

HYNDBURN BOROUGH COUNCIL



Statement of Accounts

Year Ended - 31st March, 2004

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HYNDBURN BOROUGH COUNCIL **AUDITORS REPORT**

Independent Auditor's Report to Hyndburn Borough Council

We have audited the statement of accounts on pages 3 to 53, which have been prepared in accordance with the accounting policies applicable to local authorities as set out on pages 8 to 13.

This report is made solely to Hyndburn Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 54 of the Statement of Responsibilities of Auditors and of Audited Bodies, prepared by the Audit Commission.

Respective Responsibilities of the Director of Corporate Services and Auditors

As described on page 3 the Chief Finance Officer is responsible for the preparation of the statement of accounts in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2003. Our responsibilities, as independent auditors, are established by statute, the Code of Audit Practice issued by the Audit Commission and our profession's ethical guidance.

We report to you our opinion as to whether the statement of accounts present fairly the financial position of the Council and its income and expenditure for the year,

We review whether the Statement on Internal Control on pages 14-20 reflects compliance with CIPFA's guidance 'The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003' published on 2 April 2004. We report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider, nor have we considered whether the statement on internal control covers all risks and controls. We are also not required to form an opinion on the effectiveness of the authority's corporate governance procedures or its risk and control procedures. Our review was not performed for any purpose connected with any specific transaction and should not be relied upon for any such purpose.

We read the other information published with the statement of accounts and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the statement of accounts.

Basis of audit opinion

We conducted our audit in accordance with the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission, which requires compliance with relevant auditing standards issued by the Auditing Practices Board.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the council in the preparation of the financial statements, and of whether the accounting policies are appropriate to the council's circumstances, consistently applied and adequately disclosed.

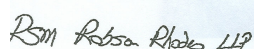
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the statement of accounts are free from material misstatement, whether caused by fraud or other irregularity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

Opinion

In our opinion the statement of accounts present fairly the financial position of Hyndburn Borough Council as at 31 March 2004 and its income and expenditure for the year then ended.

Certificate

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



RSM Robson Rhodes LLP
21st February 2005
Colwyn Chambers
19 York Street
Manchester
M2 2BA

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS


The following responsibilities are placed upon the authority and the Chief Finance Officer in relation to the Council's financial affairs.

The Authority's Responsibilities

The Authority is required:

- ◆ to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority that officer is the Chief Finance Officer;
- ◆ to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

Date: 21st February 2005

Signature: 
P. Britcliffe
Leader of the Council

The Chief Finance Officer's Responsibilities

As Chief Finance Officer, I am responsible for the preparation of the Authority's Statement of Accounts. This is required by the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ('the Code'), to present fairly the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31st March 2004.


In preparing the Statement of Accounts, I have:

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

I have also:

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

Date: 21st February 2005

Signature: 
J. V. McIntyre CPFA,
Chief Finance Officer / S151 Officer

EXPLANATORY FOREWORD

1. General Fund

A summary of the General Fund Services for 2003/2004 is set out below:

	Budget £000	Actual £000
Net Expenditure to be financed	11,889	12,293
Financed by:		
Precept on the Collection Fund	4,131	4,131
Central Government Grants	4,989	4,989
Business Rates	2,843	2,843
Collection Fund Balance	(74)	(74)
	11,889	11,889
Deficit from working balance	0	404
	11,889	12,293

The Statement of Accounts reports a net overspend of £404,000 for the Council.

There has been a re-statement to the 2002/3 Accounts to include redundancy costs, that occurred in 2003/4 but were approved as part of the Council's major restructuring exercise and should have been include in the 2002/3 Accounts.

This re-statement has the impact of altering the deficit on the General Fund in 2002/3 from £10,000 to £172,000 and decreased the available General Fund Balance from £455,000 to £293,000. (see CRA Note 15 page 29)

The overall deficit on the 2003/4 General Fund was £404,000. An overspend of 3.3% against an original budget of £11,889,000. The performance in-year coupled with the revised position for 2002/3, leaves the Council with negative General Fund Reserves of £110,000 at the 31st March 2004.

The eventual overspend on the 2003/4 General Fund of £404,000 needs to be set against the potential overspend of £1.8million the Council faced at the mid-point in the financial year after it introduced a new budget monitoring regime and became aware of a number of underlying financial difficulties.

EXPLANATORY FOREWORD

The potential overspend was likely to occur for the following reasons,

	£'000
Budgeted Rates Refund applied to 2002/03	220
Insurance Increase	220
Surplus from Works Department – no longer achievable	404
Costs of Council Restructure	750
Other Demand Led Cost Increases	206

	1,800

The Council's Management Team and Members developed a recovery plan to address this forecast shortfall, as follows;

	£'000
Review of charges to Housing Revenue Account	270
Realisation of Partnership Profits	450
Capital Charging (FRS15)	460
Efficiency Savings / Income Generation	620

	1,800

The recovery plan was implemented and monitored throughout the remainder of the year, resulting in the realisation of many of these savings, however leaving a net overspend of £451,000 against the original recovery plan.

As part of its strategy for reducing its overspend the Council had relied upon a revenue contribution of £450,000 from profits generated from Partnerships. This was an overestimate of the sum available by £291,000, as the Council was required to account for this amount as a Capital item. This had the effect of reducing the revenue savings by £291,000 while increasing the amount of money on Capital by the same figure.

The effect of this transaction on the overall position of the Council was offset by the need to make a prior year adjustment for Redundancy Costs of £162,000 from expenditure previously accounted as 2003/4 expenditure and the identification of £176,000 of non-attributable creditors.

The overall impact of these 3 transactions was to decrease the overspend of the Council by a further £47,000.

EXPLANATORY FOREWORD

The Council has managed its finances through an extremely difficult year. The financial impact of the decisions taken in 2002/3 have significantly depleted the financial reserves of the Council.

2. Housing Revenue Account

A summary of the HRA for 2003/2004 is set out below:

	Budget £000	Actual £000
Total Expenditure	15,435	14,711
Financed by:		
Gross Rent Income	8,045	7,862
Government Subsidy	5,395	5,336
Other Income	537	674
Pensions Reserve		230
Transfers from Asset Management Rev A/C	1,483	290
	15,460	14,392
Surplus/(Deficit) to/from Working Balances	25	(319)

As with the General Fund, there was a need to re-state the 2002/3 financial position to include Redundancy Costs that had not properly been included in that year's financial accounts. This Prior Year Adjustment reduced the Surplus on the Housing Revenue Account at the end of 2002/3 by £46,000 from £49,000 to £3,000.

During the course of the year, the budgeted net surplus for the year decreased by £344,000 to a £319,000 deficit. There were several causes of this which are detailed below:

	£'000
Increased Repairs Costs	207
Increased Grounds Maintenance Costs	52
Additional Housing Benefit Costs	27
Costs of Stock Transfer	48
Reduced Rent Income	183
Savings Identified	(173)

	344

EXPLANATORY FOREWORD

3. Capital Expenditure

Capital expenditure in 2003/2004 totalled £7.526m as follows:

Scheme	Amount £'000
Memorial Park	153
e-Government Initiatives	130
Housing Benefit Capitalisation	510
Accrington Market	152
Recycling Initiatives	427
St. James' School	446
Scaitcliffe House Offices	113
Housing Improvement Grants	2,371
Council Housing	1,911
Other	1,313
TOTAL	7,526

This compares to expenditure of £6.981m in 2002/2003.

4. Further information

Further information about the accounts is available from the Chief Finance Officer, Hyndburn Borough Council, Scaitcliffe House, Ormerod Street, Accrington, BB5 0PF. This is part of the Council's policy of providing full information about the Council's affairs. The availability of the accounts for inspection has been advertised in the local press.

STATEMENT OF ACCOUNTING POLICIES

1. General

The accounts follow the appropriate accounting standards as required by the Accounting Code of Practice on Local Authority Accounting in Great Britain 2003 (the Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). In accordance with the Code the accounts have been prepared using the historic cost convention except in relation to fixed assets where the accounting treatment varies depending on the type of asset (see Accounting Policy 3). The Authority also complies with the Best Value Accounting Code of Practice (BVACOP).

2. Fundamental Accounting Concepts

- i) The revenue and capital accounts are maintained on an accruals basis. This means that expenditure and income are recognised in the accounts in the period in which they are incurred or earned, not as money is paid or received. Income is also matched with associated costs and expenses as far as the relationship can be established or justifiably assumed.
- ii) Consistent accounting policies have been applied both within the year and between years. Where accounting policies are changed, the reason and effect have been separately disclosed.
- iii) Income has only been recognised in the accounts where there is reasonable certainty, and proper allowances have been made for foreseeable losses and liabilities.
- iv) The accounts have been prepared on a going concern basis.
- v) The accounting statements have been prepared so as to reflect the reality or substance of the transactions and activities underlying them, rather than their formal legal character.
- vi) As allowed under the Code, the concept of materiality has been utilised in the process of preparing the accounts, such that insignificant items and fluctuations under an acceptable level of tolerance are permitted provided that in aggregate they would not affect the interpretation of the accounts by an informed reader.
- vii) Where estimating techniques are required to enable the accounting practices adopted to be applied, then the techniques which have been used are, in the Authority's view, appropriate and consistently applied. Where the effect of a change to an estimation technique is material, a description of the change, and, if practicable, the effect on the results for the current period are separately disclosed.

