Chorley Council

Town Hall
Market Street
Chorley
Lancashire
PR7 1DP

20 June 2014

Dear Councillor

GOVERNANCE COMMITTEE - WEDNESDAY, 25TH JUNE 2014

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
8	**Statement of Accounts 2013/14** **(Pages 77 - 154)**
	Report of Chief Executive (enclosed)

Yours sincerely

Gary Hall
Chief Executive

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Chorley Council

Report of	Meeting	Date
Chief Finance Officer	Governance Committee	25 June 2014

STATEMENT OF ACCOUNTS 2013/14

PURPOSE OF REPORT

1. To present the draft Statement of Accounts (SOA) for 2013/14 before they are signed and authorised for issue by the Chief Finance Officer, which has to be done before the end of June 2014

2. To advise about the process leading up to the formal submission of the SOA for approval by Members following the completion of the external audit.

RECOMMENDATION(S)

3. That the report be noted.

EXECUTIVE SUMMARY OF REPORT

4. This report discusses the main parts of the statements and seeks to explain significant changes from the previous year. It also advises about the statutory requirements for signature, audit, inspection and publication of the accounts.

5. Categorisation of the Market Walk Shopping Centre within the Long-Term Assets section of the Balance Sheet is still subject to agreement with the external auditor. There is therefore a possibility that the asset might be reclassified and various figures amended when the SOA is submitted for approval after the audit.

Confidential report Please bold as appropriate	Yes	**No**

CORPORATE PRIORITIES

6. 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	√

BACKGROUND

7. This report explains the Council’s year-end financial position as it should be presented in the Statement of Accounts for 2013/14. It does not make detailed comparisons between actual revenue and capital expenditure compared to budgeted expenditure for 2013/14. Revenue and capital budget monitoring reports have been presented to Executive Cabinet

throughout the year, and the provisional outturn report for 2013/14 is to be submitted to the meeting of 26 June 2014. Figures in the draft SOA have been prepared on the assumption that a number of recommendations will be approved, in particular in respect of transfers to earmarked reserves and the financing of the capital programme. Should any recommendations be rejected or amended, it would be necessary to amend the SOA before presentation for formal approval.

8. The SOA 2013/14 includes corrections to two “unadjusted misstatements” reported to Governance Committee in respect of the 2012/13 Statement of Accounts. The Council had requested that the corrections should be made in the 2013/14 SOA. They were as follows:

- Property Plant and Equipment (PPE) – capital expenditure of £0.228m in 2012/13 had been allocated to the wrong leisure asset, which affected the depreciation and revaluation calculations, but which was not considered by the auditor to have had a material impact on the accounts. PPE figures have been corrected in 2013/14.
- Short-term Creditors – Section 106 commuted sums (for maintenance of assets adopted from developers) totalling £0.493m had been included in the balance sheet total for short-term creditors, but should have been disclosed as long-term creditors. The auditor considered this merely a classification error within the Council’s liabilities, with no material impact on the financial statements in 2012/13. The classification has been corrected in 2013/14 and the 2012/13 balance sheet has been restated.

STATUTORY REQUIREMENTS

9. 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.

10. The Statement of Accounts now presented to Governance Committee is therefore for information only, and will not be submitted for approval until September.

11. After conclusion of the audit and approval by Governance Committee, the SOA will be published on the Council’s web site and printed copies will be available on request.

MAIN ISSUES 2013/14

12. A number of major issues have affected the Council’s financial position during 2013/14. These warrant separate explanation before discussion of how they have affected figures in the SOA.

13. <u>Implementation of Business Rates Retention</u>

Prior to 2013/14, billing authorities such as Chorley Council collected business rates or National Non-Domestic Rates (NNDR) on behalf of central government. All NNDR collected was paid over to central government, into the central pool. Councils then received an allocation of NNDR from the pool as part of each year's Local Government Finance Settlement. There was no direct link between the total collected and paid to the pool and the allocation received from it. Central government bore the risk that rates collected would be less than estimated. The Council's NNDR allocation was not affected by the value collected.

Figures for 2012/13 are included in the Collection Fund, and relate to the last year of the pooling agency arrangement.

A new method of allocating NNDR resources known as Business Rates Retention (BRR) was implemented during 2013/14. Before the start of the financial year, an estimate of the net rates yield (after reliefs, discounts, bad debts and appeals) was prepared. Of the total income, 50% was to be taken by central government, 9% by Lancashire County Council, 1% by Lancashire Combined Fire Authority, the 40% balance remaining with Chorley Council. This Council's 40% share of estimated net rates has been transferred from the Collection Fund as budgeted. However, because this income exceeded the central government estimate of how much Chorley needed to spend, much of it has been paid to government as a tariff, for redistribution to other authorities as top-up payments. Finally, the rates income collected by Chorley exceeded the total that central government thought would be collected, so 50% of the value identified as growth has been accrued in the accounts as a levy, for payment to government during 2014/15.

For the first time, Chorley Council takes a share of the risk that the net rates yield will be less than the budgeted figure. There can be a Collection Fund rates income shortfall for various reasons, the main one in 2013/14 being the level of provision required for backdated appeals. In 2013/14, there was a deficit of £1.270m, of which this Council's 40% share was £0.508m. The deficit exceeded the estimated shortfall of £0.165m, of which this Council's share would have been £0.066m. The £0.508m deficit has been charged to the accounts in 2013/14 and is included in the net rates income figure of £2.263m in Note 8 Taxation and Non-Specific Grant Income and Expenditure. However, there is a statutory adjustment so that only the budgeted deficit is charged in the year. As there was no budgeted rates deficit in 2013/14, the full £0.508m has been transferred to the Collection Fund Adjustment Account and has had no impact on the Council's resources in 2013/14. See Note 7 Adjustments Between Accounting Basis and Funding Basis Under Regulations, and Note 25f Collection Fund Adjustment Account. The total value transferred was £0.499m, the £0.009m difference being in respect of the surplus relating to Council Tax.

In 2014/15, the budgeted deficit of £0.066m will be transferred from the Collection Fund as a real cost to the General Fund. As the actual deficit in 2013/14 was £0.442m higher, this will be taken into account in the calculation of the 2014/15 deficit (or surplus) that would be transferred to the General Fund in 2015/16.

The net rates yield in 2013/14 has been reduced by the temporary doubling of Small Business Rates Relief (SBRR) announced in the Autumn Statement 2012. Government announced that authorities would be compensated for the loss of income as a result of this policy, but had not provided enough information for any estimate of the compensation to be included in the revenue budget for 2013/14. Towards the end of 2013/14, central government made an "on account" payment of a new Section 31 (S31) grant, which was equivalent to about 91% of the estimated cost of doubling SBRR included in a return submitted to the Department for Communities and Local Government at the end of January 2013. The balance of the grant entitlement has been accrued as a debtor in the accounts, based on the outturn cost of SBRR. The grant income is included in the Taxation & non-specific grant income & expenditure section of the Comprehensive Income and Expenditure Statement. See also Note 11 and Note 38. The S31 grant is also taken into account in the calculation of the levy payable to central government.

A comparison of rates-related figures in the 2012/13 financial accounts with those included in 2013/14 is presented in the following table:

Comparison of Rates Income under Pooling to Business Rates Retention	**Business Rates Pooling 2012/13 £'000**	**Business Rates Retention 2013/14 £'000**
Collection Fund		
Net Income from Business Ratepayers	(26,603)	(24,891)
Payment to National Pool	26,476	0
Central Government Share (50%)	0	13,014
County Council Share (9%)	0	2,342
Fire Authority Share (1%)	0	260
Chorley Council Local Share (40%)	0	10,411
Cost of Collection Allowance (to Chorley Council)	127	134
Distribution of Business Rates Income	26,603	26,161
(Surplus)/Deficit	**0**	**1,270**
Chorley Council Share of (Surplus)/Deficit (40%)		**508**
General Fund		
Business Rates from National Pool	(5,928)	0
Business Rates Local Share	0	(10,411)
Business Rates Income	(5,928)	(10,411)
Tariff to Central Government		7,500
Levy to Central Government		140
Chorley Council Share of Deficit (40%)		508
Business Rates Expenditure	0	8,148
Net Rates Income	**(5,928)**	**(2,263)**
S31 Grant re SBRR		**(447)**

The effect of implementation of BRR on Balance Sheet figures for Short-Term Creditors, Short-Term Debtors and Provisions is discussed below.

14. Implementation of Council Tax Support Local Scheme

Up to 2012/13, support for those residents unable to pay full Council Tax was by means of Council Tax Benefit, the cost of which was substantially reimbursed by central government. The Comprehensive Income and Expenditure Statement includes the following figures in respect of 2012/13 in the service line “Central Services to the public”: benefits expenditure £6.716m; and subsidy received £6.696m. Of the benefits expenditure total, the credit to the Collection Fund in 2012/13 was £6.659m, but there is no equivalent credit from 2013/14 onwards.

Against the same service in 2013/14, Members will note that gross expenditure and gross income have reduced considerably. This is because Councils were required to implement local schemes for Council Tax Support discounts, to replace Council Tax Benefit. A report proposing this Council’s local scheme was approved by Council on 8 January 2013.

Rather than paying Council Tax Benefit, which was credited to the Collection Fund, support is now given by means of discounts, which means that Council Tax income has reduced. Funding from central government has changed from being a variable subsidy based on expenditure to a cash limited allocation at a level 10% lower than the forecast subsidy had there been no change. This Council took advantage of a number of technical changes to increase Council Tax yield in order to offset the reduction in government funding.

Note 11 Taxation and Non-Specific Grant Income and Expenditure shows that Council Tax income reduced in 2013/14 compared to 2012/13. Government funding is reflected in the NNDR income and non ring-fenced government grants in the same note.

15. Purchase of Market Walk Shopping Centre

On 11 November 2013, Council decided to purchase Market Walk Shopping Centre in Chorley town centre. Figures relating to the purchase and first four months’ operation in Council ownership appear in several statements and notes to the accounts.

In the Balance Sheet, Members will note the increased value in Long-Term Assets – Investment Property. This is analysed further in Note 14 Investment Properties. Both short-term and long-term borrowings have increased, because £13.341m was borrowed from the Public Works Loan Board to finance the purchase. Loan repayments due during 2014/15 are included in the short-term borrowing total. PWLB loans did not finance all of the acquisition cost. Internal cash balances were used for the remaining £10m, and this is reflected in the reduction in short-term investments and cash and cash equivalents balances within the Balance Sheet’s Current Assets total. A low rate of return would have been achieved had the Council invested the cash. Savings in the financing cost were achieved by using it to avoid borrowing £10m at higher rates of interest.

In the Comprehensive Income and Expenditure Statement, the surplus arising from the first four month’s operation in Council ownership is included in the line “Financing and investment income and expenditure”. More detail is provided in Note 10, which indicates that the surplus calculated in accordance with statutory requirements was £0.475m.

Acquisition of the shopping centre business is confirmed in Note 30; and Note 31 Trading Operations presents the calculation of the surplus. Financing costs are not charged directly to the trading operation, so when these are taken into account the net surplus reduces to £0.326m.

Note 38 Capital Expenditure and Financing again confirms expenditure on Investment Properties of £23.341m, and indicates that this expenditure has contributed to a net increase of £24.394m in the Capital Financing Requirement in 2013/14.

