
Chief Executive's Office

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Date: 28 June 2007

Chief Executive: Donna Hall

Chorley
Council

Town Hall
Market Street
Chorley
Lancashire
PR7 1DP

Dear Councillor

AUDIT COMMITTEE - THURSDAY, 28TH JUNE 2007

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

Agenda No Item

3. **Annual Accounts and Governance Statement 2006/07 (Pages 1 - 74)**
 Report of the Director of Finance (enclosed)
 Financial Statement 2006/2007 (enclosed)

Yours sincerely



Chief Executive

Encs

Distribution

1. Agenda and reports to all Members of the Audit Committee for attendance (Councillor Anthony Gee (Chair), Councillor Mary Wilson (Vice Chair) and Councillors Alan Cain, Magda Cullens, Michael Devaney and Keith Iddon)
2. Agenda and reports to Gary Hall (Director of Finance), Donna Hall (Chief Executive), Garry Barclay (Audit and Risk Manager), Andy Armstrong (Assistant Audit Manager) and Dianne Scambler (Trainee Democratic Services Officer) for attendance.
3. Agenda and reports to Mike Thomas (Audit Commission) and Tony Hough (Audit Commission) for attendance.

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આ માહિતીનો અનુવાદ આપની પોતાની ભાષામાં કરી શકાય છે. આ સેવા સરળતાથી મેળવવા માટે કૃપા કરી, આ નંબર પર ફોન કરો: 01257 515822

ان معلومات کا ترجمہ آپ کی اپنی زبان میں بھی کیا جاسکتا ہے۔ یہ خدمت استعمال کرنے کیلئے براہ مہربانی اس نمبر پر ٹیلیفون کیجئے: 01257 515823

Report of	Meeting	Date
Director of Finance	Accounts Committee	28/06/07

FINANCIAL STATEMENT 2006/2007

PURPOSE OF REPORT`

- To seek approval from Members of the accounts for 2006/2007.

CORPORATE PRIORITIES

- The financial results for the year relate to ensuring the authority is a performing organisation.

RISK ISSUES

- The issue raised and recommendations made in this report involve risk considerations in the following categories:

Strategy		Information	
Reputation		Regulatory/Legal	4
Financial	4	Operational	
People		Other	

- The report is concerned with the process for reporting the financial performance and health of the authority at March 2007. Failure to perform represents a risk in terms of the future financial stability of the Council and presenting the accounts fairly and accurately is a key piece of evidence for the Council's use of resources judgement. Failure to achieve a sign off from the accounts may result in failure to achieve excellent status under the Comprehensive Performance Assessment.

THE ACCOUNTS

- Attached to this report are the Council's draft accounts for approved is required by the Accounts and Audit Regulations 2006.
- The Council's financial outturn for the last financial year was reported to the Executive Cabinet on the 26 June 2007. The attached accounts present the revenue and capital information in the form required by the Local Authority Statement of Recommended Practice, which is the proper practice for this purpose.
- In terms of the overall picture and issues, the financial year 2006/07 was a particularly interesting and important year. In the year the Council's stock was transferred to Chorley Community Housing, the Council undertook a series of significant Directorate Restructures and the organisation was led by a new Chief Executive and Administration.

8. With regard to the key messages contained in the Statement, I believe they are as follows:
- On the General Fund normal activity the Council slightly underspent (158k or 2.3%) against its cash target, however, a provision to pay interest on the Gillibrand Link Road Scheme absorbed that underspend.
 - The Council was required to use part of its working balances £232k as a result of the provision for interest required on the Gillibrand Scheme.
 - A greater surplus from that originally budgeted was generated on the Housing Revenue Accounts, due in part to the final arrangements in relation to the stock transfer.
 - However end of year balances were still within the range identified in the Council's Financial Strategy.
 - The Collection Fund ran at a small deficit for the year.
 - An additional £1.288m has been provided for in relation to expected payments to the developer for the Gillibrand Compensation. Ultimately this may be more or less dependent upon the arbiters findings. A contingent liability (ie something that may happen in future) has been identified in the accounts of £2m, which represents the maximum amount the developer could be awarded by the arbiter.
 - The Council Pension deficit reduced from £22m to £17.7m in 2006/07. Whilst the reduction is welcome, the Council still has a scheme that requires further funding.
 - The Council this year produced a statement which reviews the Council's governance arrangements and this is included in the accounts.
9. As Members are aware the statutory timetable for the production of the accounts has gradually been brought forward. Approval at this time is in line with the statutory requirements.
10. The formal audit of accounts will begin in early July. If any matters arise from this that need to be brought back to this Committee, appropriate arrangements will be made.

ANALYSIS OF STATEMENTS

11. In order to assist Members in the interpretation of the Authority's accounts I will now provide a brief review of the main accounting statement and the significant issues within them.

THE GOVERNANCE ASSURANCE STATEMENT

12. The most recent accounts and Audit regulations gave the Council the option to publish a wider Annual Governance Statement (AGS) in place of the Statement of Internal Control (SIC). This is seen as good practice and urges Councils to:
- develop and maintain an up to date local Code of Governance consistent with the Core Principles set out in the CIPFA/SOLACE good guidance document.
 - review their existing governance arrangements against the framework.
 - prepare a governance statement in order to report publicly the report to which the Council complies which in this instance is the CIPFA/SOLACE guidance.

The results of the review are reported in the Statement contained in this Statement of Accounts. The positive news is that many of the good practices and conducts highlighted as good practice in the CIPFA/SOLACE framework have been adopted by the Council. However there remain some areas where the Council's performance can be improved. The areas together with how the Council will improve on these areas are summarised in the Statement.

INCOME AND EXPENDITURE ACCOUNT

18. The Council's Income and Expenditure account shows a net deficit of £4.363m. This figure is a result of a change in accounting practice as we move towards UK GAPP accounts to match the private sector. As a result amounts previously charged to the Income and Expenditure account are now excluded, but are shown in a reconciling note. The net surplus (underspend) on normal activities for the year on the Council's Revenue Income and Expenditure Account was £158k after allowing for planned slippage. This equates to £2.3% of the net cash budgets, which is within acceptance tolerances.
19. During the year the targets set for savings in relation to both staff turnover and efficiencies were met. However with the underspend there was a number of key expenditure areas where there was significant cost pressures namely:
 - Waste and Recycling
 - Concessionary Travel
20. Both of the elements which have significant budgets in relation to the Council's overall budget costs more than was budgeted. Within the waste and recycling budget being £60 3.7% overspent and the concessionary travel scheme costing the Council £133k more than expected. Both of these items were reported in budget monitoring as performance issues, and are as a result of a greater than expected demand for both recycling and free travel. Going forward both of these items will create cost pressures which will need to be dealt with in terms of the Council continuing to achieve a balanced budget.
21. Whilst the Council managed to contain spending on normal activities during the year it became evidence that the level of compensation due to the developer for the Gillibrand Link Road would probably be greater than the Council had budgeted for. Whilst the initial impact of an increase in the Compensation would be within the Capital programme and budget, the Council will be required to pay interest on the sum awarded, which would be a revenue cost, charged initially to the Council's Income and Expenditure Account.
22. The final sum payable will be determined by arbitration, but I have had to make an estimate of the likely outcome for the purposes of closing the accounts and presenting fairly the financial position of the Council.
23. Members should also note that in relation to the accounts I have provided a note under the Contingency Liability heading that subject to the outcome of the arbitration a further sum up to £2m may be payable. This is to give the reader of the accounts an indication that in the future a further liability might arise?
24. The estimates of the figure to be paid range from between £800k and £4m. Having looked at the case presented I have allowed for a capital sum of £2m. Consequently I have provided for £390k of interest to be paid, which represents simple interest payable from the date of the original agreement back in the early 1990s.
25. The impact of making that provision is that the Council's Income and Expenditure Account shows an in year deficit of £232k (£390k-£158k). This deficit is initially to be financed from the Council's working balances. However, I shall be seeking to capitalise the interest charge, but require a direction from the government to enable this to be done.

There are no guarantees that this course of action will be allowed as the Government considers such applications on a case by case basis.

26. The impact of the final Income and Expenditure position on the Council's balances is explored further in the next section of the report.

RESERVES AND BALANCES

27. As a consequence of having an in year deficit the level of the Council's working balances (ie that set aside for unexpected areas and to cover the financial risks contained in the Council's budget has changed) are as follows:

	2005/2006 £000	Movement in 2001/04 £'000	Balance 31 March 2007 £'000
Working Balances	1,000	232	769

28. Working balances are £769k at the end of the financial year. This figure is just within the range set in the Council's Medium Term Financial Strategy.

29. For other specific reserves, the sums available at the year end are as follows:

EARMARKED RESERVES	Balance 31 March 2007 £'000
Building control reserve	0.050
Astley Hall working reserve	0.009
Directorate economic reserves	0.179
Job Evaluation	0.017
e-workforce	0.062
Local Development Framework	0.202
Elections equalisation reserve	0.022
Business growth incentive	0.201
Performance reward growth	<u>0.143</u>
	0.885

30. The table shows that earmarked reserves total £0.885. The largest of the reserves relate to the Local Development Framework (LDF) and business growth incentive reserves. The LDF reserve is money set aside to pay for a judicial review, should this occur following the creation of the LDF. The Business Growth Incentive reserve has accumulated from the Local Authority Business Growth Incentive grant paid to the Council by the Government. As these reserves are earmarked, for the bulk of the reserves plans are in place to utilise the reserve during 2007/2008.

31. Members will know that during 2006/2007 the Council transferred its housing stock to Chorley Community Housing. As a consequence any working balances available from the former Housing Revenue Account become available to the Council for their own use. At the 31 March 2007 balances stood at £966k. During 2007/2008 the Council's Housing Revenue Account will be formally closed following a direction from the Secretary of State and the £966k transfers to the Council's working balances.

RECOGNISED GAINS AND LOSSES

32. Not all gains and losses experienced by a local authority are reflected in the Income and Expenditure Account. The main areas where this occurs are in relation to increases in the revaluing of fixed assets and the gains and losses on the Pension Fund.

During 2006/2007 there were some significant movements, explained as follows:

£57,290 revaluation of fixed assets
 (3,800) gain on Pension Fund revaluation

The revaluation deficit is the writing out of the Council's books of the housing stock and the gain on pensions is caused by in the main a reduction in liabilities, as the profile has changed.

