in the above reconciliation.

NOTE II: Debtors and creditors also exclude capital debtors and creditors, which are shown under capital transactions on the above reconciliation.

|   | £'000   | £'000         |
|---|---------|---------------|
| <b>Income and Expenditure Account Surplus/(Deficit)</b>   |         |               |
| General Fund  |         | 3,134         |
| Housing Revenue Account   |         | 2,164         |
|   |         | <u>5,298</u>  |
| <b>Net additional amounts required by statute to be debited or credited to the accounts in the year</b> |         |               |
| General Fund  | (2,181) |               |
| Housing Revenue Account   | (2,558) | (4,739)       |
|   |         | <u>559</u>    |
| Collection Fund Surplus/(Deficit)   |         | 209           |
| <b>ADD</b>  |         |               |
| Provision for Debt Redemption   | 1,318   |               |
| Write Down of Deferred Assets   | 174     |               |
| Direct Revenue Financing of Capital   | 3,115   |               |
| Contribution from/(to) Earmarked Provisions   | (208)   |               |
| Contribution from/(to) Earmarked Reserves   | 3,114   | 7,513         |
|   |         | <u>599</u>    |
| Decrease/(Increase) in Debtors  | (782)   |               |
| Decrease/(Increase) in Stocks   | (71)    |               |
| Increase/(Decrease) in Creditors  | 1,452   | 599           |
|   |         | <u>1,675</u>  |
| External Interest Paid  | 2,583   |               |
| Interest Received   | (908)   | 1,675         |
|   |         | <u>10,555</u> |

#### 41 GOVERNMENT GRANTS

The Government grants shown on the Cash Flow Statement represent the cash received by the City Council and may differ from the actual amounts included within gross income figures in the City Council's Income and Expenditure Account, which is prepared on an accruals basis.

Government grants in cash terms are outlined below.

|   | 2005/06<br>£000 | 2006/07<br>£000 |
|---|-----------------|-----------------|
| Revenue Support Grant                         | 8,888           | 2,342           |
| DWP Grants - Housing Benefits and Council Tax | 34,118          | 33,077          |
| Council Tax Collection                        |                 |                 |
| Council Tax Preparation Grant                 |                 |                 |
| Benefit Fraud Grant                           |                 |                 |
| Benefit Administration Grant                  |                 |                 |
| NNDR Administration                           | 212             | 214             |
| Planning Delivery Grant                       | 579             | 356             |
| LABGI   | 145             | 460             |
|   | <b>43,942</b>   | <b>36,449</b>   |

#### 42 MOVEMENT IN LONG TERM BORROWING

|                          | As at<br>31/03/2006<br>£000 | As at<br>31/03/2007<br>£000 | Movement in<br>Cash<br>£000 |
|--------------------------|-----------------------------|-----------------------------|-----------------------------|
| Public Works Loans Board | 44,800                      | 44,800                      | 0                           |

#### 43 MOVEMENT IN OTHER CURRENT ASSETS AND LIABILITIES

|                             | As at<br>31/03/2006<br>£000 | As at<br>31/03/2007<br>£000 | Movement in<br>Cash<br>£000 |
|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Stocks and Work in Progress | 255                         | 326                         | (71)                        |
| Debtors                     | 9,532                       | 10,314                      | (782)                       |
| Creditors                   | (8,939)                     | (10,391)                    | 1,452                       |
| <b>TOTAL</b>                | <b>848</b>                  | <b>249</b>                  | <b>599</b>                  |

#### 44 RECONCILIATION OF THE NET CASH FLOW

The Cash Flow Statement summarises the inflows and outflows of cash arising from transactions with third parties. This movement in cash should be reflected in the increase or decrease in cash and cash equivalent between the 2005/06 and the 2006/07 Balance Sheets.

