

21 June 2013

Dear Councillor

GOVERNANCE COMMITTEE - THURSDAY, 27TH JUNE 2013

I am now able to enclose, for consideration at the above meeting of the Governance Committee, the following reports that were unavailable when the agenda was printed.

Agenda No Item

11. **Statement of Accounts 2012/13 (Pages 91 - 158)**

Report of Chief Finance Officer (enclosed)

Yours sincerely



Gary Hall
Chief Executive

Dianne Scambler
Democratic and Member Services Officer
E-mail: dianneb.scambler@chorley.gov.uk
Tel: (01257) 515034
Fax: (01257) 515150

Distribution

1. Agenda and reports to all Members of the Governance Committee for attendance
2. Agenda and reports to Peter Ripley (Independent Member) for attendance.

If you need this information in a different format, such as larger print or translation, please get in touch on 515151 or chorley.gov.uk

This page is intentionally left blank



Report of	Meeting	Date
Chief Finance Officer	Governance Committee	27 June 2013

STATEMENT OF ACCOUNTS 2012/13

PURPOSE OF REPORT

1. To give members sight of the draft Statement of Accounts (SOA) before they are signed and authorised for issue by the Chief Financial Officer. This has to be done before the end of June 2013. This report also advises about the process leading up to SOAs’ formal submission for Members’ approval following the completion of the external inspection.
2. This report covers the year-end financial position as it should be presented in the Council’s Statement of Accounts. It does not make detailed comparisons of the Council’s actual revenue and capital expenditure compared against its budget, this done throughout the year in reports to the Executive Cabinet in the budget monitoring reports. Such budget monitoring reports on the provisional out-turn (year-end position) have been submitted to the Cabinet meeting to take place on 20th June 2013.

RECOMMENDATION(S)

3. Members are asked to note the report.

EXECUTIVE SUMMARY OF REPORT

4. The report concentrates on the major parts of the statements and seeks to explain significant changes from previous years for members’ attention. It also advises on the statutory requirements for signature, audit, inspection and publication of the accounts.

Confidential report Please bold as appropriate		No
--	--	-----------

CORPORATE PRIORITIES

5. This report relates to the following Strategic Objectives:

Involving residents in improving their local area and equality of access for all		A strong local economy	
Clean, safe and healthy communities		An ambitious council that does more to meet the needs of residents and the local area	X

BACKGROUND

6. Regulation 8 of the Accounts and Audit (England) Regulations 2011 requires:
- The responsible financial officer must, by June 30, sign and date the Statement of Accounts and certify that it presents a true and fair view of the financial position of the Authority at the year end and the income and expenditure for the year.
 - By September 30 the responsible financial officer must re-certify the Statement following the audit, the Governance Committee must consider and approve the Statement of Accounts and the Chairman must sign it. The Statement of Accounts and the External Auditor's statement must be published.
7. The Statement of Accounts now presented to members is therefore for information only, not for approval until September.
8. In the following section attention is drawn to the salient, key numbers in the core Statement of Accounts.

DETAIL

9. Movement in Reserves (MIR) Statement
- This statement starts with the deficit in the year, calculated according to generally accepted accounting practice, of £0.299m. For the purposes of calculating council tax, however, certain costs have to be deducted from this figure and be held in "Unusable Reserves" on the balance sheet. The net value of these adjustments is £1.576m. After this adjustment the MIR shows a surplus of £1.277m. Of this sum, a net £1.482m was transferred to earmarked reserves. This leaves the General Fund balance at year end of £2.060m.
 - Reserves earmarked for specific purposes total £4.300m at year end. These purposes are detailed in Note 8 to the accounts.
 - Usable capital reserves have increased slightly to £3.004m.
 - In total Usable Reserves (i.e. available for capital or revenue purposes) total £9.400m.
10. Comprehensive Income and Expenditure Statement

This shows the detail building up to the deficit for the year of £0.299m. The significant differences between the 2011/12 and 2012/13 figures are as follows:-

- **Highways & Transport.** Net expenditure has fallen by £2.700m. This is because 2011/12 expenditure was increased by a one off capital charge of £2.700m, this being the amount paid by the Council as its contribution in that year to the Buckshaw Station project. This charge did not hit the Council Tax payer, i.e. it was one of those costs transferred to one of the Unusable Reserves.
- **Housing Services.** In 2011/12 a one off grant of £0.500m was received by the Council on behalf of other Lancashire Districts for homelessness prevention. This explains the movement in net expenditure between the two years.
- **Other Operating Expenditure.** In 2011/12 £1.750m was received from Chorley Community Housing (CCH) relating to the pension deficit of employees transferred from the Council. That sum was then transferred to a "provision" account. In 2012/13

it was agreed with the External Audit that the “Provision” would become a “Reserve.” This adjustment accounts for the major part of the movement between the years.

At the foot of the Statement two further gains/losses are added, the gain on the revaluation of property and the losses measured by the actuary on the pension fund. Comment on the second of these is made in the Balance Sheet section of this report.

11. Balance Sheet

This shows the value, as at the Balance Sheet date, of all the assets and liabilities of the authority. Focus is given to explaining any significant changes between the years, these are as follows:-

- **Cash and investments.** These constitute the Council’s liquid resources. In February a decision was taken to invest £3.000m for one year even though it was anticipated that this would result in a cash shortage for a short period over the year end. This eventuality materialised and it will be seen that the Council had a bank overdraft for a similar sum at 31st March. This was repaid within the first fortnight of the new financial year.
- Net of this overdraft, cash and investments totalled £10.800m at year end, down from nearly £13.000m a year earlier. The fall is attributable to the outflow of cash to finance the capital programme, and the repayment of debt totalling £0.600m.
- **Debtors** at 31 March 2013 included the £1.750m due from CCH Ltd (see para 11 above) to offset the pension deficit of transferred staff. This debt was settled in early April. If this debt is excluded there is no significant change in the total amount of debtors between the two years.
- **Creditors** have reduced by £2.600m. This consists of a reduction in the amount owed to the DCLG in respect of business rates (£1.300m) and council tax benefit (£0.400m) plus other general creditors.
- **Provisions** have reduced by £1.750m being replaced by an earmarked reserve for the same amount (see para 11 above).
- **Pensions** – The Statement of Accounts shows that the pension fund deficit has increased from £34.0m to £41.0m. This figure is very much an estimate being the actuary’s assessment of the present value of the liabilities to be met by the fund over a very long period, less its current assets and anticipated future receipts. Note 44c to the Statement shows that the deficit, year on year, is volatile, nevertheless the trend is upwards, and the increase this year has happened despite the strong rise in equity values which resulted in gains to the pension fund exceeding those expected. These were more than offset by the effect of a decline in the rate used to discount those future liabilities.

Changes in pension fund regulations were announced in 2011/12 that should restrict future liabilities, but these will not affect past liabilities.

The statutory arrangement for funding the deficit provide that it be made good by increased contributions over the remaining working life of employees. The actuary will, this year, undertake his three yearly revaluation of the fund. Any change in contributions resulting from this will thus impact on the Council in the financial year 2014/15. This eventuality was identified in the Medium Term Financial Strategy as one of the factors that had not been built into future years’ projections but which would, it was assumed, have an impact.

12. The Collection Fund

This showed a modest surplus of £56k on the year. This was consistent with estimates and has been allowed for in fixing the 2013/14 Council Tax.

Conclusion

- 13. The Accounts show the Council to be in a strong financial position.
- 14. Members will be asked to formally approve the statement by 30th September following the audit carried out by the Council's external auditors.
- 15. Notice has been received from the external auditor that 20th August 2013 has been appointed as the date on or after which local government electors may exercise their rights to question the auditor about the accounts. A period of inspection will run for 20 full working days before that date from 23rd July 2013. The Council will give 14 days notice by advertisement and via the website of the commencement of this period and this will placed on 3rd July 2013.

IMPLICATIONS OF REPORT

- 16. This report has implications in the following areas and the relevant Directors' comments are included:

Finance	X	Customer Services	
Human Resources		Equality and Diversity	
Legal	X	Integrated Impact Assessment required?	
No significant implications in this area		Policy and Communications	

COMMENTS OF THE STATUTORY FINANCE OFFICER

- 17. The accounts have been produced in compliance with the relevant accounting standards and codes.

COMMENTS OF THE MONITORING OFFICER

- 18. None other than to support the comment of the Statutory Finance Officer.

**GARY HALL
CHIEF FINANCE OFFICER**

Background Papers			
Document	Date	File	Place of Inspection
Final account working papers	June 2013	***	Town Hall

Report Author	Ext	Date	Doc ID
G Whitehead	5485	7 June 2013	Statement of Accounts Report 2012-13.doc

Statement of Accounts 2012/2013



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHORLEY BOROUGH COUNCIL



Foreword by the Chief Finance Officer

INTRODUCTION

As the Chief Executive and Section 151 Officer of the Council, I have the statutory responsibility for the proper administration of the Authority's financial affairs, and am required to confirm that the Council's systems can be relied upon to produce an accurate statement of accounts. The required statement of assurance (The Annual Governance Statement) was reported to Governance Committee on 27 June 2013

This Statement of Accounts has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 (The Code), which is based on International Financial Reporting Standards, and the Service Reporting Code of Practice for Local Authorities (SERCOP).

ACCOUNTING CHANGES

There are no significant changes in the accounting standards in 2012/13.

CORE FINANCIAL STATEMENTS

The core financial statements consist of the following:-

Page 8 **Statement of Responsibilities for the Statement of Accounts** – This summarises the responsibilities of the Council and the Statutory Finance Officer in relation to the Statement of Accounts.

Page 9 **Movement in Reserves Statement** – Levels of reserves, and movements therein, are indicators of the financial strength of the organisation. This statement distinguishes usable from unusable reserves. The distinction is explained in the Balance Sheet comment below.

The Movement in Reserves Statement shows the surplus or deficit arising in the year on the Provision of Service. This is the true economic cost of providing the authority's services (as detailed in the Comprehensive Income and Expenditure Statement). For the purposes of council tax setting, however, a series of statutory adjustments are then made, resulting in a line entitled "Net Increase/Decrease before transfers to Earmarked Reserves." The final line shows any such discretionary transfers to or from earmarked reserves.

Page 10 **Comprehensive Income and Expenditure Statement** – This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices.

- Page 11 **The Balance Sheet** – this shows the value of the assets and liabilities recognised by the authority. The total of these, the Net Assets, is matched by the authority’s reserves, as shown in the lower part of the Balance Sheet.
- Reserves are categorised into “Usable”, i.e. available to fund expenditure or reduce local taxation, and “Unusable”. The latter includes the Revaluation Reserve (holding unrealised gains in property values), and other reserves holding amounts arising from differences between the accounting basis used in compiling the Comprehensive Income and Expenditure Statement and statutory basis prescribed for taxation purposes.
- Page 12 **Cash Flow Statement** – this shows the changes in cash and cash equivalents during the reporting period. It shows how cash and cash equivalents are generated and used by classifying cash flows into operating, investment and financing activities.
- Page 13 **Notes to the Main Financial Statements** – these add to, and interpret, the individual statements.
- Page 57 **Collection Fund Statement** – this is an agents statement that reflects the statutory obligation for billing authorities to record transactions relating to the collection of Council Tax and Non-Domestic Rates, and their distribution to precepting authorities, the Government, and the Council itself.

FINANCIAL PERFORMANCE IN 2012/13

Reporting Cycle

The Council’s 2012/13 revenue budget, capital programme, Medium Term Financial Strategy (MTFS), and Treasury Strategy were approved by the Council on 28 February 2012. Thereafter, monitoring and reports were submitted at quarterly intervals to the Executive Cabinet. The reports are available on the Council’s web site