BALANCE SHEET

33. The balance sheet sets out the Authority's assets and liabilities at the end of the financial year. It is very important to keep in mind the fact that the balance sheet only gives a 'snap shot' of the financial position at a given point in time, and can quite literally change the next day. Common reasons for this to happen can include receiving cash from a debtor, paying out creditors money owed to them or the purchase or sale of our assets.
34. I have presented below some standard ratio and summary analysis to help interpret the financial position at the end of the year.

Liquid Ratios

	2005/2006	2006/2007
Current Ratio	0.72:1	1.17:1
Quick Ratio	0.70:1	1.16:1

35. The current ratio is the ratio of total current assets to total current liabilities, and the quick ratio is the same ratio but excluding stocks and work-in-progress.
36. In the quick ratio the value for stock is removed, as it is not necessarily a simple task of turning stock into an equivalent cash value.
37. The purpose of the two working capital ratios is to demonstrate how liquid, or how much access to cash an organisation has. For our authority the values for 2005/2006 shown that for every £1 of current liability we had 72p worth of current asses including stocks, or 70p of assets if we exclude stock.
38. For 2007/2008 this position has improved further with the ratio increasing.

ASSETS

39. The Council's asset value and therefore its overall net worth has reduced significantly if compared with the last financial year. This is a consequence of the transfer of the Council's housing stock to Chorley Community Housing.

LONG TERM DEBTORS

40. The reduction in long term debtors is a consequence of the assumption made in relation to the Gillibrand Link Road Scheme. We were anticipating that English Partnerships would receive a further sum from the development. However, the increased costs mean that this is no longer likely.

SHORT TERM INVESTMENTS AND BORROWING

41. Overall the Council's cash position at the 31 March 2007 has improved compared to last year as the Council had funds invested rather than being in a net borrowing position.

DEVELOPER CONTRIBUTIONS (S106 FUNDS)

42. The level of developer contribution available reduced significantly during the year from £5.2m to £2.8m. This is mainly as a result of passporting the money held for the Eaves Green Link Road over to Lancashire County Council as part of the agreement to complete the scheme.

CONTINGENT ASSETS AND LIABILITIES

43. Contained in the Accounts are references to two potential issues that will impact significantly if they happen. The main one is in relation to the Gillibrand Link Road Compensation whereby if the Arbiters decision is greater than the £2m assumed in the accounts has this sum will have to be paid for, this will affect both the capital and revenue position.

CASH FLOW

44. Overall the Council's cash flow was positive in year. This means the Council managed its cash in such a way that we received more than we put out.
45. The general trend in relation to cash flow is downwards as if we exclude the cash received from the sale of the Council's housing stock, we would have seen an overall decrease, albeit at the margin.
46. The Council will need to continue to look at ways of managing its cash flow efficiently and to ensure the costs of cash flow are minimised.

HOUSING REVENUE ACCOUNT

47. The Housing Revenue Account generated an in year surplus of £373k, due in part of the housing transfer. However contained within that year end surplus was a net deficit on the repairs of just over £200k.
45. As a consequence HRA working balances increased to £966k which is broadly as anticipated and reported in monitoring. We are now required to apply to the Government to formally close the Housing Revenue Account following the conclusion of the 2006/07 Audit and a direction from the Secretary of State. Once closed the £966k of balances will transfer into the Council's general balances.

THE COLLECTION FUND

48. The Collection Fund represents effectively a holding fund where surplus and deficit on collection are redistributed to the Precepting Councils. In year a small deficit of £205k occurred which in the main is a result of not as many new properties as expected

becoming eligible to pay Council Tax. Chorley Borough Council's element of this deficit amounts to only £26k.

49. The Collection Fund account overall is still in surplus at just over £170k. The intention is to run the Collection Fund on a cost neutral basis so having a small balance represents good practice, as surpluses are not accumulating that are when used to smooth future years Council Tax levels.

SUMMARY

50. The Statements show that in overall terms the financial standing of the Council remain good. Working balances (including the transferral from the HRA) are at a level that covers the inherent risk, particularly in relation to the risk of an adverse outcome from the arbiter regarding the Gillibrand Link Road Compensation.

GARY HALL
DIRECTOR OF FINANCE

There are no background papers to this report.

Report Author	Ext	Date	Doc ID
Gary Hall	5480	25 June 2007	FINREP/2506LM1

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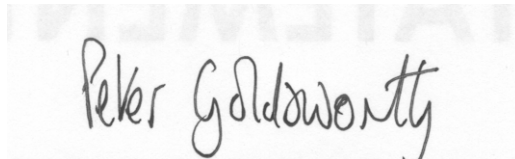
Chorley Council

FINANCIAL STATEMENT

Year Ended March 31, 2007



FINANCIAL STATEMENT
YEAR ENDED 31 MARCH 2007

A rectangular box containing a handwritten signature in black ink that reads "Peter Goldworthy".

LEADER OF THE COUNCIL
Councillor P Goldworthy

A rectangular box containing a handwritten signature in black ink that reads "G Hall".

DIRECTOR OF FINANCE
Gary Hall BA CPFA

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explanatory foreword



1. INTRODUCTION BY THE DIRECTOR OF FINANCE

The Council's Statement of Accounts is intended to show the overall financial position of the Authority. This foreword provides a summary of the key matters reported in the Accounts. The Accounts comprise the following statements that have been prepared in accordance with the Code of Practice on Local Authority Accounting In Great Britain.

Statement of Responsibilities, which sets out the respective responsibilities of the Authority and the Director of Finance for the accounts.

Statement of Accounting Policies, which explains the basis for recognition, measurement and disclosure of transactions and other events in the accounts.

Governance Assurance Statement. The Leader of the Council, Chief Executive, and Director of Finance, supported by other senior officers and members, have responsibility to ensure that proper Corporate Governance arrangements are in place throughout the Council. This means having:

- An effective system of Internal Control; and
- Proper management of the risks that might prevent the Council achieving its stated aims, objectives and priority outcomes.

Income and Expenditure Account, which brings together expenditure and income relating to all the Authority's functions.

Statement of Movement on the General Fund Balance, this reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.

Statement of Total Recognised Gains and Losses, this statement brings together all the gains and losses of the Council for the year and shows the aggregate increase in its net worth.

Balance Sheet, which sets out the assets and liabilities for the Authority.

Cash Flow Statement, which summarises the inflows and outflows of cash at the Authority during the accounting period.

Housing Revenue Account, which shows the income and expenditure involved in the management and maintenance of the Council's housing stock.

Collection Fund Account, which shows transactions in relation to the collection and distribution of Non Domestic Rates and Council Tax.

Each of the statements is inextricably linked and whilst individually important must be seen collectively to ensure they are looked at in context. Set out below is some interpretation of the accounts and information about the financial position of the Council.

The key changes in year in relation to the overall look and feel of the accounts relate to the transfer of the Councils Housing Stock to Chorley Community Housing and the introduction of a new set of accounting statements. The consequence of these changes are that the Council Asset base has significantly reduced as the stock no longer belongs to the Council. The new accounting statements, I believe, have made the accounts more understandable from a readers perspective.

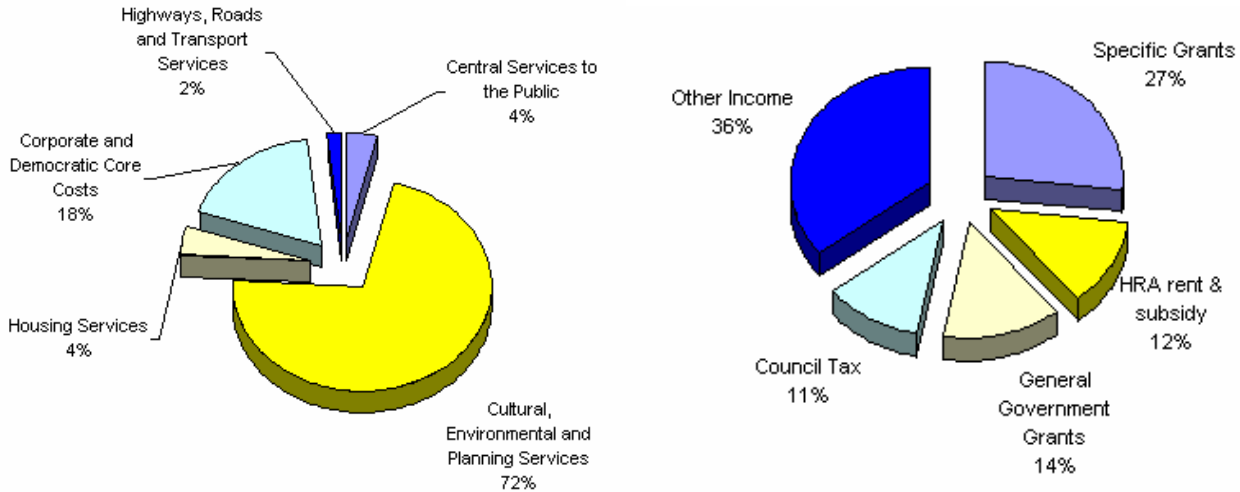
2. INCOME AND EXPENDITURE 2006/07

The Council spends money on a variety of services. Set out in Figure 1 below is a summary of the main areas on which money has been spent during the year. The Council finances its expenditure from a variety of sources. Also shown in Figure 1 below are the sources from which the money is derived to pay for services.

explanatory foreword



Figure 1. Revenue Expenditure & Funding



During the year the Council's net cash expenditure on the General Fund revenue account amounted to £0.231m when compared against planned expenditure. The main variations, analysed by directorate, against that originally planned are summarised in the table below:

Figure 2. Budget Variations by Unit 2006/07

Service	Cash Budget 2005/06 £'000	Actual 2005/06 £'000	Cash Variation 2005/06 £'000	Cash Budget 2006/07 £'000	Actual 2006/07 £'000	Cash Variation 2006/07 £'000
Chief Executive's Office	1,114	1,104	(11)	925	914	(11)
Customer, Democratic & Legal Services	2,125	2,183	59	2,171	2,180	9
Development & Regeneration	781	714	(67)	762	696	(66)
Finance	1,102	1,074	(28)	1,762	2,010	248*
Human Resources	510	502	(8)	537	463	(74)
ICT Service	873	859	(14)	951	889	(62)
Leisure & Cultural Services	1,110	1,136	26	1,248	1,273	25
Policy and Performance	485	480	(5)	556	547	(9)
Property Services	7	(4)	(11)	29	376	347*
Streetscene, Neighbourhoods & Environment	4,469	4,453	(16)	4,654	4,565	(89)
Net Financing and use of Reserves	537	627	90	863	776	(87)
Net Expenditure to Finance	13,113	13,128	15	14,458	14,689	231

* These were areas where services cost more than expected in relation to benefits when the Governments mechanism for reimbursing the Council changed and the Council whilst still successful in recovering overpayments actually recovered less than anticipated. In addition the Council has items in dispute with a developer over final costs of the Gillibrand Link Road Scheme. The dispute is currently in arbitration, but as a manor of prudence I have provided for a significant increase in the likely final payment.

explanatory foreword



3. CAPITAL SPENDING AND FINANCING 2006/07

During the year the Council spent a total of £13.269m on capital schemes. £2.138m of that sum was expended on the Housing Investment Programme (HIP), improving both private sector and Council housing.