The table below reconciles these movements in cash and cash equivalent:

|                          | As at<br>31/03/2006<br>£000 | As at<br>31/03/2007<br>£000 | Movement in<br>Cash<br>£000 |
|--------------------------|-----------------------------|-----------------------------|-----------------------------|
| Short Term Borrowing     | (174)                       | 0                           | 174                         |
| Long Term Borrowing      | (44,800)                    | (44,800)                    | 0                           |
| Temporary Investments    | 10,200                      | 9,500                       | (700)                       |
| Cash in Hand and at Bank | (379)                       | (1,809)                     | (1,430)                     |
| <b>TOTAL</b>             | <b>(35,153)</b>             | <b>(37,109)</b>             | <b>(1,956)</b>              |

## SUPPLEMENTARY FINANCIAL STATEMENTS

### HOUSING REVENUE ACCOUNT INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2007

The purpose of the Housing Revenue Account is to record the expenditure and income relating to Council dwellings. The Council is obliged by law to fund revenue expenditure on Council dwellings only from housing rent income.

The expenditure and income on the Housing Revenue Account is brought into the Council's overall Income and Expenditure Revenue Account in order to include it within the total cost of services provided by the Council. The surplus or deficit is then appropriated from the overall Income and Expenditure Account to the Housing Revenue Account working balance.

| 2005/06<br>£'000 |  | 2006/07<br>£'000 | Notes |
|------------------|--|------------------|-------|
|                  | <b>Income</b>  |                  |       |
| (9,818)          | Dwelling Rents   | (10,295)         |       |
| (154)            | Non-Dwelling Rents   | (179)            |       |
| (1,465)          | Charges for Services & Facilities  | (1,544)          |       |
| (8)              | Contributions Towards Expenditure  | (8)              |       |
|                  | 0 Housing Revenue Account Subsidy Receivable   | 0                |       |
| (162)            | Sums Directed by the Secretary of State that are Income in accordance with UK GAAP                                       | (160)            |       |
| <b>(11,607)</b>  | <b>Total Income</b>  | <b>(12,186)</b>  |       |
|                  | <b>Expenditure</b>   |                  |       |
|                  | 3,116 Repairs & Maintenance  | 3,097            |       |
|                  | 2,891 Supervision & Management   | 2,953            |       |
|                  | 186 Rents, Rates, Taxes & Other Charges  | 169              |       |
|                  | 488 Negative Housing Revenue Account Subsidy Payable   | 569              | 6     |
|                  | 104 Increase in Bad Debt Provision   | 131              |       |
|                  | 2,210 Depreciation & Impairments of Fixed Assets   | 2,278            | 4     |
|                  | 12 Debt Management Costs   | 1                |       |
|                  | 29 Sums Directed by the Secretary of State that are Expenditure in accordance with UK GAAP                               | 0                | 9     |
|                  | <b>9,036 Total Expenditure</b>   | <b>9,198</b>     |       |
| <b>(2,571)</b>   | <b>Net Cost of HRA Services per Authority Income and Expenditure Account</b>   | <b>(2,988)</b>   |       |
|                  | 0 HRA Services Share of Corporate & Democratic Core  | 0                |       |
|                  | 0 HRA Share of other Amounts Included in the Whole Authority Net Cost of Services but not Allocated to Specific Services | 0                |       |
| <b>(2,571)</b>   | <b>Net Cost of HRA Services</b>  | <b>(2,988)</b>   |       |
|                  | <b>HRA share of the operating income and expenditure included in the whole authority accounts</b>                        |                  |       |
|                  | 0 Gain or Loss on Sale of HRA Fixed Assets   | 0                | 11    |
|                  | 868 Interest Payable & Similar Charges   | 878              | 12    |
|                  | 207 Amortisation of Premiums & Discounts   | 159              |       |
| (129)            | Interest & Investment Income   | (256)            |       |
|                  | 106 Pensions Interest Costs & Expected Return on Pensions Assets   | 43               | 8     |
| <b>(1,519)</b>   | <b>(Surplus) or deficit for the year on HRA Services</b>   | <b>(2,164)</b>   |       |