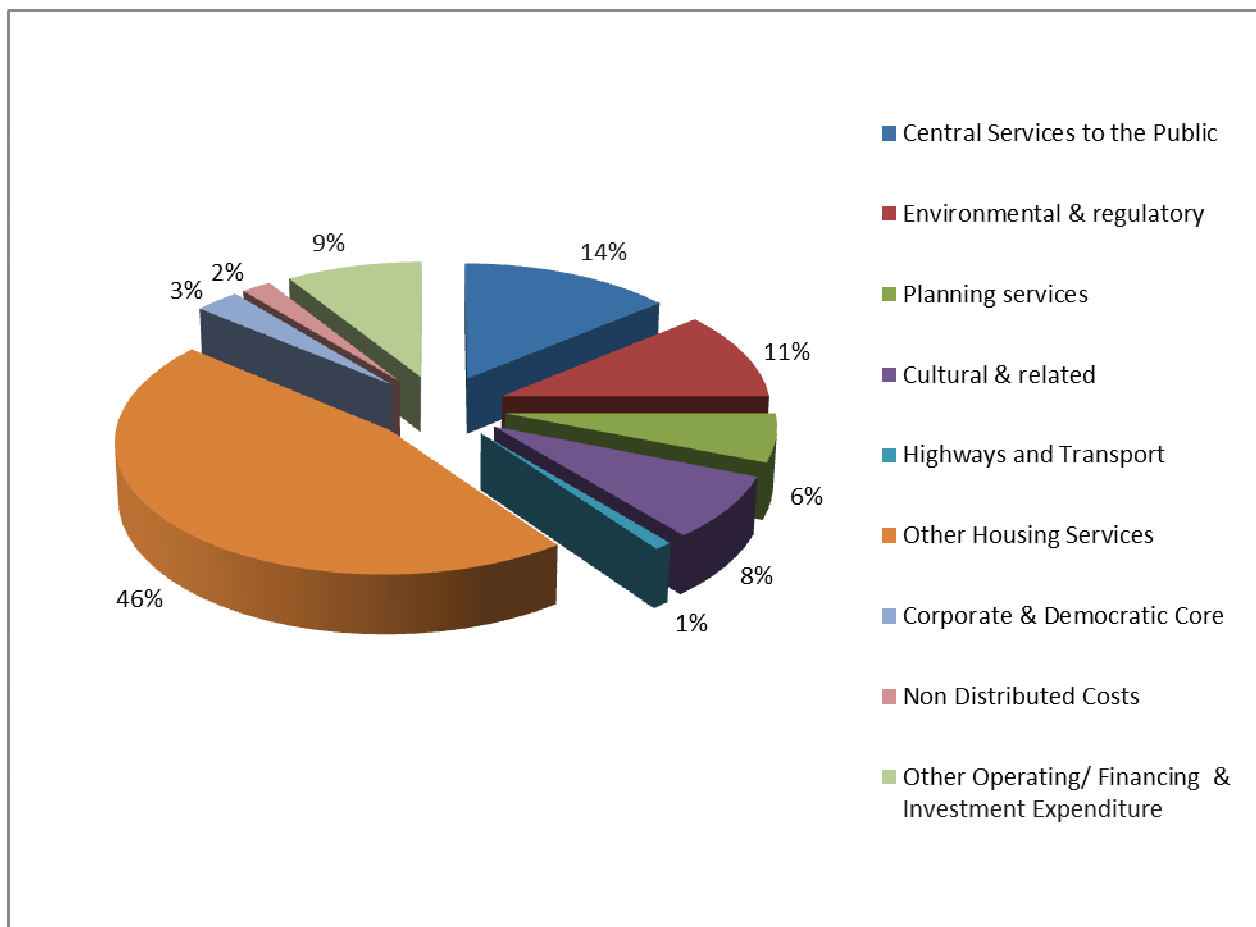
The twin themes of the revenue reports were to firstly, forecast the anticipated out-turn against the budget, and secondly, to monitor progress in achieving planned budgetary efficiencies. With regard to the Capital Programme, progress on individual schemes are reporting plus and any changes to capital resources.

Actual Spend Compared to the Budget

There were no significant differences between the reported budget out-turn and actual expenditure in the year, and the General Fund Balance at 31/March 2013 of £2.060m (page 9) compares to a budgeted position of £2.069m. Further comment on the reserves position is made below.

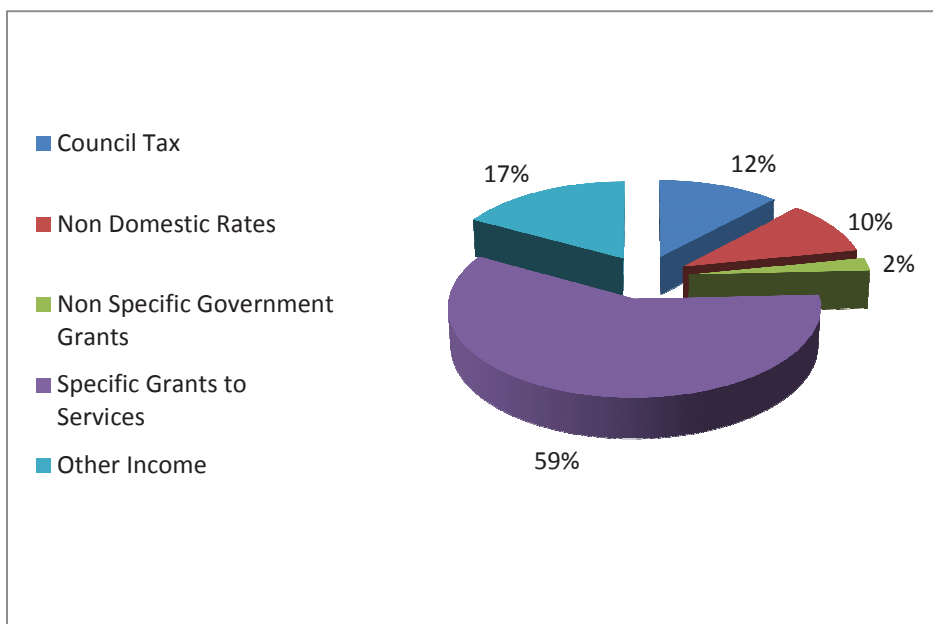
Where the money was spent

The Gross Expenditure for the Council is detailed in the Comprehensive Income and Expenditure Statement. In 2012/13 it consisted of:



Where the money came from

The Gross Income for the Council is disclosed in the Comprehensive Income and Expenditure Statement. It consisted of:



Treasury Management

The treasury operations of the Council are conducted in accordance with its annual Treasury Strategy. This document identifies the investment and borrowing policies of the Council over a three year period, specifying, amongst other things, the criteria for investment counterparties, the maximum duration, and amount, of investments, and the need for borrowings.

Treasury operations are of a modest nature. The key facts for 2012/13 were

- Investments are of a short term nature, the maximum period being one year.
- During the year investments peaked at £23m, averaged £17.6m per day, and, with cash, amounted to £10.8m at year end. The return on investments was 1.42%.
- External borrowing fell during the year from £7.9m to £7.3m. The major part of this borrowing matures in two years' time.
- In determining council tax charges authorities have to make a specific provision for the financing of capital expenditure (this replaces a charge for depreciation). The outstanding amount for which provision has to be made is known as the Capital Financing Requirement (CFR). During the year the CFR increased from £8.1m to £8.5m (Note 40 gives details). This will generate a charge to Council tax in future years.

Note 47 to the Statement gives more details of treasury operations, and the management of risk. It also reports on the on-going recovery of impaired debt in Icelandic banks

Capital Spend and Financing Summary

The Council incurs capital expenditure on its own buildings and equipment, and it is also permitted to use capital resources to finance expenditure on grants for capital works by others, for instance for disabled adaptations by home owners.

The following tables details the areas of expenditure and sources of finance in 2012/13:

Capital expenditure in 2012/13	Actual Capital Expenditure £'000
Site assembly Chorley town centre	476
Housing disabled and repair grants	378
Leisure centre works	288
IT related expenditure	55
Parks and play areas	66
Other	564
Total Capital Expenditure	1,827

Capital financing in 2012/13	Actual Capital Financing £'000
Prudential Borrowing	990
Capital Receipts	124
Contributions from Revenue Budget	185
Revenue Budget VAT Shelter Income	119
External Contributions - Developers	(73)
External Contributions - Other	119
Government Grants – Disabled Facilities Grant	277
Government Grant – Housing Capital Grant	86
Total Capital Financing	1,827

The Balance Sheet includes unused grants and contributions totalling £3.004m which can only be used for capital purposes.

Reserves and Balances Summary

The Authority's Medium Term Financial Strategy (MTFS) specifies that the general balance should be no lower than £2.0m. At the start of the year it totalled £2.265m. In addition there were reserves totalling £2.8m earmarked for specific projects. The changes in the year are as follows:-

- The Income and Expenditure account incurred a deficit of £0.300m. However for the purposes of fixing the charge to council tax payers, charges totalling a net £1.570m, as detailed in note 7, were transferred to the Unusable Reserves.
- Further net transfers from the General Balance to Earmarked Reserves of £1.500m were also made. This included an amount of £1.750m received from Chorley Community Housing to offset the pension liability of staff at the date of the housing stock transfer (note 4, and the "Looking Ahead" section of this Foreword, refer.)

The combination of these factors resulted in the general balance being £2.060m, and the earmarked reserves £4.300m.

Pension Fund Liability

The pension fund deficit has increased from £34.0m to £41.0m. This figure is very much an estimate being the actuary's assessment of the present value of the liabilities to be met by the fund over a long period less its current assets and anticipated future receipts. Note 44c also shows that the deficit, year on year, is volatile. Nevertheless the trend is upwards, and the increase this year has happened despite the strong rise in equity values which resulted in gains exceeding those expected, this being more than offset by the effect of a decline in the rate used to discount those future liabilities. Changes in the pension fund were announced in 2011/12 that should restrict future liabilities, but these will not affect past liabilities.

The statutory provisions require that the deficit be made good by increased contributions over the remaining working life of employees. These contributions are reviewed every three years as part of the comprehensive actuarial review of the pension fund. The next review will become effective in 2014 and was flagged in the Medium Term Financial Strategy as being a factor that had the potential to significantly affect the budget forecasts in future years.

Looking Ahead – The Overall Financial Position of the Authority

The Council has managed, in a very difficult environment, to maintain a healthy financial position. The Medium Term Financial Strategy envisages no relaxing of the pressures, and forecasts the following budget shortfalls over the next three years.

Year	Budget Gap/(Surplus) £'000	Cumulative £'000
2013/14	(495)	(495)
2014/15	1,441	946
2015/16	644	1,590

The main threats to these forecasts are perceived to be:-

- The impact of the triennial pension review from 2014/15.
- Uncertainties about the impact of the new business rates retention and council tax support regimes which commenced on 1 April 2013. Under the old systems the risks of change and volatility in cost and income rested with the DCLG. The new regime has transferred a significant element of risk to the Council.
- Government funding uncertainty resulting from the shortened settlement periods (two years instead of four years).

In order to achieve the required budget efficiencies the Council will continue to manage its budget effectively and will:

- Increase productivity.
- Review expenditure on contracts.
- Review non employee related base budget heads.
- Review all income streams to ensure full cost recovery is being achieved and all possible revenue streams are being structured in the most appropriate way.
- Seek to increase income yield from Investment Properties as part of the rationalisation of administration buildings, and reduce property running costs.
- Consider how best it can utilise the £1.750m received from Chorley Community Housing to reduce pension costs.

Capital expenditure over the next three years is constrained by the resources available. Planned spend is £7.750m. In addition the Council is working with the Health Authorities to fund a health centre, by additional prudential borrowing, at an estimated cost of £6.650m. Any costs incurred by the Council are planned to be recovered from the Health Authorities.

Income Recovery

Note 19 analyses debtors by type, and note 47 further analyses the risk of default by debtors included within financial instrument.

The following table shows the in year collection rates of local taxes and that successful recovery action continues to maintain rates from year to year.

	2010/11	2011/12	2012/13
Council Tax	98.4%	98.3%	98.2%
NDR	97.8%	97.2%	97.1%

Statement of Responsibilities

This statement defines the responsibility of the Council and the Responsible Financial Officer in respect of the Authority's financial affairs.

The Council's responsibilities

The Council shall:

- Make arrangements for the proper administration of its financial affairs and secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Chief Financial Officer.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

The Chief Finance Officer's Responsibilities

The Chief Financial Officer is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 (the Code).

In preparing this Statement of Accounts, he has:

- Selected suitable accounting policies and applied them consistently.
- Made judgements and estimates that are reasonable and prudent.
- Complied with the local authority code.

He has also:

- Kept proper accounting records which are up to date
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

Certificate

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Authority at the 31 March 2013 and its Income and Expenditure for the year ended 31 March 2013.

Gary Hall BA CPFA
Chief Finance Officer
Date 27 June 2013

Movement in Reserves Statement

This statement shows the movements in the year on the different reserves held by the Council, analysed between those that are “usable” (available to fund expenditure or reduce local taxation), and other reserves.

The line “deficit/(surplus) on provision of service” shows the true economic cost of providing the authority’s services, as detailed in the Comprehensive Income and Expenditure Statement. For the purposes of council tax setting however, a series of statutory adjustments are then made. These adjustments are shown in total below.

	General Fund £'000	Earmarked Reserves (note 8) £'000	Capital Receipts Reserve £'000	Capital Grants & Contributions £'000	Total Usable Reserves £'000	Unusable Reserves Note 25 £'000	Total Reserves £'000
Balance 31 March 2011	(2,077)	(1,814)	(41)	(5,740)	(9,672)	(4,675)	(14,347)
<u>Movement in 2011/12</u>							
Deficit on provision of service.	3,115	0	0	0	3,115	0	3,115
Other Comprehensive Income & Expenditure.	0	0	0	0	0	6,391	6,391
Total Comprehensive Income & expenditure.	3,115	0	0	0	3,115	6,391	9,506
Adjustments between accounting basis & funding basis under regulation (note 7).	(4,316)	0	41	3,048	(1,227)	1,227	0
Net change before transfers to/from earmarked reserves.	(1,201)	0	41	3,048	1,888	7,618	9,506
Transfers to/(from) earmarked reserves note 8	1,013	(1,013)	0	0	0	0	0
(Increase)/Decrease in year.	(188)	(1,013)	41	3,048	1,888	7,618	9,506
Balance 31 March 2012	(2,265)	(2,827)	0	(2,692)	(7,784)	2,943	(4,841)
<u>Movement in 2012/13</u>							
Deficit on provision of service.	299	0	0	0	299	0	299
Other Comprehensive Income & Expenditure.	0	0	0	0	0	5,647	5,647
Total Comprehensive Income & expenditure.	299	0	0	0	299	5,647	5,946
Adjustments between accounting basis & funding basis under regulation (note 7).	(1,576)	0	0	(312)	(1,888)	1,888	0
Net change before transfers to/from earmarked reserves.	(1,277)	0	0	(312)	(1,589)	7,535	5,946
Transfers to/(from) earmarked reserves note 8	1,482	(1,482)	0	0	0	0	0
(Increase)/Decrease in year.	205	(1,482)	0	(312)	(1,589)	7,535	5,946
Balance 31 March 2013	(2,060)	(4,309)	0	(3,004)	(9,373)	10,478	1,105

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices. This is not the amount to be funded from taxation, since authorities raise taxation to cover expenditure in accordance with regulations. The taxation position is shown in the Movement in Reserves Statement.