Members should note that accounting treatment of the asset within the Long-Term Assets section of the Balance Sheet is still subject to discussion with the external auditor. As a consequence, it is possible that the asset could be reclassified and figures in various statements and notes be amended when the SOA is presented for approval in September 2014.

16. Pension Fund

The SOA shows a reduction in the pension fund deficit from £41.033m to £32.676m. This more than reverses the increase in the deficit a year ago.

Movements and balances relevant to the pension fund are disclosed in the CI&ES, Balance Sheet, Note 25e, and Note 44.

The deficit figure is very much an estimate, being the pension fund 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.

17. Repayment of Icelandic Investment

During 2013/14, the Council received a repayment of £0.102m from the Landsbanki Winding-Up Board and £0.792m proceeds from the auction of the claim. The cash received exceeded the £0.830m impaired value in the Balance Sheet by £0.064m and this was transferred to the revenue account. The Icelandic investment has been removed from the Balance Sheet figure for Short-Term Investments, but the cash received was available for reinvestment.

18. Accrual of Overage due from Section 106 Agreements

Overage sums in respect of Section 106 Agreements became due during 2013/14. A total of £1.588m was due from two housing developers, but it had not been received by 31 March 2014. This income, which will be used to finance expenditure in future financial years, has been accrued and is reported at several places in the SOA.

The addition of the income to the Capital Grants & Contributions Usable Reserve is shown in the Movement in Reserves Statement. Receipt of the accrued income is included within “Taxation & non-specific grant income & expenditure” in the Comprehensive Income & Expenditure Statement, and analysed further in Note 11. The accrued contributions make up most of the £1.719m transfer from the General Fund Balance to Capital Grants Unapplied presented in Note 7. Finally, the accrual has contributed to the increase in the debtors balance in respect of “Other entities and individuals” disclosed in Note 19.

ANALYSIS OF STATEMENTS AND NOTES

19. Movement in Reserves Statement (MIRS)

Subject to approval by Executive Cabinet and Council, this statement indicates that General Fund unallocated balances have increased by £0.129m to a total of £2.189m as at 31 March 2014. Reserves earmarked for specific purposes have increased by £0.967m to £5,276m. The purposes for which these reserves are held are detailed in Note 8 to the accounts.

A balance of £0.325m usable capital receipts is carried forward to 2014/15 to finance capital expenditure in that year.

Capital grants and contributions have increased by a net total of £4.435m, though this figure includes accrued Section 106 overage sums not yet received. The accrued contributions are reflected in the short-term debtors figure in the Balance Sheet.

20. Comprehensive Income and Expenditure Statement (CI&ES)

The main variance in Net Expenditure at Cost of Services level is in respect of "Planning services", which includes economic development and town centre promotion. These services were priority areas for new investment in 2013/14. Also within this service category was a £0.505m capital charge, reversed out of the revenue accounts elsewhere so there was no cost to the taxpayer.

Gross Expenditure and Gross Income in respect of "Central services to the public" have reduced considerably compared to 2012/13 because of the changes in respect of Council Tax Benefit explained above.

The increase in Net Expenditure on "Financing and investment income and expenditure" has increased compared to 2012/13 because of pension-related accounting entries and an adjustment to the fair value of investment properties, less the surplus on Trading Operations (Market Walk). The analysis is presented in Note 10.

"Taxation & non-specific grant income & expenditure" has increased compared to 2012/13, and the details are presented in Note 11 and Note 38 (for grants and contributions). Note 10 confirms that Council Tax income has reduced since 2012/13, which is as a result of the introduction of local Council Tax Support discounts, net of increases arising from implementation of technical changes. The figures for NNDR and Revenue Support Grant are not directly comparable between years, because of the implementation of Business Rates Retention explained above. The main variance in grants and contributions in 2013/14 is in respect of £1.588m overage sums due as a result of Section 106 Agreements relating to housing developments. This figure was accrued but not yet received as at 31 March 2014. It was transferred to the Balance Sheet in the Movement in Reserves Statement and explains most of the increase in Capital Grants & Contributions within the Usable Reserves total.

Finally, there has been an actuarial gain of £10.127m in pension assets and liabilities, compared to the £6.158m loss in 2012/13.

Balance Sheet

The Balance Sheet figures for 2012/13 have been restated, to move "commuted sums" for future maintenance of public open space and a community centre from Short-Term Creditors to Long-Term Creditors. This was agreed with the external auditor during the audit of the 2012/14 statement of accounts.

The increase in "Long-Term Assets" is mainly as a result of the purchase of the Market Walk shopping centre, which is discussed in detail above. However, categorisation of the asset as an Investment Property is subject to discussion with the external auditor.

Financing of the purchase is reflected in the increase in Short-Term Borrowing and Long-Term Borrowing and the reduction in Short-Term Investments. The latter was because internal cash balances have been used in the short-term to meet part of the purchase cost.

Short-Term Creditors have increased from £2.778m to £7.671m, the main variance being in respect of "Other local authorities". This has been mainly as a result of the introduction of Business rates retention and Council Tax Support, discussed elsewhere in this report.

Similarly, Short-Term Debtors have increased from £2.388m to £8.017m. Again a large part of the increase resulted from the introduction of Business Rates Retention and Council Tax

Support; and the accrual of £1.588m Section 106 Agreement overage sums discussed above.

Within the £0.531m Provisions total for the first time is £0.500m for Business Rates Appeals, being this Council's 40% share of the total provision created as at 31 March 2014.

The Net Assets total has improved from a negative of £1.105m to £6.245m, an improvement of £7.350m. The main element of this increase is the £8.357m net reduction in the Other Long-Term Liabilities total relating to pensions. This improvement is also reflected in the reduction in Unusable Reserves (see Note 25e Pensions Reserve).

Usable Reserves have increased from £9.373m to £12.225m, and the split of the total is shown below. Further analysis is presented in the MIRS and Note 8, which shows the purpose of the £5.276m held in earmarked reserves.

Usable Reserves 31 March 2014

	£'000
General Fund unallocated balance	2,189
Earmarked Reserves (see Note 8)	5,276
Capital Receipts	325
Capital Grants & Contributions	4,435
	12,225

21. Note 7 Adjustments Between Accounting Basis and Funding Basis Under Regulations

This note presents the adjustment to the surplus or deficit on the provision of services in order to calculate the amount to be met from taxation. In brief, the note reports the statutory adjustments between the General Fund Balance and the Capital receipts, Capital Grants and Unusable Reserves balances.

Compared to 2012/13, there has been a large increase in the transfer of "Capital grants and contributions unapplied" from the CI&ES to Usable Reserves, from £0.240m to £1.719m. Most of the £1.479m increase is as a result of the accrual of Section 106 overage sums due from housing developers, as discussed above.

For the first time, there is a transfer from the General Fund to the Collection Fund Adjustment Account in respect of this Council's share of the deficit in respect of NNDR (transferred from the Collection Fund). The £0.499m, credit shown in Note 7 is made up as follows:

Transfer to Collection Fund Adjustment Account

	£'000
Business Rates (NNDR) deficit	(508)
Council Tax surplus	9
Net Transfer	**(499)**

See also Note 25f.

22. Note 8 Transfers To/From Earmarked Reserves

This note shows that Earmarked Reserves other than Capital Receipts and Grants have increased from £4.309m to £5.276m. The purposes for which the reserves are held are presented in the note. At this stage, the figures could be changed, because approval of transfers by Executive Cabinet and Council is required.

23. Note 11 Taxation and Non-Specific Grant Income and Expenditure

The following table reconciles Business Rates and Council Tax income as presented in the Collection Fund with the equivalent figures in Note 11.

2012/13		Business Rates & Council Tax within Taxation & Non-Specific Grant Income & Expenditure	2013/14	
Business Rates £'000	**Council Tax £'000**		**Business Rates £'000**	**Council Tax £'000**
	(37)	Previous Year (Surplus)/Deficit		(77)
	(6,404)	Chorley Council Precept/Local Share	(10,411)	(5,810)
	(567)	Parish Council Precept		(530)
		Tariff to Central Government	7,499	
		Levy to Central Government	141	
	(8)	Current Year (Surplus)/Deficit - transferred to Collection Fund Adjustment Account	508	(9)
0	**(7,016)**	**Income per Note 11**	**(2,263)**	**(6,426)**

Business Rates figures are not included for 2012/13 because the £5.928m allocation was received from the NNDR Pool rather than from the Collection Fund.

24. Note 25e Pensions Reserve

This note shows that the deficit balance on the reserve reduced from £41.032m in 2012/13 to £32.676m in 2013/14. The main reason for the reduction was the £10.127m actuarial gain, which compares to the £6.158m loss in 2012/13.

See also Note 44 for detailed information about the Defined Benefit Pension Scheme.

25. Note 36 Officers Remuneration

This note discloses the details of the remuneration of “senior employees”, and lists the number of employees other than “senior employees” who received £50,000 or more remuneration. In addition, the number and cost of exit packages relating to compulsory and other agreed departures is presented.

26. Note 40 Capital Expenditure and Financing

Capital expenditure by category of asset is presented in this note. Total expenditure, including that on Revenue Expenditure Funded from Capital under Statute charged to the CI&ES, was £25.615m. Of this total, £23.341m was in respect of the purchase of Market Walk shopping centre, currently shown as acquisition of an Investment Property but this is subject to agreement with the external auditor. Grants, contributions and revenue resources financed £0.951m of the capital expenditure, which meant that £24.664m was financed from prudential borrowing and was the main reason for the increase in the Capital Financing Requirement (CFR) to £32.866m.

Most of the prudential borrowing (£23.341m) was in respect of Market Walk, though only £13.341m was in the form of loans from the PWLB. The £10m balance was by use of internal cash balances. Use of prudential borrowing and the associated increase in the CFR was approved by Council on 11 November 2013 and was taken into account in the financial appraisal of the purchase.

27. Collection Fund

Figures in the Collection Fund for 2013/14 are not entirely comparable with those for 2012/13 because of the introduction of Business Rates Retention and Council Tax Support. These issues are discussed in detail above.

The Business Rates budget for 2013/14 was prepared on the assumption of break-even. The estimated £26.027m rates income was distributed to central government, Lancashire County Council, Lancashire Combined Fire Authority and this Council, but actual income after providing for appeals was £1.270m less. This Council’s £0.508m 40% share of the deficit was transferred to the CI&ES, but the charge was then transferred to the Collection Fund Adjustment Account (see discussion of Note 7 above).

The main change in respect of Council Tax is that figure for Council Tax receivable now takes account of the discounts given to residents under the local Council Tax Support scheme. In 2012/13, Council Tax Benefit was charged to the CI&ES and the Collection Fund received the corresponding income.

The Council Tax element of the Collection Fund made a surplus of £0.073m in 2013/14, of which this Council’s share was £0.009m. This was credited to the CI&ES, but was then transferred to the Collection Fund Adjustment Account in accordance with statutory requirements, as explained in the section on Note 7 above.

IMPLICATIONS OF REPORT

28. This report has implications in the following areas and the relevant Directors’ comments are included:

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

COMMENTS OF THE STATUTORY FINANCE OFFICER

29. The draft Statement of Accounts 2013/14 has been prepared in compliance with relevant accounting standards and codes of practice.