## STATEMENT OF MOVEMENT IN THE HOUSING REVENUE ACCOUNT BALANCE FOR THE YEAR ENDED 31 MARCH 2007

| 2005/06<br>£'000 |  | 2006/07<br>£'000 | Notes |
|------------------|--|------------------|-------|
| (1,519)          | <b>(Surplus) / Deficit for Year on the HRA Income &amp; Expenditure Account.</b>                       | (2,164)          |       |
| 1,396            | Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year. | 2,558            |       |
| (123)            | <b>(Increase) or decrease in Housing Revenue Account Balance.</b>                                      | 394              |       |
| (1,029)          | Housing Revenue Account Balance brought forward.   | (1,152)          |       |
| (1,152)          | <b>Housing Revenue Account Balance carried forward.</b>  | (758)            |       |

### Note to the Statement of Movement on the HRA Balance

#### Additional amounts required by Statute & Non-Statutory Proper Practices to be taken into account in determining the movement in the HRA Balance

|      |  |      |    |
|------|--|------|----|
| 0    | Difference between Interest Payable and Similar Charges including Amortisation of Premiums & Discounts determined in accordance with the SORP & those determined in accordance with Statute. | 0    |    |
| 0    | Difference between any other item of Income & Expenditure determined in accordance with the SORP and determined in accordance with Statutory HRA requirements.                               | 0    |    |
| 0    | Gain or Loss on Sale of HRA Fixed Assets.  | 0    | 11 |
| (82) | Net charges made for retirement benefits in accordance with FRS17.   | (58) | 8  |
| 0    | Sums Directed by the Secretary of State to be debited or credited to the HRA that are not Income or Expenditure in accordance with UK GAAP.  | 0    |    |
| (82) |  | (58) |    |

#### Items not included in the HRA Income and Expenditure Account but included in the movement on HRA Balance for the year

|       |  |       |  |
|-------|--|-------|--|
| (26)  | Transfer to/from Major Repairs Reserve.  | (38)  |  |
| 0     | Transfer to/from Housing Repairs Account.  | 0     |  |
| 294   | Transfer to/from Earmarked Reserves.   | 290   |  |
| 1,210 | Capital Expenditure funded by the Housing Revenue Account.   | 2,364 |  |
| 0     | HRA Share of the Minimum Revenue Provision.  | 0     |  |
| 0     | Voluntary set aside for debt repayment.  | 0     |  |
| 1,478 |  | 2,616 |  |
| 1,396 | <b>Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year</b> | 2,558 |  |



## NOTES TO THE HOUSING REVENUE ACCOUNT

### 1 NUMBERS AND VALUES OF DWELLINGS

As at 31 March 2007 the authority held the following dwellings:

|                               |                     |              |
|-------------------------------|---------------------|--------------|
| Bedsits                       |                     | 117          |
| 1 Bedroom                     | Houses & Bungalows  | 650          |
|                               | Flats & Maisonettes | 510          |
| 2 Bedroom                     | Houses & Bungalows  | 513          |
|                               | Flats & Maisonettes | 683          |
| 3 Bedroom                     | Houses & Bungalows  | 1,284        |
|                               | Flats & Maisonettes | 7            |
| 4 or more bedroomed dwellings |                     | 82           |
| <b>TOTAL ALL DWELLINGS</b>    |                     | <b>3,846</b> |

The Balance Sheet value of assets held in the Housing Revenue Account was as follows:

|                               | Bal b/fwd<br>01/04/2006<br>£'000 | Bal c/fwd<br>31/03/2007<br>£'000 |
|-------------------------------|----------------------------------|----------------------------------|
| <b>Operational</b>            |                                  |                                  |
| Council Dwellings             | 141,589                          | 150,436                          |
| Other land and buildings      | 374                              | 18                               |
|                               | 141,963                          | 150,454                          |
| <b>Non-operational Assets</b> | 835                              | 1,034                            |
| <b>TOTAL</b>                  | <b>142,798</b>                   | <b>151,488</b>                   |