2011/12				2012/13		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
8,851	(7,355)	1,496	Central services to the public.	8,793	(7,443)	1,350
6,482	(1,492)	4,990	Environment & regulatory services	6,756	(1,524)	5,232
3,702	(2,160)	1,542	Planning services	3,635	(1,800)	1,835
4,759	(479)	4,280	Cultural & related services	4,940	(432)	4,508
3,300	(997)	2,303	Highways and transport services.	522	(940)	(418)
26,084	(26,009)	75	Other housing services.	28,087	(27,516)	571
2,096	(103)	1,993	Corporate and democratic core.	2,077	(56)	2,021
1,095	(838)	257	Non-distributed costs.	932	(693)	239
56,369	(39,433)	16,936	Cost of Services	55,742	(40,404)	15,338
2,344	(2,274)	70	Other operating expenditure (note 9).	(1,080)	(124)	(1,204)
5,020	(4,261)	759	Financing and investment income and expenditure (note 10).	4,764	(3,855)	909
0	(14,650)	(14,650)	Taxation and non-specific grant income (note 11).	0	(14,744)	(14,744)
63,733	(60,618)	3,115	(Surplus)/deficit on provision of services.	59,426	(59,127)	299
		196	(Surplus)/deficit on revaluation of Property, Plant and Equipment assets.			(511)
		6,195	Actuarial (gains)/losses on pension assets and liabilities.			6,158
		6,391	Other Comprehensive (Income) and Expenditure.			5,647
		9,506	Total Comprehensive (Income) and Expenditure.			5,946

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority.

It shows the net assets of the authority which are matched by the reserves held.

Reserves are reported in two categories. Usable Reserves includes reserves available to provide services and other reserves which may only be used to fund capital expenditure or repay debt.

Unusable Reserves fall into two categories. The first consists of the Revaluation Reserve which holds unrealised gains and losses in asset values. The second category holds amounts resulting from the "adjustments between the accounting basis and the funding basis", as shown in the Movement in Reserves Statement.

31 March 2012 £'000		Notes	31 March 2013 £'000
34,507	Property, Plant & Equipment	12	34,502
1,667	Heritage Assets	13	1,667
1,152	Investment Property	14	1,205
582	Intangible Assets	15	451
8	Long Term Investments		0
354	Long Term Debtors		348
38,270	Long Term Assets		38,173
9,119	Short Term Investments		10,919
0	Assets Held for Sale	21	0
26	Inventories	17	13
3,999	Short Term Debtors	19	2,388
3,869	Cash and Cash Equivalents	20	3,168
17,013	Current Assets		16,488
0	Bank Overdraft		(3,265)
(598)	Short Term Borrowing		(396)
(5,885)	Short Term Creditors	22	(3,271)
(15)	Provisions	23	(15)
(6,498)	Current Liabilities		(6,947)
0	Long Term Creditors		0
(1,750)	Provisions	23	0
(7,272)	Long Term Borrowing		(6,923)
(33,959)	Other Long Term Liabilities - pensions	44	(41,033)
(14)	Other Long Term Liabilities - other		(14)
(949)	Grant Receipts in Advance – Capital	38	(849)
0	Grant Receipts in Advance - Revenue		0
(43,944)	Long Term Liabilities		(48,819)
4,481	Net Assets		(1,105)
7,784	Usable Reserves	Page 9	9,373
(2,943)	Unusable Reserves	25	(10,478)
4,841	Total Reserves		(1,105)

The unaudited accounts were issued on 14/06/2013.

Cash Flow Statement

This shows the changes in cash and cash equivalents during the reporting period. It shows how cash and cash equivalents are generated and used by classifying cash flows into operating, investment and financing activities.

2011/12 £'000		2012/13 £'000
(3,115)	Net surplus or (deficit) on the provision of services	(299)
3,890	Adjustments to net surplus or deficit on the provision of services for non cash movements	1,755
(821)	Adjustments for items included in the net surplus or deficit on the provision of service that are investing & financing activity	(927)
(46)	Net cash flows from Operating Activities	529
(4,332)	Investing Activities (Note 27)	(2,803)
3,022	Financing Activities (Note 28)	1,573
(1,356)	Net increase or (decrease) in cash and cash equivalents	(701)
5,225	Cash and cash equivalents at the beginning of the reporting period	3,869
3,869	Cash and cash equivalents at the end of the reporting period (note 20)	3,168

NOTES TO THE ACCOUNTS

1 ACCOUNTING POLICIES

General Principles

The Statement of Accounts has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 (the Code). These notes explain the policies used to ensure the Council's financial position is fairly presented.

Accruals of Income and Expenditure

The Income and Costs of the Council are accounted for in the period to which they relate, regardless of when the cash is paid or received.

Cash and Cash Equivalents

Cash consists of cash in hand and deposits repayable without penalty on notice of not more than 24 hours. Cash Equivalents consists of investments which mature in less than three months. In the Cash Flow Statement cash and cash equivalents are shown net of bank overdrafts that are repayable on demand.

Longer term investments are not reclassified if the outstanding period falls below three months at the date of account.

Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with depreciation charges, revaluation and impairment losses in excess of accumulated revaluation gains, and amortisation charges in respect of intangible assets.

The Authority is not required to raise council tax to meet these charges. Instead it has to make an annual contribution from revenue towards the reduction in its overall borrowing requirement. This is achieved by means of an adjustment between the General Fund balance and the Capital Adjustment Account (in the Movement in Reserves Statement)

Contingent Assets and Liabilities

These are assets and liabilities arising from past events the existence of which will only be confirmed by future events not wholly within the Council's control. They are disclosed in notes to the accounts. See notes 45 & 46.

Exceptional Items

When items of income or expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure statement or in the notes to the accounts, depending on their significance.

Employee Benefits

Benefits payable during employment

These are charged to the Surplus or Deficit on the Provision of Service. The charge includes an accrual for any untaken leave and holiday entitlement. This accrual does not affect council tax since it is reversed by transfer from the General Fund Balance to the Accumulating Compensated Absences Account (in the Movement in Reserves Statement).

Termination benefits

These are amounts payable as a result of a decision to terminate an officer's employment before the normal retirement date or a decision by an officer to accept voluntary redundancy. The costs are recognised when the Council commits itself to terminate the employment of an officer or group of officers or makes an offer to encourage voluntary redundancy. The charge is made to the relevant service line in the Comprehensive Income and Expenditure Statement.

Post employment benefits

Employees are members of the Local Government Pension Scheme which provides defined benefits to members. Full details are given in Note 44. An explanation of the methodology is provided below:-

- The liabilities of the fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc. and projections of earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 4.9% (based on the indicative rate of return on high quality corporate bonds)
- The assets of the fund attributable to the Authority are included in the Balance Sheet at their fair value:
 - quoted securities – current bid price
 - unquoted securities – professional estimate
 - unitised securities – current bid price
 - property – market value
- The change in net pension liability is analysed into seven components:
 - Current service cost – the increase in liabilities as a result of years of service earned this year. This is allocated in the Comprehensive Income & Expenditure Statement to the services for which employees worked.
 - Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years. These are charged to the Comprehensive Income & Expenditure Account as part of Non Distributed Costs.
 - Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid. This is charged to Comprehensive Income & Expenditure Account within the Financing & Investment Income and Expenditure line
 - Expected return on assets – the annual investment return on the fund assets attributable to the Authority, based on an average of the expected long term return. This is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income & Expenditure Account.
 - Gains or losses on settlements and curtailments – the result of actions to relieve the Authority of liabilities, or events that reduce the expected future service or accrual of benefits of employees. These are charged to Non Distributed Costs within the comprehensive Income and Expenditure Account.
 - Actuarial gains and losses – changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions. These are debited to the Pension Reserve.
 - Contributions paid to the pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities. These are not accounted for as an expense.

Statutory provisions require the General Fund balance to be charged with the amount payable to the pension fund, not the amount calculated according to the relevant accounting standards. This is achieved by transfers between the Pensions Reserve and the General Fund to remove the actuarial debits and credits and replace them with amounts actually paid and those accrued at the year end. The negative balance on the Pension Reserve thus measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities thus arising are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme

Events After the Reporting Period

Where an event occurring after the Balance Sheet date provides evidence of conditions existing at the Balance Sheet date, the amounts recognised in the Statement of Accounts are adjusted. Where an event that occurs after the Balance Sheet date is indicative of conditions that arose after the Balance Sheet date, the amounts recognised in the Statement of Accounts are not adjusted. The “non adjusting event”, and an estimate of the financial effect, is however disclosed in the notes to the accounts.

Financial Liabilities

Borrowings are initially measured at fair value and carried at their amortised cost. The annual charge to the Comprehensive Income & Expenditure Statement (CI&E) is based on the carrying amount multiplied by the effective rate of interest. The amount presented in the balance sheet is the outstanding principal payable plus interest accrued at 31 March.

Gains or losses on premature redemption are charged to the Comprehensive Income & Expenditure Statement unless they are the result of a restructure in which case they are added to the amortised cost and charged over the life of the modified loan. However, Regulations require discounts to be amortised over the shorter of the life of the original loan or ten years. Greater discretion applies to premia: they can be amortised over the life of the original or replacement loan, or a shorter period. A transfer is done from the General Fund Balance to the Financial Instruments Adjustment account to give effect to these regulations.

Financial Assets

Loans and receivables

These are initially measured at fair value and carried at amortised cost. The annual credit to the Financing and Investment Income line in the Comprehensive Income and expenditure Account is based on the carrying amount multiplied by the effective rate of interest. The amount presented in the balance sheet is the outstanding principal receivable plus interest accrued at 31 March.

Where assets are identified as impaired because of a likelihood from a past event that payments will not be received, the asset is written down and a charge made to the relevant service, or the Financing and Investment Income and expenditure line in the Comprehensive Income and expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Government Grants and Other Contributions

Government grants and other contributions for both revenue and capital purposes are accounted for on an accruals basis and recognised in the accounts when the conditions for their receipt have been complied with. If compliance has not been achieved, cash received is held on the Balance Sheet as a creditor.

The postings in the Comprehensive Income and Expenditure account relating to capital grants and contributions are reversed out of the General Fund balance in the Movement in Reserves Statement. If the monies have not been used they are credited to the Grants Unapplied Reserve. If they have been applied to fund capital expenditure they are credited to the Capital Adjustment Account.

Heritage Assets

Heritage assets are assets held principally for their contribution to culture and knowledge. The Council has the following assets which meet this definition. Note 49 gives details of the heritage assets held, and their treatment in this statement

Intangible assets

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Council (e.g. software licences), is capitalised at cost if it will bring benefits to the Council for more than one financial year. Internally generated assets are capitalised where it is demonstrable that the Council will generate future economic benefits.

The cost is amortised over the economic life to reflect the pattern of consumption, the first year of charge being that in which the expenditure is incurred. The charge is made to the relevant service line in the Comprehensive Income and Expenditure Statement.

The postings in the Comprehensive Income and Expenditure Statement are reversed from the General Fund balance in the Movement in Reserves Statement and charged to the capital Adjustment Account.

Inventories

Inventories are included in the Balance Sheet at the lower of cost and net realisable value.

Investment Properties

Investment properties are those held solely to earn rentals or for capital appreciation.

They are measured initially at cost and subsequently at fair value. They are not depreciated but are re-valued annually. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal. Gains and losses on revaluation and disposal are not permitted by statute to impact on the council tax. A reversal is therefore done between the General Fund Balance and the Capital Adjustment Account (or, in the case of sale proceeds exceeding £10,000 to the capital receipts Reserve).

Income and expenditure from investment properties are charged to the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement.

Leasing

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the asset from the lessor to the lessee. All other leases are classified as operating leases.

If the lease covers both land and buildings, then the land and building elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Authority as lessee**Finance Leases**

An assets held under a finance lease is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset is matched by a liability, being the obligation to the lessor. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are split between a finance charge, charged to the Comprehensive Income and Expenditure Statement, and the principal element, applied to write down the lease liability.

Assets held under a finance lease will be subject to depreciation and revaluation in the same way as any other asset.

Operating leases

Rentals are charged to the Comprehensive Income and Expenditure Statement as an expense of the service benefitting from the asset.

The Authority as lessor**Finance Leases**

Where the Authority grants a finance lease over an asset, it is written out of the Balance Sheet and charged to the "gain or loss on disposals" line in Other Operating Expenses in the Comprehensive Income and Expenditure Statement. The Authority's net investment in the lease is credited to the same line, matched by a Long Term Debtor in the balance Sheet.

Lease rental receipts are split between finance income (credited to the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement), and the principal element applied to write down the Long Term Debtor.

Operating leases

Where the Authority grant an operating lease over an asset it remains on the Balance Sheet, and the income is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

(See note 41).

Non Current Assets Held for Sale

Accounting treatment is detailed in Property Plant & Equipment – Disposals and Non Current Assets Held for Sale

Overheads

The Service Reporting Code of Practice (SERCOP) requires that all Central Support and Administrative costs, with the exception of those mentioned below, be allocated to services in proportion to the benefit received.