STATEMENT OF ACCOUNTING POLICIES

viii) In accordance with the Code, where an accounting treatment is prescribed by law, then it has been applied, even if it contradicts accounting standards or generally accepted accounting concepts. The following legislative accounting requirements have been applied when compiling these accounts;

- Capital receipts from the disposal of assets are treated in accordance with the provisions of the Local Government & Housing Act 1989.
- Legislation covering the amounts chargeable to Council Tax and the Local Government Pension Scheme specify the amounts which should be charged to revenue in respect of pension costs. Local Authorities therefore account for the difference between the FRS17 charge, and contributions through the Pensions Reserve.
- 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.
- The Collection Fund account reflects the statutory requirement contained in section 89 of the Local Government Finance Act 1988.
- The Housing Revenue Account is compiled following proper practice as defined in section 66(4) of the Local Government and Housing Act 1989.

3. Fixed Assets

All expenditure on the acquisition, creation or enhancement of fixed assets has been capitalised on an accruals basis. Expenditure on fixed assets is capitalised, provided that the fixed asset yields benefit to the authority and the services it provides, for a period of more than one year.

Fixed assets are valued on the basis recommended by CIPFA and in accordance with the Statement of Asset Valuation Principles and Guidance Notes issued by the Royal Institution of Chartered Surveyors (RICS). All valuations are carried out by in-house teams in accordance with RICS standards.

The principal valuation basis used are as follows

- a) Operational land and properties are valued on the basis of current value in existing use, unless they are of a specialist nature in which case they are valued on a depreciated replacement cost basis. In addition, and in accordance with Office of the Deputy Prime Minister guidance then in force, council house valuations have been reduced by a regional adjustment factor

STATEMENT OF ACCOUNTING POLICIES

in recognition of their status as social housing. Consequently council dwellings are included in the balance sheet at 59% of current value.

b) Investment properties are valued on the basis of open market value.

c) Non-operational properties in full commercial use are valued by reference to their open market value on the basis of net realisable value.

In accordance with the Code all valuations are subject to review as part of a five year rolling revaluation programme.

4. Depreciation

Depreciation is provided for on fixed assets with a finite life. It is calculated on a straight-line method over the remaining estimated useful life of the asset, as detailed below:

Asset	Period (years)
Council Dwellings	30
Other Land & Buildings	30
Vehicles & Plant	10
Infrastructure	10
Community Assets	30
Non-Operational Other Land & Buildings	30

5. Capitalisation

In 2003/04, the Council revised how it estimates its contribution to Capital Projects. The revision ensures the Council now charges an appropriate amount of staff time to Capital Projects in line with FRS15 Accounting For Tangible Fixed Assets; this amounted to £460,000.

6. Deferred Charges

Deferred charges are payments of a capital nature where no fixed asset is created, but which may properly be financed over a period of years. Such expenditure is primarily in relation to improvement grants, but also includes expenditure on E-Government, Housing Benefit Costs and grants given by the Area Councils.

Under the Code of Practice, deferred charges are written off in the year of expenditure unless there is a continuing value to the authority at the balance sheet date.

STATEMENT OF ACCOUNTING POLICIES

7. Basis of Charges for Capital

General fund service revenue accounts, central support services and statutory trading accounts are charged with a capital charge for all fixed assets used in the provision of services. The aggregate charge to individual services is determined on the basis of the capital employed in each service. The charge comprises a provision for depreciation (where appropriate) and a notional interest charge.

The notional interest charge used is 3.5% for those fixed assets included in the balance sheet at current value and 4.8% for infrastructure assets and community assets which are included in the balance sheet at historic cost. The charge made to the Housing Revenue Account is also 3.5%.

External interest payable is charged to the asset management revenue account, which is credited with capital charges to services. The net movement on the Asset Management Revenue Account is then treated as an appropriation to the Consolidated Revenue Account. Capital charges, therefore, have a neutral impact on the amounts required to be financed from local taxation or Council house rents.

Amounts set aside from revenue for the repayment of external loans, to finance capital expenditure or as transfers to other earmarked reserves, are disclosed separately as appropriations, on the face of the consolidated revenue account, below operating expenditure.

8. Leases

Rentals paid under leasing agreements have been accrued and accounted for through the Revenue Accounts in the period to which they relate.

9. Capital Receipts

Capital receipts from the disposal of assets are held until such time as they are used to finance other capital expenditure or to repay debt. The proportion of capital receipts that is available to finance new expenditure is held in the capital receipts unapplied account, whilst the proportion set aside under statutory requirements for debt repayment is held in the capital financing reserve.

10. 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. 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.

11. Stocks and Work in Progress

Stocks are valued at their purchase price, and are issued on a "First In First Out" basis.

STATEMENT OF ACCOUNTING POLICIES

12. Provisions

Provisions have been recognised in the accounts when there is a legal or constructive obligation to transfer economic benefits that can be estimated with a degree of certainty as a result of a past event. A summary of these are given in note 14 to the Consolidated Balance Sheet (page 43).

Provision for Bad and Doubtful debts has been made in respect of Housing Revenue, General Fund and Collection Fund debts. These have been netted off Debtors in the Consolidated Balance Sheet (see note 10, page 41).

13. Reserves

Any amounts set aside for purposes falling outside the definition of provisions have been accounted for as reserves, and transfers to and from reserves are shown in the appropriations section of the revenue account and not within service expenditure. Expenditure is charged to revenue, and not directly to any reserve.

14. Pensions

From 2003/04, the CIPFA Code of Practice governing Local Authority Accounts requires Authorities to account for their pension costs in accordance with FRS17 Retirement Benefits. The Authority has accounted for its pension costs arising from the Local Government Pension Scheme, and for all unfunded discretionary benefits which it has granted.

The introduction of FRS17 represents a fundamental change in accounting policy, and consequently comparative figures for 2002/03 have been restated accordingly. The effect of this is shown in note 15 to the CRA. (page 28)

15. Government Grants

Revenue grants are credited to income in the same period in which the related expenditure is charged. Government grants and contributions relating to fixed assets are credited to a government grants deferred account and released to the asset management account in line with the depreciation of the asset. Where an asset is not depreciated, the grant or contribution is transferred to the capital financing reserve.

16. Investments

Investments are shown in the Consolidated Balance Sheet at cost less a provision, where appropriate, for any unrealised loss in the value of the investment. The largest investment consists of a loan to Globe Joint Venture Company.

Further details are in Note 9 (page 40 & 41) to the Consolidated Balance Sheet.

STATEMENT OF ACCOUNTING POLICIES

17. Repurchase/early settlement of debt

Gains or losses arising on the repurchase or early settlement of borrowing are recognised in the Consolidated Revenue Account in the period during which the repurchase or early settlement is made. Where, however, the repurchase of borrowing was coupled with a refinancing or restructuring of borrowing with substantially the same overall economic effect when viewed as a whole, gains or losses have been recognised over the life of the replacement borrowing.

18. Accounting for interest

The Council accounts for interest payable in the year on an accruals basis. When the Council has entered into loan arrangements, which provide an initial discount on the standard rate of the loan, the amount paid in the year is shown in the accounts.

19. Allocation of costs

Support services are charged to service committees, trading undertakings, capital accounts and other support services as part of the Authority's Internal Market for Support Services. The costs of service management are apportioned to the accounts representing the activities managed. All the bases of apportionment are adopted consistently for all heads to which apportionment should be made. The costs of the corporate and democratic core and of non distributable costs are not charged or apportioned to service committees and are separately classified on the Consolidated Revenue Account.

STATEMENT ON THE SYSTEM OF INTERNAL CONTROL

1. SCOPE OF RESPONSIBILITY

Hyndburn Borough Council (the Council) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk.

2. THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL

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

Elements of the system of internal control have been put in place at the Council at various points in time during 2003/04, for example, adoption of a Risk Management Strategy and identification of Strategic and Operational Risks. These have continued to be in place up to the date of the approval of the annual report and accounts. The Council continued to develop its approach to Risk Management during 2004 and produced an updated draft of its Strategic Risk assessment in October 2004. This will be finalised before the end of the financial year 2004/5.

3. THE INTERNAL CONTROL ENVIRONMENT

The Council's control environment comprises the authority's policies, procedures and operations in place to:

- Establish and monitor the achievement of the Council's objectives;
- Identify, assess and manage risks to achieving the Council's objectives;

STATEMENT ON THE SYSTEM OF INTERNAL CONTROL

- Facilitate policy and decision-making;
- Ensure the economical, effective and efficient use of resources;
- Ensure compliance with established policies (including behavioural and ethical expectations), procedures, laws and regulations;
- Safeguard the Council's assets and interests from losses of all kinds, including those arising from fraud, irregularity or corruption; and
- Ensure the integrity and reliability of information, accounts and data, including internal and external reporting and accountability processes.

The key elements of the Council's internal control environment are described under the various headings below.

3.1 Establishing and monitoring the achievement of the Council's objectives

The Community Strategy, Corporate & Performance Plan shape how resources are used and how continuous improvement in our services is secured.