Dwellings are valued on the basis of Existing Use Value (Social Housing). This basis was first introduced on 01 April 2001, following the introduction of Resource Accounting in the HRA, with values then being rebased annually, with periodic full revaluation exercises every 5 years, the first of which has now updated all values to 01 April 2005. The figures for 2006/07 incorporate the first annual rebasing exercise on the April 2005 revaluation and this has resulted in an increase in asset values of £12,777,444 in the year, which is the major part of the net movement in asset values shown above. This is principally attributable to a difference between the accumulated values from the annual rebasing exercises, and those contained in the recent full revaluation. The Major Repairs Allowance of £2,239,723, for 2006/07 has been used as a proxy for depreciation on dwellings. Non-dwelling assets were also revalued at 01 April 2005.

The vacant possession value of dwellings held on 01 April 2006 was £261,637,261. The difference between this and the EUV-SH valuation of £154,365,984 (i.e. the updated figure after the 2006/07 rebasing exercise effective as of 01 April 2006 but before depreciation, disposals etc) represents the economic cost to the Government of providing Council Housing at less than open market rents.

## 2 MOVEMENTS ON THE MAJOR REPAIRS RESERVE

Movements on the Major Repairs Reserve for the year were as follows:

| Summary of Movements on Major Repairs Reserve 2006/07 |  | £'000        |
|---|--|--------------|
| Opening Balance 01 April                              |  | 2,099        |
| Transfer to MRR – Depreciation                        |  | 2,277        |
| Transfer to HRA - Depreciation Adjustment             |  | (38)         |
| Capital Expenditure                                   |  |              |
| - Land  |  | -            |
| - Houses  |  | (622)        |
| - Other property.                                     |  | -            |
| <b>Closing Balance 31 March</b>                       |  | <b>3,716</b> |

## 3 CAPITAL EXPENDITURE

Capital expenditure of £3,723,000 was incurred during the year being £3,533,000 on works and improvements to dwellings and £190,000 on other property. This was financed as follows:

|                                |  | £'000        |
|--------------------------------|--|--------------|
| Borrowing                      |  | 0            |
| Usable Capital Receipts        |  | 737          |
| Direct Revenue Financing       |  | 2,344        |
| Earmarked Reserves             |  | 20           |
| Majors Repairs Reserve         |  | 622          |
| Grants and Contributions       |  | 0            |
| Movement in Capital Creditors  |  | 0            |
| <b>Total Capital Financing</b> |  | <b>3,723</b> |

Capital Receipts totalling £2,227,000 were received during the year from the following sources:

|                                     |  | £'000        |
|-------------------------------------|--|--------------|
| Sale of dwellings                   |  | 2,192        |
| Sale of land                        |  | 30           |
| Repayment of Principal on Mortgages |  | 5            |
| Repayment of Right to Buy discounts |  | 0            |
| <b>Total Capital Receipts</b>       |  | <b>2,227</b> |

The above amounts are shown gross, before deducting administration fees. Previously under the Local Government and Housing Act 1989, 75% of council house sales were to be set aside for debt redemption, however the Local Government Act 2003 (section 11(2)(b)) now requires all or part of the receipt to be paid over to the Secretary of State. The aim is to preserve and strengthen the principle of redistributing the spending power generated by the sale of such assets.

## 4. DEPRECIATION

Total depreciation charges for the year were:

|                          |  | £'000        |
|--------------------------|--|--------------|
| Council Dwellings        |  | 2,240        |
| Other land and buildings |  | 17           |
| Non-operational Assets   |  | 21           |
| <b>TOTAL</b>             |  | <b>2,278</b> |

## 5 DEFERRED CHARGES

No charges were made during the year in respect of deferred charges.