COMMENTS OF THE MONITORING OFFICER

30. The Monitoring Officer has no comments.

GARY HALL
CHIEF EXECUTIVE AND CHIEF FINANCE OFFICER

Background Papers			
Document	**Date**	**File**	**Place of Inspection**
Accounts and Audit (England) Regulations 2011	15 March 2011		Town Hall
Grant Thornton "The Audit Findings for Chorley Borough Council - Year ended 31 March 2013"	September 2013		Town Hall

Report Author	**Ext**	**Date**	**Doc ID**
Michael Jackson	5490	13 June 2014	Statement of Accounts 2013-14 June Governance.docx

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Chorley Council

Statement of Accounts 2013/2014

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Foreword by the Chief Finance Officer

INTRODUCTION

As the Chief Executive and Chief Finance 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 25 June 2014.

This Statement of Accounts has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 (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 2013/14.

CORE FINANCIAL STATEMENTS

The core financial statements consist of the following:

Page 9 **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 10 **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 11 **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 12 **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 13 **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 14 **Notes to the Main Financial Statements –** these add to, and interpret, the individual statements.

Page 59 **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 2013/14

Reporting Cycle

The Council's 2013/14 revenue budget, capital programme, Medium Term Financial Strategy (MTFS), and Treasury Strategy were approved by the Council on 28 February 2013. 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 revenue reporting 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 were reported, plus any new schemes approved in-year, and any changes to capital resources.

Major Issues in 2013/14

Local authorities in general faced a number of financial challenges in 2013/14, in particular the implementation of Business Rates Retention (BRR) to replace pooling; and the implementation of local Council Tax Support schemes, which replaced Council Tax Benefit with discounts set locally. Both of these changes increased the financial risks to the Council.

Previously the Council received an allocation of Business Rates from a Central Pool, having paid over all the rates it collected to the Government. Under BRR, the Council retains a local share of net rates income, less a tariff paid to Government, and a levy is payable or a safety net payment receivable depending on performance. Authorities can benefit from growth in rate income, but can also suffer financially if income achieved falls short of estimates. In 2013/14, the element of the Collection Fund in respect of Business Rates made a deficit of £1.270m, of which the Council's share was £0.508m. This was mainly as a result of cost of appeals by businesses, and the deficit will affect the Council's revenue budget in 2014/15 and 2015/16.

In the 2013/14 Local Government Finance Settlement, the Council received a cash limited resource allocation to fund Council Tax Support, which was 10% less than the previous Council Tax Subsidy would have been. The Council agreed a Council Tax Support scheme and technical changes to other discounts which were intended to balance expenditure and the funding available. However, the risk that expenditure could exceed resources was passed to the Council.

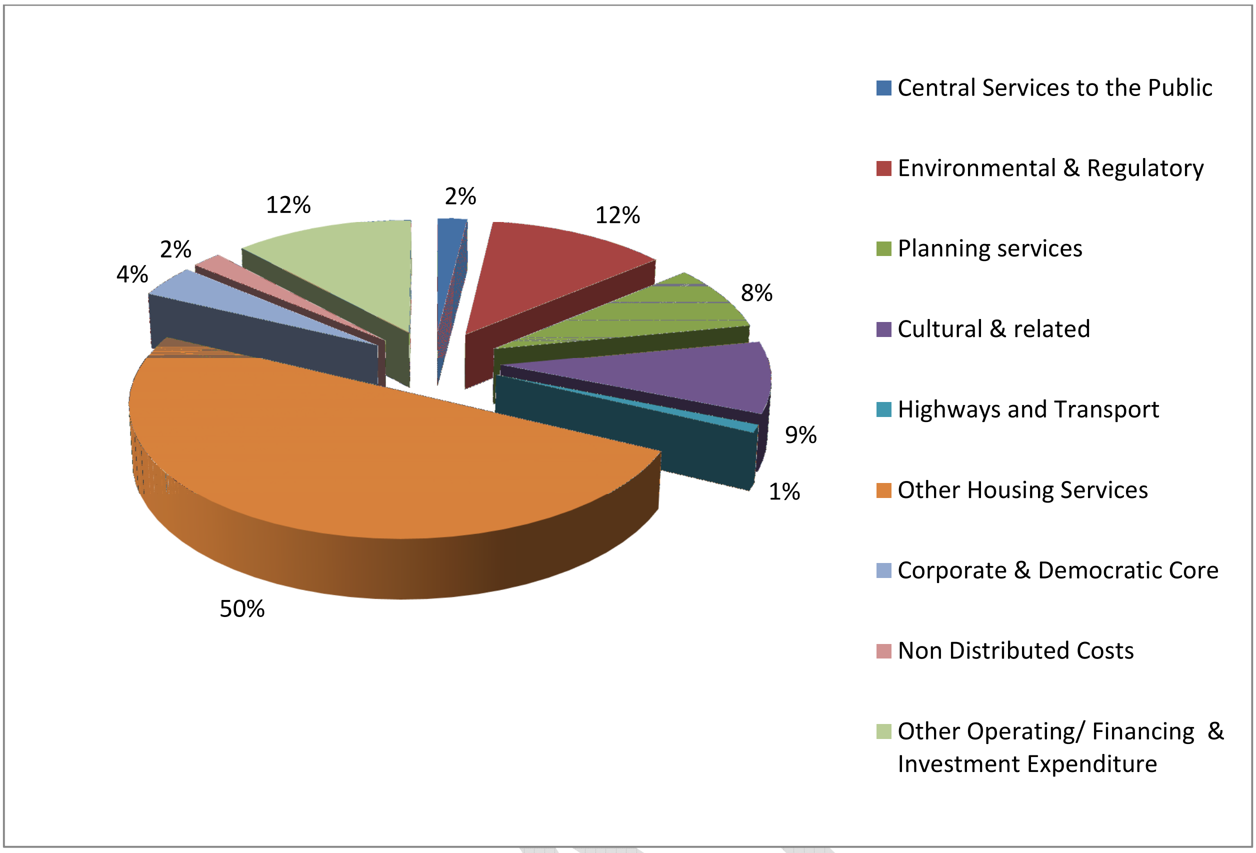
Actual Spend Compared to the Budget

The 2013/14 outturn position reports a £0.149m underspend compared to budget. The General Fund Balance at 31 March 2014 is £2.189m (page 10). Further comment on the reserves position is made below.

Figures in the following graphs are derived from the Comprehensive Income and Expenditure Statement and therefore include some income and expenditure figures, such as interest on pension assets and depreciation charges, which are reversed out in the Movement in Reserves Statement.

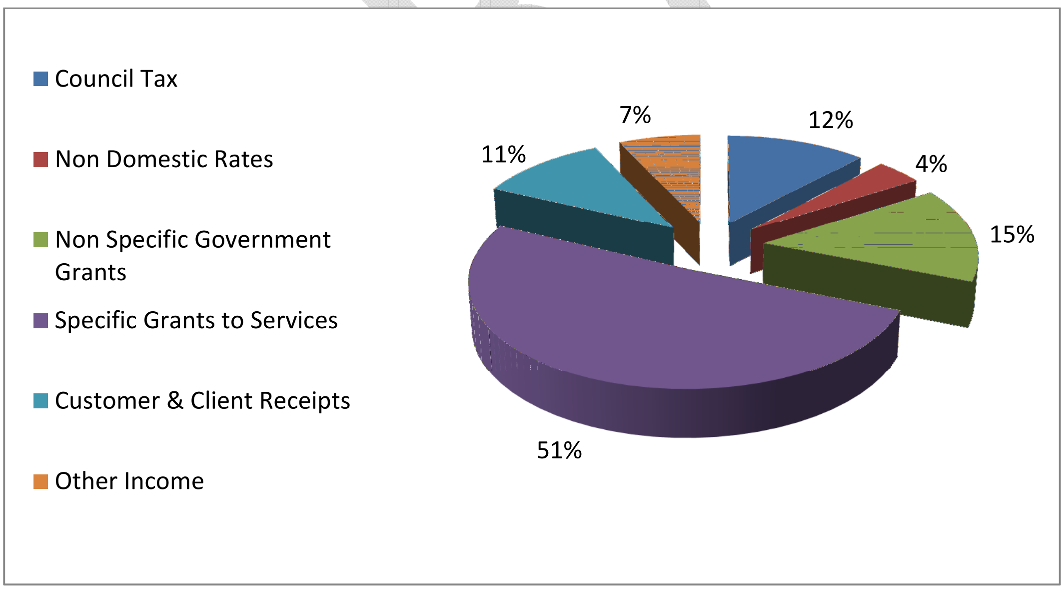
Where the money was spent

The Gross Expenditure for the Council is detailed in the Comprehensive Income and Expenditure Statement. In 2013/14 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:



Other Income includes interest on pension assets, reversed to the Pensions Reserve in the MIRS; capital receipts, reversed to the Capital Receipts Reserve; and the surplus on Trading Operations (Market Walk).

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.

The key facts for 2013/14 were:

- Investments are of a short-term nature, the maximum period being one year.
- During the year investments peaked at £21.6m, averaged £12.82m per day, and, with cash, amounted to £3.86m at year-end. The reduction from £10.8m in 2012/13 reflected the use of internal cash balances as part of the financing of the purchase of Market Walk.
- The return on investments was 1.14%, a reduction compared to the 1.42% achieved in 2012/13.
- External borrowing increased during the year to £22.6m (excluding accrued interest). The main reason for the increase was to finance the purchase of the Market Walk shopping centre.
- In determining Council Tax charges authorities have to make a specific provision for the financing of capital expenditure. 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 £8.5m to £32.9m, reflecting the use of prudential borrowing to finance the acquisition of Market Walk. (Note 40 gives details.) This will generate a charge to Council Tax (known as Minimum revenue Provision – MRP) in future years. In the case of Market Walk, financing costs (both MRP and interest on borrowing or loss of investment interest) are exceeded by the net rental income generated by the asset.

Note 47 presents more details of treasury operations, and the management of risk. Risks identified previously in respect of the Council's impaired investment in Icelandic bank Landsbanki have been eliminated by participation in an auction of local authority claims. The auction during 2013/14 brought the total sum recovered to £1.86m, which was 93% of the original investment.

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 2013/14:

Capital expenditure in 2013/14	**Actual Capital Expenditure £'000**
Acquisition of Market Walk Shopping Centre	23,341
Asset Maintenance	488
Site assembly Chorley town centre	353
Affordable Housing and disabled adaptations	530
Astley Development Programme	165
Leisure centre works	216
Parks and play areas	183
Other	339
Total Capital Expenditure	**25,615**

Capital financing in 2013/14	Actual Capital Financing £'000
Prudential Borrowing	24,664
Capital Receipts	0
Revenue Budget Contributions	152
External Contributions	358
Government Grants	441
Total Capital Financing	**25,615**

The Balance Sheet includes unapplied grants and contributions totalling £5.138m, which can only be used for financing of capital investment. Of the total, £4.435m is held within Usable Reserves (see Movement in Reserves Statement); and £0.703m within Long-Term Liabilities (see Note 38).