3.2 The performance management of the Council and reporting of performance management

An annual service improvement and performance management process is in place that incorporates the performance monitoring and service planning process of the Council. The Council has purchased a IT Software package to assist in its full implementation of a performance management culture. The PerformancePlus software package was purchased in 2003 and the Council had plans to extensively roll-out its functionality over a two year period. The Council is not yet using the PerformancePlus software to its fullest extent to assist it with effectively managing the performance of the organisation. The Council therefore intends to procure additional input from our consultants Inphase over the next year to develop its approach on performance management and ensure the software tool can effectively support the Council's drive to embed performance management within the Council's organisation.

3.3 The facilitation of policy and decision making

The Council's Executive is responsible for delivering identifiable, accountable, corporate leadership for the Council and the community it serves and providing efficient, transparent and accountable decision-making.

The Council's Overview and Scrutiny Committees assist the Council and Executive in the development of its budget and policy framework by in-depth analysis of policy issues. Specific procedure rules are in place within our Constitution to govern this.

STATEMENT ON THE SYSTEM OF INTERNAL CONTROL

In addition, the Council has in place procedure rules to help ensure that records of decisions and the deliberations of Committees are recorded and made publicly available.

3.4 Ensuring compliance with established policies, procedures, laws and regulations

The Council's constitution is supported by a local code of corporate governance that includes a range of policies and procedures that are monitored on an annual basis. Examples of the policies include a scheme of officer delegation, codes of conduct and a whistle-blowing policy.

The Monitoring Officer and Chief Finance Officer in his capacity as Section 151 Officer have arrangements in place to ensure compliance with relevant procedures, laws and regulations.

Audit reports from the Council's External Auditors are received by the Corporate Management Team and reviewed by Standards Committee as well as the Executive and Overview and Scrutiny Committee as is necessary for the subject content of the particular External Audit report.

The Council currently does not operate an Audit Committee. The current functions of a typical Audit Committee are presently shared between the Council's Standards Committee, the Council's Budget Panel and Overview & Scrutiny Panel. The current system provides the Council with multiple checks on the power of the Executive and provides a strong independent system within the Council to aid it to provide effective Corporate Governance. The Standards Committee is chaired by a person who is independent of Councillors. The Budget Panel is a cross party working panel and there are 3 cross-party Overview & Scrutiny Committees. There is no Executive Members on Overview & Scrutiny or Standards Committee.. All Councillors are invited to attend both Budget Panels and Overview & Scrutiny meetings.

3.5 Risk Management

A fundamental aspect of the Control Environment is Risk Management. The Council is committed to establishing a framework and culture that ensures effective Risk Management is an integral part of all the Council's activities. This will contribute to the successful management of the Council's corporate objectives and support its strategic direction through informed decision making.

The Council has shown its commitment to this approach with a 4-day externally facilitated training course for Directors, Senior Managers, Auditors and included elected member representation in October 2002. Following this training, the Council's Corporate Management Team formed a Risk Management Group to

STATEMENT ON THE SYSTEM OF INTERNAL CONTROL

co-ordinate the formulation of a Strategy and ensure that both Corporate Management Team and Service Areas were able to identify risk.

The Council adopted a Risk Management Strategy and Strategic Risks Policy in April 2003. Operational Risks were added in July 2003. The addition of the process for ongoing monitoring, review, addition, deletion and amendment of risks was approved in September 2003.

The Risk Management process is embedding into the culture of the Council and the first formal 6 monthly review was reported to Standards Committee in April 2004.

However, while the Council has adopted risk management arrangements across a variety of areas, it recognises that a more consistent approach is required if it is to achieve its objective of embedding risk management.

3.6 The financial management of the Council and the reporting of financial management

Financial Procedure Rules are an integral part of the Council's Constitution and the means by which the Council's Section 151 officer lays down the internal controls that must be complied with to ensure the proper administration of the Council's financial affairs. Internal Audit continually reviews these internal controls and makes recommendations for changes and improvements where necessary.

The Council needs to continue to improve its processes for the internal reconciliation of financial data. In 2002/3 a problem came to light of the failure to reconcile the Housing Benefit System with the Council's Debtors system. Additional manual checks have been introduced into this area to ensure that the problem is not repeated. Further work is planned across all the Council's financial systems to ensure adequate reconciliations are operating effectively.

The Council has produced a Medium Term Financial Plan which covers the period 2004-2007 and was approved in March 2004. This plan is the reviewed and revised plan that originally covered 2003 to 2006.

The Council is under a statutory obligation to produce an Annual Statement of Accounts. This reports on the Council's spending on an annual basis.

The Council's Budget is annually updated as required by legislation. Budget monitoring is undertaken on a monthly basis with Services, supported by their designated Accountant. The Chief Finance Officer also monitors the Budget at a strategic level. At a corporate level, the Budget Panel reviews monthly monitoring reports. Budgetary information is submitted to Corporate Management Team and the Council's Executive.

STATEMENT ON THE SYSTEM OF INTERNAL CONTROL

4. REVIEW OF EFFECTIVENESS

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

The Council's Monitoring Officer had key involvement with the development of the Council's Local Code of Corporate Governance based on the CIPFA / SOLACE model. The Council adopted the Local Code in April 2003.

The Monitoring Officer also produced a Corporate Governance work programme for 2003/04, with the actions being reported to Standards Committee when completed. Examples of this work programme included:

- Adoption of a Risk Management Strategy to enable Strategic & Operational Risks to be dealt with;
- Review of the Whistle-blowing Policy;
- Achieve the North West Charter on Member Development;
- Review the Anti-Fraud & Corruption Strategy;
- Improve the Council's performance management arrangements and introduce performance management software.

The Audit Commission's Comprehensive Performance Assessment (CPA) for 2003 assessed Hyndburn Borough Council as a fair Council and noted good practise in many areas. The CPA score was 1 point short of placing the Council in the good category. It was also commented that, based on current plans, the Council is well placed to further improve the way it works and the services it provides to local people.

During 2003/04 the Council's External Auditors (RSM Robson Rhodes) have reviewed aspects of the Council's performance including:

- Comprehensive Performance Assessment;
- The Council's Financial Standing; and,
- Systems of Internal Financial Control.

STATEMENT ON THE SYSTEM OF INTERNAL CONTROL

RSM Robson Rhodes draw attention to the efforts of the Council in implementing recommendations from previous audits, the improvements made over the last 6 months in financial management and also the steps taken to improve performance across the Council. RSM Robson Rhodes also acknowledge the issues surrounding the £1.8 million projected overspend identified in the second half of 2003/04 and a general need to continue the momentum and improvements that have largely already occurred or are currently taking place across the Council.

From the work undertaken during the year, Internal Audit has reached the opinion that there were no fundamental breakdowns of controls resulting in material discrepancy, based upon the audit areas examined and associated audit work carried out.

We have been advised on the implications of the result of the review of the effectiveness of the system of internal control by the Authority, the Executive, Standards Committee, Overview and Scrutiny Committees, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

5. SIGNIFICANT INTERNAL CONTROL ISSUES

The Council recognises that this is an interim Statement of Internal Control, as some processes were introduced during 2003/04. The Council is committed to ensuring that these processes become part of the Council's culture and enable a greater level of reliance to be placed upon them, for example, Risk Management.

The Council also identified a projected budget overspend of £1.8 million in the second half of 2003/04. This was as a result of budget monitoring identifying unexpected financial demands being placed upon the Council. This was a major contributing factor in the Council being classed as fair by the CPA inspection. As the initial inspection took place before the projected overspend was identified, which scored the Council as a good Council. Significant steps have been put in place and monitoring procedures have been reviewed and amended or changed where required to ensure that there are strong levels of financial monitoring and control throughout 2004/05.

However, within a budget the size of the Council's it is inevitable that there is a range of challenges. These financial issues will continue to be subject to on going monitoring at both corporate and service level and corrective action will be taken if necessary.

The Audit of the Accounts highlighted key reconciliations of Government Department had not been fully performed during the year. These reconciliations have now been re-commenced in the later part of 2004/5.

STATEMENT ON THE SYSTEM OF INTERNAL CONTROL

ACTION PLAN – AIMING FOR FULL COMPLIANCE ON THE STATEMENT OF INTERNAL CONTROL

As this Statement of Internal Control is transitional, the following actions have been highlighted as enablers contributing to full compliance.

- Continued development of the Performance Management Software and framework across the Authority.
- The continued embedding of Risk Management into the culture of the Council with the continuation of the 6 monthly monitoring reporting of risks but with the aim to ensure that risk is continuously monitored and identified, not just at the 6 month reporting points.
- The development of a standard approach to Project Management to ensure the Council objectives are better achieved and the Council's limited resources are therefore better utilised.
- Continued improvement in budgetary monitoring with further development of the relationships between Accountancy colleagues and Service Areas.
- Enhancements to the current system of reconciliations within the Council's financial systems.
- Working with the Council's External Auditors to ensure that any key areas of weakness are addressed.

SIGNED: 
Councillor Peter Britcliffe
Leader of the Council

DATED: 21st February 2005

SIGNED: 
David Welsby
Managing Director

DATED: 21st February 2005

CONSOLIDATED REVENUE ACCOUNT

This statement shows the gross expenditure, income and net expenditure analysed by service and how it was met from the Collection Fund.