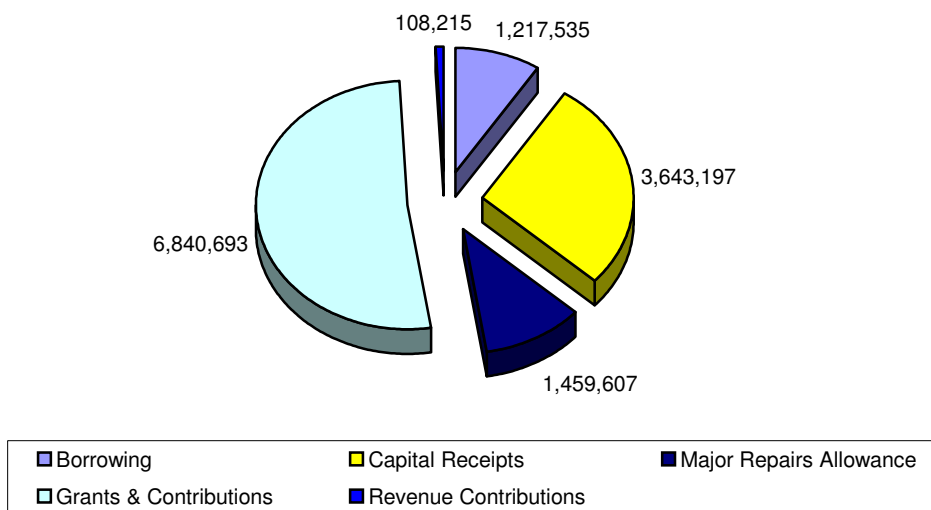
Key areas of expenditure included sums spent on:

- Cost associated with making the Council more efficient
- Modernising and improving the Council's properties
- Investing in recycling initiatives
- Investing in regeneration projects
- Continuing investment in window and door replacement on Council-owned housing stock
- Completing the Eaves Green Link Road Scheme

The capital spending in 2006/07 was financed from these sources:

- Capital receipts £3.643m
- Grants and contributions £6.840m
- Revenue financing, including Major Repairs Allowance £1.569m
- Prudential borrowing (in respect of HIP expenditure) £1.217m

Figure 3. Sources of Finance for Capital Spending



4. OVERALL THE FINANCIAL POSITION OF THE AUTHORITY REMAINS POSITIVE

A balanced revenue budget continues to be achieved, and funds set aside for contingencies and any fluctuations in spending are sufficient. There still remains some risk in managing the budget and ensuring the continuity of resources to finance the Council's plans. Some of the key issues at hand include:

- Uncertainty about the levels of Government support
- The ability of the Authority to deliver the expected savings factored into the budget
- The effects of changes in legislation to the funding of housing benefits
- The effects of changes in legislation to fund concessionary travel

explanatory foreword



5. PENSIONS FUND

The Pension Fund actuarial valuation was completed during the financial year 2005/06. The FRS17 deficiency shown in the statements of recognised gains and losses statement. The excess of the accrued pension liabilities assessed on a prescribed basis, compared with the market value of assets at a single point in time (ie 31 March 2007) is shown in the balance sheet at £17.7m. It represents an actuarially calculated figure for accounting purposes. Whilst successive year on year FRS17 figures can normally be expected to give a general indication of how the finances of the fund are progressing only if the actual assumptions come to fruition will the true picture be known. The outcome from the fund valuation is that there is an underlying deficit and as such the employers contribution rate will rise incrementally over the next three years to redress the deficit.

6. FUTURE DEVELOPMENTS AND SPENDING

The Council's vision is **to make Chorley a better place to live, work and visit**. In order to achieve this the Council's key priorities remain:

- Prosperity
- People
- Place
- Performance

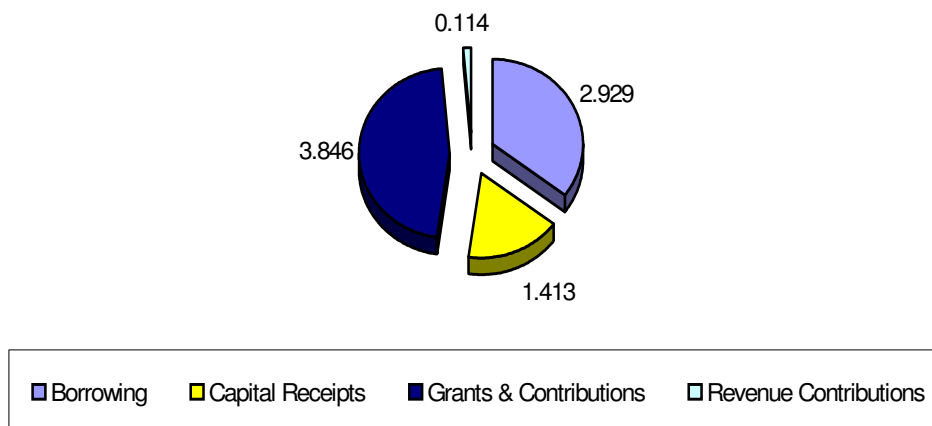
Future spending of both a capital and revenue nature will be directed to these priority areas.

Our commitment to making Chorley a better place to live will mean that key improvements will be made In 2007/08. We plan to spend £8.302m on capital schemes comprising:

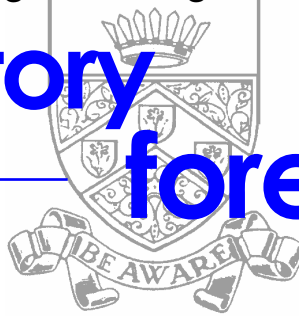
- Investing in our Partners
- Affordable Housing
- Enhancing parks within the Borough
- The Councils leisure facilities
- Enhanced recycling

In order to pay for the investment programme the resources to be used will come from a variety of sources. A summary of those sources is shown in the Figure below

Figure 4. Future Capital Resources



explanatory foreword



7. CONTINUING REVENUE SUPPORT IN KEY AREAS

The Council continues to invest in its key priority areas. Over the next three financial years, 2006/07 to 2008/09, the Council focus the spending to achieve its objectives for the priority areas. The majority of this sum will be required to continue services as they currently stand. The potential for growth remains limited and efforts will be made to redirect money away from non-priority areas into those considered a priority. However, the Council will endeavour to increase the resources available to it by :

- Continuing to lobby for its fair share of Government grant
- Ensuring that it secures any additional funding that may be available from other sources, ie lottery funds etc
- Identifying efficiencies and non-essential spending that may be redirected into the key priority areas.

8. FURTHER INFORMATION

Further information about this statement of accounts is available from:

Director of Finance, Town Hall, Market Street, Chorley, Lancashire, PR7 1DP

This information can be made available to you in larger print or on audiotape, or can be translated into your own language. Please telephone 01257 515660 to access this service.

આ માહિતીનો અનુવાદ આપની પોતાની ભાષામાં કરી શકાય છે. આ સેવા સરળતાથી મેળવવા માટે કૃપા કરી, આ નંબર પર ફોન કરો: 01257 515822

ان معلومات کا ترجمہ آپ کی اپنی زبان میں بھی کیا جاسکتا ہے۔ یہ خدمت استعمال کرنے کیلئے براہ مہربانی اس نمبر پر ٹیلیفون

01257 515823

کیجئے:

In addition, interested members of the public have a statutory right to inspect the accounts before the audit is completed. The availability of the accounts for inspection is advertised in the local press.

Gary Hall BA CPFA
DIRECTOR OF FINANCE

statement of responsibilities



STATEMENT OF RESPONSIBILITIES

The following responsibilities are placed upon the Authority and the Director of Finance in relation to the Council's financial affairs:

The Authority's Responsibilities

The Authority is required:

- To make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Director of Finance.
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the statement of accounts

Date: 26 June 2007

Executive Leader – Councillor Peter Goldsworthy

The Director of Finance's Responsibilities

As Director of Finance, I am responsible for the preparation of the Authority's Statement of Accounts. They are prepared in accordance with proper practices, as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom*.

In preparing this Statement of Accounts, as Chief Finance Officer I have

- Selected suitable accounting policies and applied them consistently
- Made judgements and estimates that were reasonable and prudent
- Complied with the Code of Practice

I have also:

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

This Statement of Accounts presents fairly the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2007.

Date: 26 June 2007

Gary Hall BA CPFA
DIRECTOR OF FINANCE

accounting policies



1. INTRODUCTION

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom and guidance notes issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Code of Practice specifies the principles and practices of accounting required to prepare a Statement of Accounts which 'presents fairly' the financial position and transactions of a local authority.

In accordance with the CIPFA Statement of Recommended Practice (SORP), the Authority has adopted a number of principles to be followed in selecting accounting policies to be used and the corresponding use of disclosures needed to help users to understand those adopted policies and how they have been implemented.

In doing so, the Authority intends that the policies adopted are those most appropriate to its particular circumstances for the purpose of presenting fairly the financial position and transactions of the Authority. Policies are reviewed regularly to ensure they remain appropriate, and are changed when a new policy becomes more appropriate to the Authority's circumstances – a full disclosure of any such changes will always be provided.