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 £2.060m. In addition there were reserves totalling £4.309m earmarked for specific purposes. The changes in the year are as follows:-

- The Income and Expenditure account incurred a surplus of £0.149m, of which £0.020m was added to the provision for historic insurance claims, and the balance transferred to the general reserve. The net increase in the General Fund balance by £0.129m can be seen in the Movement in Reserves Statement (MIRS).
- Further net transfers to Earmarked Reserves of £0.967m were also made.

The combination of these factors resulted in the General Fund balance being £2.189m, and Earmarked Reserves £5.277m, as presented in the MIRS on page 10. The purposes for which the Earmarked Reserves are held are given in Note 8.

The following extract from the MIRS reconciles the deficit on the CI&ES prepared on the accounting basis with the surplus or deficit prepared on the funding basis:

Extract from Movement in Reserves Statement (page 10)	2012/13 £'000	2013/14 £'000
Deficit on provision of service (CI&ES)	2,049	3,115
Adjustments between accounting basis & funding basis under regulation (note 7)	(1,576)	(4,211)
Transfers to/(from) earmarked reserves (note 8)	(268)	967
(Increase)/Decrease in General Fund balance	**205**	**(129)**

Pension Fund Liability

The pension fund deficit has reduced from £41.0m to £32.7m, which compares to the increase of £7m in 2012/13. This deficit 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 44 presents detailed information about the Defined Benefit Pension Scheme.

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 affect significantly 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
2014/15	(40)	(40)
2015/16	1,002	962
2016/17	1,196	2,198

The main threats to these forecasts are perceived to be:

- Further reductions to the public sector budget and therefore core funding reductions in the Comprehensive Spending Review 2014.
- The introduction of shorter-term Central Government settlement announcements and new variable arrangements for calculating fundamental grants exacerbates the increasingly uncertain nature of the Council's core funding streams.
- The new Business Rates Retention regime passes the risk of fluctuations in income from Central Government to Local Government, and therefore changes in the tax base will have a direct and immediate impact on the Council's core funding. The new regime was implemented from 1 April 2013 but aspects of the system were changed by Central Government during 2013/14, and further changes may occur in 2014/15. Combined with the uncertainty about the level of successful appeals by businesses against their rates, these issues pose more risks for the Council's finances for 2014/15 onwards than originally anticipated.

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 fees and charges 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 Market Walk and other opportunities for income generation.

Capital expenditure over the next three years is constrained by the resources available. Planned spend is £14.649m. This includes the proposed Chorley East Health Centre which the Council is working with the Health Authorities to fund, by additional prudential borrowing, at an estimated cost of £6.650m. The 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. The reduction in rate of recovery of Council Tax in 2013/14 coincided with the implementation of the local Council Tax Support scheme to replace Council Tax Benefit. This required more residents to pay a share of Council Tax for the first time.

	2011/12	2012/13	2013/14
Council Tax	98.3%	98.2%	97.7%
NNDR	97.2%	97.1%	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 Finance 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 Finance Officer is responsible for preparing 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 2013/14 (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 31 March 2014 and its Income and Expenditure for the year ended 31 March 2014.

Gary Hall BA CPFA
Chief Finance Officer
Date 25 June 2014

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 and Contributions £'000	Total Usable Reserves £'000	Unusable Reserves Note 25 £'000	Total Reserves £'000
Balance 31 March 2012	**(2,265)**	**(4,577)**	**0**	**(2,692)**	**(9,534)**	**2,943**	**(6,591)**
<u>Movement in 2012/13</u>							
Deficit on provision of service	2,049	0	0	0	2,049	0	2,049
Other Comprehensive Income & Expenditure	0	0	0	0	0	5,647	5,647
Total Comprehensive Income & expenditure	**2,049**	**0**	**0**	**0**	**2,049**	**5,647**	**7,696**
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	**473**	**0**	**0**	**(312)**	**161**	**7,535**	**7,696**
Transfers to/(from) ear-marked reserves note 8	(268)	268	0	0	0	0	0
(Increase)/Decrease in year	**205**	**268**	**0**	**(312)**	**161**	**7,535**	**7,696**
Balance 31 March 2013	**(2,060)**	**(4,309)**	**0**	**(3,004)**	**(9,373)**	**10,478**	**1,105**
<u>Movement in 2013/14</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	(10,465)	(10,465)
Total Comprehensive Income & expenditure	**3,115**	**0**	**0**	**0**	**3,115**	**(10,465)**	**(7,350)**
Adjustments between accounting basis & funding basis under regulation (note 7)	(4,211)	0	(325)	(1,431)`	(5,967)	5,967	0
Net change before transfers to/from earmarked reserves	**(1,096)**	**0**	**(325)**	**(1,431)**	**(2,852)**	**(4,498)**	**(7,350)**
Transfers to/(from) ear-marked reserves note 8	967	(967)	0	0	0	0	0
(Increase)/Decrease in year	**(129)**	**(967)**	**(325)**	**(1,431)**	**(2,852)**	**(4,498)**	**(7,350)**
Balance 31 March 2014	**(2,189)**	**(5,276)**	**(325)**	**(4,435)**	**(12,225)**	**5,980**	**(6,245)**

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.

2012/13				2013/14		
Gross Expenditure £'000	**Gross Income £'000**	**Net Expenditure £'000**		**Gross Expenditure £'000**	**Gross Income £'000**	**Net Expenditure £'000**
8,793	(7,443)	1,350	Central services to the public	1,273	(846)	427
6,756	(1,524)	5,232	Environment & regulatory services	6,727	(1,555)	5,172
3,635	(1,800)	1,835	Planning services	4,878	(1,860)	3,018
4,940	(432)	4,508	Cultural & related services	5,297	(372)	4,925
522	(940)	(418)	Highways and transport services	555	(941)	(386)
28,087	(27,516)	571	Other housing services	29,273	(28,072)	1,201
2,077	(56)	2,021	Corporate and democratic core	2,162	(38)	2,124
932	(693)	239	Non-distributed costs	1,129	(718)	411
55,742	**(40,404)**	**15,338**	**Cost of Services**	**51,294**	**(34,402)**	**16,892**
670	(124)	546	Other operating expenditure (note 9)	1,086	(325)	761
4,764	(3,855)	909	Financing and investment income and expenditure (note 10)	5,780	(3,557)	2,223
0	(14,744)	(14,744)	Taxation & non-specific grant income & expenditure (note 11)	8,148	(24,909)	(16,761)
61,176	**(59,127)**	**2,049**	**(Surplus)/deficit on provision of services**	**66,308**	**(63,193)**	**3,115**
		(511)	(Surplus)/deficit on revaluation of Property, Plant and Equipment assets			(338)
		6,158	Actuarial (gains)/losses on pension assets and liabilities			(10,127)
		5,647	**Other Comprehensive (Income) and Expenditure**			**(10,465)**
		7,696	**Total Comprehensive (Income) and Expenditure**			**(7,350)**

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.

Restated 31 March 2013 £'000		Notes	31 March 2014 £'000
34,502	Property, Plant & Equipment	12	33,296
1,667	Heritage Assets	13	1,667
1,205	Investment Property	14	23,598
451	Intangible Assets	15	321
0	Long-Term Investments		0
348	Long-Term Debtors		351
38,173	**Long-Term Assets**		**59,233**
10,919	Short-Term Investments		2,008
0	Assets Held for Sale	21	0
13	Inventories	17	16
2,388	Short-Term Debtors	19	8,017
3,168	Cash and Cash Equivalents	20	1,854
16,488	**Current Assets**		**11,895**
(3,265)	Bank Overdraft		(337)
(396)	Short-Term Borrowing		(3,416)
(2,778)	Short-Term Creditors	22	(7,671)
(15)	Provisions	23	(531)
(6,454)	**Current Liabilities**		**(11,955)**
(493)	Long-Term Creditors		(492)
(6,923)	Long-Term Borrowing		(19,042)
(41,033)	Other Long-Term Liabilities - pensions	44	(32,676)
(14)	Other Long-Term Liabilities - other		(15)
(849)	Grant Receipts in Advance – Capital	38	(703)
0	Grant Receipts in Advance - Revenue		0
(49,312)	**Long-Term Liabilities**		**(52,928)**
(1,105)	**Net Assets**		**6,245**
9,373	Usable Reserves	MIRS	12,225
(10,478)	Unusable Reserves	25	(5,980)
(1,105)	**Total Reserves**		**6,245**

The unaudited accounts were issued on 20 June 2014.

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.

2012/13 £'000		2013/14 £'000
(2,049)	Net surplus or (deficit) on the provision of services	(3,042)
3,505	Adjustments to net surplus or deficit on the provision of services for non cash movements	8,450
(927)	Adjustments for items included in the net surplus or deficit on the provision of service that are investing & financing activity	(2,554)
529	Net cash flows from Operating Activities	2,854
(2,803)	Investing Activities (Note 27)	(16,135)
1,573	Financing Activities (Note 28)	11,630
(701)	Net increase or (decrease) in cash and cash equivalents	(1,651)
3,869	Cash and cash equivalents at the beginning of the reporting period	3,168
3,168	**Cash and cash equivalents at the end of the reporting period (note 20)**	**1,517**

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 2013/14 (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

<u>Benefits payable during employment</u>
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 Statement 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 Statement 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 Statement.
  - 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 Statement.
  - 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 Statement 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 Statement 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 asset 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.

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:

	years
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, which relate mainly to accounting for consolidation, involvement in joint arrangements, and disclosure of involvement in other entities, have not been included in this statement:

- IFRS 13 Fair Value Measurement (May 2011)
- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- IAS 27 Separate Financial Statements (as amended in 2011)
- IAS 28 Investments in Associates and Joint Ventures (as amended in 2011)
- IAS 32 Financial Instruments: Presentation
- Annual Improvements to IFRSs 2009 – 2011 Cycle.

Had these standards been adopted for financial year 2013/14 there would have been no material changes to the Council's financial position. CIPFA has indicated that the 2014/15 Code of Practice will provide details of the disclosures required.

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 fell during 2013/14 to £33m. Sensitivity to the factors contributing to this estimate is shown in paragraph 44i.

Debtors	Note 19 shows non-public sector debtors of £5.5m. This includes housing benefit debts totalling £1.07m. Of this sum, a significant amount is expected to be recovered from on-going benefit, but changes in housing benefit administration may affect the ability to do this. The provision for impairment has therefore been increased to 70%.	Any increase in impairments will be a charge to the revenue account.
Asset valuation – Market walk	During 2013/14 the Council acquired the Market Walk shopping precinct which is included in the Balance Sheet at a value of £22.25m.	
Asset valuations	Note 12 shows that other fixed assets valued at £31m are carried at either fair value or depreciated replacement cost value. The valuations have been carried out by qualified valuers in accordance with RICS Guidance	The values are only estimates and thus could over or understate the actual values realisable if sale actually occurred.

4 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In 2012/13 and earlier years, commuted sums for maintenance of assets adopted from developers were included in the Balance Sheet under Short-Term Creditors. However, the £0.493m total held as at 31 March 2013 should have been disclosed as Long-Term Creditors. The balance has been moved from Current Liabilities to Long-Term Liabilities in 2013/14 and the 2012/13 figures have been restated.

Restated 2012/13 figures are presented in the Balance Sheet and Note 22.

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 25 June 2014. Subsequent events are not reflected in the financial statements or in the notes.

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.