2002/03 as restated Net £'000		Note	Gross £'000	2003/04 Income £'000	Net £'000
	SERVICE EXPENDITURE				
1,257	Central Services to the Public		3,668	(1,948)	1,720
7,918	Cultural Environmental & Planning Services		13,251	(4,666)	8,585
1,162	Highways Roads & Transport		4,151	(3,196)	955
2,795	Housing Services	1	36,182	(33,807)	2,375
1,557	Corporate & Democratic Core		2,054	(375)	1,679
1,975	Non Distributable Costs		2,090	0	2,090
16,664	NET COST OF SERVICES		61,396	(43,992)	17,404
1,156	(Surplus) / Deficit on Trading Undertakings	2	4,820	(4,882)	(62)
(1,719)	Asset Management Revenue Account	5			(87)
(271)	Pensions Interest Costs and Expected Return on Assets				1,100
210	East Lancashire Partnership	10			32
(37)	Interest and Investment Income				(67)
16,003	NET OPERATING EXPENDITURE				18,320
	APPROPRIATIONS				
3	Contribution to / (from) HRA Reserve				(319)
(34)	Cont. from Earmarked HRA Reserves				(86)
(1,183)	Cont. from Earmarked GF Reserves				257
(2,387)	Cont. to / (from) Pensions Reserve				(3,759)
793	Financing of Capital Expenditure				14
(1,182)	Prov. for Repayment of external loans	7			(838)
437	Transfer to Major Repairs Reserve				422
97	Govt Grants Deferred Account				148
(210)	East Lancashire Partnership Reserve	10			(32)
(1,038)	Deferred Charges				(1,834)
11,299	AMOUNT TO BE MET FROM GOV'T GRANTS / LOCAL TAXATION				12,293
	SOURCES OF FINANCE				
(3,980)	Precept on Collection Fund				(4,131)
10	Collection Fund Transfer				74
(3,840)	Revenue Support Grant				(4,989)
(3,317)	Non-Domestic Rate Income				(2,843)
(11,127)					(11,889)
172	NET GENERAL FUND DEFICIT	15			404
(465)	Balance on General Fund b/f				(293)
(293)	BALANCE ON GENERAL FUND C/F				111

NOTES TO CONSOLIDATED REVENUE ACCOUNT

1. Housing Services

The figures relating to Housing Services can be further analysed as follows:

2002/03				2003/04		
Income £'000	Exp. £'000	(Surplus) / Deficit £'000		Income £'000	Exp. £'000	(Surplus) / Deficit £'000
(12,543)	13,566	1,023	Housing Benefits	(18,936)	19,738	802
(488)	1941	1,453	General Fund Housing	(1,100)	2,629	1,529
(14,202)	14,521	319	Housing Revenue Account	(13,771)	13,815	44
(27,233)	30,028	2,795	TOTAL	(33,807)	36,182	2,375

2. Trading Accounts

The Council operates the Covered Markets in Accrington and Great Harwood, its Industrial Estates and MOT testing station as Trading Accounts. The Council no longer operates a DSO.

2002/2003				2003/2004		
Income £'000	Exp. £'000	(Surplus)/ Deficit £'000		Income £'000	Exp. £'000	(Surplus)/ Deficit £'000
(497)	999	502	Markets	(623)	701	78
(374)	842	468	Industrial Estates	(741)	811	70
(24)	45	21	MOT / Stores / Depot	(3,518)	3,308	(210)
(12,174)	12,339	165	DSO	0	0	0
(13,069)	14,225	1,156		(4,882)	4,820	(62)

NOTES TO CONSOLIDATED REVENUE ACCOUNT

3. Agency Services & Local Authority (Goods and Services) Act 1970

The Council carried out certain work on an agency basis for which it is reimbursed. The principal areas of work are:

- ◆ as Highways agent for Lancashire County Council, the Council supervises work carried out on the district's highways including general maintenance on roads and streets and general improvement schemes. The Council entered into a highways partnership agreement with Lancashire County Council on 1st July 2003 (Lancashire Highways Partnership).
- ◆ as Sewerage agent for United Utilities plc, the Council carried out repairs to the sewer system and maintains 14 Water Pumping Stations. The year 2003/04 was the final year under this agreement.

Total expenditure and income for the year was as follows:-

	Lancashire County Council		United Utilities	
	2002/03 £000	2003/04 £000	2002/03 £000	2003/04 £000
Expenditure	2,667	3,033	139	64
Income	(2,409)	(2,746)	(161)	(135)
Net Cost/(Surplus)	258	287	(22)	(71)

The net cost of the Agency work in 2003/2004 was £216,000 (2002/2003 £236,000)

4. Publicity

In accordance with the Local Government Act 1986, a local authority is required to disclose its expenditure on publicity. In 2003/2004 Hyndburn spent a total of £195,259 on publicity from the General Fund, and this was mainly on advertising job vacancies, Council services and promotions. This compares with a figure of £140,286 for 2002/2003.

NOTES TO CONSOLIDATED REVENUE ACCOUNT

5. Transactions on the Asset Management Revenue Account

The Asset Management Revenue Account balances the external costs of using assets with the internal charges to services for the use of those assets. The account is credited with the income from charges to services for the use of assets. There are charges to the account for depreciation and the cost of external interest. The balance on the account is recorded in the Consolidated Revenue Account.

	2002/2003 £000	2003/2004 £000
Income		
Capital Charges		
- General Fund	(3,410)	(2,509)
- Housing Revenue Account	(4,429)	(2,652)
Grants released from Govt. Grants Deferred A/c	(97)	(148)
	(7,936)	(5,309)
Expenditure		
Impairment	0	0
Provision for depreciation	2,949	2,717
External interest charges	3,268	2,505
	6,217	5,222
Balance to Consolidated Revenue Account	(1,719)	(87)

6. Leasing

The Council utilises assets through operating leases. The amount paid in respect of operating leases in 2003/2004 amounted to £664,420 (£493,244 in 2002/2003) and the amounts outstanding in respect of future years is £1.840m at 31st March 2004, comprising the following elements:

Leases expiring	£'000
In 2004/05	0
Between 2005/06 and 2009/10	1,394
After 2010/11	446
TOTAL	1,840

NOTES TO CONSOLIDATED REVENUE ACCOUNT

7. Minimum Revenue Provision

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. The provision is adjusted for any losses made on the commutation of grants. The difference between the minimum revenue provision and the depreciation charged is shown as an appropriation to the Consolidated Revenue Account from the Capital Financing Revenue.

	2002/2003 £000	2003/2004 £000
Housing amount - 2% of credit ceiling	486	459
Non Housing Amount - 4% of credit ceiling	655	752
Less loss on Grant Commutation	(936)	(838)
Total Minimum Revenue Provision	205	373
Less amount charged as general fund depreciation	(1,387)	(1,211)
Appropriation to Consolidated Revenue Account	(1,182)	(838)

8. Employees Remuneration

The number of employees whose remuneration, excluding pension contributions was £50,000 or more in bands of £10,000 were as follows:-

	2002/2003	2003/2004
£50,000 - £59,999	1	3
£60,000 - £69,999	2	3
£70,000 - £79,999	0	2

9. Related Party Transactions

Local authorities are required to show related party transactions as a disclosure note within the annual statement of accounts. This is to recognise the existence of related parties and of the impact that material transactions with them can have on the financial position of the authority.

Related parties include the following:-

- (a) Central Government - details of receipts from central government are shown in the Cash Flow Statement.

NOTES TO CONSOLIDATED REVENUE ACCOUNT

- (b) Precepting Authorities - details of precepts in respect of Lancashire County Council and Lancashire Police Authority are shown in the Collection Fund Accounts.
- (c) Joint Venture and Joint Venture Partners - the Council acts as the accountable body for the distribution of Single Regeneration Budget (SRB), Home Office funds, Neighbourhood Renewal Funds (NRF) and European Regional Development Funds (ERDF).
- (d) Members and Chief Officers - some Council Members and Officers act in a number of capacities for related parties. This may include being employed by other local authorities, acting as a trustee or serving on the management board of companies and voluntary organisations.

10. East Lancashire Partnership

In August 1997 the Council, together with other Councils, formed East Lancashire Partnership. Pending the establishment of the Partnership as a separate legal entity Hyndburn, acting as accountable body, has consolidated the Partnership's income and expenditure into its account.

The account of the Partnership for 2003/2004 is summarised below:

2002/2003				2003/2004		
Income £000	Exp. £000	(Surplus)/ Deficit £000		Income £000	Exp. £000	(Surplus)/ Deficit £000
(2,555)	2,765	210	East Lancs. Partnership	746	778	32

NOTES TO CONSOLIDATED REVENUE ACCOUNT

11. Building Control Regulations

The Local Authority Building Control Regulations require the disclosure of information regarding the setting of charges for the administration of the building control functions. However, certain activities performed by the Building Control Service cannot be charged for, such as providing general advice and liaising with other statutory authorities. The statement below is a summary of the income received and expenditure incurred in respect of the above regulation.