The concepts that the Authority has regard to in selecting and applying the most appropriate policies and estimation techniques are:

- The qualitative characteristics of financial information
 - relevance – to enable to assess stewardship
 - reliability – the statement is free from bias and material error and is complete
 - comparability – it can be compared against previous years performance
 - comprehensibility – all reasonable efforts are used to make the statement understandable
- Materiality – Information of significance is included
- Pervasive accounting concepts
 - accruals – non cash transactions are used to create the accruals
 - going concern – an assumption the authority will continue to exist for the foreseeable future
 - primacy of legislative requirements – overrides other accounting concepts

Accounting policies can be defined as the principles, bases, conventions, rules and practices applied, that specify how the transactions and other events are to be reflected in the financial statements through recognising, selecting measurement bases for, and presenting assets, liabilities, gains, losses and changes in reserves.

2. RESERVES AND PROVISIONS

- 2.1 Reserves consist of fund balances accumulated for use by the Council in the future. Expenditure is not charged direct to any reserve. Reserves include earmarked reserves set aside for purposes such as general contingencies and cash flow management. A summary of these is given in Note 31 to the Core Financial Statement.
- 2.2 Capital reserves are not available for revenue purposes and certain of them can only be used for specific statutory purposes. Two of these reserves are non-distributable reserves and are therefore referred to as accounts.
- 2.3 The Fixed Asset Restatement Account represents principally the balance of the surpluses or deficits arising on the periodic revaluation of fixed assets. (See Note 31a to the Core Financial Statement.)
- 2.4 The Capital Financing Account (CFA) represents amounts set aside from revenue resources or capital receipts to finance expenditure on fixed assets or for the repayment of external loans and certain other capital financing transactions. (See Note 31b to the Core Financial Statement.)
- 2.5 The Major Repairs Reserve (MRR) is required by statutory provision to be established in relation to the Housing revenue Account in England. The items credited to the MRR are an amount equal to the HRA depreciation for the year, and transfers from the HRA required by statutory provision. Debits to the MRR are expenditure for HRA

accounting policies



purposes, where this is to be funded from the MRR; repayments of principal of any amounts borrowed, other than that properly chargeable to a revenue account; and transfers to the HRA required by statutory provision.

- 2.6 Provisions are required for any liabilities of uncertain timing or amount that have been incurred. They are required to be recognised when the Council has a present obligation as a result of a past event; it is probable that a transfer of economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. If these conditions are not met, no provision is recognised. Provisions are charged to the appropriate revenue account. When payments for expenditure are incurred to which the provision relates they are charged direct to the provision. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.
- 2.7 A Provision for Doubtful Debts has been made for losses that are likely to be incurred, but where it is uncertain as to the amounts or dates on which they will arise. In accordance with CIPFA Code of Practice this has been deducted from the Balance Sheet Debtors figure. (See Note 25 to the Core Financial Statement.) This provision is made on the basis of the Authority's best estimate of the likely level of debts. This estimate is prudently informed by the Authority's experience and current knowledge of its debts.

3. TANGIBLE FIXED ASSETS

- 3.1 The *Local Government and Housing Act 1989* provides that all expenditure incurred by the Council must be charged to a revenue account of the Council, unless it falls within certain specified exceptions that may be capitalised. Capital expenditure is defined as:
- the acquisition, reclamation, enhancement or laying out of land;
 - the acquisition, construction, preparation, enhancement or replacement of roads, buildings and other structures, including insulation works and disabled adaptations;
 - the acquisition, installation or replacement of movable or immovable plant, machinery, vehicles, apparatus or vessels;
 - advances, grants or financial assistance to another person towards expenses incurred or to be incurred by him in respect of items mentioned above;
 - the acquisition of investments or share or loan capital in a corporate body;
 - the acquisition or preparation of computer programs to be used for at least one year.
- 3.2 All expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis in the accounts. Expenditure on tangible fixed assets is capitalised, provided that assets yield benefits to the Council, and the services it provides, for a period of more than one year. This excludes expenditure on routine repairs and maintenance of fixed assets, which is charged direct to service revenue accounts.
- 3.3 Tangible fixed assets are valued on the basis recommended by CIPFA, and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by The Royal Institution of Chartered Surveyors (RICS), by a qualified valuer. Tangible fixed assets are classified into the groupings required by the 1998 Code of Practice on Local Authority Accounting. They are included in the Balance Sheet on the following basis:
- land, operational properties and other operational assets are included at the lower of net current replacement cost and net realisable value.
 - non-operational assets, including investment properties and assets that are surplus to requirements, are included at the lower of net current replacement cost and net realisable value. In the case of investment properties, this is normally open market value.
 - infrastructure assets and community assets are included in the balance sheet at historical cost.
- 3.4 Note 17 to the Core Financial Statement indicates the progress of the Council's rolling programme for the revaluation of tangible fixed assets.
- 3.5 Depreciation is provided for on all tangible fixed assets with a finite useful life (determined at the time of acquisition or revaluation), which is calculated using the straight-line method. Where the asset comprises two or more major components with substantially different useful economic lives, each component is accounted for separately for depreciation purposes and depreciated over its individual useful life.

accounting policies



- 3.6 The value at which each category of assets is included in the balance sheet is reviewed at the end of each reporting period and where there is reason to believe that its value has changed materially in the period, the valuation is adjusted accordingly. Such a reduction in value may arise from a significant decline in an asset's market value during the period; obsolescence or physical damage to the asset; a significant adverse change in the statutory or other regulatory environment in which the Council operates; or a commitment by the Council to undertake a significant reorganisation. Impairment losses expected to be permanent are recognised in the service revenue accounts.

4. DEFERRED CHARGES

Deferred charges represent expenditure that may be capitalised, but which does not represent tangible fixed assets. This category of capital expenditure includes expenditure such as home improvement grants paid to private sector householders. Revenue expenditure may be capitalised following a direction by the Secretary of State. Deferred charges are amortised to revenue over an appropriate period consistent with the consumption of the economic benefits controlled by the Council, usually the year in which the expenditure is incurred.

(See Note 15 to the Core Financial Statement.)

5. INTANGIBLE ASSETS

An intangible item may meet the definition of an asset when access to the future economic benefits that it represents is controlled by the reporting entity, either through custody or legal protection. Purchased intangible assets (eg software licences) are capitalised as assets at their cost. Intangible assets are amortised on a systematic basis over their economic lives.

Service revenue accounts are charged with a provision for amortisation and where required, any related impairment loss, for all intangible assets used in the provision of the service. An amount equal to the amortisation charges for the use of intangible assets and relevant impairment losses included in revenue accounts is credited to the Reconciling Items for the Statement of Movement on the General Fund Balance. (See Note 13 to the Core Financial Statement.)

6. RECEIPTS ARISING FROM THE SALE OF INTANGIBLE AND TANGIBLE FIXED ASSETS

Income from the disposal of intangible and tangible fixed assets is accounted for on an accruals basis, and is credited to the Usable Capital Receipts Reserve. A proportion of the proceeds from the sale of Council dwellings has been paid to the Government in accordance with statutory criteria. (See Note 31c of the Core Financial Statement.)

7. GRANTS

- 7.1 Revenue grants are accounted for in the year in which they arise and are credited to the relevant service in the Consolidated Revenue Account. Grants made to finance the general activities of the Council or to compensate for a loss of income are credited to the revenue account of the period in respect of which they are payable.
- 7.2 Where the acquisition or enhancement of a fixed asset is financed wholly or in part by a Government grant or other contribution, the amount of the grant or contribution is credited to the Government Grants – Deferred account. (See Note 29 to the Core Financial Statement.) This is subsequently written off to the Reconciling Items for the Statement of Movement on the General Fund Balance the useful life of the asset to match the depreciation of the asset to which it relates. (See Note 13 to the Core Financial Statement.)
- 7.3 Government grants or other contributions are accounted for on an accruals basis and recognised in the accounting statements when the conditions for their receipt have been complied with and there is reasonable assurance that the grant or contribution will be received.

accounting policies



8. INTEREST

- 8.1 Interest paid on external borrowings is accrued and charged to the Income and Expenditure Account.
- 8.2 Interest earned on the external investment of surplus funds is accrued and credited to the General Fund Revenue Account.
- 8.3 Internal interest payments flow between the General Fund and Housing Revenue Account (HRA), based on the net cash balance held on the HRA during the year. The interest is calculated at a rate in accordance with Subsidy Regulations.

9. REDEMPTION OF DEBT AND REPURCHASE OF BORROWING

- 9.1 Amounts set aside from revenue for the repayment of external loans used to finance capital expenditure are disclosed separately in the Income and Expenditure Account, below Net Operating Expenditure.
- 9.2 Where borrowing is refinanced or restructured with substantially the same overall effect when viewed as a whole, gains or losses are recognised over the life of the replacement borrowing.

10. LEASING

- 10.1 The Council may acquire items under leasing arrangements that fall within the following categories
 - Finance leases : whereby the risks and responsibilities of ownership are substantially transferred to the Council
 - Operating leases : whereby the lessor retains the risks and responsibilities of ownership
- 10.2 Assets acquired under finance leases that had not been fully depreciated would be capitalised in the Authority's accounts. Other assets previously acquired under deferred purchase schemes are included in the balance sheet at their fair value.
- 10.3 The amount of finance lease rentals paid during 2006/07 and the amount of undischarged leasing obligations is shown at Note 20 to the Core Financial Statement. Finance and operating lease rentals are charged to revenue, details of which are shown in Note 21 of the Core Financial Statement. The Council had no Finance leases in operation during 2006/07.
- 10.4 In line with the CIPFA code of practice operating leases are not shown as assets or liabilities on the Authority's balance sheet. Note 20 to the Core Financial Statement details the current and future payments required by these leases.

11. ACCRUALS OF REVENUE AND CAPITAL INCOME AND EXPENDITURE

Customer and client receipts in the form of sales, fees and charges and rents are accrued and accounted for in the period to which they relate. Revenue is only recognised to the extent that performance of contractual obligation has taken place. Payments received in advance of such performance are recognised as a liability in the balance sheet.