The exceptions are:

- The costs of Democratic Representation and Management
- A narrow range of costs defined as Corporate management
- Non Distributed costs. These consist of certain costs relating to retirement benefits (past service, curtailment and settlement costs), and costs associated with unused IT facilities and surplus assets.

Prior Period Adjustments, Changes in Accounting Policies, and Estimates and Errors

Changes in estimates are accounted for prospectively, i.e. in the current and future years affected by the change, and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practice or if the change provides more reliable or relevant information about the effect of transactions on the Council's financial performance. Where a change is made it is applied retrospectively by adjusting opening balances and comparative amounts from prior periods. (See note 50)

Material errors also will require a prior period adjustment.

Property Plant and Equipment (PPE)

All expenditure on the acquisition, creation, or enhancement of fixed assets is capitalised on an accruals basis in the accounts provided it exceeds the 'de minimis' threshold of £5,000 and provides benefits to the Council for a period of more than one year.

Measurement

PPE is accounted for in accordance with IAS 16. As adapted for the public sector this provides that:

- Infrastructure, Community Assets, Assets under Construction, and equipment, are held at depreciated historical cost.
- All other assets are measured at fair value. In respect of specialised assets, if there is an absence of market based evidence of value, fair value will be assessed using the depreciated replacement cost approach.

Valuations are provided by qualified valuers, are on the basis recommended by CIPFA, and accord with the Statement of Asset Valuation Principles and Guidance Notes issued by the RICS. Property assets are re-valued, at a minimum, every 5 years.

A gain on revaluation is credited to the Revaluation Reserve unless it reverses a previous loss charged to the Comprehensive Income and Expenditure Statement, in which case the gain shall be credited to that account. A fall in value will be charged firstly against any balance held in the Revaluation reserve. If this is insufficient or non-existent, the charge is made to the relevant service line in the Comprehensive Income and Expenditure Statement

Depreciation

Non current assets held for sale are not depreciated.

Other property is depreciated over its useful life on a straight line basis. Depreciation is based on the closing value of assets. Components are separately depreciated if:

- The total value of the host asset (excluding land) exceeds £500k and
- The value of the component exceeds 20% of the asset value (excluding land)

Depreciation periods are as follows:

	<u>years</u>
Property (excluding components separately identified)	5-70
Property components - mechanical	25
Portable office facilities	10-15
Vehicles	3-10
IT equipment	3-5
Other equipment	5-15

Revaluation gains are also depreciated by transfer of the difference between the current valuation depreciation charge and the historic cost depreciation charge, from the Revaluation Reserve to the Capital Adjustment Account

Impairment

All assets are reviewed annually for impairment. Impairment losses are charged against revaluation gains held in the Revaluation Reserve. If these are inadequate the loss is charged to the relevant service line in the Comprehensive Income and Expenditure Statement.

If an impairment loss is subsequently reversed, the reversal, up to the amount of the original loss adjusted for depreciation, is credited to the relevant service line in the Comprehensive Income and Expenditure Statement.

Disposal and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through continuing use, it is reclassified as an Asset Held for Sale and shown within current assets. The asset is re-valued immediately and carried at the lower of this amount and fair value less costs to sell. If assets subsequently fail to meet the criteria to be classified as Assets Held for Sale, they revert to their Non Current Asset classification, and are re-valued at their original value adjusted for any depreciation, impairment or revaluation that would have applied.

On disposal the carrying amount of an asset is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts exceeding £10,000 from disposal are credited to the same line; lesser receipts are included as service income in cost of services. Any revaluation gains accumulated in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Capital Charges and Council Tax

The postings in the Comprehensive Income and Expenditure Statement in respect of depreciation, impairment, disposals and revaluation are reversed in the Movement in Reserves Statement to avoid impacting on council tax. Capital Receipts exceeding £10,000 are reversed to the Capital Receipts Reserve. Other reversals are to the Capital Adjustment Account

Provisions

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing is uncertain. Provisions are charged to the appropriate revenue account. Expenditure, when incurred, is charged directly to the provision.

Reserves

Reserves are created by appropriating amounts from the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from the reserve is incurred, it is charged to the relevant service in the Comprehensive Income and Expenditure Statement, and the reserve is appropriated back into the General Fund Balance through the Movement in Reserves Statement.

Revenue Expenditure Funded From Capital Under Statute

Expenditure incurred during the year that may be capitalised under statutory provision but does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement.

If the Authority has determined to use capital resources to meet the cost (as opposed to funding from revenue), a transfer is done in the Movement in Reserves Statement, from the General Fund Balance to the Capital Adjustment Account so that there is no impact on the council tax.

Value Added Tax

VAT is included in the accounts only to the extent that it is irrecoverable.

2 ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED

Changes in the following accounting standards have not been included in this statement:

- IAS 1 presentation of Financial Statements (other comprehensive income)
- IFRS 7 Financial Instruments: Disclosures (transfer of financial assets).
- IAS 12 Income Taxes (deferred tax)
- IAS19 Employee Benefits
- IFRS 13 Fair Value Measurement

None of these standards is expected to have a material impact on the Council’s finances.

3 ASSUMPTIONS ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The Statement of Accounts contains figures estimated on the basis of historical experience, current trends and other relevant factors. The following table notes items for which there is a significant risk of material future adjustment:

Item	Uncertainty	Effect if actual results differ
Pensions liability	The estimated liabilities depend on a number of complex judgements. These include future retirement ages, mortality rates, salary increases, returns on investments and discount rates. A firm of consulting actuaries is engaged to provide advice on these assumptions.	The accounts show the pension liability has increased to £41m. The liability value is calculated using assumed factors. The effect of changes in these assumptions therefore affects the liability, the changes this year are: (1) additional year of life - £2.2m (2) 0.1% salary inflation - £1.9m (3) 0.1% on discount rate - (£1.9m) Every 3 years the fund is comprehensively re-valued which leads to increases (or decreases if applicable) in the Council’s contributions. These are anticipated to rise by 0.5% in the next year.
Debtors	The most significant debtor issue for the Council is its responsibility for collecting £82m in business rates and council tax. It is however acting solely as agent of the government (for business rates) and mainly as agent (for major preceptors) for council tax. The major recovery risk resulting from shortfalls in collection falls to these bodies. Note 19 shows non-public sector debtors of £2.4m. This includes housing benefit debts totalling £0.96m. Of this sum, a significant amount is expected to be recovered from on-going benefit, but changes in HB administration may affect this. The provision for impairment has therefore been increased to 43%. The total bad debt provision is £0.4m.	Any increase in impairments will be a charge to the revenue account.

4 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

A provision of £1.75m was made in 2011/12 to meet the pension liabilities as at March 2007 of staff transferred to Chorley Community Homes Ltd (CCH), following the housing stock transfer. That liability was in fact fully discharged by the transfer of pension fund assets, resulting in additional annual pension charges to the Council. There is therefore no need for this provision and in 2012/13 this sum has been re-credited to the Comprehensive Income and expenditure account. The sum has then been earmarked in the reserves with the intent that, should it be advantageous, it will be paid over to the pension fund to reduce future annual pension charges.

5 MATERIAL ITEMS OF INCOME AND EXPENSE

All material items have been disclosed in the statement or in the notes to the accounts.

6 EVENTS AFTER THE REPORTING PERIOD

The Statement of Accounts was authorised for issue by the Chief Finance Officer on 27 June 2013. Subsequent events are not reflected in the financial statements or in the notes.

As at 31 March 2013 there were a significant number of unresolved appeals against Business Rate valuations. Up to that date any reduction would have been the liability of the Government for whom the Council acted in an agency capacity. From 1 April 2013, however, under the arrangements for Business Rates Retention the Council becomes liable for 40% of these unresolved appeals (Other shares are Central Government 50%, Lancashire County Council 9% and Fire Service 1%). These accounts include nothing in respect of this liability, and until the appeal is decided it is impossible to value it with any certainty. However, for the purposes of preparing the 2013/14 budget, a cost to the Council of £0.4m was assumed.

7 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

The surplus or deficit on the provision of service is subject to adjustment in order to calculate the amount to be met from taxation. This statement details those adjustments and agrees to the Movement in Reserves Statement.

In the following statement:

- **The General Fund Balance** is the statutory fund into which all receipts are paid and from which all liabilities are met. Statutory rules require different treatment of some items, than is provided for by accounting regulations. The resulting adjustments are detailed below.
- **The Capital Receipts Reserve** holds the proceeds from the disposal of land or other assets. Statute requires that these can only be used to fund new capital expenditure or to be set aside to finance historical capital expenditure.
- **Capital Grants Unapplied** These are grants and contributions received towards capital projects which are unencumbered by any repayment conditions. There may be restrictions as to the capital expenditure against which they can be applied.

	2012/13			
	General Fund Balance £'000	Capital Receipts Account £'000	Capital Grants Unapplied £'000	Unusable Reserves £'000
<u>Adjustments involving the Capital Adjustment Account</u>				
<u>Reversal of debits and credits to the Comprehensive Income and Expenditure account (CI&E)</u>				
Charges for depreciation of non current assets	(1,405)			1,405
Charges for impairment of non current assets	(521)			521
Revaluation losses on Property, Plant and Equipment	0			0
Movements in the market value of Investment Property	53			(53)
Amortisation of intangible assets	(153)			153
Revenue expenditure funded from capital under statute	(295)			295
Capital grants funding REFFCUS	411			(411)
Capital grants received & used to fund capital in year	71			(71)
Non-current assets charged to CI&E on disposal	(102)			102
<u>Insertion of items not posted to CI&E</u>				
Statutory and voluntary provision for the repayment of debt	591			(591)
Capital expenditure charged to the General Fund Balance	304			(304)
<u>Adjustments involving Capital Grants Unapplied</u>				
Capital grants and contributions unapplied credited to CI&E	240		(240)	
Grants applied to fund capital expenditure transferred to CAA			(72)	72
<u>Adjustments involving the Capital Receipts Reserve</u>				
Capital receipts from the disposal of non current assets	19	(19)		
Preserved Right To Buy receipts	104	(104)		
Capital receipts used to finance new capital expenditure		123		(123)
Capital receipts credited to CI&E to meet the pooling liability	(1)	1		
Transfer from Deferred Capital Receipts	(6)	(1)		7
<u>Adjustments involving Financial Instruments Adj. A/c</u>				
Difference between finance costs in CI&E and those chargeable in accordance with statutory regulation				
<u>Adjustments involving the Pensions Reserve</u>				
Reversal of pension charges made in CI&E	(2,492)			2,492
Employer's contributions and payments made to pensioners	1,577			(1,577)
<u>Adjustments involving the Collection Fund Adj. A/c</u>				
Difference between credit to CI&E and precepted amount	8			(8)
<u>Adjustments involving the Accumulated Absences A/c</u>				
Difference between remuneration charged to CI&E and that chargeable per statutory requirement	21			(21)
TOTAL ADJUSTMENTS	(1,576)	0	(312)	1,888

2011/12 Comparative figures	2011/12			
	General Fund £'000	Capital Receipts £,000	Capital Grants £'000	Unusable Reserves £'000
<u>Adjustments involving the Capital Adjustment Account (CAA)</u>				
<u>Reversal of debits and credits to CI&E</u>				
Charges for depreciation of non current assets	(1,531)			1,531
Charges for impairment of non current assets	(265)			265
Revaluation losses on Property, Plant and Equipment	0			0
Movements in the market value of Investment Property	29			(29)
Amortisation of intangible assets	(185)			185
Revenue expenditure funded from capital under statute	(3,561)			3,561
Capital grants funding REFFCUS	500		3,007	(3,507)
Capital grants received & used to fund capital in year	106			(106)
Non-current assets charged to CI&E on disposal	(176)			176
<u>Insertion of items not posted to the CI&E</u>				
Statutory & voluntary provision for the repayment of debt	586	150		(736)
Capital expenditure charged to the General Fund Balance	393			(393)
<u>Adjustments involving Capital Grants Unapplied</u>				
Capital grants and contributions unapplied credited to CI&E	44		(44)	
Grants applied to fund capital expenditure transferred to CAA			85	(85)
<u>Adjustments involving the Capital Receipts Reserve</u>				
Capital receipts from the disposal of non current assets	153	(153)		
Preserved Right to Buy receipts	19	(19)		
Capital receipts used to finance new capital expenditure		63		(63)
Capital receipts credited to CI&E to meet the pooling liability	(1)	(1)		2
<u>Adjustments involving Financial Instruments Adj. A/c</u>				
Difference between finance costs in CI&E and those chargeable in accordance with statutory regulation	0			0
<u>Adjustments involving the Pensions Reserve</u>				
Reversal of pension charges made in the CI&E	(2,138)			2,138
Employer's contributions and payments made to pensioners	1,651			(1,651)
<u>Adjustments involving the Collection Fund Adj. A/c</u>				
Difference between credit to CI&E and precepted amount	61			(61)
<u>Adjustments involving the Accumulated Absences A/c</u>				
Difference between remuneration charged to the CI&E and that chargeable per statutory requirement	0			0
TOTAL ADJUSTMENTS	(4,315)	40	3,048	1,227