	2002/2003		2003/04	
	Fee Earning £'000	Non-Fee Earning £'000	Fee Earning £'000	Non-Fee Earning £'000
<u>Income</u>				
Admin Fees	(2)		(1)	
Building Regulation Fees	(116)		(143)	
Sub-Total	(118)		(144)	
<u>Expenditure</u>				
Employees		225		288
Transport		18		20
Supplies & Services	3	14	5	18
Central Support	97	3	110	116
Sub-Total	100	260	116	442
(Surplus)/Deficit	(18)	260	(28)	442

12. Members Allowances

The Council is required to disclose the total value of members' allowances paid which for 2003/2004 was £191,900 (2002/2003 was £145,221).

NOTES TO CONSOLIDATED REVENUE ACCOUNT

13. Audit Fees

Hyndburn Borough Council incurred the following fees relating to external audit and inspection:

	2002/2003 £'000	2003/2004 £'000
Fees payable with regard to external audit services carried out by the appointed auditor	80	105
Fees payable in respect of statutory inspection	0	16
Fees payable for the certification of grant claims and returns	8	32
Fees payable in respect of other services provided by the appointed auditor	0	0
	88	153

14. Direct Service Organisation Revenue Account

The Council no longer operates a DSO.

15. Restatement of 2002/3 Revenue Account

The Council restated its 2002/3 Financial Position to correctly adjust for the following transactions

	£000
Opening Reserves	38,793
Implementation of FRS 17 (Pension Liabilities)	(24,347)
Accounting for Redundancy Costs	(208)
Reclassification of East Lancashire Partnership	(235)
As restated	14,003

Further detail is provided below.

NOTES TO CONSOLIDATED REVENUE ACCOUNT

Implementation of FRS 17

As explained in note 4 to accounting policies the Council has this year implemented FRS 17 on accounting for pensions costs.

Within the Consolidated Revenue Account, the change in accounting policy to FRS 17 Based Pensions Accounting has increased the Net Cost of Services by £2,658k and reduced Net Operating Expenditure by £271k. The net impact of £2,387k has been reversed out by an appropriation to the Pensions Reserve, leaving the 2002/03 deficit unchanged.

The impact of FRS 17 on the 2002/03 Consolidated Balance Sheet was the introduction of a Pensions Liability of £24,347k and a corresponding negative Pensions Reserve of £24,347k . This had the effect of reducing the total Reserves and Balances at 31st March 2003.

Accounting for redundancy costs

The Council made redundancy payments in 2003-04 in respect of the restructuring announced in December 2002. As the Council was committed to making these payments by 31st March 2003 these redundancy payments should have been accrued as liabilities as at that date. This omission has now been corrected through a prior year adjustment.

	£000s
2002/3 Original Position Net Expenditure (Deficit)	10
Redundancy Costs Prior Year Adjustments	162
Revised 2002/3 Net Expenditure Position (Deficit)	172

Reclassification of East Lancashire Partnership

The net balance due to the East Lancashire Partnership has been reclassified as a liability rather than being treated as a reserve of the Council. This has no impact on the Council's reported financial position as this amount had previously been disclosed as an earmarked reserve.

Reanalysis of net cost of services

The Council has reanalysed the allocation within the net cost of services to bring these into line with BVACOP disclosures. At the same time £72k has been reanalysed from net cost of services to deficits on trading undertakings. Other than this adjustment the reanalysis of costs had no net effect.

HOUSING REVENUE ACCOUNT

2002/2003 £000		Note	2003/2004 £000
	INCOME		
	Gross Rental Income		
(8,016)	Dwelling rents	1	(7,753)
(75)	Non-Dwelling rents		(109)
(433)	Charges for Services & Facilities	2	(543)
(5,645)	HRA Subsidy Receivable	6	(5,336)
(29)	Housing Benefit Discretionary Relief from General Fund		(27)
(14,198)	Total Income		(13,768)
	EXPENDITURE		
	Repairs, Maintenance & Management		
2,355	Repairs and Maintenance		2,444
	Supervision and Management		
1,164	General		1,642
965	Special		1,098
45	Rents, Rates, Taxes and Other Charges		47
5,285	Rent Rebates	3	5,171
135	Provision for Bad Debts		50
2,867	Cost of Capital Charge		1,605
	Depreciation of Fixed Assets		
1,542	Dwellings		1,491
20	Other Assets		15
8	Debt Management Costs		11
14,386	Total Expenditure		13,574
188	Net Cost of Services		(195)
(1,211)	Adjusting transfer from Asset Management Revenue A/C	8	(290)
0	Contribution to Major Repairs Reserve	9	437
135	Amortised Premiums		241
(4)	Investment Income		(2)
(892)	Net Operating (Income)/Expenditure		191
	Appropriations		
486	HRA set aside (contribution to MRP)		459
(34)	Transfer from Other Reserves		(86)
437	Transfer from Major Repairs Reserve	9	(15)
	Transfer from Pensions Reserve		(230)
(3)	(Surplus)/Deficit for the year		319
	HOUSING REVENUE ACCOUNT BALANCE		
(230)	Balance brought forward 1 st April		(233)
(3)	(Surplus)/Deficit for the year	12	319
(233)	Balance carried forward 31st March		86

HOUSING REVENUE ACCOUNT

NOTES

1. Rent Income

Gross rent income for dwellings is the total income due for the year for occupied houses, garages and shops. The total rental income for 2003/2004 was £7,862,000 (£8,091,000 in 2002/2003). The reduction in income was caused by the large volume of council house sales, with 117 being sold in 2003/2004 (80 in 2002/2003).

2. Charges for Services and Facilities

This represents income in respect of services or facilities provided by the Council. This includes TV aerials (£19,000) and heating charges (£52,000) and provision of the warden lifeline service of £325,000, which incorporates additional Supporting People funding of £125,000.

3. Rebates

Assistance with rents is available under the Housing Benefit Scheme for those on low income. Approximately 67% of the Council's tenants receive some help with the costs of rent.

4. Housing Stock

The Council's stock of dwellings is shown below:

	2002/2003	2003/2004
Bedsits	60	60
1 Bedrooms	1,332	1,331
2 Bedrooms	1,246	1,204
3 Bedrooms	925	855
4 or more bedrooms	51	47
	3,614	3,497

5. Vacant Possession

The total vacant possession value as at 31st March 2004 was £105.1m (£75.8m at 31st March 2003). The vacant possession value and balance sheet value of dwellings show the economic cost to Government of providing council houses at less than open market value.

HOUSING REVENUE ACCOUNT

6. Housing Subsidy Receivable

Part VI of the Local Government and Housing Act 1989 made statutory provisions regarding the Housing Revenue Account and Housing Subsidy. The Housing Revenue Account has been prepared in accordance with the various regulations and determinations and the Subsidy calculated in accordance with the Housing Revenue Account Subsidy (Consolidation) Determination 2003/2004 as follows:-

	£000	£000
EXPENDITURE		
Management & Maintenance Allowance	(3,264)	
Major Repairs Allowance	(1,928)	
Charges to Capital	(2,508)	
Rent Rebate claimed	(5,235)	
		(12,935)
INCOME		
Interest on Receipts	2	
Guideline Rent Income	7,583	7,585
		(5,350)
Adjustment re 2002/2003 Housing Subsidy		14
		(5,336)

7 Fixed Assets

The balances on fixed assets are as follows:

	2002/2003 £000	2003/2004 £000
Operational Assets		
Dwellings	44,719	62,014
Residents Associations	88	67
Fixtures and Fittings	40	0
	44,847	62,081
Non-Operational Assets		
Garages	355	345
Shops	99	96
	45,301	62,522

The large increase in value of stock was due to all the stock being revalued during the year to take account of the rapidly rising value of residential properties in Hyndburn.

HOUSING REVENUE ACCOUNT

The depreciation charge for the year was £1,505,345 (2002/2003 £1,562,524) analysed as follows:

	2002/2003 £000	2003/2004 £000
Operational Assets		
Dwellings	1,542	1,491
Residents Associations	3	3
Fixtures and Fittings	5	0
Non-Operational Assets		
Garages	9	9
Shops	3	3
	1,562	1,506

The overall capital expenditure during the year was as follows:

	£000's
Expenditure	
Renovation of Council Houses	2,262

The expenditure was funded in the year as follows:

Major Repairs Allowance	2,189
External Contributions	73
	2,262

Capital receipts during the year were as follows:

	£000's
Council House Sales	1,790
Mortgages	12
External Contributions	59
	1,861

8. Asset Management Revenue Account

The cost of capital charge reflects the cost of capital tied up in Council housing and other HRA assets. It is calculated as 3.5% (6% in 2002/2003) of the value of HRA assets at the start of the year.

However, this does not impact on the amount of income to be generated to achieve a balanced budget.

HOUSING REVENUE ACCOUNT

As in previous years, the actual charge to the HRA is its share of the total debt and financing costs of the Council.

To reflect this, the capital asset charges accounting adjustment is made as a credit to the HRA, being the difference between the cost of capital charge and the actual HRA debt charges.