Provision has been made on an actual or estimated basis for all debtors and creditors as at 31 March 2007 with the exception of various items where the charges from one year to the next are not material, ie gas, electricity and telephone charges.

(See Note 25 to the Core Financial Statement.)

12. VALUE ADDED TAX

VAT is included in income and expenditure accounts, whether of a capital or revenue nature, only to the extent that it is irrecoverable.

accounting policies



13. STOCKS AND STORES

Some stores held by the Council are shown in the accounts at estimated current replacement value. All other stocks are shown at cost price. (See Note 24 to the Core Financial Statement.) This is a departure from the SSAP9, which requires that stocks be valued at the lower of cost and net realisable value. The potential impact on the accounts is that stocks could be overstated in the statements, although investigation of the impact has shown that any overstatement would not be material in the accounts.

14. CENTRAL SUPPORT SERVICE AND ADMINISTRATIVE EXPENSES

A full allocation of these costs is made to all services and accounts. This allocation is based on an estimation of resource consumption. Where full allocation has not been made, the balances on those support service and administrative expenses accounts are immaterial. The costs are charged out using the principles of the CIPFA best value Accounting Code of Practice 2006. The total absorption principle is used, with the exception of:

- Corporate and Democratic core costs
- Non distributed costs

15. PENSION COSTS

Accounting for employees' pensions is in accordance with generally accepted accounting practice subject to the interpretations set out in the SORP. Where the payments made for the year in accordance with the pension scheme requirements do not match the change in the Council's recognised asset or liability for the period, the recognised cost of pensions will not match the amount required to be raised in taxation. This is represented by an appropriation to or from the pensions reserve that equals the net change in the pensions liability recognised in the Consolidated revenue Account.

The current service cost is included within Net Cost of Services. The net of the interest cost and the expected return on assets is included within Net Operating Expenditure. Actuarial gains and losses arising from any new valuation and from updating the latest actuarial valuation to reflect conditions at the balance sheet date are recognised in the Statement of Total Movements in Reserves for the period.

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

The Council has revised powers to make discretionary awards of retirement benefit in the event of early retirement. There was no discretions granted during the accounting period.

Further information is presented in Notes 34 and 35 to the Core Financial Statement.

16. INVESTMENTS/INTEREST IN COMPANIES

Investments in companies and marketable securities are carried at cost less provision, where appropriate, for loss in value. Long-term investments are identified separately on the face of the balance sheet. (See Note 22 to the Core Financial Statement.) Dividend income from investments would be recognised when the Council had the right to receive the dividend.

Where the Council invests in companies, and has a controlling interest, group accounts should be produced. The Council has previously had such interests but in 2006/07 had no interest in any company that undertook any trading activity during the period.

17. CONTINGENT ASSETS

A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the local authority's control. Contingent assets are not recognised in the accounting statements, but are disclosed by way of notes if the inflow of a receipt or economic benefit is probable. Such disclosures indicate the nature of the contingent asset and an estimate of its financial effect. See Note 32 to the Core Financial Statement.

accounting policies



18. CONTINGENT LIABILITIES

A contingent liability is either a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the authority's control; or a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.

See Note 32 to the Core Financial Statement.

19. EVENTS AFTER THE BALANCE SHEET DATE

Where an event (favourable or unfavourable) occurs after the balance sheet date and it provides evidence of conditions that existed at the balance sheet date, the amounts recognised in the Statement of Accounts would be adjusted. Any disclosures affected by the new information about such an 'adjusting event' would be updated as a consequence.

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. However, there would be a disclosure for each material category of 'non-adjusting' event after the balance sheet date to indicate the nature of the effect and an estimate of the financial effect, or a statement that such an estimate cannot be made reliably.

Events after the balance sheet date are reflected up to the date when the Statement of Accounts is authorised for issue.

20. GOVERNMENT GRANTS AND CONTRIBUTIONS (REVENUE)

When paid on account, by instalment or in arrears, government grants and third party contributions and donations are recognised as income at the date that the authority satisfies the conditions of entitlement to the grant/ contribution, there is reasonable assurance that the monies will be received and the expenditure for which the grant is given has been incurred. Revenue grants are matched in service revenue accounts with the service expenditure to which they relate. Grants to cover general expenditure are credited to the foot of the Income and Expenditure Account after Net operating Expenditure.

21. INTANGIBLE FIXED ASSETS

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Council (eg software licences) is capitalised when it will bring benefits to the Council for more than one financial year. The balance is amortised to the relevant service revenue account over the economic life of the investment to reflect the pattern of consumption of benefits.

the governance assurance statement



1. Scope of Responsibility

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

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs and for ensuring that there is a sound system of internal control which facilitates the effective exercise of its functions and which includes arrangements for the management of risk.

The Council has approved and adopted a local code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Good Governance in Local Government*. This Annual Governance Statement explains how the Council has complied with the local code and also meets the requirements of Regulation 4 of the Accounts and Audit Regulations 2003 in relation to the publication of a statement on internal control.

2. The Purpose of the Governance Framework

The governance framework comprises the systems and processes for the direction and control of the authority and its activities through which it accounts to, engages with and leads the community.

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

The governance framework has been in place at the Council for the year ended 31 March 2007 and up to the date of approval of the annual report and statement of accounts.

3. The Governance Environment

Establishing & Monitoring the Achievement of Objectives

- The Council's priorities are derived from consultation on the Community Strategy and the approved Corporate Strategy clearly sets out the Council's priorities and strategic objectives.
- Long term outcomes and interim performance targets have been established for each strategic objective. These are in turn transferred into individual directorate business plans and business plan monitoring reports are produced on a quarterly basis. This is supported by a system of individual staff performance and development reviews.

The Conduct of Behaviour

- The Council's Constitution contains formal Codes of Conduct that articulate the standards of ethical behaviour that are expected from members and officers. These incorporate procedures for the disclosure of pecuniary interests and offers of gifts and hospitality.

the governance assurance statement



Policy & Decision Making

- The Council has adopted a constitution, which sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people.
- Policy and decision-making is facilitated through the Executive Cabinet supported by a framework of Statutory and Overview & Scrutiny Committees.
- Meetings are open to the public except where personal or confidential matters are being disclosed. In addition, senior officers of the Council can make decisions under delegated authority.
- The Council publishes a Forward Plan which contains details of key decisions to be made by the Council, its committees and chief officers under their delegated powers (and has specified what is significant expenditure in terms of the definition of a key decision).

Compliance

- The Council aims to ensure compliance with established policies, procedures, laws and regulations through a variety of mechanisms, including:
 - Monitoring Officer;
 - Section 151 Officer;
 - Internal Audit;
 - External Audit;
 - Performance management system.
- The Council has designated the Director of Customer, Democratic and Legal Services as Monitoring Officer, who plays a key role in ensuring compliance. After consulting with the Chief Executive, the Monitoring Officer will report to the full Council if he/she considers that any proposal, decision or omission would give rise to unlawfulness or maladministration. Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered.

Risk Management

- The Council has embedded a robust structure and system for identifying and evaluating all significant business risks at both the strategic and operational / service levels. The key elements of which are a Strategic Risk Register and service level risk assessments built into the business planning process.

Economy, Efficiency & Effectiveness

- The Council has constantly sought ways of ensuring the economical, effective and efficient use of resources, and for securing continuous improvement in the way in which its functions are exercised. These now include:
 - Corporate Improvement Board;
 - Overview & Scrutiny Committees;
 - External Audit;
 - Internal Audit.
- The Council recently obtained a score of 4 for the value for money element of the Use of Resources assessment, indicating that the Council is performing excellently in this area.

Financial Management

- The Council has designated the Director of Finance as chief finance officer under Section 151 of the Local Government Act 1972.

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- The financial management of the Council is conducted in accordance with the Financial Procedure Rules set out in the Council's Constitution. The Council has also adopted and implemented the relevant financial codes of practice covering such areas as treasury management and the Prudential Code.
- The Council has in place a five-year Financial Strategy, updated annually, to support the medium-term aims of the Corporate Strategy.
- The Council maintains a sound Internal Audit function which operates to the standards set out in the 'Code of Practice for Internal Audit in Local Government in the UK'. Internal Audit report four times annually to the Audit Committee and are a prime source of assurance to the authority regarding its financial management (including the adequacy of its financial systems, budgetary control and the efficient and effective use of resources). Internal Audit also provides assurance in the areas of governance, risk management and compliance.
- The Council has an objective and professional relationship with its external auditors and statutory inspectors.

Performance Management

- The Council's Performance Management Framework is underpinned by the Community Strategy which clearly articulates a shared vision for the Borough. Derived from this is our Corporate Strategy which articulates our corporate vision, priorities, strategic objectives and anticipated outcomes. Individual service unit Business Plans contain key projects which are geared towards achieving overall corporate objectives. This system is in turn supported by individual staff performance and development reviews to ensure that everyone understands their individual and unit contribution to corporate goals.
- Separate detailed guidance exists for Business Planning and the Performance Review processes. Performance against targets is monitored by Strategy Group, Executive Cabinet, the Overview & Scrutiny function and the Audit Committee. Where necessary corrective action is identified and implemented.
- The Council uses a bespoke performance management software system, Performance Plus. The system uses a traffic light system to monitor not only individual performance indicators, but also their combined effect on the achievement of corporate objectives. These reports are produced to ensure that trends in performance can be identified and corrective action introduced if appropriate.

4. Review of Effectiveness

Chorley Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of Directors within the authority who have responsibility for the development and maintenance of the governance environment, the Audit & Risk Manager's Annual Report and also by comments made by the external auditors and other review agencies and inspectorates.

The following paragraphs explain the various roles and responsibilities that have been applied in maintaining and reviewing the effectiveness of the Council's system of governance and internal control:

Corporate Level Review

- A management group consisting of the following officers has been established for some time to oversee the compilation of the Statement on Internal Control and now the Annual Governance Statement.
 - Director of Finance (S.151 Officer);
 - Director of Customer, Democratic & Legal Services (Monitoring Officer);
 - Director of Policy & Performance;
 - Audit & Risk Manager.

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- The group have conducted a detailed corporate level review of the Council's system of governance in accordance with the guidance provided by CIPFA / SOLACE. The work of this management group in respect of governance will in future be undertaken by the recently constituted Corporate Improvement Board.