## 6 HOUSING REVENUE ACCOUNT SUBSIDY

The total Negative Housing Subsidy payable for the year 2006/07 was £569,000, the analysis of which is shown in the table below, and the actual negative subsidy paid this year also amounted to £569,000.

|                                 | £'000        |
|---------------------------------|--------------|
| Management Allowance            | 1,774        |
| Maintenance Allowance           | 3,603        |
| Major Repairs Allowance         | 2,240        |
| Admissible Allowances           | 28           |
| Anti-Social Behaviour Allowance | 0            |
| Charges for Capital             | 1,827        |
| Rent Rebates                    | 0            |
| Notional Rent                   | (10,072)     |
| Interest on Receipts            | (5)          |
| Government Grants               | 0            |
| Rental Constraint Allowance     | 36           |
| <b>Total Housing Subsidy</b>    | <b>(569)</b> |

## 7 RENT ARREARS

Total arrears of rent at 31 March 2007 amounted to £325,000. Against this an amount of £395,000 was held as provision for bad debts (including rent arrears and all other debts outstanding to the Housing Revenue Account). This represents allowances of 95% for arrears from former tenants and 25% for arrears from current tenants and leaseholders, in addition to 95% of other outstanding debts.

## 8 CONTRIBUTION TO/FROM THE PENSION RESERVE

This is the second year in which the requirements of FRS17 have been applied to the Housing Revenue Account. As such, the current service cost has been included within the Net Cost of Services and the net of the interest cost and the expected return on assets included within Net Operating Expenditure. Actuarial gains and losses arising from any new valuation and from updating the latest actuarial valuation to reflect conditions at the balance sheet date are recognised in the Statement of Movements in the HRA balance.

## 9 TRANSFERS TO/FROM GENERAL FUND AS DIRECTED BY SECRETARY OF STATE

There have been no transfers to or from the General Fund as directed by the Secretary of State.

## 10 EXCEPTIONAL ITEMS, EXTRAORDINARY ITEMS AND PRIOR YEAR ADJUSTMENTS

There have been no exceptional items, extraordinary items or prior year adjustments within the Housing Revenue Account.

## 11 GAINS AND LOSSES ON SALE OF FIXED ASSETS

Overall gains and losses on sales of fixed assets during the year were as follows; after allowing for right to buy discounts.

|                                  | £'000       |
|----------------------------------|-------------|
| Book value of assets disposed of | 2,189,780   |
| Less accumulated depreciation    | 0           |
|                                  | 2,189,780   |
| Sale proceeds                    | (2,189,780) |
| <b>GAIN/(LOSS) ON DISPOSAL</b>   | <b>0</b>    |

## 12 INTEREST PAYABLE AND SIMILAR CHARGES

The amount of £878,402 is a proportion of the total interest paid by the Council, calculated on the basis of a Determination issued by the Secretary of State under statutory regulations, using the amount of historic debt attributed to the HRA and the average rate of interest payable by the Council.

## COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT 2006/07

This statement represents the transactions of the Collection Fund, a statutory account that must be kept separate from other Funds of the Council. The Collection Fund accounts independently for income relating to Council Tax and Non Domestic Rates on behalf of those bodies, including the Council's own General Fund, for whom the income has been raised. The costs of administering collection are accounted for in the General Fund.