	2002/2003 £000	2003/2004 £000
Cost of Capital Charge	(2,867)	(1,605)
External Interest Charge	1,636	1,295
Internal Interest Charge	20	20
Adjusting Transfer to HRA	(1,211)	(290)

9. Major Repairs Reserve

Authorities are required by an amendment to the Accounts and Audit Regulation 1996, to establish and maintain the Major Repairs Reserve. The main credit to the reserve is an amount equivalent to the total depreciation charges for all HRA assets. The determination under item 8 of part 6 of the Local Government and Housing Act 1989 requires any difference between the depreciation credit on the reserve and the Major Repairs Allowance to be transferred back to the HRA. Authorities are able to charge capital expenditure directly to the reserve. The following table identifies the movement on the Major Repairs Reserve for the financial year:

2002/2003 £000	Major Repairs Reserve	2003/2004 £000
157	1 st April	169
1999	Transfer to the reserve	1,928
(1987)	Capital charged to the reserve	(2,189)
169	31 st March	(92)

10. Rent Arrears

	2002/2003 £	2003/2004 £
Current Tenant Arrears	255,357	236,683
Former Tenant Arrears	373,892	374,576
	629,249	611,259

HOUSING REVENUE ACCOUNT

11. Bad Debt Provision

An amount of £50,000 was set aside during the year as a provision for bad and doubtful debts. The provision now stands at £425,443, and is in relation to all Housing debt outstanding, including rents and overpaid Housing Benefits.

12. Restatement of 2002/03 Accounts

The Council has re-stated its overall position on the Housing Revenue Account in 2002/3 to include £46,000 of Revenue Costs relating to the Redundancies in 2002/3 that were not originally shown in the accounts for that year.

	£000
2002/03 original position Net expenditure	(49)
Redundancy Prior Year Adjustments	46
Revised Net Expenditure position 2002/03	(3)

CONSOLIDATED BALANCE SHEET AT 31ST MARCH 2004

2002/03 £'000 as restated		Note	2003/04 £'000
	LONG TERM ASSETS		
79,753	Fixed Assets	1	96,242
646	Long Term Investments	9	646
2,262	Long Term Debtors	7	1,974
82,661			98,862
	CURRENT ASSETS		
495	Stocks & Work in progress	8	329
2,210	Investments	9	296
13,074	Debtors	10	12673
6	Cash in hand		8
15,785			13,306
	CURRENT LIABILITIES		
(8,320)	Short Term borrowing		(5,860)
(6,767)	Creditors	11	(6,097)
(235)	East Lancashire Partnership		(204)
(1,831)	Bank Overdraft		(1,322)
(17153)			(13483)
81,293	TOTAL ASSETS LESS CURRENT LIABILITIES		98,685
	LONG TERM LIABILITIES		
(42,839)	Long Term borrowing	12	(44,359)
(34)	Deferred Capital Receipts		(21)
(70)	Provisions	14	(43)
(24,347)	Net Pensions Liability		(18,440)
(67,290)			(62,863)
14,003	TOTAL ASSETS LESS LIABILITIES		35,822
	CAPITAL RESERVES		
24,966	Fixed Asset Restatement Reserve	15	38,686
12,020	Capital Financing Reserve	16	14,175
1,115	Govt Grants Deferred Account		1,445
17	Usable Capital Receipts Reserve	17	308
169	Major Repairs Reserve		(93)
	NOTIONAL RESERVES		
(24,347)	Notional Pensions Reserve	19	(18,440)
	BALANCES		
364	Earmarked Reserves	18	536
293	Balances - General Fund		(111)
233	- Housing Revenue Account		(86)
(827)	- Collection Fund		(598)
14,003	TOTAL RESERVES & BALANCES		35,822

NOTES TO CONSOLIDATED BALANCE SHEET

1. Fixed Assets

	Council Dwellings	Other Land & Buildings	Vehicles/ Plant/Equip	Infrastr.	Community Assets	Non-Oper. Other Land & Buildings	TOTAL
	£000	£000	£000	£000	£000	£000	£000
Net Book Value 31.3.03	44,719	18,229	2,474	3,511	5,492	5,328	79,753
Additions	1,911	1,118	501	34	368	1,262	5,194
Asset under construction							
Disposals	(1,883)	0	0	0	0	(427)	(2,310)
Written out	(1,910)	(895)	(1,624)	(34)	(236)	(32)	(4,731)
Re-Categoriesd							
Revaluations	20,670	(584)			588	382	21,056
	63,507	17,868	1,351	3,511	6,212	6,513	98,962
Depreciation for year	(1,491)	(543)	(243)	(351)	(32)	(60)	(2,720)
Depreciation on assets sold							
Net Movement	(1,491)	(543)	(243)	(351)	(32)	(60)	(2,720)
Net Book Value 31.3.04	62,016	17,325	1,108	3,160	6,180	6,453	96,242

Large Scale Voluntary Transfer of Housing Stock.

The Cabinet of the Council at its meeting on the 10th December 2003 resolved to apply to the Office of Deputy Prime Minister for permission to transfer its housing stock to a registered social landlord. The transfer process is likely to take place in Autumn 2005 after a ballot to obtain tenants views. The transfer value for the stock will be calculated on rules laid out by the ODPM. The value is unlikely to reflect the historic value of Council Houses as recorded in the Councils Accounts as it takes into consideration the cost of repairing and improving the stock against the future rental stream. As the Council has a higher level of debt surrounding its Council Houses than it is likely to raise under the ODPM calculation methodology, the ODPM will assist the Council by meeting the cost of any overhanging debt remaining after the transfer to the new Registered Social Landlord. The potential impact of the transfer on the Councils Balance Sheet has not yet been determined, but we would anticipate a significant reduction in the fixed asset base of the Council and the amounts of loan capital exposure.

2. Deferred Charges

	2002/2003		2003/2004	
	£000	£000	£000	£000
Balance as at 1 st April		0		0
Expenditure in year:				
- Improvement Grants	995		1,326	
- Other	256	1,250	714	2,040
Less Disabled Facilities Grants Received		(212)		(206)
Total		1,038		1,834
Amounts written off to consolidated Revenue Account		(1,038)		(1,834)
		0		0

3. Information on Assets held

Fixed Assets held by the Council include the following:-

31 st March 2003 (Nos.)		31 st March 2004 (Nos.)
3,614	Council Dwellings	3,497
8	Shops	8
3	Cemeteries	3
1	Crematorium	1
155	Parks & Recreation Grounds	155
1	Museums & Art Galleries	1
1	Theatre	1
3	Public Halls	3
4	OAP Centres	4
2	Community Centres	2
2	Markets	2
1	Leisure Centres	1
1	Athletics Tracks	1
1	Swimming Pools	1
3	Town Halls	3
8	Offices	8
4	Industrial Estates	4
3	Depots	3

NOTES TO CONSOLIDATED BALANCE SHEET

4. Sources of finance for fixed assets acquired

The acquisition of fixed assets was financed as follows:-

	2002/2003 £000	2003/2004 £000
Capital Expenditure:		
Fixed Asset Additions	5,730	5,195
Deferred Charges	1,251	2,331
	6,981	7,526
Financed by:		
Loan Finance (Credit Approvals)	2,143	2,400
Usable Capital Receipts	371	929
Grants	1,387	2,384
Revenue Contribution - General Fund	793	14
- HRA (MRA)	1,988	2,189
Other Contributions	200	0
Movement in Capital Creditors	99	(390)
Total Expenditure on fixed assets	6,981	7,526

5. Capital Commitments

As at 31st March 2004 the Council is contractually committed to capital payments which are estimated at £421,644 (£736,154 as at 31st March 2003).

6. Finance Leases

Assets held under finance leases were for equipment and had a gross book value of £9,989 at 31st March 2004 (£9,989 at 31st March 2003) of which the outstanding obligations amount to £nil. Accumulated depreciation amounted to £9,989 at 31st March 2004 (£7,991 at 31st March 2003). Lease rentals paid during the year amounted to £2,494.

7. Long Term Debtors

2002/03 £000		2003/04 £000
2204	Unamortised Premiums	1932
58	Other	42
2262		1974

NOTES TO CONSOLIDATED BALANCE SHEET

The Council restructured its long term debt in 2003/04 in order to benefit from the low interest rates operative at that time. This involved the Council receiving a discount of £50k. This was effectively a bonus for early repayment. This discount is being written off over 2 years for General Fund, and the Housing Revenue Account over 10 years. The outstanding balance of £1,931,791 represents unamortised premiums on early settlement of debt, less discounts, being written off over the life of replacement borrowing.

	2003/2004 £'000
Opening Balance	2,203
Discount Received	(50)
Capital Financing Charges	35
Premium Write-offs	(256)
Balance Carried Forward	1,932

8. Stocks and Work in Progress

2002/2003 £000		2003/2004 £000
316	General Fund - Stock	201
179	WIP	128
495		329

9. Investments

The investments consists of:-

2002/2003 £000		2003/2004 £000
628	Long term:	
18	Globe Enterprises Limited	628
	Other	18
646		646
	Short Term	
2,210	Temporary Loans	296
2,856		942

NOTES TO CONSOLIDATED BALANCE SHEET

Since 1996/97, the Council has invested in Globe Enterprises Limited.