Directorate Level Review

- The Council has also introduced Directorate Assurance Statements requiring Directors to review the operation of a range of governance systems and procedures within their service areas and indicate whether there are any significant non-compliance issues. These are analysed to ascertain whether there are any common areas of concern, and if so, whether these constitute significant governance issues and as such need to be included in the Annual Governance Statement.

Monitoring Officer

- As the Council's Monitoring Officer, The Director of Customer, Democratic & Legal Services has a duty to monitor and review the operation of the Constitution to ensure its aims and principles are given full effect. The Council reviews the Constitution each year at its Annual Meeting.

Scrutiny Committee

- The Council has an Overview and Scrutiny Committee and two subsidiary panels which can challenge a decision which has been made by the Executive Cabinet or a statutory committee but not yet implemented, to enable them to consider whether the decision is appropriate.

Audit Committee

- The Council has appointed an Audit Committee whose terms of reference comply with the latest CIPFA guidelines. These extend to monitoring the Council's governance and risk management framework and include reviewing the adequacy of the governance framework.

Standards Sub-Committee

- The Council has appointed a Standards Committee whose terms of reference comply with the guidance set out by the Standards Board for England, including the statutory functions in respect of the local Code of Conduct for Members.

Internal Audit

- Internal Audit is responsible for monitoring the quality and effectiveness of the system of governance and internal control. A risk-based Internal Audit Plan is produced each financial year. The reporting process for Internal Audit requires a report of each audit to be submitted to the relevant Directorate. The report includes recommendations for improvements that are included within a Management Action Plan and require agreement or rejection by service managers. The process includes follow-up reviews of agreed recommendations to ensure that they are acted upon.
- The Internal Audit Annual Report contains a statement / judgement on overall levels of internal control (a view based on the relative significance of the systems reviewed during the year, in the context of the totality of the control environment).
- The Internal Audit Section is subject to regular inspection by the Council's external auditors, who place reliance on the work carried out by them.

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External Audit

- In accordance with the Audit Commission's Code of Audit Practice, the Council receive regular reports on elements of its internal control environment, including performance management, risk management, financial management and governance.

5. Significant Governance Issues

We have been advised on the implications of the result of the review of the effectiveness of the governance framework and system of internal control by the Corporate Improvement Board and have identified the following improvement opportunities:

No.	Control Areas	Planned Improvements
	Ethical Governance	
1	Articulating the Council's shared values regarding personal conduct and behaviour	Capture the Council's values in the Constitution and the Human Resources / Customer Care Strategies
	Decision Making	
2	Making professional legal advice available well in advance of decision making	Incorporate the comments of the Director of Customer, Democratic & Legal Services in committee reports
	Capacity / Capability of Members & Officers	
3	Ensuring that the statutory officers have the resources and support necessary to perform effectively in their roles	Address capacity issues in Finance, Legal and Policy Services
	Engaging with Local People & Stakeholders	
4	Establishing a clear policy on the types of issues the Council will meaningfully consult with stakeholders	Roll out the improved consultation strategy and review the operation of the Citizens' Panel
5	Developing and disseminating the Council's vision, strategic plans, priorities and targets	Roll out the improved communications strategy
	Directorate Compliance	
6	Managing partnering arrangements in accordance with the Council's Framework for Partnership Working	Embed the new Framework for Partnership Working including the compilation of joint risk registers for key partnerships
7	Applying the risk management procedure in the corporate project management toolkit	Roll out the risk management procedure in the corporate project management toolkit consistently across all key business projects
8	Ensuring that Directorate Business Continuity Plans are in place	Bring Directorate Business Continuity Plans up to date following organisational restructuring
9	Complying with corporate Health & safety policies and procedures	Bring health & safety risk assessments up to date and increase staff awareness of the health & safety incident reporting system
10	Achieving value for money in the use of resources	Embed the new Corporate Value for Money Framework including the application of benchmarking strategies by all directorates
11	Maintaining asset registers / inventories in	Bring Directorate inventories up to date following

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	accordance with corporate procedures	corporate restructuring
	Internal Audit	
12	Producing an up to date Internal Audit Strategy for delivering the service to meet the Council's needs and priorities	Produce a formal strategy for the Internal Audit service for Audit Committee approval

The majority of the above improvement actions are not new but represent work in progress or the need to embed frameworks or systems that have been introduced relatively recently.

We will take steps to address the above matters to further enhance our governance arrangements through the corporate business improvement planning process and are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Cllr. P Goldworthy
Leader of the Council

D Hall
Chief Executive

G Hall
Director of Finance (Section 151 Officer)

A Docherty
Director of Customer, Democratic & Legal Services (Monitoring Officer)

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INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2007

This account summarises the resources that have been generated and consumed in providing services and managing the Council during the last year. It includes all day-to-day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year.

2005/06 Net Expenditure £'000	DESCRIPTION OF SERVICE	2006/07 Gross Expenditure £'000	2006/07 Gross Income £'000	2006/07 Net Expenditure £'000	Note
880	Central Services to the Public	6,589	(5,908)	681	
11,762	Cultural, Environmental and Planning Services	15,247	(3,113)	12,134	
5	Highways, Roads and Transport Services	1,643	(1,365)	278	
514	Housing Services (including Council Dwellings)	25,038	(24,042)	996	
2,912	Corporate and Democratic Core	3,199	(121)	3,078	
(513)	Non Distributed Costs	1,297	(1,842)	(545)	
15,560	TOTAL CONTINUING OPERATIONS	53,013	(36,391)	16,622	
0	Discontinued Operations	0	0	0	
0	TOTAL DISCONTINUED OPERATIONS	0	0	0	
15,560	NET COST OF SERVICES	53,013	(36,391)	16,622	
0	Gain/loss on the disposal of fixed assets			0	
413	Precepts Paid to Parish Councils			535	
(40)	Net costs on Trading undertakings			10	
249	Interest payable and similar charges			151	
685	Contribution to Housing Pooled Capital Receipts			1,180	
55	Net loss on Repurchase or Early Settlement of Borrowing			51	
(61)	Interest and Investment Income			(34)	
635	Pensions interest cost & expected return on pensions asset			371	
17,496	NET OPERATING EXPENDITURE			18,886	
	Sources of Finance				
(3,827)	General Government Grants			(1,534)	
(2,946)	Non-Domestic Rates redistribution			(6,445)	
(6,105)	Precept Demanded from Collection Fund			(6,544)	
4,618	NET FUND (SURPLUS)/DEFICIT FOR THE YEAR			4,363	

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THE STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

The Income and Expenditure Account shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the authority is required to raise Council tax on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.
- The payment of a share of housing capital receipts to the Government scores as a loss in the Income and Expenditure Account, but is met from the usable capital receipts balance rather than Council tax.
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

The General Fund Balance compares the Council's spending against the Council tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

This reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.

2005/06 £'000		2006/07 £'000	Note
4,618	Surplus/deficit for the year on the Income and Expenditure Account	4	
(4,702)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	(4,132)	13
(84)	(INCREASE)/DECREASE IN GENERAL FUND BALANCE FOR THE YEAR	231	
(1,000)	General Fund Balance brought forward	(1,084)	
(1,084)	GENERAL FUND BALANCE CARRIED FORWARD	(853)	

the core financial statements



STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

This statement brings together all the gains and losses of the Council for the year and shows the aggregate increase in its net worth. In addition to the surplus generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

2005/06 £'000		2006/07 £'000	Notes
4,618	(Surplus)/deficit for the year on the Income and Expenditure Account	4,363	
8,670	(Surplus)/deficit arising on revaluation of fixed assets	59,841	
(176)	Actuarial (gains)/losses on pension fund assets and liabilities	(3,800)	
13,112	TOTAL RECOGNISED (GAINS)/LOSSES FOR THE YEAR	60,404	

the core financial statements



THE BALANCE SHEET AS AT 31 MARCH 2007

31/03/06 £'000		£'000	31/03/07 £'000	Notes
544	Intangible Assets		560	18
	Operational Assets			
73,092	- Council Dwellings	928		
19,879	- Other Land and Buildings	20,874		
1,653	- Vehicles, Plant, Furniture & Equipment	1,536		
0	- Infrastructure	0		
1,914	- Community Assets	1,301		
	Non-Operational Assets			
2,594	- Investment Properties	2,637		
1,737	- Surplus assets held for disposal	1,712		
100,869	Tangible Fixed Assets		28,988	14
0	Deferred Charges		0	15
57	Long-term Investments		58	22
945	Long-term Debtors		66	23
304	Deferred Premiums on early repayments of debt		0	
102,719	Total long-term assets		29,672	
372	Stocks and work in progress	87		24
7,888	Debtors	6,571		25
1,673	Investments	3,526		
622	Cash and Bank	715		
10,555	Total current assets	10,899		
(7,500)	Short-term borrowing	0		
(7,355)	Creditors	(9,274)		25
(14,855)	Total current liabilities	(9,274)		
98,419	Total assets less current liabilities		31,297	
0	Long-term borrowing	0		26
(13)	Deferred liabilities	(12)		27
(17)	Deferred Discounts on early repayment of debt	0		
0	Provisions	0		28
(1,399)	Government grants-deferred account	(1,435)		29
(5,253)	Developers' capital contributions unapplied	(2,829)		30
(22,036)	Liability related to defined benefit pension scheme	(17,724)		35
(28,718)		(22,000)		
69,701	TOTAL ASSETS LESS LIABILITIES		9,297	
	Financed by:			
53,938	Fixed asset restatement account		(19,818)	31a
32,871	Capital financing account		42,603	31b
1,138	Usable capital receipts reserve		1,419	31c
893	Deferred capital receipts		26	23
(22,036)	Pensions reserve		(17,724)	35
1,928	General Fund balance		1,654	31d
593	Housing Revenue Account balance		966	31
0	Major Repairs Reserve		0	31
376	Earmarked reserves		171	31d
69,701	TOTAL NET WORTH		9,297	