8 TRANSFERS TO/FROM EARMARKED RESERVES

The movements in reserves during the year were as follows

	Balance 1 April			Balance 31 March			Balance 31 March 2013 £'000
	2011		Transfers Out (In) £'000	2012		Transfers Out (In) £'000	
	£'000			£'000			
Rephasing of planned expenditure	(401)	401	(491)	(491)	489	(519)	(521)
Grants reserved for specific expend.	(122)	15	(514)	(621)	5	0	(616)
Financing of capital expenditure	(398)	347	(307)	(358)	139	(77)	(296)
Planning purposes including appeals	(124)	48	(273)	(349)	124	0	(225)
Restructuring of services	(300)	223	0	(77)	54	0	(23)
Reduce Pension Fund Liability	0	0	0	0	0	(1,750)	(1,750)
Non-recurring projects	(244)	155	0	(89)	89	(115)	(115)
Town Centre investment	0	0	(232)	(232)	120	(310)	(422)
Apprenticeships for young people	0	0	(110)	(110)	31	0	(79)
Maintenance of Council buildings	(68)	68	(60)	(60)	60	(126)	(126)
Other	(157)	66	(349)	(440)	318	(14)	(136)
Total	(1,814)	1,323	(2,336)	(2,827)	1,429	(2,911)	(4,309)

9 OTHER OPERATING EXPENDITURE

2011/12 £'000		2012/13 £'000
589	Parish council precepts	567
1	Payments to the Government's Capital Receipt Pool	1
23	(Gains)/losses on disposal of non current assets	102
(19)	Capital receipts from the sale of previously transferred housing stock	(104)
0	Other capital receipts	(20)
(2,274)	VAT shelter receipts	0
1,750	Contribution to Pension Liability provision	(1,750)
70	Total	(1,204)

10 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2011/12 £'000		2012/13 £'000
205	Interest payable and similar charges	178
862	Pensions interest cost net of expected return on pension assets	1,188
(279)	Interest receivable and similar income	(404)
(29)	Income and Expenditure in relation to investment properties and changes in their fair value	(53)
759	Total	909

11 TAXATION AND NON SPECIFIC GRANT INCOMES

2011/12 £'000		2012/13 £'000
(7,063)	Council Tax income	(7,016)
(5,149)	Non Domestic Rates	(5,928)
(2,125)	Non ring-fenced Government Grants	(1,408)
(313)	Capital grants and contributions	(393)
(14,650)	Total	(14,745)

12 PROPERTY PLANT AND EQUIPMENT

	Other land & Buildings £'000	Vehicles & Plant etc. £'000	Infra- structure £'000	Community Assets £'000	Surplus Assets £'000	Total £'000
<u>Cost or valuation</u>						
At 1 April 2012	31,130	5,873	453	3,335	1,995	42,786
Additions	1,295	210	6			1,511
Revaluations recognised in Revaluation Reserve (RR)	307			18	86	411
Revaluations recognised in CI&E	(3,042)				(69)	(3,111)
De-recognition - disposals		(1,417)				(1,417)
De-recognition - other	(102)					(102)
Assets reclassified						
Other movements						
At 31 March 2013	29,588	4,666	459	3,353	2,012	40,078
<u>Depreciation and Impairment</u>						
At 1 April 2012	(3,903)	(3,842)	(144)	(390)	0	(8,279)
Depreciation charge	(551)	(676)	(54)	(124)		(1,405)
Depreciation written out of RR	101					101
Depreciation written out of CI&E						
Impairment losses recognised in RR						
Impairment losses recognised in CI&E	2,590					2,590
De-recognition - disposals		1,417				1,417
De-recognition - other						
Other movements						
At 31 March 2013	(1,763)	(3,101)	(198)	(514)		(5,576)
<u>Net Book Value</u>						
At 31 March 2012	27,227	2,031	309	2,945	1,995	34,507
At 31 March 2013	27,825	1,565	261	2,839	2,012	34,502

Comparative Movements in 2011/12	Other land & Buildings £'000	Vehicles & Plant etc. £'000	Infra- Structure £'000	Community Assets £'000	Surplus Assets £'000	Total £'000
<u>Cost or valuation</u>						
At 1 April 2011	31,119	5,512	459	3,298	1,995	42,383
Additions	327	361	(6)	37	0	719
Revaluations recognised in Revaluation Reserve (RR)	1,161					1,161
Revaluations recognised in CI&E	(140)					(140)
De-recognition - disposals	(176)					(176)
De-recognition - other						
Assets reclassified						
Other movements						
At 31 March 2012	31,130	5,873	453	3,335	1,995	42,786
<u>Depreciation and Impairment</u>						
At 1 April 2011	(2,959)	(3,110)	(90)	(267)	0	(6,426)
Depreciation charge	(622)	(732)	(54)	(123)		(1,531)
Depreciation written out of RR						
Depreciation written out of CI&E	2					2
Impairment losses recognised in RR	(197)					(197)
Impairment losses recognised in CI&E	(127)					(127)
De-recognition - disposals						
De-recognition - other						
Assets reclassified						
Other movements						
At 31 March 2012	(3,903)	(3,842)	(144)	(390)	0	(8,279)

Fixed Assets Valuations

During 2012/13 the valuations were carried out by Liberata UK Limited. The basis of valuation is set out in the Statement of Accounting Policies.

	Other land & Buildings £'000	Vehicles & Plant etc. £'000	Infra- structure £'000	Community Assets £'000	Surplus Assets £'000	Total £'000
Carried at historical cost	1,068	4,584	459	3,109	0	9,220
Valued at fair value as at:						
31 March 2013	12,892	0	0	25	1,190	14,107
31 March 2012	273	0	0	0	0	273
31 March 2011	7,130	0	0	1	0	7,131
31 March 2010	3,491	82	0	218	76	3,867
31 March 2009	4,734	0	0	0	746	5,480
Total cost or valuation	29,588	4,666	459	3,353	2,012	40,078

Capital Commitments

The Authority does not have any significant capital projects in construction.

13 HERITAGE ASSETS

Cost or Valuation	2011/12	2012/13
As at 1 April	1,667	1,667
Revaluations	0	0
Depreciation	0	0
As at 31 March	1,667	1,667

The accounting policy note gives details of the types of assets and the basis of valuation.

14 INVESTMENT PROPERTIES

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or its right to receipt of income or the proceeds of disposal.

The assets are comprehensively re-valued every five years, and annually reviewed for any indications that changes in yields or void levels warrant a review of fair values. The following table summarises the movement in the fair value of these properties over the past years.

	2011/12 £'000	2012/13 £'000
Fair value at the start of the year	1,123	1,152
Net gain from revaluation	29	53
Value at year end	1,152	1,205

15 INTANGIBLE ASSETS

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Authority. The following periods have been used in amortising the Authority's significant intangible assets.

Asset Description	Amortisation Period
e-planning software	5 years
Website	3 years
Thin client implementation	7 years
Core financial management information system	5 years

Amortisation is on a straight line basis. In 2012/13 the amortisation charge of £153k was charged principally to Customer Services £39k, ICT Services £57k, Housing Benefits £32k, and Shared Financial Services £17k. These cost centres are absorbed as overheads across all services. It is not possible therefore to simply indicate the amount charged to each heading in the Comprehensive Income and Expenditure Account.

The movements on Intangible Asset balances during the year are as follows:-

	2011/12 £'000	2012/13 £'000
<u>Balance at the start of the year</u>		
Gross carrying amount	2,081	2,158
Accumulated amortisation	(1,391)	(1,576)
Net carrying amount at year start	690	582
<u>Movements in the year</u>		
Additions in year	77	22
Disposal in year	0	(651)
Amortisation in year	(185)	(153)
Amortisation in respect of disposals	0	651
Net carrying amount at the year end	582	451

There are no significant contractual commitments, and no individual intangible assets the amortisation of which is materially significant to the Council.

16 FINANCIAL INSTRUMENTS**16a Categories of Financial Instrument**

The following categories of Financial Instruments are carried in the Balance Sheet:

	Long-term		Current	
	31 March 2012 £'000	31 March 2013 £'000	31 March 2012 £'000	31 March 2013 £'000
	<u>Investments</u>			
Loans and receivables	8	0	9,119	10,919
<u>Debtors</u>				
Loans and receivables (note 19)	354	348	3,251	1,588
<u>Borrowings</u>				
Financial liabilities at amortised cost	(7,272)	(6,923)	(598)	(396)
<u>Other Long Term Liabilities</u>				
Finance lease liabilities	0	0	0	0
Capital grant receipt in adv.	(949)	(849)	0	0
<u>Creditors</u>				
Financial liabilities carried at contract amount (note 22)	0	0	(2,944)	(1,931)

There has been no reclassification of assets and no pledges of collateral have been made in the periods reported in these statements.

16b Income, Expense, Gains and Losses

The amounts charged in the Comprehensive Income and Expenditure Account are as follows:-

	2011/12			2012/13		
	Financial Liabilities at Amortised Cost £'000	Financial Assets Loans & Receivables £'000	Total £'000	Financial Liabilities at Amortised Cost £'000	Financial Assets Loans & Receivables £'000	Total £'000
Interest expenses	205	0	205	178	0	178
Impairment	0	0	0	0	(85)	(85)
	205	0	205	178	(85)	93
Interest income	0	(188)	(188)		(273)	(273)
Interest income accrued on impaired assets	0	(91)	(91)		(47)	(47)
Total income	0	(279)	(279)		(320)	(320)
Net (gain)/loss for the year			(74)			(227)

16c Fair Values of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables, and long term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:-

- any borrowings or investments are discounted at the rates applying to equivalent transactions at the Balance Sheet date.
- where an instrument will mature in the next twelve months, carrying amount is assumed to approximate to fair value
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

	31 March 2012		31 March 2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Financial liabilities				
Borrowings	(7,870)	(8,240)	(7,319)	(7,641)
Deferred liabilities	(14)	(14)	(14)	(14)
Total	(7,884)	(8,254)	(7,333)	(7,655)

	31 March 2012		31 March 2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£'000	£'000	£'000	£'000
Financial assets				
Loans and receivables	8	8	0	0
Long term debtors	354	418	348	421
Total	362	426	348	421

17 INVENTORIES

	2011/12 £'000	2012/13 £'000
Balance at 1 April	22	26
Purchases	176	215
Issued in year	(172)	(228)
Written off in year	0	0
Balance at year end	26	13

18 CONSTRUCTION CONTRACTS

The Council is not involved as a contractor in any construction contracts

19 DEBTORS

	31 March 2012	31 March 2013
	£'000	£'000
Central government bodies	53	121
Other local authorities	575	515
NHS bodies	0	4
Public corporations and trading funds	0	0
Other entities and individuals	3,754	2,412
	4,382	3,052
Less provision for bad debts	(383)	(664)
Net carrying amount at the year end	3,999	2,388

The bad debt provision has been made against debtors classified as "other entities and individuals".

20 CASH AND CASH EQUIVALENTS

The balance of Cash and Cash Equivalents is made up of the following elements:-

	31 March 2012	31 March 2013
	£'000	£'000
Cash held by the Authority	0	164
Bank current and call accounts	3,869	994
Short term deposits		2,010
Total cash and cash equivalents	3,869	3,168

21 ASSETS HELD FOR SALE

	Current		Non Current	
	2011/12	2012/13	2011/12	2012/13
	£'000	£'000	£'000	£'000
Balance outstanding at the start of the year	0	0	0	0
Assets sold	0	0	0	0
Transfers from non-current to current	0	0	0	0
Balance outstanding at year end	0	0	0	0

22 CREDITORS

	31 March 2012	31 March 2013
	£'000	£'000
Central government bodies	(2,376)	(605)
Other local authorities	(1,487)	(663)
NHS bodies	(1)	0
Public corporations and trading funds	0	0
Other entities and individuals	(2,021)	(2,003)
Net carrying amount at the year end	(5,885)	(3,271)

23 PROVISIONS

During 2012/13 the following provisions have been made:

	2011/12 £'000	2012/13 £'000
Balance at beginning of year	0	(1,765)
Provision made in year		
Municipal Mutual Insurance (see note 45)	(15)	0
Pension Liability transferred staff (see note 45)	(1,750)	1,750
Net carrying amount at the year end	(1,765)	(15)

24 USABLE RESERVES

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement (page 9).

25 UNUSABLE RESERVES

	31 March 2012 £'000	31 March 2013 £'000
Revaluation Reserve	(5,131)	(5,591)
Capital Adjustment Account	(25,625)	(24,681)
Financial Instruments Adjustment Account	0	0
Deferred Capital Receipts Reserve	(300)	(293)
Pensions Reserve	33,959	41,032
Collection Fund Adjustment Account	(85)	(93)
Accumulated Absences Account	125	104
Total unusable reserves at year end	2,943	10,478

25a Revaluation Reserve

The Revaluation Reserve holds the gains arising from increases in the valuation of Property, Plant and Equipment. The balance is reduced by any subsequent reductions in value, by impairment, by depreciation, and by disposal.

The Reserve holds only gains accumulated since 1 April 2007. Gains prior to that date were consolidated in the Capital Adjustment Account.

	2011/12 £'000	2012/13 £'000
Balance at 1 April	(5,450)	(5,131)
Upward revaluation of assets	0	(512)
Difference between fair value and historic cost depreciation	123	52
Downward revaluation and impairment not charged to the Comprehensive Income & Expenditure Account	196	0
Accumulated gains on assets de-recognised	0	0
Balance at 31 March	(5,131)	(5,591)

25b Capital Adjustment Account

This account contains the following:-

- Sums set aside to finance capital expenditure
- Accumulated gains and losses on Investment Properties
- Revaluation gains on Property, Plant and Equipment accumulating prior to 1 April 2007
- The difference between the charges required by accounting practice for the amortisation of assets (depreciation and impairment) and the de-recognition of assets, and the capital charges required by statute.