	2013/14			
	General Fund Balance £'000	**Capital Receipts Account £'000**	**Capital Grants Unapplied £'000**	**Unusable Reserves £'000**
Adjustments involving the Capital Adjustment Account				
Reversal of debits and credits to the Comprehensive Income and Expenditure Statement (CI&E)				
Charges for depreciation of non-current assets	(1,399)			1,399
Charges for impairment of non-current assets	(1,239)			1,239
Revaluation losses on Property, Plant and Equipment	0			0
Movements in the market value of Investment Property	(948)			948
Amortisation of intangible assets	(130)			130
Revenue expenditure funded from capital under statute	(624)			624
Capital grants funding REFFCUS	457			(457)
Capital grants received & used to fund capital in year	53			(53)
Non-current assets charged to CI&E on disposal	(555)			555
Insertion of items not posted to CI&E				
Statutory and voluntary provision for the repayment of debt	270			(270)
Capital expenditure charged to the General Fund Balance	152			(152)
Adjustments involving Capital Grants Unapplied				
Capital grants and contributions unapplied credited to CI&E	1,719		(1,719)	
Grants applied to fund capital expenditure transferred to CAA			288	(288)
Adjustments involving the Capital Receipts Reserve				
Capital receipts from the disposal of non-current assets	162	(162)		
Preserved Right To Buy receipts	163	(163)		
Capital receipts used to finance new capital expenditure		0		(0)
Capital receipts credited to CI&E to meet the pooling liability	(1)	1		
Transfer from Deferred Capital Receipts		(1)		1
Adjustments involving Financial Instruments Adj. A/c				
Difference between finance costs in CI&E and those chargeable in accordance with statutory regulation				
Adjustments involving the Pensions Reserve				
Reversal of pension charges made in CI&E	(3,536)			3,536
Employer's contributions and payments made to pensioners	1,766			(1,766)
Adjustments involving the Collection Fund Adj. A/c				
Difference between credit to CI&E and precepted amount	(499)			499
Adjustments involving the Accumulated Absences A/c				
Difference between remuneration charged to CI&E and that chargeable per statutory requirement	(22)			22
TOTAL ADJUSTMENTS	**(4,211)**	**(325)**	**(1,431)**	**5,967**

2012/13 Comparative figures	2012/13			
	General Fund £'000	**Capital Receipts £,000**	**Capital Grants £'000**	**Unusable Reserves £'000**
Adjustments involving the Capital Adjustment Account (CAA)				
Reversal of debits and credits to CI&E				
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
Insertion of items not posted to the CI&E				
Statutory &voluntary provision for the repayment of debt	591			(591)
Capital expenditure charged to the General Fund Balance	304			(304)
Adjustments involving Capital Grants Unapplied				
Capital grants and contributions unapplied credited to CI&E	240		(240)	
Grants applied to fund capital expenditure transferred to CAA			(72)	72
Adjustments involving the Capital Receipts Reserve				
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
Adjustments involving Financial Instruments Adj. A/c				
Difference between finance costs in CI&E and those chargeable in accordance with statutory regulation	0			0
Adjustments involving the Pensions Reserve				
Reversal of pension charges made in the CI&E	(2,492)			2,492
Employer's contributions and payments made to pensioners	1,577			(1,577)
Adjustments involving the Collection Fund Adj. A/c				
Difference between credit to CI&E and precepted amount	8			(8)
Adjustments involving the Accumulated Absences A/c				
Difference between remuneration charged to the CI&E and that chargeable per statutory requirement	21			(21)
TOTAL ADJUSTMENTS	**(1,576)**	**0**	**(312)**	**1,888**

8 TRANSFERS TO/FROM EARMARKED RESERVES

The movements in reserves during the year were as follows

	Balance 1 April 2012 £'000	Out £'000	(In) £'000	Balance 31 March 2013 £'000	Transfers Out £'000	Transfers (In) £'000	Balance 31 March 2014 £'000
Rephasing of planned expenditure	**(491)**	489	(519)	**(521)**	281	(368)	**(608)**
Rephasing New Investment Projects	**0**	0	0	**0**	0	(591)	**(591)**
Grants reserved for specific expend.	**(621)**	5	0	**(616)**	39	0	**(577)**
Financing of capital expenditure	**(358)**	139	(77)	**(296)**	36	(332)	**(592)**
Planning purposes including appeals	**(349)**	124	0	**(225)**	177	0	**(48)**
Restructuring of services	**(77)**	54	0	**(23)**	16	(261)	**(268)**
Reduce Pension Fund Liability	**(1,750)**	0	0	**(1,750)**	0	0	**(1,750)**
Non-recurring projects	**(89)**	89	(115)	**(115)**	115	0	**0**
Town Centre investment	**(232)**	120	(310)	**(422)**	182	(11)	**(251)**
Apprenticeships for young people	**(110)**	31	0	**(79)**	35	0	**(44)**
Resource equalisation	**0**	0	0	**0**	0	(96)	**(96)**
Maintenance of Council buildings	**(60)**	60	(126)	**(126)**	23	(100)	**(203)**
Maintenance of Grounds	**0**	0	0	**0**	0	(62)	**(62)**
Elections	**0**	0	0	**0**	0	(85)	**(85)**
Other	**(440)**	318	(14)	**(136)**	3	32	**(101)**
Total	**(4,577)**	**1,429**	**(1,161)**	**(4,309)**	**907**	**(1,874)**	**(5,276)**

9 OTHER OPERATING EXPENDITURE

2012/13 £'000		2013/14 £'000
567	Parish council precepts	530
1	Payments to the Government's Capital Receipt Pool	1
102	(Gains)/losses on disposal of non-current assets	555
(104)	Capital receipts from the sale of previously transferred housing stock	(163)
(20)	Other capital receipts	(162)
546	**Total**	**761**

10 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2012/13 £'000		2013/14 £'000
0	(Surplus)/Deficit on Trading Operations	(475)
178	Interest payable and similar charges	315
1,188	Pensions interest cost net of expected return on pension assets	1,687
(404)	Interest receivable and similar income	(252)
(53)	Income and Expenditure in relation to investment properties and changes in their fair value	948
909	**Total**	**2,223**

11 TAXATION AND NON-SPECIFIC GRANT INCOME AND EXPENDITURE

2012/13 £'000		2013/14 £'000
(7,016)	Council Tax income	(6,426)
(5,928)	Non-Domestic Rates Income and Expenditure	(2,263)
(1,408)	Non ring-fenced Government Grants (Note 38)	(6,240)
(393)	Capital grants and contributions (Note 38)	(1,832)
(14,745)	**Total**	**(16,761)**

12 PROPERTY PLANT AND EQUIPMENT

	Other land & Buildings £'000	Vehicles & Plant etc. £'000	Infra-structure £'000	Community Assets £'000	Surplus Assets £'000	Total £'000
Cost or valuation						
At 1 April 2013	**29,588**	**4,666**	**459**	**3,353**	**2,012**	**40,078**
Additions	1,235	145	104	166		**1,650**
Revaluations recognised in Revaluation Reserve (RR)	95	16			(375)	**(264)**
Revaluations recognised in CI&E	(776)	(67)		(614)	(25)	**(1,482)**
De-recognition - disposals	(44)				(515)	**(559)**
De-recognition - other						
Assets reclassified						
Other movements						
At 31 March 2014	**30,098**	**4,760**	**563**	**2,905**	**1,097**	**39,423**
Depreciation and Impairment						
At 1 April 2013	**(1,763)**	**(3,101)**	**(198)**	**(514)**	**0**	**(5,576)**
Depreciation charge	(589)	(640)	(59)	(110)		**(1,398)**
Depreciation written out of RR	348	56				**404**
Depreciation written out of CI&E	72	67		104		**243**
Impairment losses recognised in RR	197					**197**
Impairment losses recognised in CI&E						
De-recognition - disposals	3					**3**
De-recognition - other						
Assets reclassified						
Other movements						
At 31 March 2014	**(1,732)**	**(3,618)**	**(257)**	**(520)**	**0**	**(6,127)**
Net Book Value						
At 31 March 2013	**27,825**	**1,565**	**261**	**2,839**	**2,012**	**34,502**
At 31 March 2014	**28,366**	**1,142**	**306**	**2,385**	**1,097**	**33,296**

Comparative Movements in 2012/13	Other land & Buildings £'000	Vehicles & Plant etc. £'000	Infra-Structure £'000	Community Assets £'000	Surplus Assets £'000	Total £'000
Cost or valuation						
At 1 April 2012	**31,130**	**5,873**	**453**	**3,335**	**1,995**	**42,786**
Additions	1,295	210	6		0	**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						
De-recognition - other	(102)	(1,417)				**(1,519)**
Assets reclassified						
Other movements						
At 31 March 2013	**29,588**	**4,666**	**459**	**3,353**	**2,012**	**40,078**
Depreciation and Impairment						
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						
De-recognition - other		1,417				**1,417**
Assets reclassified						
Other movements						
At 31 March 2013	**(1,763)**	**(3,101)**	**(198)**	**(514)**	**0**	**(5,576)**

Fixed Assets Valuations

During 2013/14 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	**523**	**4,661**	**563**	**2,656**	**0**	**8,403**
Valued at fair value as at:						
31 March 2014	6,410	99	0	3	346	**6,858**
31 March 2013	12,688	0	0	26	675	**13,389**
31 March 2012	273	0	0	0	0	**273**
31 March 2011	6,713	0	0	1	0	**6,714**
31 March 2010	3,491	0	0	219	76	**3,786**
Total cost or valuation	**30,098**	**4,760**	**563**	**2,905**	**1,097**	**39,423**

Capital Commitments

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

13 HERITAGE ASSETS

Cost or Valuation	2012/13 £'000	2013/14 £'000
As at 1 April	1,667	1,667
Revaluations	0	0
Depreciation	0	0
As at 31 March	**1,667**	**1,667**

Note 49 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.

	2012/13 £'000	2013/14 £'000
Fair value at the start of the year	1,152	1,205
Net gain (loss) from revaluation	53	(948)
Additions	0	23,341
Value at year-end	**1,205**	**23,598**

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 2013/14 the amortisation charge of £0.130m was charged principally to Customer ICT and Transactional Services (£0.123m). The cost centres of this support service 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 Statement.

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

	2012/13 £'000	2013/14 £'000
Balance at the start of the year		
Gross carrying amount	2,158	1,529
Accumulated amortisation	(1,576)	(1,078)
Net carrying amount at year start	**582**	**451**
Movements in the year		
Additions in year	22	0
Disposal in year	(651)	0
Amortisation in year	(153)	(130)
Amortisation in respect of disposals	651	0
Net carrying amount at the year-end	**451**	**321**

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 2013 £'000	31 March 2014 £'000	31 March 2013 £'000	31 March 2014 £'000
Investments				
Loans and receivables	0	0	10,919	2,008
Debtors				
Loans and receivables (note 19)	348	351	1,588	3,474
Borrowings				
Financial liabilities at amortised cost	(6,923)	(19,042)	(396)	(3,416)
Other Long-Term Liabilities				
Finance lease liabilities	0	0	0	0
Capital grant receipt in adv.	(849)	(703)	0	0
Creditors				
Financial liabilities carried at contract amount (note 22)	0	0	(1,931)	(2,277)

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 Statement are as follows:

	2012/13			2013/14		
	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	178	0	178	315	0	315
Impairment	0	(85)	(85)	0	(26)	(26)
	178	**(85)**	**93**	**315**	**(26)**	**289**
Interest income	0	(273)	(273)	0	(188)	(188)
Interest income accrued on impaired assets	0	(47)	(47)	0	(37)	(37)
Total income	**0**	**(320)**	**(320)**	**0**	**(225)**	**(225)**
Net (gain)/loss for the year			**(227)**			**64**

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 2013		31 March 2014	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Financial liabilities				
Borrowings	(7,319)	(7,693)	(20,459)	(21,722)
Deferred liabilities	(14)	(14)	(15)	(15)
Total	**(7,333)**	**(7,707)**	**(20,474)**	**(21,737)**

Interest rates on borrowing from the Public Works Loan Board vary between 1.55% and 4.34%.