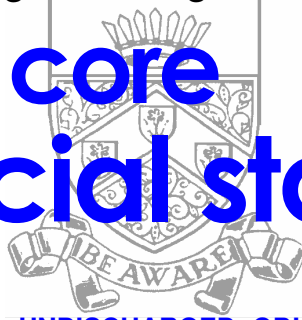
the core financial statements



CASH FLOW STATEMENT FOR YEAR ENDED 31 MARCH 2007

2005/06 £'000	Revenue Activities	2006/07 £'000	Notes
	Cash Outflows		
13,345	Cash paid to and on behalf of employees	12,669	
18,349	Other operating cash payments	18,577	
8,931	Housing benefit paid out	9,596	
18,740	National non-domestic rate payments to national pool	19,424	
39,017	Precepts paid	41,308	
392	Payments to the Capital Pool	1,117	
	Income		
(3,420)	Rents (after rebates)	(3,495)	
(40,211)	Council tax income	(43,122)	
(2,946)	National non-domestic rate receipts from national pool	(6,445)	38
(17,716)	Non-domestic rate receipts	(20,104)	
(3,705)	Revenue support grant	(1,298)	38
(12,260)	Department for Work and Pensions (DWP) grants for benefits	(13,478)	38
(4,955)	Other government grants	(6,659)	38
(8,726)	Cash received for goods and services	(8,624)	
(2,157)	Other revenue cash payments/income	(1,190)	
<u>2,678</u>		<u>(1,724)</u>	36
	Return on Investments and Servicing of Finance		
	Cash Outflows		
46	Interest paid	226	
-	Interest element of finance lease rental payments	-	
	Income		
(371)	Interest received	(69)	
<u>(325)</u>		<u>157</u>	
	Capital Activities		
	Cash Outflows		
8,334	Purchase of fixed assets and other capital cash payments	11,513	
	Income		
(4,576)	Sale of fixed assets	(5,879)	
(1,993)	Capital grants received	(1,004)	38
(111)	Other capital cash income	(3,680)	
<u>1,654</u>		<u>950</u>	
<u>4,007</u>	Net cash (inflow)/outflow before financing	<u>(617)</u>	
	Management of Liquid Resources		
1,673	Net (decrease)/increase in short-term deposits	1,852	37
	Financing		
	Cash Outflows		
-	Repayments of amounts borrowed	7,552	
-	Capital element of finance lease rental payments	-	
	Income		
(7,500)	New short-term loans	(8,881)	
<u>(5,827)</u>		<u>523</u>	
<u>(1,820)</u>	Net decrease/(increase) in cash	<u>(94)</u>	37

notes to the core financial statements



1. THE AMOUNTS OF OUTSTANDING UNDISCHARGED OBLIGATIONS ARISING FROM LONG-TERM CONTRACTS

In 2007/08 the Council is committed to making payments estimated at £2.505 million under a contract with Veolia Environmental Services (formerly Cleanaway Limited) for the collection of refuse and recyclable waste from the authority's residents. The actual level of payments will depend upon the volumes collected and Veolia's performance in providing the service. This contract expires at the end of 2008/09.

CLS Chorley manage four indoor leisure facilities on behalf of the Council. The Council is committed to making contract payments estimated to total £0.357 million in 2007/08. The contract expires at the end of 2007/08 for two of the leisure facilities and continues until 2020 for the remaining two.

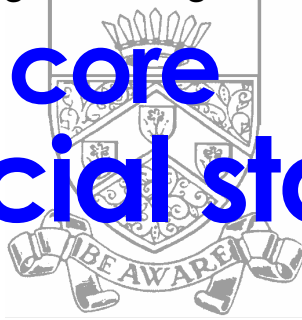
The Council is committed to making payments estimated to be £0.306 million in 2007/08 and 2008/09 for the Council's insurance portfolio under a contract with Zurich Municipal. The actual payments will vary according to changes in staffing levels, numbers of buildings, etc. over the two years. The contract expires at the end of 2008/09.

	2007/08 £'000	2008/09 £'000	2009/10 £'000	2010/11 £'000
Refuse collection/recycling	2,505	2,557	0	0
Indoor leisure management	357	293	293	293
Insurance Portfolio	306	306	0	0
Total	3168	3156	293	293

2. TRADING OPERATIONS

2005/06 Total £'000		Markets £'000	2006/07 Investment Portfolio £'000	Highways £'000	Grounds Maintenance £'000
2,481	Income	301	292	109	70
1,118	Employee Related	129	0	51	730
140	Premises Related	71	32	0	13
258	Transport Related	0	0	23	144
258	Supplies & Services	3	4	19	180
75	Third Party Payments	0	0	12	64
566	Support Services	80	149	98	(1,061)
2	Current Service Pensions	3	0	0	0
146	Capital Charges	6	32	0	0
2563		292	217	203	70
82	Net (Surplus) Deficit	(9)	(75)	94	0

notes to the core financial statements



3. SECTION 137, LOCAL GOVERNMENT ACT 1972 (AMENDED)

Section 137 of the Local Government Act 1972, as amended, empowers local authorities to make contributions to certain charitable funds, not-for-profit bodies providing a public service in the United Kingdom and mayoral appeals. The Council's actual expenditure was £134,961.00 mainly on donations to voluntary bodies working in the local area.

4. EXPENDITURE ON PUBLICITY

Per the requirements of section 5(1) of the Local Government Act 1986, the Council's spending on publicity was:

	2005/06 £'000	2006/07 £'000
Recruitment advertising	69	74
Other advertising	26	22
Promotions/publicity	89	166
	184	262

5. BUILDING REGULATIONS CONTROL SERVICES

The income received and expenditure incurred in respect of Building Regulations Control Services under the Building (Local Authority Charges) Regulations 1988 were as follows:

	2004/05 £'000	2005/06 £'000	2006/07 £'000	Cumulative £'000
Income received	302	294	256	852
Less expenditure incurred	(303)	(309)	(293)	(905)
(Deficit)/Surplus for the year	(1)	(15)	(37)	(53)

Under these regulations, the function is set a target of covering expenditure incurred in providing the services by the income earned from fees and charges, over a three year period. Over the last three years, expenditure has exceeded income by £53,432.

6. AGENCY AGREEMENTS

Chorley Borough Council's Highways agency agreement with Lancashire County Council (LCC) ceased on 30 June 2003. Since this date Chorley had been part of the Lancashire Highways Partnership (LHP). From 1 July 2006 the LHP arrangements have been wound up. All such services are now being provided by LCC as the Highways Authority and employees affected have transferred to LCC.

7. LOCAL AUTHORITIES (GOODS AND SERVICES) ACT 1970

The Council on occasions is commissioned by other public bodies to undertake work on their behalf. During the financial year 2006/07 the total of work commissioned and the financial impact was immaterial.

8. MEMBERS' ALLOWANCES

Allowances paid to Members in 2006/07 totalled £274,045.63 (2005/06 £281,947.87).

notes to the core financial statements



9. OFFICERS' EMOLUMENTS

The number of employees whose remuneration, including taxable benefits but excluding pension contributions, was £50,000 or more in bands of £10,000 were:

Remuneration Band	Number of Employees	
	2005/06	2006/07
£50,000 - £59,999	3	3
£60,000 - £69,999	2	2
£70,000 - £79,999	1	2
£80,000 - £89,999	0	0
£90,000 - £99,999	0	0
£100,000 - £109,999	1	1

10. RELATED PARTY TRANSACTIONS

A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made. Related parties include:

- central government
- other local authorities and precepting bodies
- subsidiary and associated companies
- joint ventures and joint venture partners
- members and chief officers

Most transactions involving related parties are disclosed elsewhere in the Financial Statement, as follows:

- **Central Government**

Grants from the Government are included in the Core Financial Statements Note 38.

- **Other Local Authorities and Precepting Bodies**

Payments to the Lancashire County Council Superannuation Fund are indicated in Note 34 below.

The precepts and demands paid to Lancashire County Council and Lancashire Police Authority are shown in the Collection Fund.

Details of the arrangements for road and street lighting maintenance via the Lancashire Highways Partnership with Lancashire County Council are presented in Note 6 above.

notes to the core financial statements



- Subsidiary and Associated Companies**

Economic development and other grants were awarded to the following organisations:

	2005/06 £'000	2006/07 £'000
South Ribble Business Venture	11	11
Lancashire Economic Partnership	20	20
Wigan Groundwork Trust	69	28
South Lancashire Arts Partnership	10	30
Chorley Citizen Advice Bureau	89	91
Chorley Shopmobility	10	10
North West Local Authorities Employers Organisation	8	10
Chorley Womens Centre	4	4
	221	204

- Members and Chief Officers**

The Council's Standing Orders require members who believe they have an interest in a matter to be discussed at a Council or Committee meeting to declare that interest and, in general, to withdraw from the meeting while the particular matter is being discussed.

It is considered that transactions involving Members and Chief Officers with related parties are not material.

- Other Related Parties**

Community Leisure Services Limited are contracted to act as agents of the Council for provision of sports and leisure facilities management. In 2006/07, payments totalled £390,102 (2005/06 £399,000).

11. DISCLOSURE OF AUDIT COSTS

The sums due from Chorley Borough Council to the Audit Commission for works carried out relating to the year of account 2006/07 were:-

	2005/06 £'000	2006/07 £'000
Fees payable in respect of statutory inspection	1	0
Fees payable in respect of the audit of accounts	98	105
Fees payable for the certification of grant claims and returns	28	32
	127	137

notes to the core financial statements



12. SIGNIFICANCE OF THE STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE FOR LOCAL TAXATION

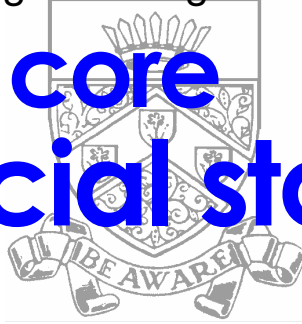
The Income and Expenditure Account shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the authority is required to raise Council Tax on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.
- The payment of a share of housing capital receipts to the Government scores as a loss in the Income and Expenditure Account, but is met from the usable capital receipts balance rather than Council Tax.
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

The General Fund Balance compares the Council's spending against the Council Tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

The Statement of Movement on the General Fund Balance summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.

notes to the core financial statements



13. RECONCILING ITEMS FOR THE STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

This statement shows in detail the amounts additional to the surplus or deficit on the Income and Expenditure Account that are required, by statute and non-statutory proper practices, to be debited or credited to the General Fund for the year.