| 2005/06<br>£000 | INCOME   | See Note | 2006/07<br>£000 |
|-----------------|--|----------|-----------------|
|                 | <b>Council Tax</b>                                       |          |                 |
| (46,372)        | Income from Council Tax                                  | 1        | (49,219)        |
|                 | <b>Transfers from General Fund:</b>                      |          |                 |
| (8,057)         | Council Tax Benefits                                     |          | (8,404)         |
|                 | <b>Council Tax Benefit Subsidy Limitation</b>            |          |                 |
| --              | Contributions from other Local Authorities               |          | --              |
|                 | <b>Business Rates</b>                                    |          |                 |
| (36,433)        | Income from Business Ratepayers                          | 2        | (27,432)        |
|                 | <b>Contributions</b>                                     |          |                 |
| --              | Towards previous year's Collection Fund deficit          | 5        | --              |
| (1)             | Adjustment of previous years Community Charges           | 3        | --              |
| (270)           | From Provisions for Council Tax Amounts Written Off      |          | (299)           |
| <hr/>           |  |          |                 |
| <b>(91,133)</b> | <b>TOTAL INCOME</b>                                      |          | <b>(85,354)</b> |
|                 | <b>EXPENDITURE</b>                                       |          |                 |
|                 | <b>Precepts and Demands</b>                              |          |                 |
| 40,367          | Lancashire County Council                                |          | 42,628          |
| 6,894           | Lancaster City Council (including parish precepts)       |          | 7,266           |
| 4,576           | Lancashire Police Authority                              |          | 4,836           |
| 2,213           | Lancashire Fire Authority                                |          | 2,339           |
|                 | <b>Business Rates</b>                                    |          |                 |
| 36,221          | Payment to National Pool                                 |          | 27,218          |
| 212             | Cost of Collection Allowance                             |          | 214             |
|                 | <b>Council Tax Bad and Doubtful Debts</b>                |          |                 |
| 270             | Write-offs   |          | 299             |
| 282             | Contribution to Provision for Non-Collection             |          | 345             |
| <hr/>           |  |          |                 |
| <b>91,035</b>   | <b>TOTAL EXPENDITURE</b>                                 |          | <b>85,145</b>   |
|                 | <b>FUND BALANCE</b>                                      |          |                 |
| (98)            | (Surplus)/deficit for year                               |          | (209)           |
| (289)           | (Surplus)/deficit as at 01 April (Brought forward)       | 4        | (387)           |
| <hr/>           |  |          |                 |
| <b>(387)</b>    | <b>(Surplus)deficit as at 31 March (Carried forward)</b> | 6        | <b>(596)</b>    |

## NOTES TO THE COLLECTION FUND ACCOUNT

The following notes are intended to explain figures contained on the Collection Fund Summary Income and Expenditure Account.

### 1 COUNCIL TAX

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into eight valuation bands estimating 01 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 Lancashire County Council, Lancaster City Council and the Lancashire Police Authority for the forthcoming year and dividing this by the Council Tax base.

The Council Tax base represents the number of chargeable dwellings in each banding (i.e. the number of properties, adjusted for discounts etc.) multiplied by a set proportion to give the number of Band D equivalents. The estimated collection rate is then applied to the Band D equivalent total, to give the Council's Tax Base for that year. For 2006/07 the numbers are as follows:-

|                         | Chargeable<br>Dwellings | Band D<br>Equivalents |
|-------------------------|-------------------------|-----------------------|
| Band A                  | 16,441                  | 10,958                |
| Band B                  | 12,881                  | 10,019                |
| Band C                  | 9,872                   | 8,775                 |
| Band D                  | 5,374                   | 5,374                 |
| Band E                  | 3,391                   | 4,145                 |
| Band F                  | 1,712                   | 2,474                 |
| Band G                  | 757                     | 1,261                 |
| Band H                  | 38                      | 75                    |
| <b>Total</b>            | <b>50,466</b>           | <b>43,081</b>         |
| <i>Collection Rate</i>  |                         | 99%                   |
| <b>Council Tax Base</b> |                         | <b>42,650</b>         |

### 2 BUSINESS RATES

The City Council collects National Non-Domestic Rates (NNDR) for its area. NNDR is based on rateable values set by the Inland Revenue, multiplied by a Uniform Business Rate set by Central Government. For most businesses, this was set at 42.6p per £ for 2006/07 (41.5p for 2005/06). For local businesses with a rateable value of less than £15,000, a discount of 0.7p was allowed giving a rate of 42.6p. The rateable value at 31 March 2007 was £87,289,085 (£87,508,701 for 2005/06). The total amount due, after adjusting for certain reliefs and other deductions, is paid into a central pool (the NNDR pool) managed by Central Government. The Government redistributes the sums paid into the pool back to local authorities' in proportion to population. Lancaster's share of the pool for 2006/07, paid directly to the Income and Expenditure Account, amounted to £12.130 M.