	2011/12 £'000	2012/13 £'000
Balance at 1 April	(26,301)	(25,625)
<u>Adjustments between accounting and regulatory funding bases (see note 7)</u>		
<i>Items relating to capital charges</i>		
Charges for depreciation of non current assets	1,531	1,405
Charges for impairment of non current assets	265	521
Amortisation of intangible assets	185	153
Revenue expenditure funded from capital under statute	3,560	295
Net cost assets disposed of	176	102
<i>Movements in the market value of Investment Properties</i>	(29)	(53)
<i>Capital financing applied in the year</i>		
Capital receipts used to finance new capital expenditure	(63)	(123)
Capital expenditure charged to the General Fund Balance	(393)	(304)
Statutory & voluntary provision for the repayment of debt	(736)	(591)
Grants used in the year to fund capital expenditure	(3,698)	(409)
<i>Adjustments with the Revaluation Reserve (see note 25a)</i>		
Accumulated gains on assets de-recognised	0	0
Difference between fair value and historic cost depreciation	(122)	(52)
<i>Adjustment with Capital Receipts Reserve</i>		
Balance at 31 March	(25,625)	(24,681)

25c Financial Instruments Adjustment Account

This account contains postings arising from the difference between the requirements of accounting practice and statute in respect of certain financial instruments. At both year ends there were no such differences

25d Deferred Capital Receipts Reserve

This account shows the sums recognised as due to the Council on the disposal of non-current assets but for which cash settlement has yet to take place.

	2011/12 £'000	2012/13 £'000
Balance at 1 April	(302)	(300)
Transfer to Capital Receipts Reserve on receipt of cash	1	1
Transfer to Comprehensive Income & Expenditure	1	6
Balance at 31 March	(300)	(293)

25e Pensions Reserve

This account contains postings arising from the difference between the requirements of accounting practice and statute in respect of pensions.

The costs of benefits are charged to the Comprehensive Income and Expenditure Account when they are earned rather than when they are paid. Statutory arrangements however require that benefits be financed only when the Authority makes contributions to the pension fund. The debit balance on the Pension Reserve therefore shows that benefits earned by employees exceed the payments made by the authority to fund them.

Statutory arrangements require that adequate funding will ultimately be set aside.

	2011/12 £'000	2012/13 £'000
Balance at 1 April	27,277	33,959
Actuarial(gains)/ losses on pension assets and liabilities	6,195	6,158
Reversal of charges posted to the Comprehensive Income & Expenditure Account	2,138	2,492
Employers contributions and direct payments to pensioners payable in the year	(1,651)	(1,577)
Balance at 31 March	33,959	41,032

25f Collection Fund Adjustment Account

Council tax income is recognised in the Comprehensive Income and Expenditure as it becomes due from individual payers of the charge. Statute requires however that the Council recognises the estimated amount determined when the council tax charge for the year was fixed. The difference is shown in this account.

	2011/12 £'000	2012/13 £'000
Balance at 1 April	(24)	(85)
Amount by which council tax income credited to the Comprehensive Income & Expenditure account exceeded the amount required by statute	(61)	(8)
Balance at 31 March	(85)	(93)

25g Accumulated Absences Account

The cost of compensated absences (e.g. leave entitlement) not taken by employees during the year of account, is charged to the Comprehensive Income and Expenditure Account. Statutory arrangements require however that the impact on the General Fund Balance is neutralised by transfers to or from this account.

	2011/12 £'000	2012/13 £'000
Balance at 1 April	125	125
Transfer (to)/from the General Fund Balance	0	(21)
Balance at 31 March	125	104

26 CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:-

	2011/12 £'000	2012/13 £'000
Interest received	319	238
Interest paid	(183)	(131)
Net	136	107

27 CASH FLOW STATEMENT – INVESTING ACTIVITIES

The following items have been included within investing activities in the cash flow statement

	2011/12 £'000	2012/13 £'000
Purchase of property, plant & equipment, investment property and intangible assets.	(454)	(2,019)
Purchase of short and long term investments.	(4,583)	(10,000)
Proceeds from the sale of assets.	197	160
Proceeds from short and long term investments.	0	8,374
Other payments for investing activities	(5)	0
Other receipts relating to investing activity (government grants).	513	682
Total investing activities	(4,332)	(2,803)

28 CASH FLOW STATEMENT – FINANCING ACTIVITIES

The following have been included within financing activities in the cash flow statement

	2011/12 £'000	2012/13 £'000
Cash receipts from short and long term borrowing	0	3,265
Cash paid to reduce lease liabilities	0	0
Repayments of borrowings	(1,049)	(552)
Change in indebtedness relating to NNDR(due from Government) and Council Tax (due from Precepting authorities)	4,071	(1,140)
Total financing activities	3,022	1,573

29 AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS (SEGMENTS)

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Expenditure Reporting Code of Practice. However decisions about resource allocation are taken by the Authority on the basis of budget reports analysed across directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- They exclude capital charges (depreciation, impairment and revaluation losses)
- Retirement benefits are included on the basis of cash flows rather than current service costs
- Expenditure on some support services is budgeted for centrally

The income and expenditure of the Authority's principal directorates recorded in the budget reports for the year is as follows:-

Directorate Income and Expenditure 2011/12	Chief Executive £'000	Partnerships Planning & Policy £'000	People and Places £'000	Total £'000
Fees, charges & other service income	(1,880)	(2,343)	(2,998)	(7,221)
Government grants	(703)	(32)	(4)	(739)
Total Income	(2,583)	(2,375)	(3,002)	(7,960)
Employee expenses	5,139	2,340	3,346	10,825
Other service expenses	3,258	1,100	5,338	9,696
Total Expenditure	8,397	3,440	8,684	20,521
Net Expenditure	5,814	1,065	5,682	12,561
Directorate Income and Expenditure 2012/13	Chief Executive £'000	Partnerships Planning & Policy £'000	People and Places £'000	Total £'000
Fees, charges & other service income	(1,888)	(1,805)	(2,915)	(6,608)
Government grants	(729)	(10)	0	(739)
Total Income	(2,617)	(1,815)	(2,915)	(7,347)
Employee expenses	4,984	2,239	3,447	10,670
Other service expenses	3,504	833	5,720	10,057
Total Expenditure	8,488	3,072	9,167	20,727
Net Expenditure	5,871	1,257	6,252	13,380

Reconciliation of Directorate Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	2011/12 £'000	2012/13 £'000
Net expenditure in the Directorate Analysis	12,562	13,380
Net expenditure of services and support services not included in the Analysis (Note a)	212	288
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis Note (Note b)	4,162	1,670
	16,936	15,338
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	0	0
Cost of Services in Comprehensive Income and Expenditure Statement	16,936	15,338

Notes

- (a) Though all cash income and expenditure budgets are monitored throughout the year, some budgets are excluded from the monitoring of directorate totals. In 2012/13, the expenditure and income reported separately included payments to the pension fund in respect of past service, and council tax and housing benefits.
- (b) Non-cash budgets are excluded from monitoring of income and expenditure. These include budgets that do not affect the cost to the council tax payer, in particular depreciation, amortisation and impairment of fixed and intangible assets, accrual of employee benefits, and technical pensions accounting entries.

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to a subjective analysis of the surplus or deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2012/13	Directorate Analysis	Services and Support Services not in Analysis	Amounts not reported to management for decision making	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges & other service income	(6,608)	(712)	(47)	(15,937)	(23,304)	(1,874)	(25,178)
Interest and Investment Income						(3,855)	(3,855)
Income from council tax						(7,015)	(7,015)
Government grants and contributions	(739)	(31,934)	(363)		(33,036)	(7,729)	(40,765)
Total Income	(7,347)	(32,646)	(410)	(15,937)	(56,340)	(20,473)	(76,813)
Employee expenses	10,670	232	(294)		10,608		10,608
Other service expenses	10,057	32,702	295		43,054		43,054
Support Service recharges				15,937	15,937		15,937
Depreciation, amortisation & impairment			2,079		2,079		2,079
Interest Payments						4,764	4,764
Precepts & Levies						567	567
Payments to Housing Capital Receipts Pool						1	1
Gain or Loss on Disposal of Fixed Assets						102	102
Total Expenditure	20,727	32,934	2,080	15,937	71,678	5,434	77,113
Surplus or deficit on the provision of services	13,380	288	1,670	0	15,338	(15,039)	299

2011/12	Directorate Analysis	Services and Support Services not in Analysis	Amounts not reported to management for decision making	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges & other service income	(7,221)	(662)	(45)	(13,864)	(21,792)	(2,293)	(24,085)
Interest and Investment Income					0	(4,257)	(4,257)
Income from council tax					0	(7,063)	(7,063)
Government grants and contributions	(739)	(29,807)	(959)		(31,505)	(7,587)	(39,092)
Total Income	(7,960)	(30,469)	(1,004)	(13,864)	(53,297)	(21,200)	(74,497)
Employee expenses	10,825	219	(375)		10,669	1,750	12,419
Other service expenses	9,696	30,462	3,561		43,719		43,719
Support Service recharges				13,864	13,864		13,864
Depreciation, amortisation & impairment			1,981		1,981		1,981
Interest Payments					0	5,016	5,016
Precepts & Levies					0	589	589
Payments to Housing Capital Receipts Pool					0	1	1
Gain or Loss on Disposal of Fixed Assets					0	23	23
Total Expenditure	20,521	30,681	5,167	13,864	70,233	7,379	77,612
Surplus or deficit on the provision of services	12,561	212	4,163	0	16,936	(13,821)	3,115

30 ACQUIRED AND DISCONTINUED OPERATIONS

There were no operations acquired or discontinued during the year.

31 TRADING OPERATIONS

The Authority has no Trading Operations.

32 AGENCY SERVICES

The Council acts as agent for central government in the collection of national non domestic rates, and as agent for major preceptors in the collection of council tax. Further details are given in the notes to the Collection Fund.

33 ROAD CHARGING SCHEMES UNDER THE TRANSPORT ACT 2000

Not applicable

34 POOLED BUDGETS

The Council has no material pooled budget arrangements

35 MEMBERS ALLOWANCES

The Council paid the following amounts to its members during the year.

	2011/12 £'000	2012/13 £'000
Allowances	291	289
Expenses	8	4
Total	299	293

36 OFFICERS REMUNERATION

Remuneration of Senior Employees was as follows:

SENIOR EMPLOYEES Post Title	Year	Salary £'000	Expense Allowances £'000	Benefits In kind £'000	Compensation for loss of office £'000	Total Remuneration (excl. Pension Contributions) £'000	Pension Contribution £'000	Total Remuneration (including pension contributions) £'000
Chief Executive (note 1) 01/04/2011 – 07/08/2011 08/08/2011 – 31/03/2012	2012/13	103	6			109	21	130
	2011/12	44	3			47	8	55
	2011/12	67	4			71	13	84
Director of Partnerships, Planning and Policy	2012/13	90	8			98	17	115
	2011/12	90	6			96	17	113
Director of Transformation (note 1)	2012/13							
	2011/12	32	2			34	6	40
Director of People and Places	2012/13	90	4			94	17	111
	2011/12	90	6			96	17	113
Head of Shared Financial Services	2012/13	57	4			61	11	72
	2011/12	56	6			62	11	73
Head of Governance	2012/13	49	3			52	10	62
	2011/12	50	4			54	10	64
Head of Customer, ICT and Transactional Services	2012/13	50	4			54	10	64
	2011/12	50	4			54	9	63
Head of Human Resources & OD	2012/13	Salary below reporting threshold						
	2011/12	29	6			35	6	41
Head of Policy and Communications	2012/13	47	4			51	9	60
	2011/12	47	5			52	9	61

Note (1) The Chief Executive left the Council on 7th August 2011. The former Director of Transformation was appointed to fill the post from the same date.

Note (2) In 2011/12 the Head of HR worked part time. Her salary would have exceeded the reporting threshold had she worked full time & is thus reported.

Other employees receiving more than £50,000 remuneration, excluding pension contributions, were as follows:

Remuneration band	2011/2012 Number of employees	2012/2013 Number of employees
£50,000 - £54,999	3	2
£55,000 - £59,999	1	2
£60,000 - £64,999	-	-
£65,000 - £69,999	-	-
£70,000 - £74,999	-	-
£75,000 - £79,999	-	-
£80,000 - £84,999	-	-
£85,000 - £89,999	-	-
£90,000 - £94,999	-	-
£95,000 - £99,999	-	-
£100,000 - £104,999	-	-
£105,000 - £109,999	-	-
£110,000 - £114,999	-	-
£115,000 - £119,999	-	-
£120,000 - £124,999	-	-
£125,000 - £129,999	-	-
£130,000 - £134,999	-	-
£135,000 - £139,999	-	-

The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

Packages banded by cost	Number of compulsory redundancies		Number of other agreed departures		Total number of exit packages		Total cost of exit packages	
	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13
£0 -£20,000	0	0	8	13	8	13	58	62
£20,001 - £40,000	0	0	1	4	1	4	39	114
£40,001 - £60,000	0	0	1	0	1	0	57	0
£60,001 - £80,000	0	0	1	0	1	0	67	0
£80,001 - £100,000	0	0	0	0	0	0	0	0
£100,000 - £150,000	0	0	0	0	0	0	0	0
Total	0	0	11	17	11	17	221	176

37 EXTERNAL AUDIT COSTS

The Authority has incurred the following costs relating to external audit.