	31 March 2013		31 March 2014	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Financial assets				
Loans and receivables	0	0	0	0
Long-term debtors	348	421	351	423
Total	**348**	**421**	**351**	**423**

17 INVENTORIES

	2012/13 £'000	2013/14 £'000
Balance at 1 April	26	13
Purchases	215	212
Issued in year	(228)	(209)
Written off in year	0	0
Balance at year-end	**13**	**16**

18 CONSTRUCTION CONTRACTS

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

19 DEBTORS

	31 March 2013 £'000	31 March 2014 £'000
Central government bodies	121	1,266
Other local authorities	515	3,241
NHS bodies	4	0
Public corporations and trading funds	0	0
Other entities and individuals	2,412	5,518
	3,052	10,025
Less provision for bad debts	(664)	(2,008)
Net carrying amount at the year-end	**2,388**	**8,017**

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 2013 £'000	31 March 2014 £'000
Cash held by the Authority	164	363
Bank current and call accounts	994	1,491
Short-term deposits	2,010	0
Total cash and cash equivalents	**3,168**	**1,854**

21 ASSETS HELD FOR SALE

No assets met the criteria necessary to be classified as held for sale, at either 31 March 2013 or 31 March 2014.

22 CREDITORS

	Restated 31 March 2013 £'000	31 March 2014 £'000
Central government bodies	(605)	(1,212)
Other local authorities	(663)	(3,258)
NHS bodies	0	(1)
Public corporations and trading funds	0	0
Other entities and individuals	(1,510)	(3,200)
Net carrying amount at the year-end	**(2,778)**	**(7,671)**

23 PROVISIONS

The movements in provisions during the year were as follows

	Balance 1 April 2012	Movements		Balance 31 March 2013	Movements		Balance 31 March 2014
		Used	Added		Used	Added	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Municipal Mutual Insurance	**(15)**	0	0	(15)	14	(20)	**(21)**
Business Rates Appeals	**0**	0	0	0	0	(500)	**(500)**
Town Centre Development	**0**	0	0	0	0	(10)	**(10)**
Total	**(15)**	**0**	**0**	**(15)**	**14**	**(530)**	**(531)**

24 USABLE RESERVES

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement (page 10).

25 UNUSABLE RESERVES

	31 March 2013 £'000	31 March 2014 £'000
Revaluation Reserve (Note 25a)	(5,591)	(5,839)
Capital Adjustment Account (Note 25b)	(24,681)	(21,097)
Financial Instruments Adjustment Account (Note 25c)	0	0
Deferred Capital Receipts Reserve (Note 25d)	(293)	(292)
Pensions Reserve (Note 25e)	41,032	32,676
Collection Fund Adjustment Account (Note 25f)	(93)	406
Accumulated Absences Account (Note 25g)	104	126
Total Unusable Reserves at year-end	**10,478**	**5,980**

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.

	2012/13 £'000	2013/14 £'000
Balance at 1 April	**(5,131)**	**(5,591)**
Upward revaluation of assets	(512)	(338)
Difference between fair value and historic cost depreciation	52	90
Downward revaluation and impairment not charged to the Comprehensive Income & Expenditure Statement	0	0
Balance at 31 March	**(5,591)**	**(5,839)**

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.

	2012/13 £'000	2013/14 £'000
Balance at 1 April	**(25,625)**	**(24,681)**
Adjustments between accounting and regulatory funding bases (see note 7)		
Items relating to capital charges		
Charges for depreciation of non-current assets	1,405	1,399
Charges for impairment of non-current assets	521	1,239
Amortisation of intangible assets	153	130
Revenue expenditure funded from capital under statute	295	624
Net cost assets disposed of	102	555
Movements in the market value of Investment Properties	(53)	948
Capital financing applied in the year		
Capital receipts used to finance new capital expenditure	(123)	0
Capital expenditure charged to the General Fund Balance	(304)	(152)
Statutory & voluntary provision for the repayment of debt	(591)	(270)
Grants used in the year to fund capital expenditure	(409)	(799)
Adjustments with the Revaluation Reserve (see note 25a)		
Accumulated gains on assets de-recognised	0	0
Difference between fair value and historic cost depreciation	(52)	(90)
Adjustment with Capital Receipts Reserve		
Balance at 31 March	**(24,681)**	**(21,097)**

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.

	2012/13 £'000	2013/14 £'000
Balance at 1 April	**(300)**	**(293)**
Transfer to Capital Receipts Reserve on receipt of cash	1	1
Transfer to Comprehensive Income & Expenditure	6	0
Balance at 31 March	**(293)**	**(292)**

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 Statement 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.

	2012/13 £'000	2013/14 £'000
Balance at 1 April	**33,959**	**41,032**
Actuarial (gains)/ losses on pension assets and liabilities	6,158	(10,127)
Reversal of charges posted to the Comprehensive Income & Expenditure Statement	2,492	3,536
Employers contributions and direct payments to pensioners payable in the year	(1,577)	(1,765)
Balance at 31 March	**41,032**	**32,676**

25f Collection Fund Adjustment Account

This account manages the differences arising from the recognition of Council Tax and Business Rates income in the Comprehensive Income and Expenditure Statement as it falls due from Council Tax payers and Business Rates payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

	2012/13 £'000	2013/14 £'000
Balance at 1 April	**(85)**	**(93)**
Amount by which Council Tax and Business Rates income credited to the Comprehensive Income & Expenditure Statement differs from the amount required by statute	(8)	499
Balance at 31 March	**(93)**	**406**

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 Statement. Statutory arrangements require however that the impact on the General Fund Balance is neutralised by transfers to or from this account.

	2012/13 £'000	2013/14 £'000
Balance at 1 April	**125**	**104**
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis differs from remuneration chargeable in the year in accordance with statutory requirements	(21)	22
Balance at 31 March	**104**	**126**

26 CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

	2012/13 £'000	2013/14 £'000
Interest received	238	467
Interest paid	(131)	(141)
Net	**107**	**326**

27 CASH FLOW STATEMENT – INVESTING ACTIVITIES

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

	2012/13 £'000	2013/14 £'000
Purchase of property, plant & equipment, investment property and intangible assets.	(2,019)	(24,996)
Purchase of short and long-term investments.	(10,000)	(7,000)
Proceeds from the sale of assets.	160	326
Proceeds from short and long-term investments.	8,374	15,894
Other payments for investing activities	0	(4)
Other receipts relating to investing activity (government grants).	682	(355)
Total investing activities	**(2,803)**	**(16,135)**

28 CASH FLOW STATEMENT – FINANCING ACTIVITIES

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

	2012/13 £'000	2013/14 £'000
Cash receipts from short and long-term borrowing	3,265	15,340
Cash paid to reduce lease liabilities	0	0
Repayments of borrowings	(552)	(3,612)
Change in indebtedness relating to NNDR(due from Government) and Council Tax (due from Precepting authorities)	(1,140)	(98)
Total financing activities	**1,573**	**11,630**

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 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**
Directorate Income and Expenditure 2013/14	**Chief Executive £'000**	**Partnerships Planning & Policy £'000**	**People and Places £'000**	**Total £'000**
Fees, charges & other service income	(2,067)	(1,889)	(2,861)	(6,817)
Government grants	(723)	(8)	0	(731)
Total Income	**(2,790)**	**(1,897)**	**(2,861)**	**(7,548)**
Employee expenses	4,840	2,321	3,417	10,578
Other service expenses	3,435	1,141	5,925	10,501
Total Expenditure	**8,275**	**3,462**	**9,342**	**21,079**
Net Expenditure	**5,485**	**1,565**	**6,481**	**13,531**

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.

	2012/13 £'000	2013/14 £'000
Net expenditure in the Directorate Analysis	13,380	13,531
Net expenditure of services and support services not included in the Analysis (Note a)	288	321
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis Note (Note b)	1,670	3,040
	15,338	**16,892**
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	**15,338**	**16,892**

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 2013/14, the expenditure and income reported separately included payments to the pension fund in respect of past service, 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.

2013/14	Directorate Analysis £'000	Services and Support Services not in Analysis £'000	Amounts not reported to management for decision making £'000	Allocation of Recharges £'000	Cost of Services £'000	Corporate Amounts £'000	Total £'000
Fees, charges & other service income	(6,817)	(905)	(48)	(15,917)	(23,687)	(325)	(24,012)
Interest and Investment Income						(3,557)	(3,557)
Income from council tax						(6,426)	(6,426)
Local share of business rates					0	(10,411)	(10,411)
Government grants and contributions	(731)	(25,589)	(409)		(26,729)	(8,072)	(34,801)
Total Income	**(7,548)**	**(26,494)**	**(457)**	**(15,917)**	**(50,416)**	**(28,791)**	**(79,207)**
Employee expenses	10,578	231	105		10,914		10,914
Other service expenses	10,501	26,584	624		37,709		37,709
Support Service recharges				15,917	15,917		15,917
Depreciation, amortisation & impairment			2,768		2,768		2,768
Interest Payments					0	5,780	5,780
Precepts & Levies					0	530	530
Business rates tariff and levy					0	8,148	8,148
Payments to Housing Capital Receipts Pool					0	1	1
Gain or Loss on Disposal of Fixed Assets					0	555	555
Total Expenditure	**21,079**	**26,815**	**3,497**	**15,917**	**67,308**	**15,014**	**82,322**
Surplus or deficit on the provision of services	**13,531**	**321**	**3,040**	**0**	**16,892**	**(13,777)**	**3,115**

2012/13	Directorate Analysis £'000	Services and Support Services not in Analysis £'000	Amounts not reported to management for decision making £'000	Allocation of Recharges £'000	Cost of Services £'000	Corporate Amounts £'000	Total £'000
Fees, charges & other service income	(6,608)	(713)	(47)	(15,937)	(23,305)	(124)	(23,429)
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)**	**(32,647)**	**(410)**	**(15,937)**	**(56,341)**	**(18,723)**	**(75,064)**
Employee expenses	10,670	232	(294)		10,608		10,608
Other service expenses	10,057	32,703	295		43,055		43,055
Support Service recharges				15,937	15,937		15,937
Depreciation, amortisation & impairment			2,079		2,079		2,079
Interest Payments					0	4,764	4,764
Precepts & Levies					0	567	567
Payments to Housing Capital Receipts Pool					0	1	1
Gain or Loss on Disposal of Fixed Assets					0	102	102
Total Expenditure	**20,727**	**32,935**	**2,080**	**15,937**	**71,679**	**5,434**	**77,113**
Surplus or deficit on the provision of services	**13,380**	**288**	**1,670**	**0**	**15,338**	**(13,289)**	**2,049**

30 ACQUIRED AND DISCONTINUED OPERATIONS

On 29 November 2013 the Council acquired the Market Walk shopping centre in Chorley Town Centre. (See Note 14 Investment Properties.)