### 3 ADJUSTMENTS FOR PREVIOUS YEARS' COMMUNITY CHARGES

Any outstanding Community Charge items were written off in 2005/06 and therefore no longer form part of the Collection Fund Accounts.

#### 4 DISTRIBUTION OF COLLECTION FUND (SURPLUSES) OR DEFICITS

Collection Fund Surpluses relating to Council Tax (i.e. excluding Community Charge items) are distributed to the billing and precepting authorities in proportion to the value of their respective precepts or demands on the Fund.

As at 01 April 2006 the Council Tax surplus was shown as £387,000. During 2006/07 the following distributions were made to precepting authorities.

|                             | £000         |
|-----------------------------|--------------|
| Lancaster City Council      | (26)         |
| Lancashire County Council   | (156)        |
| Lancashire Police Authority | (18)         |
| Lancashire Fire Authority   | (9)          |
| <b>TOTAL</b>                | <b>(209)</b> |

#### 5 CLOSING (SURPLUS) / DEFICIT BALANCES ON THE COLLECTION FUND

The movements in the Collection Fund during 2006/07 are summarised below.

|                                   | Residual<br>Community<br>Charge<br>£000 | Council Tax<br>£000 | TOTAL<br>£000 |
|-----------------------------------|---|---------------------|---------------|
| (Surplus)/Deficit 01/04/06        | --                                      | (387)               | (387)         |
| Distributions in Year             | --                                      | --                  | 0             |
| Net Transaction in Year           | --                                      | (209)               | (209)         |
| <b>(Surplus)/Deficit 31/03/07</b> | <b>0</b>                                | <b>(596)</b>        | <b>(596)</b>  |

Of the £596,000 surplus as at 31 March 2007, £521,000 is attributable to other Local Authorities as follows:

|                             | £000  |
|-----------------------------|-------|
| Lancashire County Council   | (445) |
| Lancashire Police Authority | (51)  |
| Lancashire Fire Authority   | (25)  |

## BEQUESTS, ENDOWMENTS AND TRUST FUNDS

The Council is responsible for the administration of a number of trust funds on behalf of their specified trustees. These funds do not represent assets of the Council and are therefore not included in the Council's Balance Sheet.

At 31 March 2007 the Council was responsible for 43 of these Trust Funds, the balances of which are shown below.

| Revenue Accounts               | Balance b/f<br>01/04/06<br>£ | Income<br>£    | Expenditure<br>£ | Balance c/f<br>31/03/07<br>£ |
|--------------------------------|------------------------------|----------------|------------------|------------------------------|
| <b>Bequests and Endowments</b> |                              |                |                  |                              |
| (a) Council sole trustee       |                              |                |                  |                              |
| Ashton Memorial                | 0                            | (1,351)        | 1,351            | 0                            |
| Williamson Park                | 0                            | (1,928)        | 1,928            | 0                            |
| Other                          | (1,687)                      | (1,165)        | 1,049            | (1,803)                      |
| (b) Council not sole trustee   | (8,042)                      | (474)          | 0                | (8,516)                      |
| <b>School etc. Prize Funds</b> |                              |                |                  | 0                            |
| (a) Council sole trustee       | (20,222)                     | (1,177)        | 0                | (21,399)                     |
| (b) Council not sole trustee   | (1,627)                      | (98)           | 0                | (1,725)                      |
| <b>TOTAL</b>                   | <b>(31,578)</b>              | <b>(6,193)</b> | <b>4,328</b>     | <b>(33,443)</b>              |