	2011/12 £'000	2012/13 £'000
Fees for statutory inspection and audit	91	67
Fees for the certification of grant claims and returns	27	22
Total	118	89

38 GRANT INCOME

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement.

	2011/12 £'000	2012/13 £'000
<u>Credited to Taxation and Non Specific</u>		
National non domestic rates	(5,149)	(5,928)
Revenue support grant	(1,592)	(115)
New Homes Bonus grant	(302)	(1,044)
Other revenue grants	(231)	(249)
Capital Contributions - Section 106 Planning	(207)	(322)
Capital Other grants and contributions	(106)	(71)
Total	(7,587)	(7,729)
<u>Credited to Services</u>		
Grants – benefits related	(30,501)	(32,687)
Grants – Homelessness	(504)	0
Grants – other	(869)	(373)
Contribution – County Council reimbursement	(895)	(1,222)
Contributions – other	(946)	(479)
Total	(33,715)	(34,761)

The Authority has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached that could require the monies to be returned to the giver. The balances at year end are as follows:-

	2011/12 £'000	2012/13 £'000
Capital Grants		
Grant - Regional Housing Pot	(802)	(716)
Grant – various LCC	(75)	(3)
Grant – Disabled Facilities Grants	0	(87)
Other grants and contributions	(72)	(43)
Total	(949)	(849)

39 RELATED PARTIES

The financial statements must disclose material transactions with related parties, to draw attention to the possible extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the council.

- **Central Government**

Central government has effective control over the general operations of the council as it provides the statutory framework within which the Authority operates and the majority of its funding in the form of grants. Details of government grants received are given in note 38.

- **Members of the Council**

Members have direct control over the council's financial and operating policies. Elected members are required to complete a Notice of Registerable Interests and notify the council of any changes within 28 days. Declarations of interests in items relating to the personal interest of partners, relatives or friends, are also recorded in the minutes of the meeting and the member will leave the meeting. Declarations are open to public inspection.

Note 35 refers to the allowances paid to members. The amounts paid to individual members are reported on the Council's web site.

Members are also appointed to represent the Council on various external organisations some of which receive financial assistance from the Council. The amounts paid were immaterial, and were properly approved.

- **Officers**

The staff Code of Conduct requires declaration, to the departmental Chief Officer, of close personal relationships with Councillors and Contractors, financial and non-financial interests in, or membership of, external organisations, and all hospitality or gifts. These arrangements are subject to monitoring and reporting by the Council's HR Department.

- **Chorley Community Housing Ltd (CCH)**

In 2006/07 the Council's housing stock was transferred to CCH. Pursuant to that transfer, up to 31/3/2012, CCH purchased services from the Council (2011/12 £0.161m). The Council also receives a proportion of the receipts from the preserved right to buy sales of dwellings to former Chorley council tenants. In 2012/13 this totalled £0.104m (2011/12 £0.019m). In addition, the Council receives income from CCH under a VAT sharing agreement (see also note 46 Contingent Assets). No income was due in 2012/13 but receipts in 2011/12 totalled £2.274m.

- **Partnerships, Companies and Trusts**

Financial & Assurance Shared Services Partnership – In January 2009 this partnership was established under an Administrative Collaboration Agreement entered into by South Ribble and Chorley Borough Councils. This provides for the provision of accountancy, exchequer, treasury management, procurement and assurance services across the administrative areas of the two Councils.

A Shared Services Joint Committee has been established to discharge the Chorley and South Ribble Councils' functions of providing the services detailed in the Shared Services Agreement.

In 2012/13 gross expenditure of £1.927m (2011/12 £1.989m) was incurred on the shared services, which was fully funded by recharges to the two Councils.

40 CAPITAL EXPENDITURE AND FINANCING

The total capital expenditure in the year is shown below, together with the resources that have been used to finance it.

The statement incorporates details of the movements in the Capital Financing Requirement. This is a measure of the capital expenditure historically incurred by the Authority that has yet to be financed. This will be discharged by future charges to the revenue account.

	2011/12 £'000	2012/13 £'000
Opening Capital Financing Requirement	8,605	8,072
Capital investment		
Property, Plant and Equipment	719	1,511
Intangible Assets	77	22
Revenue Expenditure Funded from Capital under Statute	3,561	295
Sources of finance		
Capital Receipts	(63)	(124)
Government Grants and Other Contributions	(3,698)	(409)
Sums set aside from revenue		
Revenue Financing	(393)	(304)
Minimum Revenue provision - statutory	(322)	(283)
Minimum Revenue provision - voluntary	(264)	(308)
Sums set aside from capital receipts		
Voluntary provision for debt repayment	(150)	0
Closing Capital Financing Requirement	8,072	8,472
Explanation of movements in year		
Increase in prudential borrowing	203	991
Provision made for debt repayment	(736)	(591)
Increase/(Decrease) in Capital Financing Requirement	(533)	400

41 LEASES**41a Authority as lessee**Finance leases

The Council has no finance leases

Operating leases

The Authority operates plant, vehicles and office equipment under operating leases. There are also lease arrangements embedded in the refuse contract. The future minimum payments, and sub lease minimum receipts, are as follows:

	31 March 2012		31 March 2013	
	Payments £'000	Receipts £'000	Payments £'000	Receipts £'000
Not later than 1 year	613	(43)	789	(43)
Later than 1 yr, not later than 5	2,296	(170)	1,756	(170)
Later than 5 years	1,011	(467)	703	(425)
Minimum lease payments	3,920	(680)	3,248	(638)

The operating lease rentals charged in the Comprehensive Income and expenditure statement during the year were as follows:

	2011/12 £'000	2012/13 £'000
Minimum lease payments	691	789
Contingent rents	0	0
Sub-lease payments receivable	(43)	(43)
Total payable rentals	648	746

41b Authority as lessorFinance leases

The Council has leased two properties, each for periods of 125 years.

In the following table the gross investment in the leases is reconciled to the present value of the minimum lease payments:

	31 March 2012 £'000	31 March 2013 £'000
Finance lease debtor (present value of minimum lease payments)	289	289
Unearned finance income	2,306	2,282
Gross investment in the lease	2,595	2,571

The gross investment in the lease and the minimum lease payments will be received over the following periods:-

	Gross investment in the lease		Minimum lease payments	
	31 March 2012 £'000	31 March 2013 £'000	31 March 2012 £'000	31 March 2013 £'000
Not later than 1 year	24	24	24	24
Later than 1 yr. not later than 5	95	95	95	95
Later than 5 years	2,476	2,452	2,476	2,452
Total	2,595	2,571	2,595	2,571

No allowance for uncollectible amounts is deemed necessary. No contingent rents were received by the authority.

Operating leases

The Council lets 27 offices, industrial units and sites. The future minimum lease payments receivable are:

	31 March 2012 £'000	31 March 2013 £'000
Not later than one year	228	368
Later than one year and not later than five years	811	1,183
Later than five years	11,986	11,805
Total receivable rentals	13,025	13,356

No contingent rents were received by the authority.

42 IMPAIRMENT LOSSES

The impairment losses recognised during the years are as follows. All losses were within the "Other Land & Building" class of asset. These losses appear also in the analysis of movements in Property plant and equipment (Note 12).

	2011/12 £'000	2012/13 £'000
Impairment loss recognised in cost of services	200	
Impairment losses reversed in cost of services	(73)	936
Impairment losses taken to the Revaluation Reserve	197	
Total impairment losses	324	936

Material individual impairments	Amount	Directorate	Valuation	Basis
Reversal of previous impairments due to permanent reduction in value :				
- Duxbury Park & golf course	£0.743m	People & Places	Fair value in existing use	Income stream
- Public conveniences	£0.088m	People & Places	Fair value	Cost to repair
- Astley Village Comm. Centre	£0.070m	People & Places	Depreciated replacement cost	Cost to repair
- Other	0.035m	various	various	various
Total	0.936m			

43 TERMINATION BENEFITS

The Authority terminated the contracts of a number of employees in 2012/13 incurring liabilities of £0.176m (£0.221m in 2011/12). See note 36 for the number of exit packages and total cost. Of the total in 2011/12 £12.5k was in respect of Shared Financial Services and was shared with South Ribble Borough Council. Termination payments made to Directors, Heads of Service and other senior managers in 2012/13 and 2011/12 are shown in note 36 as 'compensation for loss of office.

44 DEFINED BENEFIT PENSION SCHEME

As part of the terms and conditions of employment of its officers and other employees, the Authority offers retirement benefits through the Local Government Pension Scheme. This scheme is administered by Lancashire County Council and is a funded, defined benefit scheme, meaning that the authority and employees pay contributions calculated at a level intended to balance the pension liabilities with investment assets.

44a Transactions relating to retirement benefits

The Council recognises the cost of retirement benefits in the revenue account in the Cost of Services, when they are earned by employees, rather than when the benefits are actually paid as pensions. However, the charge required to be made against council tax is based on the cash payable to the fund during the year. An adjustment is therefore made to the General Fund via the Movement in Reserves Statement. The following table shows the transactions made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

	2011/12 £'000	2012/13 £'000
<u>Comprehensive Income & Expenditure Statement</u>		
Cost of Services		
current service cost	1,178	1,249
Past service cost	0	55
Settlement and curtailment	98	0
Financing and investment Income and Expenditure		
Interest costs	4,811	4,586
Expected return on scheme assets	(3,949)	(3,398)
Total post employment benefit charged to the (Surplus)/Deficit on the Provision of Service	2,138	2,492
<u>Other post employment benefit charged to the Comprehensive Income & Expenditure Statement</u>		
Actuarial (gains) and losses	6,195	6,158
Total post employment benefit charged to the Comprehensive Income & Expenditure Statement	8,333	8,650
<u>Movement in Reserves Statement</u>		
Reversal of net charges made to the (Surplus)/Deficit on the Provision of Services	(2,138)	(2,492)
Actual employer contributions to the Fund	1,651	1,577

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2013 is £32.982m.

44b Assets and liabilities in relation to retirement benefits

Reconciliation of present value of the scheme liabilities

	Scheme Liabilities	
	Local Government Pension Scheme	
	2011/12 £'000	2012/13 £'000
1 April	(88,254)	(94,838)
Current service cost	(1,178)	(1,249)
Interest cost	(4,811)	(4,586)
Contributions by scheme participants	(454)	(449)
Actuarial gains and (losses)	(3,240)	(11,827)
Benefits paid	3,197	4,191
Curtailment	(98)	0
Past service costs	0	(55)
31 March	(94,838)	(108,813)

Reconciliation of fair value of the scheme assets

	Scheme Assets	
	Local Government Pension Scheme	
	2011/12	2012/13
	£'000	£'000
1 April	61,912	60,825
Adjustment relating to prior years employer contributions	(935)	0
Expected return on plan assets	3,949	3,398
Actuarial gains & (losses)	(2,955)	5,669
Employer contributions	1,597	1,626
Contributions by scheme participants	454	449
Benefits paid	(3,197)	(4,191)
31 March	60,825	67,776

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual return on scheme assets in the year was £9.067m (2011/12 gain £0.993m).

44c Scheme history

	2008/09	2009/10	2010/11	2011/12	2012/13
	£'000	£'000	£'000	£'000	£'000
Present value of liabilities	(67,700)	(93,804)	(88,254)	(94,838)	(108,813)
Fair value of assets	42,192	56,148	61,912	60,825	67,776
Surplus/(deficit) in the scheme	(25,508)	(37,656)	(26,342)	(34,013)	(41,037)

The liabilities show the underlying commitments that the authority has in the long term to pay post employment (retirement) benefits.

The net deficit appears in the Balance Sheet. The figures shown there differ slightly from the above, since they include actual contributions for the year whereas those shown above include estimated figures.

The impact of the deficit on the Council's financial position is commented on in the Chief Financial Officers Foreword on page 6.

The total contribution expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2014 is £1.608m.

44d Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The liabilities have been assessed by Mercers, an independent firm of actuaries. Estimates for the County Council Fund are based on the latest full valuation of the scheme as at 31 March 2010.

The main assumptions used in their calculations have been as follows:-

	Local Government Pension Scheme	
	2011/12	2012/13
Long term expected rate of return on assets in the scheme		
Equity investments	7.0%	7.0%
Government bonds	3.1%	2.3%
Other bonds	4.1%	3.9%
Property	6.0%	5.7%
Cash/liquidity	0.5%	0.5%
Other	7.0%	7.0%
Mortality assumptions		
Longevity at 65 for current pensioners		
Men	21.7 yrs.	22.1 yrs.
Women	24.3 yrs.	24.8 yrs.
Longevity at 65 for future pensioners		
Men	23.1 yrs.	23.9 yrs.
Women	25.9 yrs.	26.7 yrs.
Rate of inflation (RPI)	n/a	
Rate of inflation (CPI)	2.5%	2.4%
Rate of increase in salaries	4.5%	4.4%
Rate of increase in pensions	2.5%	2.4%
Rate for discounting scheme liabilities	4.9%	4.2%
Take up option to convert pension into lump sum	50%	50%

44e Analysis of scheme assets

	Proportion of Total Assets 31/03/2012	Proportion of Total Assets 31/03/2013
	%	%
Equity investments	58.0	62.0
Government Bonds	5.0	7.9
Other Bonds	15.0	17.2
Property	10.0	9.3
Cash/liquidity	5.0	3.5
Other assets	7.0	0.1
Total	100.0	100.0

44f History of experience gains and losses

The actuarial losses identified as movements on the Pensions Reserve in 2012/13 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March in each year.