There were no operations discontinued during the year.

31 TRADING OPERATIONS

The authority owns the Market Walk shopping centre, generating rental income from letting premises. The trading objective is to maximise the income stream for the council at a time when funding from central government is being cut. Bringing it under control of the local authority also means that its long-term future is secure and the council can develop the town centre as a whole. Details of the surplus made from operations in the four months to 31 March 2014 are as follows:

	2012/13 £'000	2013/14 £'000
Turnover	0	(574)
Expenditure	0	99
Surplus (See also Note 10)	**0**	**(475)**

The surplus excludes the costs of financing the acquisition, which are not being charged directly to the shopping centre trading account. The financing costs to 31 March 2014 were £149,000 and if taken into consideration gives a revised surplus in 2013/14 of £326,000.

32 AGENCY SERVICES

The Council acts as agent for central government, County Council and Fire Authority 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.

	2012/13 £'000	2013/14 £'000
Allowances	289	291
Expenses	4	4
Total	**293**	**295**

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	2013/14	108	1			109	22	131
	2012/13	103	6			109	21	130
Director of Partnerships, Planning and Policy	2013/14	97	0			97	20	117
	2012/13	90	8			98	17	115
Director of People and Places (note 1)	2013/14	81	0			81	17	98
	2012/13	114	4			118	17	135
Head of Shared Financial Services	2013/14	58	6			64	12	76
	2012/13	57	4			61	11	72
Head of Governance	2013/14	48	3			51	10	61
	2012/13	49	3			52	10	62
Head of Customer, ICT and Transactional Services	2013/14	50	5			55	10	65
	2012/13	50	4			54	10	64
Head of Human Resources & OD	2013/14	Salary below reporting threshold						
	2012/13	Salary below reporting threshold						
Head of Policy and Communications	2013/14	47	4			51	9	60
	2012/13	47	5			52	9	61

Note (1) The Director of People and Places' salary in 2012/13 included a one-off payment of £24k relating to revised conditions of employment.

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

Remuneration band	2012/13 Number of employees	2013/14 Number of employees
£50,000 - £54,999	4	3
£55,000 - £59,999	3	1
£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 £'000	
	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14
£0 -£20,000	0	1	13	10	13	11	62	106
£20,001 - £40,000	0	0	4	0	4	0	114	0
£40,001 - £60,000	0	0	0	1	0	1	0	48
£60,001 - £80,000	0	0	0	2	0	2	0	125
£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	1	17	13	17	14	176	279

37 EXTERNAL AUDIT COSTS

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

	2012/13 £'000	2013/14 £'000
Fees for statutory inspection and audit	67	60
Fees for the certification of grant claims and returns	22	12
Total	**89**	**72**

38 GRANT INCOME

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

	2012/13 £'000	2013/14 £'000
Credited to Taxation and Non-Specific Grant Income & Expenditure		
National Non-Domestic Rates (NNDR) from Central Pool	(5,928)	0
Revenue Support Grant (RSG)	(115)	(3,903)
New Homes Bonus grant	(1,044)	(1,805)
Other revenue grants	(249)	(532)
Capital Contributions - Section 106 Planning	(322)	(1,825)
Capital Other grants and contributions	(71)	(7)
Total	**(7,729)**	**(8,072)**
Credited to Services		
Grants – benefits related	(32,687)	(26,305)
Grants – other	(373)	(424)
Contribution – County Council reimbursement	(1,222)	(1,053)
Contributions – other	(479)	(618)
Total	**(34,761)**	**(28,400)**

Figures for NNDR and RSG are not directly comparable between 2012/13 and 2013/14 because of the implementation of Business Rates Retention and local Council Tax Support in 2013/14. In 2012/13 the Council received an allocation of NNDR from the Government's Central Pool; whereas in 2013/14 it received a local share directly from the Collection Fund. In 2013/14 Council Tax Benefit was replaced by discounts under the local Council Tax Support scheme; and the Subsidy previously received to finance the benefit expenditure was replaced by cash-limited funding within the RSG and local share allocations.

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:

Capital Grants	2012/13 £'000	2013/14 £'000
Grant – Regional Housing Pot	(716)	(664)
Grant – Lancashire County Council	(3)	(10)
Grant – Disabled Facilities Grants	(87)	0
Other grants and contributions	(43)	(29)
Total	**(849)**	**(703)**

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. The Council receives a proportion of the receipts from the preserved right to buy sales of dwellings to former Chorley council tenants (see note 46 Contingent Assets). In 2013/14 this totalled £0.163m (2012/13 £0.104m).

- **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 2013/14 gross expenditure of £1.862m (2012/13 £1.927m) 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.

	2012/13 £'000	2013/14 £'000
Opening Capital Financing Requirement	8,072	8,472
Capital investment		
Property, Plant and Equipment (Note 12)	1,511	1,650
Investment Properties (Note 14)	0	23,341
Intangible Assets (Note 15)	22	0
Revenue Expenditure Funded from Capital under Statute (Note 7)	295	624
Sources of finance		
Capital Receipts (Note 25b)	(124)	0
Government Grants and Other Contributions (Note 25b)	(409)	(799)
Sums set aside from revenue		
Revenue Financing (Note 25b)	(304)	(152)
Minimum Revenue provision – statutory (Note 25b)	(283)	(270)
Minimum Revenue provision – voluntary (Note 25b)	(308)	0
Sums set aside from capital receipts		
Voluntary provision for debt repayment	0	0
Closing Capital Financing Requirement	**8,472**	**32,866**
Explanation of movements in year		
Increase in prudential borrowing	991	24,664
Provision made for debt repayment	(591)	(270)
Increase/(Decrease) in Capital Financing Requirement	**400**	**24,394**

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 2013		31 March 2014	
	Payments £'000	Receipts £'000	Payments £'000	Receipts £'000
Not later than 1 year	789	(43)	712	(43)
Later than 1 yr, not later than 5	1,756	(170)	1,494	(170)
Later than 5 years	703	(425)	403	(383)
Minimum lease payments	**3,248**	**(638)**	**2,609**	**(596)**

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

	2012/13 £'000	2013/14 £'000
Minimum lease payments	789	752
Contingent rents	0	0
Sub-lease payments receivable	(43)	(43)
Total payable rentals	**746**	**709**

41b Authority as lessor

Finance 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 2013 £'000	31 March 2014 £'000
Finance lease debtor (present value of minimum lease payments)	289	289
Unearned finance income	2,282	2,259
Gross investment in the lease	**2,571**	**2,548**

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 2013 £'000	31 March 2014 £'000	31 March 2013 £'000	31 March 2014 £'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	2,452	2,429	2,452	2,429
Total	**2,571**	**2,548**	**2,571**	**2,548**

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, and 34 units in the Market Walk Shopping Centre. The future minimum lease payments receivable are:

	31 March 2013 £'000	31 March 2014 £'000
Not later than one year	368	2,095
Later than one year and not later than five years	1,183	6,476
Later than five years	11,685	14,382
Total receivable rentals	**13,236**	**22,953**

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).

	2012/13 £'000	2013/14 £'000
Impairment loss recognised in cost of services	0	0
Impairment losses reversed in cost of services	936	0
Impairment losses taken to the Revaluation Reserve	0	(197)
Total impairment losses	**936**	**(197)**

Material individual impairments	Amount	Directorate	Valuation	Basis
Reversal of previous impairments due to revaluation :				
- Clayton Green Sports Centre	£0.197m	Street Scene	Depreciated replacement cost	Cost to repair

43 TERMINATION BENEFITS

The Authority terminated the contracts of a number of employees in 2013/14 incurring liabilities of £0.279m (£0.176m in 2012/13). See note 36 for the number of exit packages and total cost. Termination payments made to Directors, Heads of Service and other senior managers in 2013/14 and 2012/13 are shown in note 36 as ‘compensation for loss of office.

44 DEFINED BENEFIT PENSION SCHEME

44a Governance

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 who have appointed a Pension Fund Committee (comprising a mix of County Councillors and representatives from other employers) to manage the Fund. The Committee is assisted by an investment panel which advises on investment strategy and risk management. The scheme is funded and pays defined benefits based on how long employees are active members, and their salary when they leave (a “final salary” scheme) for service up to 31 March 2014 and on revalued average salary (a “career average” scheme) for service from 1 April 2014 onwards.

44b Funding the liabilities

Regulations require actuarial fund valuations to be carried out every 3 years. Contributions for each employer are set having regard to their individual circumstances. Contributions must be set with a view to targeting the Funds solvency (the detailed provisions are set out in the Fund’s Funding Strategy Statement). The latest valuation, carried out as at 31 March 2013, showed a shortfall for all employers of £1.38bn or 22%. Employers are paying additional contributions over 19 years to meet the shortfall.

44c Risks

The primary risk is that the Fund’s assets will, in the long-term, fall short of its liabilities to pay benefits to members.

Investment risk management seeks to balance the maximisation of the opportunity for gain and minimise the risk of loss, on the fund’s investments. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk, and interest rate risk), by ensuring counterparties meet credit criteria, and that investments are within the limits set by the investment strategy.

Other risks - The fund managers have to ensure that the fund has adequate liquidity to meet its obligations as they arise. They must also be sensitive to any actions of government or changes in European legislation which might affect funding requirements.

Sensitivity to these risks is estimated in paragraph 44i.

44d 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:

	Restated 2012/13 £'000	2013/14 £'000
<u>Comprehensive Income & Expenditure Statement</u>		
Cost of Services		
Administration	27	27
current service cost	1,279	1,654
Past service cost	55	0
Settlement and curtailment	0	168
Financing and investment Income and Expenditure		
Interest costs	4,556	4,509
Expected return on scheme assets	(2,929)	(2,822)
Total post-employment benefit charged to the (Surplus)/Deficit on the Provision of Service	**2,988**	**3,536**
<u>Other post-employment benefit charged to the Comprehensive Income & Expenditure Statement</u>		
Re-measurement of the net defined benefit liability		
Return on plan assets, excluding amount included in interest expense	(6,165)	(1,096)
Actuarial gains & losses from changes in demographic assumptions	1,004	446
Actuarial gains & losses from changes in financial assumptions	10,823	(9,477)
Total post-employment benefit charged to the Comprehensive Income & Expenditure Statement	**8,650**	**(6,591)**
<u>Movement in Reserves Statement</u>		
Reversal of net charges made to the (Surplus)/Deficit on the Provision of Services	See note	(3,536)
Actual employer contributions to the scheme	1,577	1,766

Note. The restated 2012/13 transactions shown above differ from the original only in analysis, not in total, in their impact on the Comprehensive Income & Expenditure Statement. The net charges were fully reversed.