Globe Enterprise Limited is a Property Development and Investment Company based in Accrington Lancashire. It owns a number of properties in the local area and undertakes property development as opportunities arise. Its current portfolio of properties include a large office complex developed for Office Space and an entertainment/leisure facility situated in Accrington Town Centre. It held assets valued at over £9.2 million at 31st December 2003 which was the last time it produced its annual financial accounts.

Surpluses on trading have been historically re-invested in the business. The Council owns one-third of the share capital of the company. The Council has also invested £710,000 of cash and £250,000 of land in the form of loans into Globe Enterprises to provide working capital to the Company. In return the Council has received a repayment of these loans of £332,000 as a contribution to the costs of developing its new Council Offices at Scaitcliffe House. This leaves the Council with a net investment in Globe Enterprise Limited of £628,000.

10. Debtors

At 31st March 2004 the following amounts were owed to the Council:-

2002/2003 £000		2003/2004 £000
	Amounts falling due in one year	
4,240	Government Departments	1,062
394	Other Local Authorities	1,378
629	Housing Rents	636
7,251	Collection Fund	8,369
4,152	Sundry Debtors	5,598
1,404	Housing Benefit Debtors	711
18,070		17,754
	Amount falling due after one year	
665	Car Loans to Employees	600
18,735		18,354
(5,737)	Less Bad Debts Provisions	(5,681)
12,998		12,673

NOTES TO CONSOLIDATED BALANCE SHEET

11. Creditors

As at 31st March 2004 the Council had set aside the following amounts to pay for in future years:-

2002/2003 £000		2003/2004 £000
(1,281)	Government Departments	(1,393)
(2)	Inland Revenue	(360)
(0)	Housing Rents	(0)
(1,394)	Collection Fund	(1,619)
(533)	Other Local Authorities	(435)
(3,349)	Sundry Creditors	(2290)
(6,559)		(6,097)

12. Long Term Borrowing

<u>Source of Loan</u>	Range of Interest Rates %	Outstanding 31.3.03 £000	Outstanding 31.3.04 £000
Public Works Loan Board	3.55% to 13.75%	35,072	35,072
Money Market	2.2% to 4.90%	7,700	9,220
Individuals	4.00%	67	67
		42,839	44,359

An analysis of loans by maturity is:-

	2002/2003 £000	2003/2004 £000
1-2 years	67	6,987
2-5 years	0	0
5-10 years	500	1,000
over 10 years	42,272	36,372
	42,839	44,359

A number of these loans are provided on a stepped basis, with an initial low rate for 1 to 2 years, followed by an increase to the standard rate.

LOBO refers to Lender Option Borrower Option loans, where an interest rate is set up to a specified date at which point the lender can change various conditions of the loan. The borrower can either agree to these changes and continue to repay the loan up to the maturity date or reject the new terms and pay the loan in full.

NOTES TO CONSOLIDATED BALANCE SHEET

13. Deferred Capital Receipts

Deferred Capital Receipts are amounts derived from sales of assets which will be received in instalments over agreed periods of time. They arise wholly from mortgages on sales of Council houses which form the main part of mortgages under long term debtors.

14. Provisions

The Council maintains certain provisions which are used to provide for specific expenditure. At the 31st March 2004 the Council had made the following provisions:

	1.4.03 £000	Transfers £000	Utilised £000	31.3.04 £000
Provisions	70		(27)	43

15. Fixed Asset Restatement Reserve

The Fixed Asset Restatement Reserve represents the balance of surpluses and deficits arising from the revaluation of fixed assets. This balance is written down by the net book value of assets which are disposed of. The Reserve is not available to support capital or revenue spending.

	General Fund £000	HRA £000	Total £000
Balance at 1 st April 2003	14,936	10,030	24,966
Fixed Asset valuation movements	(2,381)	18,702	16,321
Disposal of fixed assets	(718)	(1,883)	(2,601)
Balance at 31st March 2004	11,837	26,849	38,686

NOTES TO CONSOLIDATED BALANCE SHEET

16. Capital Financing Reserve

The Capital Financing Reserve contains the amounts which are required by statute to be set aside from capital receipts for the repayment of external loans and the amount of expenditure financed from revenue and from capital receipts. It also contains the difference between amounts provided for depreciation and that required to be charged to revenue to repay the principal element of external loans. The balance on the reserve is reduced as loan debt is repaid. The Reserve is not available to support capital or revenue spending.

	2002/2003 £000	2003/2004 £000
Balance at 1 st April	10,959	12,020
Capital receipts set aside	880	1,352
Capital Financing - Capital Receipts	371	929
- Revenue	793	14
- Grants	612	1,849
- Major Repairs Allowance	1,987	2,189
- Other	200	0
Minimum revenue provision (less total depreciation)	(2,744)	(2,344)
Less write down of deferred charges	(1,038)	(1,834)
Less write down of impairment	0	0
Balance at 31st March	12,020	14,175

17. Usable Capital Receipts Reserve

The Usable Capital Receipts Reserve represents the capital receipts which have not yet been used to finance capital expenditure and which are available for use in future financial years.

	2002/2003 £000	2003/2004 £000
Balance at 1 st April	21	17
Capital receipts in Year	1,247	2,572
Less		
- Capital Receipts applied	(371)	(929)
- Capital Receipts set aside	(880)	(1,352)
Balance at 31st March	17	308

NOTES TO CONSOLIDATED BALANCE SHEET

18. Earmarked Reserves

	1 st Apr.'03 £000	Payments £000	Receipts £000	31 st Mar.'04 £000
General Fund	(278)	136	(393)	536
Housing Revenue Account				
Capital Reserve	(50)	50	0	0
Sheltered Housing Reserve	(36)	36	0	0
	(86)	86	0	0
Total Earmarked Reserves	(364)	222	(393)	(536)

At the year end all amounts received were in connection with capital projects and are required to be spent on those projects or returned to the provider.

19. Pensions

From 2003/04, the authority is required under the SORP to fully implement FRS17 (Retirement Benefits) into its accounts. The object of FRS17 is to ensure that the Authority's financial statements reflect at fair value the future pension liabilities which have been incurred, and the extent to which assets have been set aside to fund them. This means that FRS17 based pensions assets and liabilities are included in the 2003/04 Consolidated Revenue Account and Balance Sheet, rather than being disclosed as additional notes to the accounts.

As the move to FRS17 based pensions accounting represents a change in accounting policy which has a material impact, the 2002/03 Consolidated Revenue Account and Balance Sheet have been restated to reflect this change.

The inclusion of net pensions liabilities and the corresponding pensions reserve in the Consolidated Balance Sheet represents a significant decrease in the overall level of reserves. However, this does not represent a reduction in the cash reserves held by the Authority, and does not impact on Council Tax levels.

The Lancashire County Pension Fund is treated as a defined benefit under FRS17, since the Authorities liabilities to its current and former employees can be identified within the fund, and the Authority will be liable to meet these, irrespective of the future performance of the fund.

The last full actuarial review of the fund was carried out on 31st March 2001.

NOTES TO CONSOLIDATED BALANCE SHEET

An interim actuarial review was carried out in order to calculate the figures required under FRS17. In calculating the Authorities assets and liabilities, the fund's actuaries had to make a number of assumptions about events and circumstances in the future, meaning that the results of actuarial calculations are subject to uncertainties within a range of possible values. It is possible that the full triennial valuation as at 31 March 2004 may produce a different estimate of liabilities.

The following actuarial assumptions were made;

Actuarial Assumptions

2002/03 %		2003/04 %
	Financial Assumptions	
2.5	Rate of Inflation	2.8
4.0	Rate of increase in salaries	4.3
2.5	Rate of increase in pensions	2.8
6.0	Discount Rate	6.3
	Expected Rate of Return on Assets	
7.5	Equities	7.5
4.5	Government Bonds	4.7
5.4	Other Bonds	5.5
6.5	Property	6.5
3.75	Other	4.0

The 2004 SORP will require local authorities to use the AA discount rate when determining the net present value of estimated pensions liabilities. As this rate is lower than the rate currently specified in the 2003 SORP this is expected to result in an increase in the net present value of liabilities, and consequently the authorities share of deficit in the Lancashire County Council Pension Fund.

Assets in the fund are valued at fair value, principally market value for investments and consist of the following categories;

NOTES TO CONSOLIDATED BALANCE SHEET

2002/03			2003/04	
£'000	%		£'000	%
29,443	65.8	Equities	37,607	68.8
11,187	25.0	Bonds	12,299	22.5
4,116	9.2	Other	4,755	8.7
44,746	100.0		54,661	100.0

As at 31st March 2004, the fund's actuaries estimated that the Authority had the following assets and liabilities relating to pensions payable through the fund;

2002/03 £'m		2003/04 £'m
44.7	Fair Value of Assets	54.7
(69.1)	Estimated Present value of Liabilities	(73.1)
(24.4)	Net Liability	(18.4)

NOTES TO CONSOLIDATED BALANCE SHEET

The movement in the deficit in the scheme during 2003/04 is analysed as follows:

	£'000	£'000
Deficit at 1st April 2003		(24,347)
SERVICE EXPENDITURE		
Current Service Cost	(1,354)	
Past Service Cost / Curtailment Cost	(1,305)	
Less Employer Contributions	2,525	(134)
FINANCE GAINS & LOSSES		
Net Interest / Return on Assets	(1,100)	(1,100)
ACTUARIAL GAINS & LOSSES		
Actuarial Gains	7,141	7,141
Deficit at 31st March 2004		(18,440)

The actuarial gains and losses included above represent the extent to which actual outcomes during 2003/04 differed from the assumptions used in calculating the estimated assets and liabilities at 31st March 2003. The table below shows these changes as percentages of the overall assets and liabilities.