	2008/09	2009/10	2010/11	2011/12	2012/13
	%	%	%	%	%
Difference between expected & actual return on assets. Gains/(losses)	(34.2)	20.0	3.3	(4.9)	8.4
Experience gains and (losses) on liabilities	0	0	4.7	0	(10.9)

44g Prepaid or accrued pension contributions

There were no prepaid or accrued pensions contributions held on the balance sheet as at 31 March 2013.

45 CONTINGENT LIABILITIES

A group of Property Search Companies are seeking to claim refunds of fees paid to the Council to access land charges data. Proceedings have not yet been issued. The Council has been informed that the value of those claims at present is £0.138m plus interest and costs. The claimants have also intimated that they may bring a claim against all English and Welsh Councils for alleged anti-competitive behaviour. It is not clear what the value of any such claims would be against the Council. It is possible that additional claimants may come forward to submit refund claims, but none have been intimated at present.

The Council gave warranties to Chorley Community Housing Limited against certain environmental risks. The Council's liability is restricted to a maximum loss of £18m arising over a period of 18 years. It has paid a single premium to insure against claims of up to £15m for a period of 10 years, and is covering the remaining 8 years by payment of an additional annual premium. At 31 March 2013 there are 12 years of the liability period outstanding.

46 CONTINGENT ASSETS

In previous years' statements a claim of £1.3m against HM Revenue & Customs (HMRC) in respect of car parking Value Added Tax has been reported. A judicial review of a similar claim by other authorities found in favour of HMRC. Whilst the Council's claim has not been withdrawn it is not being actively pursued. Should the Council's prospects of successful resolution of the claim not improve, it will not be disclosed as a contingent asset after 2012/13.

The Council has also submitted a claim to HMRC regarding VAT overpaid over many years, mainly at its leisure centres. This has been settled save for claims for compound interest, which could total £400k.

The Council is entitled to a share of the proceeds from the sale of dwellings transferred to Chorley Community Housing. This agreement has a further nine years to run. The amount receivable will depend on the numbers sold and cannot be predicted.

47 NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Key risks

The authority’s activities potentially expose it to a variety of financial risks:

- Credit risk – that other parties might fail to pay amounts due to the Council.
- Liquidity risk – that the Authority might not have liquid funds available to make payments when due.
- Market risk – the possibility of financial loss arising from movements in interest rates.

Overall procedures for managing risk

In managing investment risk the Council works within the legal framework set out in the Local Government Act 2003 and associated regulations. This requires compliance with the CIPFA Code of Practice, the Prudential Code, and investment guidance issued through the Act. A key requirement is that the council should annually consider its Treasury Management Strategy which incorporates the following:-

Prudential indicators specifying

- Maximum and minimum exposure to fixed and variable rates;
- Limits on the maturity structure of the debt portfolio;
- Limits on total borrowing.

An Investment Strategy specifying

- The use that should be made of credit ratings and other indicators to determine the financial standing of counterparties;
- The use of sovereign ratings to limit investments to specific countries;
- The maximum amounts that might be deposited with any institution;
- The lengths of time for which deposits can be made.

Credit risk

This exists in relation to debtors, and investments made as a result of the Council’s treasury operations. The following table analyses relevant investments and debtors as at the date of account.

Impaired Bank Loans

The impaired bank deposits are those made with the following Icelandic banks which went into liquidation in October 2008:

Bank	Date Invested	Maturity Date	Amount claimed	Interest Rate	Repaid to 31/3/2013	Carrying value 31/3/2013
Landsbanki	09/09/2008	09/12/2008	£2.029m	5.81%	£0.963m	£0.830m

Landsbanki

The carrying value plus repayments received total £1.8m to which must be added further interest that will be accrued of £130k. This will give a total recovery of £1.93m. This is £100k less than the amount claimed, the difference being a provision against possible exchange rate loss.

Other Bank Loans

The Council's Investment Strategy restricts investments to a narrow range of counterparties. At 31 March 2013 it had, in addition to the Icelandic loan, short term deposits totalling £10.1m with four different institutions. There was no evidence to suggest a risk that any deposits might be irrecoverable.

Sundry Debtors

The sundry debtors (note 15a) are analysed by age and risk in the following table.

	Gross £'000	Default risk £'000	Net £'000
Not yet past due date	759	0	759
Up to three months past due date	215	20	195
Three to six months past due date	19	2	17
Six months to one year past due date	351	73	278
Beyond one year	745	406	339
Total	2,089	501	1,588

The default risk has fully been provided for. No collateral is held as security.

Provision has been made for the impairment of sundry debtors.

Liquidity risk

The authority has ready access to borrowing from the Public Works Loan Board and the money markets. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. The Council manages its liquidity position through the risk management procedures outlined above as well as through cash flow management procedures required by the Council. The maturity analysis of its borrowing is as follows:

	31 March 2012 £'000	31 March 2013 £'000
Less than 1 year	598	350
Between 1 and 2 years	350	350
Between 2 and 5 years	6,049	6049
More than 5 years	873	523
Total	7,870	7,272

Market risk

Interest rate risk – The Council has limited exposure to interest rate movements on its borrowings and investments. Borrowings and short term investments are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings and investments do not impact on the Comprehensive Income and Expenditure Statement. To mitigate risk the Treasury Strategy reviews interest rate forecasts and fixes prudential indicators for fixed and variable interest rate exposure.

If all interest rates had been 1% higher (with all other variables held constant) the financial effect would have been

	£'000
Gain - Increase in interest payable on variable rate borrowings	0
Gain - Increase in interest receivable on variable rate investments	(176)
Gain - Impact on Income and Expenditure Account	(176)
Loss - Decrease in fair value of fixed rate investments (no impact on Comprehensive Income & Expenditure Statement)	0
Gain - Decrease in fair value of fixed rate borrowing (no impact on Comprehensive Income & Expenditure Statement)	(186)

Price risk – The Council has no exposure to this risk, having no available for sale assets.

Foreign Exchange Risk – The Council has exposure to the risk of currency movements on repayments on its Icelandic loans. £0.83m is still outstanding. Of this roughly 70% is expected to be paid in foreign currency (mainly euros and dollars).

48 HERITAGE ASSETS – FIVE YEAR SUMMARY OF TRANSACTIONS

There were no disposals or acquisitions during the five years 2008/09 to 2012/13.

49 HERITAGE ASSETS – FURTHER INFORMATION

The assets included within Heritage assets are as follows:-

Civic Regalia

This mainly consists of mayoral badges, chains of office, and other regalia used in civic activities. It was last re-valued in 2009.

Astley Hall

The house was built in the mid seventeenth century, and extended in 1825. It was given to Chorley Council in 1922 as a memorial following the First World War. It houses a collection of paintings and furniture and has accredited museum status awarded by the Arts Council. The house is valued using the depreciated cost method of valuation. Following a detailed condition survey in 2010/11 its value was reduced to a nominal £1 to reflect the substantial repair liability.

Astley Hall furniture and art collection

A large part of the collection was gifted to the Council with the house, but it has been added to by gifts and purchases in the following years. The collection consists of numerous minor works of art and furniture. It is included in the statement of accounts at the insurance value of £1.582m.

Preservation and management

The Council has a five year plan for the use and maintenance of the hall and contents. Periodic structural surveys are undertaken, the last in 2012. Additions and disposal of the collection is managed in accordance with The Acquisitions and Disposal Policy

50 TRUST FUNDS

The Authority acts as sole trustee for a small number of funds. In some cases the asset (cash) is held on the Council's balance sheet and shown as a sundry creditor. In other cases the fund has investments not recorded in the Council's accounts. The Avondale Library Trust is also a registered charity

2012/13	Income £'000	Expenditure £'000	On Balance Sheet		Off Balance Sheet	
			Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
McKnight Memorial Fund	0	0	5	5	0	0
William Cocker Charity	0	0	0	0	3	3
W B Parkes Charity	0	0	2	2	0	0
Avondale Library Trust	11	0	29	29	90	90
H T Parkes Baths Fund	1	0	0	0	3	3
Total	12	02	36	36	96	96

2011/12	Income £'000	Expenditure £'000	On Balance Sheet		Off Balance Sheet	
			Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
McKnight Memorial Fund	0	0	5	5	0	0
William Cocker Charity	0	0	0	0	3	3
W B Parkes Charity	0	0	2	2	0	0
Avondale Library Trust	3	2	26	26	82	82
H T Parkes Baths Fund	0	0	0	0	2	2
Total	3	2	33	33	87	87

Collection Fund

The Collection Fund (England) is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers, and distribution to local authorities and the Government, of council tax and non-domestic rates

2011/12 £'000		2012/13	
		£'000	£'000
	Income		
48,099	Income from Council Tax		48,822
6,604	Transfers from General Fund		
(1)	Council Tax Benefits	6,659	
	Transitional Relief	(1)	
6,603			6,658
25,754	Income Collectable from Business Ratepayers		26,603
80,456			82,083
	Expenditure		
	Precepts and Demands		
39,418	Lancashire County Council	39,914	
6,976	Chorley Borough Council	6,969	
5,202	Lancashire Police Authority	5,400	
2,264	Lancashire Combined Fire Authority	2,692	
53,860			54,575
	Distribution of Collection Fund Surplus/(Deficit)		
146	Lancashire County Council	210	
26	Chorley Borough Council	37	
19	Lancashire Police Authority	28	
8	Combined Fire Authority	12	
199			287
0	Adjustment to previous years Community Charge		
	Business rates		
25,624	Payment to National Pool	26,476	
130	Cost of Collection Allowance	127	
25,754			26,603
	Bad and doubtful debts/appeals		
107	Write offs	59	
61	Provisions	503	
168			562
79,981			82,027
475	Surplus/(deficit) for the year		56
(61)	Transfer to/from Collection Fund Adjustment Account		(8)
(414)	Net transfer to Major Precept Debtor		(48)
0	Surplus/(deficit) at 31 March		0

ACCOUNTING FOR COUNCIL TAX

The amount of Council Tax to be credited to the Comprehensive Income and Expenditure Statement for both billing authorities and major preceptors is their share of the accrued income. However, statute requires that the amount to be credited to the General Fund should be the authority's precept or demand for the year plus its share of the previous years Collection Fund surplus or deficit. The difference between this regulatory charge and the accrued income is taken to the Collection Fund Adjustment Account, as revealed in the Movement in Reserves Statement.

Since the collection of Council tax is an agency arrangement, debtor and creditor balances belong proportionately to the billing authority and the major preceptors. This results in a debtor/creditor position between the billing authority and each major preceptor.

COUNCIL TAX DETAILS OF CHARGE

For the purpose of calculating Council Tax residential properties are classified into eight valuation bands. Each valuation band is proportionate to the central Band D property. This enables calculation of the total tax base. The Council Tax Base for 2012/13 was calculated as follows:

Band	Dwellings	Dwellings adj. for discounts & exemptions	Proportion of Band D Charge	Band D Equivalent
A (disabled)	0	13	5:9	7.20
A	14,450	12,008	6:9	8,005.70
B	10,340	9,117	7:9	7,090.60
C	8,827	7,990	8:9	7,102.20
D	6,063	5,579	9:9	5,578.80
E	4,293	4,019	11:9	4,912.10
F	1,752	1,639	13:9	2,368.20
G	767	725	15:9	1,208.30
H	63	44	18:9	87.50
Total	46,555	41,134		36,360.60
Less adjustments for anticipated changes to the base and losses on collection				(545.40)
Add adjustment for new properties				198.60
Band D Equivalent Number of Properties				36,013.80

Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by the precepting authorities for the forthcoming year and dividing this by the council tax base. This results in an average Band D charge (excluding Parish Precepts) of £1,499.65 for 2012/13 and £1,497.80 for 2011/12). The other valuation bands are proportionate to this.

SIGNIFICANT PRECEPTORS

The authorities who make a significant precept on the Collection Fund are:

	2011/12 £000	2012/13 £000
Lancashire County Council	39,418	39,914
Lancashire Police Authority	5,202	5,400
Lancashire Combined Fire Authority	2,264	2,692

ACCOUNTING FOR BUSINESS RATES

Since 2009/10 accounting arrangements for NNDR have reflected the fact that it is in substance an agency arrangement, the Council being the agent of the Government in the collection of the charge. Consequently:

1. NNDR income does not belong to the billing authority and is not included in it's I&E account.
2. NNDR debtor and creditor balances with taxpayers are not recognised in the authority's balance sheet.
3. Cash collected belongs to the Government and any amounts over or under paid are recognised in the balance sheet as a Government debtor or creditor.

NNDR DETAILS OF CHARGE

Business Rates are organised on a national basis. In 2005/2006 the Government introduced a Small Business Rate Relief Scheme. This results in there being two multipliers – one for small businesses at 45.0p in 2012/13 and one for larger businesses at 45.8p. The Council is responsible for collecting rates due from the ratepayers in its areas but pays the proceeds into a Business Rates pool administered by the Government. The Government redistributes the sums paid into the pool back to local authorities' General Funds on the basis of a fixed amount per head of population.

The Business Rates income, after reliefs and provisions, was £26.6m for 2012/13 (£25.7million for 2011/12).

The rateable value for the Council's area at the end of the financial year 2012/13 was £68.25m (£68.31m in 2011/12).

This page is intentionally left blank