|                                     | Fund<br>Balances<br>£ | Cash and<br>Fund<br>Investments<br>£ |
|-------------------------------------|-----------------------|--------------------------------------|
| <b>Bequests and Endowments</b>      |                       |                                      |
| <b>(a) Council sole trustee</b>     |                       |                                      |
| Capital                             |                       |                                      |
| Ashton Memorial                     | 15,602                | 0                                    |
| Williamson Park                     | 18,343                | 0                                    |
| Other                               | 14,046                | 1,962                                |
| Revenue                             | 1,803                 | 0                                    |
| Cash and Debtors                    | 0                     | 47,832                               |
| <b>(b) Council not sole trustee</b> |                       |                                      |
| Capital                             | 2,045                 | 0                                    |
| Revenue                             | 8,516                 | 2,045                                |
| Cash and Debtors                    | 0                     | 8,516                                |
| <b>School etc. Prize Funds</b>      |                       |                                      |
| <b>(a) Council sole trustee</b>     |                       |                                      |
| Capital                             | 2,496                 | 0                                    |
| Revenue                             | 21,399                | 874                                  |
| Cash and Debtors                    | 0                     | 23,021                               |
| <b>(b) Council not sole trustee</b> |                       |                                      |
| Capital                             | 358                   | 0                                    |
| Revenue                             | 1,725                 | 0                                    |
| Cash and Debtors                    | 0                     | 2,083                                |
| <b>TOTAL</b>                        | <b>86,333</b>         | <b>86,333</b>                        |



It is a requirement of the Charity Commission for all Bequests, Endowments and Trust funds an Income and Expenditure account for the Trusts they are responsible for with an income under £10,000. This must be accompanied by a Balance sheet.

The Council consolidates all the Bequests, Endowments and Trusts into one account, these can be found below.

| <b>Income &amp; Expenditure Account</b> | <b>2005/06</b> | <b>2006/07</b> |
|---|----------------|----------------|
|   | <b>£</b>       | <b>£</b>       |
| <b>Income</b>                           |                |                |
| Interest                                | (6,009)        | (6,193)        |
| Capital                                 | --             |                |
|   | <b>(6,009)</b> | <b>(6,193)</b> |
| <b>Expenditure</b>                      |                |                |
| Ashton Memorial                         | 1,333          | 1,352          |
| William Smith Festival                  | 284            | 266            |
| Whalley Playground                      | 658            | 658            |
| Lune Bank Gardens                       | 97             | 104            |
| Williamson Park                         | 1,923          | 1,928          |
| War Memorial Fund                       | 16             | 17             |
| Other                                   | 5              | 3              |
|   | <b>4,316</b>   | <b>4,328</b>   |
| <b>Excess Income</b>                    | <b>(1,693)</b> | <b>(1,865)</b> |
| <b>Balance Sheet</b>                    | <b>2005/06</b> | <b>2006/07</b> |
|   | <b>£</b>       | <b>£</b>       |
| <b>Assets</b>                           |                |                |
| Investments                             | 3,836          | 3,836          |
| Debtors                                 | 1,715          | 1,805          |
| Bank                                    | 78,917         | 80,692         |
|   | <b>84,468</b>  | <b>86,333</b>  |
| <b>Represented by:</b>                  |                |                |
| Reserves as at 31st March               | 82,756         | 84,468         |
| Income in year                          | 1,712          | 1,865          |
|   | <b>84,468</b>  | <b>86,333</b>  |

Below is a list and description of Bequests & Endowments where the Capital value exceeds £1,000.

#### **Ashton Memorial**

The Ashton Memorial, a historic folly, was built in 1907 and given to the City of Lancaster by Lord Ashton. The building is open to the public on 362 days a year and has free access. The interest is passed on annually to the management company Williamson Park Ltd and is used for general maintenance of the building and annual upkeep ie decoration.

#### **Williamson Park**

The annual interest is used for the cutting, pruning, trimming, hedging and the general upkeep of the grounds within Williamson Park.

#### **William Smith Festival**

The annual interest is used to provide prizes etc. at the Annual Easter Festival for schoolchildren.

#### **Whalley Playground**

The annual interest is used for the upkeep, maintenance and supervision of the Whalley Playground.

**Lune Bank Gardens**

The annual interest is available for the upkeep of Lune Bank Gardens.

**Crook of Lune**

The interest is passed to Lancashire County Council contributing towards the Hermitage Field Access for all and environmental enhancement works.

The Council also holds a further 37 trust funds which have individual values of less than £1,000, and these are predominantly held for educational purposes.