Analysis of Actuarial Gains & Losses	Gain / (Loss)	% of Total Assets / (Liability)
Gain / (loss) on difference between expected and actual return on assets	7,141	13.1% of assets
Gain / (loss) on difference between actuarial assumptions on liabilities and actual experience	-	0% of liabilities
Gain / (loss) on changes in demographic and financial assumptions affecting estimation of liabilities	-	0% of liabilities
Total	7,141	9.8% of liabilities

NOTES TO CONSOLIDATED BALANCE SHEET

The primary cause of the change from an estimated net liability of £24.347m at 31st March 2003 to an estimated net liability of £18.440m at 31st March 2004 has been the increase in the capital value of the fund's investment assets, arising from an improved performance in the equity markets during 2003/04. The £18.440m net liability relating to the fund represents the difference between the value of the Authority's pension fund assets at 31st March 2004 and the estimated present value of the future pension payments to which it was committed at that date. These pension liabilities will be paid out over a period of many years, during which time the assets will continue to generate returns towards funding them. Any significant changes in global equity markets after 1st April 2004 would also have an impact on the capital value of the pension fund assets. The extent to which the expected future returns on assets are sufficient to cover the estimated net liabilities will be considered by the actuaries in their next actuarial review of the Pension Fund, due to be carried out at 31st March 2004.

Their advice on whether or not there is any anticipated shortfall in the funding of the scheme at that time will determine the future level of pension contributions.

20. The European Single Currency

At 31st March 2004 the Council has not entered into any financial commitments relating to the possible introduction of the Euro. At present, there are no indications as to the future financial impact on the Council.

21. Contingent Liabilities

At the 31st March 2004 the Council had no contingent liabilities.

COLLECTION FUND

2002/2003 £000		2003/2004	
		£000	£000
	INCOME		
(20,995)	Income from Council Tax		(22,772)
(4,888)	- Council Tax Benefits		(5,533)
(14,932)	Income collectable from Business Ratepayers Contributions		(16,389)
(4)	Adjustment of previous year's Community Charges		0
(40,819)	Gross Income		(44,694)
	EXPENDITURE		
	Precepts & Demands		
20,306	- Lancashire County Council	22,208	
1,750	- Lancashire Police Authority	2,074	
3,980	- Hyndburn Borough Council	4,131	28,413
	Business Rate		
14,041	- Payments to Pool	15,759	
160	- Interest	27	
136	- Cost of Collection	136	15,922
	Bad Debts Provisions in Year		
545	- Council Tax	147	
595	- Business Rates	468	615
	Contributions		
(66)	- Previous years surplus (deficit) distributed		(485)
4	- Adjustment of previous year's Community Charges		0
41,451	Gross Expenditure		44,465
632	(Surplus)/Deficit for the year		(229)
194	(Surplus)/Deficit as at 1 st April 2003 b/f		826
826	(Surplus)/Deficit as at 31st March 2004 c/f		597

NOTES TO COLLECTION FUND

1. The total Non-Domestic Rateable Value at the year end was £44.677m. (£43.171m 2002/03)
2. The Non-Domestic multiplier for the year was 44.4p in the pound. (44.4p 2002/03)
3. Bad Debts of £157,132.36 were written off during the year. (£240,585.89 2002/03)
4. The Council Tax base for the year was 23,925 (23945 2002/03). This was calculated as follows:-

Band	Number Of Dwellings	Discount	Factor	Band D Equivalent
AA	7	1	5/9	3
A	20,525	2,595	6/9	11,953
B	4,820	424	7/9	3,419
C	5,365	308	8/9	4,495
D	2,599	120	1	2,478
E	818	39	11/9	951
F	273	15	13/9	372
G	166	18	15/9	246
H	5	1	18/9	8
Total				23,925
Collection Rate				99%
Band D Equivalent				23,686

**THE STATEMENT OF TOTAL MOVEMENTS IN
RESERVES FOR THE YEAR ENDED 31ST MARCH 2004**

	Capital Reserves					Notional Reserve	Reserves			Total
	Fixed Asset Restatement Reserve £'000	Capital Financing Reserve £'000	Usable Capital Receipts £'000	Govt. Grants Deferred Account £'000	Major Repairs Reserve £'000	Pensions Reserve £'000	General Fund £'000	Specific Reserves £'000	HRA £'000	£'000
Balance @ 1/4/03	24,966	12,020	17	1,115	169	(24,347)	293	(463)	233	14,003
Net surplus / (deficit) for year	0	5,784	0	330	(262)	5,907	(404)	401	(319)	11,437
Revaluation of Fixed Assets	16,321	0	0	0	0	0	0	0	0	16,321
Disposal of Fixed Assets	(2,601)	1,352	1,220	0	0	0	0	0	0	(29)
Financing of Fixed Assets	0	(4,981)	(929)	0	0	0	0	0	0	(5,910)
Balance @ 31/3/04	38,686	14,175	308	1,445	(93)	(18,440)	(111)	(62)	(86)	35,822

A further analysis of reserves can be found in the notes to the Consolidated Balance Sheet on pages 43 to 49 as follows:-

- ❑ Fixed Asset Restatement Reserve - Note 15
- ❑ Capital Financing Reserve - Note 16
- ❑ Capital Receipts - Note 17
- ❑ Earmarked Reserves – Note 18
- ❑ Notional Pensions Reserve – Note 19

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2004

2002/2003 £000		2003/2004		
		£000	£000	£000
	REVENUE ACTIVITIES			
	CASH OUTFLOWS			
16,688	Cash paid to and on behalf of employees	18,843		
22,001	County Precept	23,872		
16,158	Non-Domestic Rate Pool	15,587		
12,666	Housing Benefit Paid Out	11,839		
9,887	Other Operating Costs	37,236		
77,400			107,377	
	CASH INFLOWS			
(3,274)	Rents (after rebates)	(2,691)		
(21,406)	Council Tax Income	(22,930)		
(10)	Community Charge	(1)		
(15,800)	Non-Domestic Rate Income	(16,171)		
(3,840)	Revenue Support Grant	(4,989)		
(29,813)	Other Government Grants	(28,724)		
(5,260)	Other Receipts	(30,826)		
(79,403)			(106,332)	
(2,003)				1,045
	RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
	CASH OUTFLOWS			
3,159	Interest paid	2,505		
3,159			2,505	
	CASH INFLOWS			
(37)	Interest received	(67)		
(37)			(67)	
3,122				2,438
	CAPITAL ACTIVITIES			
	CASH OUTFLOWS			
5,348	Purchase of fixed assets	5,546		
1,383	Capital Grants	2,371		
6,731			7,917	
	CASH INFLOWS			
(1,245)	Sale of fixed assets	(870)		
(1,136)	Capital Grants received	(2,385)		
(3)	Other Capital cash payments/income	(59)		
(2,384)			(3,314)	
4,347				4,603
1,165	MANAGEMENT OF LIQUID RESOURCES			
	Net increase/(decrease) in short term deposits			(1,914)
6,631	NET CASH INFLOW/OUTFLOW BEFORE FINANCING			6,172
	FINANCING			
	CASH OUTFLOWS			
(5,970)	Repayments of short term loans	(2,460)		
6,077	Repayments of amounts borrowed	(4,721)		
107			(7,181)	
	CASH INFLOWS			
(7,700)	New loans raised	1,520		
0	New short term loans	0		
(7,700)			1,520	
(7,593)				(5,661)
(962)	Increase/decrease in cash and cash equivalents			511

NOTES TO CASH FLOW STATEMENT

1. Movement in Cash and Cash Equivalents

Movement 2002/2003 £000		Balance 1.4.03 £000	Balance 31.3.04 £000	Movement in Year £000
(1)	Cash in hand	6	8	2
(961)	Bank Overdraft	(1,831)	(1,322)	509
(962)		(1,825)	(1,314)	511

2. Reconciliation of General Fund Surplus to Net Cash Flow

2002/03 £000		2003/04 £000 £000	
(2,003)	Consolidated Revenue Account		(451)
	Non-Cash Transactions:		
1,141	Minimum Revenue Provision	(2,344)	
{	Major Repairs Allowance	2,189	
2,830 {	Deferred Charges	(2,125)	
{	Premiums	(272)	
(1,258)	Reserves	1,077	
2,713			(1,475)
	Accrued Items:		
(2,665)	(Increase)/Decrease in Debtors	(49)	
421	Increase/(Decrease) in Creditors	144	
(1,503)	(Increase)/Decrease in Deferred Liability	272	
(85)	(Increase)/Decrease in Stocks	166	
(3,832)			533
	Items elsewhere in Cash Flow Statement:		
(37)	Interest Received	(67)	
3,159	External Interest Paid	2,505	
3,122			2,438
2,003	REVENUE ACTIVITIES NET CASH FLOW		1,045