44e Pension assets and liabilities recognised in the balance sheet

The amount included in the balance sheet arising from the Authority's obligation in respect of its defined benefit plans is as follows

	Scheme Liabilities Local Government Pension Scheme	
	2012/13 restated £'000	2013/14 £'000
Present value of the defined benefit obligation	(108,813)	(100,591)
Fair value of plan assets	67,776	67,899
Sub-total	(41,037)	(32,692)
Other movements in the (liability) asset	0	0
Net liability arising from defined benefit obligation	**(41,037)**	**(32,692)**

44f Reconciliation of fair value of the scheme (plan) assets

	Scheme Assets Local Government Pension Scheme	
	Restated 2012/13 £'000	**2013/14 £'000**
1 April	**60,825**	**67,776**
Interest income	2,929	2,822
Re-measurement gain/(loss)		
Return on plan assets, excluding amount included in interest expense	6,165	(1,514)
Employer contributions	1,626	1,754
Employee contributions	449	454
Benefits paid	(4,191)	(3,366)
Other	(27)	(27)
31 March	**67,776**	**67,899**

44g Reconciliation of present value of the scheme liabilities (defined benefit obligation)

	Scheme Liabilities Local Government Pension Scheme	
	Restated 2012/13 £'000	**2013/14 £'000**
1 April	**(94,838)**	**(108,813)**
Current service cost	(1,279)	(1,654)
Interest cost	(4,556)	(4,509)
Contributions by scheme participants	(449)	(454)
Re-measurement gains and (losses)		
changes in demographic assumptions	(1,004)	(446)
Changes in financial assumptions	(10,823)	9,477
Other	0	2,610
Benefits paid	4,191	3,366
Curtailment	0	(168)
Past service costs	(55)	0
31 March	**(108,813)**	**(100,591)**

44h Local Government Pension Scheme assets comprised

	Fair value of scheme assets	
	2012/13 £'000	**2013/14 £'000**
Cash and cash equivalents	2,367	1,179
Equity investments (by industry type)		
Consumer	8,266	8,733
Energy	725	1,381
Financial institutions	3,350	5,006
Health and care	2,651	3,061
Information technology	3,670	4,505
Industrials	3,136	4,136
Other	2,068	2,823
Sub total equity	23,866	29,645
Bonds		
UK corporate	3,071	2,659
Overseas corporate	4,416	3,594
Government	6,273	2,081
Sub total bonds	13,760	8,334
Property		
Retail	2,635	2,553
Commercial	3,300	2,999
Sub total property	5,935	5,552
Private equity		
UK	3,911	1,726
Overseas	7,157	7,791
Sub total private equity	11,068	9,517
Other		
Infrastructure	2,107	3,694
Property	103	341
Credit funds	5,621	9,637
Emerging markets ETF	2,949	0
Sub total alternatives	10,780	13,672
	67,776	**67,899**

44i 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 2013.

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

	Local Government Pension Scheme	
	2012/13	**2013/14**
Long-term expected rate of return on assets in the scheme		
Equity investments	7.0%	7.0%
Government bonds	2.8%	3.4%
Other bonds	3.9%	4.3%
Property	5.7%	6.2%
Cash/liquidity	0.5%	0.5%
Other	7.0%	0.0%
Mortality assumptions		
Longevity at 65 for current pensioners		
Men	22.1 yrs.	22.8 yrs.
Women	24.8 yrs.	25.3 yrs.
Longevity at 65 for future pensioners		
Men	23.9 yrs.	25.0 yrs.
Women	26.7 yrs.	27.7 yrs.
Rate of inflation (CPI)	2.4%	2.4%
Rate of increase in salaries	4.4%	3.9%
Rate of increase in pensions	2.4%	2.4%
Rate for discounting scheme liabilities	4.2%	4.5%
Take up option to convert pension into lump sum	50%	0.0%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes in the assumptions occurring at the end of the reporting period, and for each assumption assumes that other factors remain unchanged.

	Impact on the defined benefit obligation in the scheme £'000
Longevity (increase 1 year)	1,998
Rate of inflation (increase of 0.1% p.a.)	1,853
Salary inflation (increase of 0.1% p.a.)	366
Rate for discounting scheme liabilities (increase of 0.1%)	(1,820)

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 £0.122m plus interest and costs. The claimants have also intimated that they may bring a claim against all English and Welsh local authorities 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 2014 there are 11 years of the liability period outstanding.

The Collection Fund includes a £1.25m provision for appeals by businesses against overcharging of National Non-Domestic Rates up to 2013/14. The Council's £0.500m share of the provision is disclosed in Note 23. The provision was based on the appeals lodged with the Valuation Office Agency (VOA) at 31 March 2014, being an estimate of the percentage of appeals likely to be successful and the value of refunds. However, it is not possible to quantify appeals that had not been lodged with VOA at year-end, therefore there is a risk that the value of successful appeals could exceed the current provision.

46 CONTINGENT ASSETS

The Council submitted a claim to HM Revenue and Customs regarding VAT overpaid over many years, mainly at its leisure centres. This has been settled save for outstanding claims for compound interest, which could total £0.400m.

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 eight 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 consider its Treasury Management Strategy annually. The Strategy 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.

Bank Loans

The Council's Investment Strategy restricts investments to a narrow range of counterparties. At 31 March 2014 it had a single short-term deposit totalling £2.08m. There was no evidence to suggest a risk of impairment. The deposits declared in previous years as impaired were finally repaid during 2013/14.

Sundry Debtors

The sundry debtors (note 16a) are analysed by age and risk in the following table.

	Gross £'000	Default risk £'000	Net £'000
Not yet past due date	2,985	693	2,292
Up to three months past due date	802	13	789
Three to six months past due date	25	2	23
Six months to one year past due date	376	15	361
Beyond one year	815	806	9
Total	**5,003**	**1,529**	**3,474**

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

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. Interest rates on its borrowings vary between 1.55% and 4.34%, and the maturity analysis of its borrowing is as follows:

	31 March 2013 £'000	31 March 2014 £'000
Less than 1 year	350	1,457
Between 1 and 2 years	350	6,263
Between 2 and 5 years	6,049	3,587
More than 5 years	523	9,151
Total	**7,272**	**20,458**

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 as shown in the following table:

	£'000
Loss - Increase in interest payable on variable rate borrowings	0
Gain - Increase in interest receivable on variable rate investments	(128)
Gain - Impact on Comprehensive Income and Expenditure Statement	(128)
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)	(45)

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

Foreign Exchange Risk – The Council has no material exposure to the risk of currency movements.

48 HERITAGE ASSETS – FIVE YEAR SUMMARY OF TRANSACTIONS

There were no disposals or acquisitions during the five years 2009/10 to 2013/14.

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 (Proceeds of Sale of the Former Free Library).

2013/14	Income £'000	Expenditure £'000	On Balance Sheet Assets £'000	On Balance Sheet Liabilities £'000	Off Balance Sheet Assets £'000	Off Balance Sheet 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	0	32	32	93	93
H T Parkes Baths Fund	(1)	0	0	0	2	2
Total	**2**	**0**	**39**	**39**	**98**	**98**

2012/13	Income £'000	Expenditure £'000	On Balance Sheet Assets £'000	On Balance Sheet Liabilities £'000	Off Balance Sheet Assets £'000	Off Balance Sheet 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**	**0**	**36**	**36**	**96**	**96**

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 (Business Rates).

2012/13 Business Rates £'000	2012/13 Council Tax £'000	Collection Fund	2013/14 Business Rates £'000	2013/14 Council Tax £'000
		INCOME		
	55,480	Council Tax Receivable		50,161
26,603		Business Rates Receivable	26,496	
26,603	55,480		26,496	50,161
		EXPENDITURE		
		Apportionment of Previous Year Surplus/(Deficit)		
		Central Government		
	37	Chorley Council (Note 11)		77
	210	Lancashire County Council		441
	12	Lancashire Combined Fire Authority		25
	28	Police & Crime Commissioner for Lancashire		60
0	287		0	603
		Precepts, Demands and Shares		
26,476		Central Government	13,014	
	6,969	Chorley Council (Note 11)	10,411	6,340
	39,914	Lancashire County Council	2,342	35,571
	2,292	Lancashire Combined Fire Authority	260	2,085
	5,400	Police & Crime Commissioner for Lancashire		5,008
26,476	54,575		26,027	49,004
		Charges to Collection Fund		
	59	Write offs of uncollectable amounts		94
	503	Increase/(Decrease) in Bad Debt Provision	355	388
		Increase/(Decrease) in Provision for Appeals	1,250	
127		Cost of Collection	134	
127	562		1,739	482
0	**56**	**Surplus/(Deficit) arising during the year**	**(1,270)**	**72**
0	(8)	Transfer (to)/from Collection Fund Adjustment Account (Notes 11 and 25f)	508	(9)
0	(48)	Net Transfer to Central Government & Major Preceptors	762	(63)
0	**0**	**Surplus/(Deficit) at 31 March**	**0**	**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 year's 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. See also Note 7.

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 2013/14 was calculated as follows:

Band	Dwellings	Dwellings adj. for discounts & exemptions	Proportion of Band D Charge	Band D Equivalent
A (disabled)	0	12	5:9	6.40
A	14,469	11,962	6:9	7,974.80
B	10,552	9,268	7:9	7,208.80
C	8,928	8,056	8:9	7,161.10
D	6,195	5,712	9:9	5,711.50
E	4,345	4,076	11:9	4,981.50
F	1,808	1,704	13:9	2,461.70
G	800	759	15:9	1,265.40
H	63	42	18:9	84.00
Total	**47,160**	**41,591**		**36,855.20**
Less adjustments for anticipated changes to the base and losses on collection				**(412.74)**
Add adjustment for new properties/technical changes to discounts				**659.20**
Less local Council Tax Support Scheme discounts				**(4,351.00)**
Band D Equivalent Number of Properties				**32,750.66**

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 £1,480.11 for 2013/14 and £1,499.65 for 2012/13). The other valuation bands are proportionate to this.

SIGNIFICANT PRECEPTORS

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

	2012/13 £000	2013/14 £000
Lancashire County Council	39,914	35,571
Police & Crime Commissioner for Lancashire	5,400	5,008
Lancashire Combined Fire Authority	2,292	2,085

ACCOUNTING FOR BUSINESS RATES

From 2009/10 to 2012/13, accounting arrangements for NNDR reflected the fact that it was in substance an agency arrangement, the Council being the agent of the Government in the collection of the charge. Consequently:

1. NNDR income did not belong to the billing authority and was not included in its CI&ES.
2. NNDR debtor and creditor balances with taxpayers were not recognised in the authority's balance sheet.
3. Cash collected belonged to the Government, and any amounts over or under paid were recognised in the balance sheet as a Government debtor or creditor.

From 2013/14, NNDR income, debtor and creditor balances, provisions, arrears and prepayments have been apportioned between the Council, Government, Lancashire County Council, and Lancashire Combined Fire Authority, as a result of the implementation of Business Rates Retention.

NNDR DETAILS OF CHARGE

Business Rates are organised on a national basis. In 2005/06 the Government introduced a Small Business Rate Relief Scheme. This results in there being two multipliers – one for small businesses at 46.2p in 2013/14 and one for larger businesses at 47.1p.

The Business Rates income, after reliefs and provisions, was £24.9m for 2013/14 (£26.6million for 2012/13).

The rateable value for the Council's area at the end of the financial year 2013/14 was £68.75m (£68.25m in 2012/13).

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