2005/06 £'000		2006/07 £'000
	Amounts included in the Income and Expenditure Account but excluded from the Movement on the Fund Balance for the year	
(309)	Amortisation of intangible fixed assets	
(887)	Depreciation and impairment of fixed assets	
187	Government Grants Deferred amortisation	
(2,771)	Write down of deferred charges to be financed from capital receipts	(2)
0	Gains or losses on the sale of fixed assets	
(1,616)	Net charges made for retirement benefits as per FRS 17	(1,290)
(5,396)		(5,005)
	Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the Fund Balance for the year	
0	Transfer to/(from) Major Repairs Reserve	0
114	Minimum revenue provision for capital financing	197
0	Depreciation charge on non dwelling assets	0
277	Capital expenditure charged-in year to Revenue	108
(685)	Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool	(1,180)
1,299	Employers contributions to Lancashire Pension Fund and retirement benefits payable direct to pensioners	1,418
1,005		543
	Transfers to or from the General Fund that are required to be taken into account when determining the Movement on the General Fund Balance for the year	
150	Housing Revenue Account Balance	373
0	Voluntary revenue provision for capital financing	0
(461)	Net transfers to and from earmarked reserves	(43)
(311)		330
(4,702)	NET ADDITIONAL AMOUNT TO BE CREDITED OR DEBITED TO THE FUND BALANCE FOR THE YEAR	(4,132)

notes to the core financial statements



14. SUMMARY OF CAPITAL EXPENDITURE AND FIXED ASSET DISPOSALS

MOVEMENT ON FIXED ASSETS

	Operational Assets						Total Fixed Assets £'000
	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Equipment, Plant, etc £'000	Infra-structure £'000	Community Assets £'000	Non-Operational Assets £'000	
Certified valuation at 31 March 2006	76,929	20,958	2,496	0	2,044	4,331	106,758
Accumulated depreciation and impairment	(3,837)	(1,079)	(843)	0	(130)	0	(5,889)
Net book value at 31 March 2006	73,092	19,879	1,653	0	1,914	4,331	100,869
<i>Movement in 2006/07</i>							
Additions/expenditure in year	1,056	1,351	221	239	484	0	3,351
Appropriations	(13)	0	0	0	0	13	0
Disposals	(121,750)	(88)	(30)	0	(133)	0	(122,001)
Revaluations	50,054	103	99	(239)	(942)	5	49,080
Depreciation for year	(1,511)	(371)	(407)	0	(22)	0	(2,311)
Net book value at 31 March 2007	928	20,874	1,536	0	1,301	4,349	28,988

The main items of capital expenditure on fixed assets during the year were:

	2006/07 £'000
Council dwellings and estate improvements	1,900
Leisure and play facilities	1,147
Environmental improvements	626
Improvements to offices, depots, and other premises	218
Waste collection and recycling	149

notes to the core financial statements



CAPITAL EXPENDITURE AND FINANCING

The capital expenditure for the year was financed as follows:

		2005/06 £'000	2006/07 £'000
Capital Expenditure			
Intangible Assets	(a)	285	296
Fixed Assets		5,679	4,172
Deferred Charges	(b)	4,191	8,801
		10,155	13,269
Sources of Finance			
Long-term borrowing		269	1,217
Capital receipts		5,514	3,643
Capital grants and contributions		2,348	6,841
Revenue (including Major Repairs Allowance)		2,024	1,568
		10,155	13,269

a) See Note 18 below

b) See note 15 below

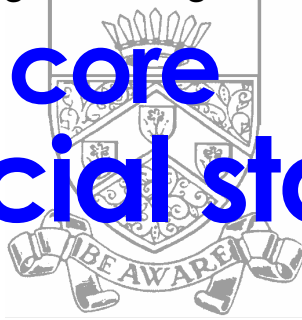
The Council has entered into contracts to deliver the following capital investment on its assets over the next three years:

		2007/08 £'000	2008/09 £'000	2009/10 £'000	Total £'000
Leisure facilities	Improvements to leisure centres and golf course	1,142	235	200	1,577
Astley Park and Hall	Heritage Lottery funded improvement scheme that started 2004/05	1,645	289	0	1,934
		2,787	524	200	3,511

15. DEFERRED CHARGES

	£'000	£'000
Balance as at 1 April 2006		0
Capital expenditure in year		
- Improvement Grants and other housing expenditure	603	
- Other capital and revenue expenditure	8,198	
		8,801
Amounts written off to Income and Expenditure Account		
- Capitalised expenditure		(8,801)
Balance as at 31 March 2007		0

notes to the core financial statements



16. TANGIBLE FIXED ASSETS ANALYSIS

The analysis of the Council's principal tangible fixed assets is:

	31 March 2006		31 March 2007	
	number	area	number	area
Council dwellings	2,950		1	
Town Hall (including Lancastrian Room)	1		1	
Other administrative buildings	3		3	
Depots and workshops	3		2	
Off-street car parks (charged weekdays)	12	(1,311 spaces)	12	(1,273 spaces)
Leisure centres and pools	4		4	
Museum	1		1	
Allotments	104	(8 acres)	104	(8 acres)
Parks and recreation grounds		(357 acres)		(357 acres)
Amenity open spaces		(454 acres)		(454 acres)
Markets	2		2	
Cemeteries	2		2	
Community Centres	4		5	
Golf Course	1		1	
Public conveniences	5		5	

Following a ballot of tenants, the Council has transferred its dwellings and most other Housing Revenue Account assets to Chorley Community Housing under LSVT arrangement.

17. FIXED ASSET VALUATION

The following statement shows the progress of the Council's rolling programme for the revaluation of fixed assets. The valuations are carried out by qualified staff or contractors, in accordance with the Statements of Asset Valuation Practice and Guidance Notes of The Royal Institution of Chartered Surveyors.

	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, etc £'000	Infrastructure £'000	Community Assets £'000	Non-Operational Assets £000	Total £'000
Valued at historic cost	27	0	2,757	0	221	0	3,005
Valued at current value in:							
Current year	451	2,468	0	0	1,165	162	4,246
2005/06	0	8,425	0	0	59	2,900	11,384
2004/05	0	9,038	0	0	0	0	9,038
2003/04	0	1,362	0	0	0	1,287	2,649
2002/03	0	93	0	0	0	0	93
2001/02	485	938	0	0	0	0	1,423
Total	963	22,324	2,757	0	1,445	4,349	31,838

notes to the core financial statements



Depreciation of fixed assets is calculated by the straight-line method, using estimates of the remaining useful lives of the assets provided by the Council's qualified Property Services staff. The total depreciation charge for 2006/07 was £2,311,280 compared to £1,768,590 in 2005/06.

The estimated useful lives used in the calculation of depreciation are in the following ranges:

Council dwellings	80 years
Other traditionally built buildings	15 to 80 years
Portable office facilities	10 to 15 years
Vehicles	10 years
IT and other equipment	5 years

The cumulative amount of provisions for depreciation is as follows:

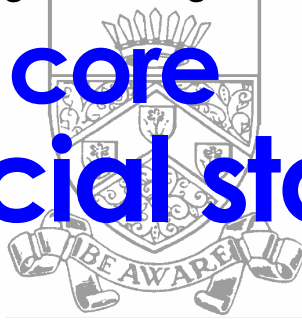
	Balance as at 31 March 2006 £'000	Depreciation for the Year £'000	Revaluations and Appropriations £'000	Disposals in the year £'000	Balance as at 31 March 2007 £'000
Council Dwellings	3,837	1,511	0	(5,313)	35
Other land and buildings	1,079	371	0	0	1,450
Vehicles, Plant, Furniture and Equipment	843	407	0	(29)	1,221
Infrastructure	0	0	0	0	0
Community assets	130	22	0	(8)	144
Non-operational assets	0	0	0	0	0
Total Depreciation	5,889	2,311	0	(5,350)	2,850

18. INTANGIBLE ASSETS

	Computer software licences £'000	Licences, trademarks etc. £'000	Patents £'000	Total £'000
Valuation at 31 March 2006	1,447	0	0	1,447
Accumulated amortisation and impairment to 31 March 2006	(903)	0	0	(903)
	544	0	0	544
Additions/expenditure in year	296	0	0	296
Disposals	0	0	0	0
Impairment losses	0	0	0	0
Amortisation in year	(280)	0	0	(280)
Balance at 31 March 2007	560	0	0	560
Accumulated amortisation and impairment to 31 March 2007	(1,183)	0	0	(1,183)

Intangible assets are included in the Balance Sheet at historical cost. They are amortised to the Income and Expenditure Account by the straight-line method, over three to five years. During the financial year there were no changes to the estimated useful lives of the intangible assets.

notes to the core financial statements



19. NET ASSETS EMPLOYED

The net assets employed by the General Fund and Housing Revenue Account are as follows:

	Net Assets as at 31 March 2006 £'000	Net Assets as at 31 March 2007 £'000
General Fund	23,303	28,865
Housing Revenue Account	74,741	2,809
	98,044	31,674

20. FINANCE AND OPERATING LEASES – DISCLOSURE BY LESSEES

Lease rental payments (the Council as lessee)

The Council uses buildings, cars, plant and vehicles, computer equipment and software, and other office equipment under the terms of operating leases. The payments for the use of these assets are included in the net cost of services.

Payments 2005/06 £'000		Payments 2006/07 £'000	Commitments in 2006/07 for Leases expiring in		
			2007/08 £'000	2007/08 to 2010/11 £'000	2011/12 onwards £'000
63	Land and other buildings	59	59	236	236
647	Other operating leases	594	463	641	0
710	Total rental payments	653	522	877	236

The commitment in total in respect of these leases from 2007/08 onwards is £0.472 million for land and other buildings, including services charges; and £0.641 million for other operating leases.

Vehicles acquired through finance leases that have been depreciated in full in previous years are excluded from the Fixed Assets total in the balance sheet. There are no outstanding primary rental obligations in respect of these leases as at 31 March 2007, and there were no secondary lease rental payments for the year 2006/07 (2005/06 - nil).

In addition, the Council uses premises and other vehicles and equipment financed under the terms of operating leases. Such premises, vehicles and equipment are not the property of the Council and are not included in the Balance Sheet.

notes to the core financial statements



21. FINANCE AND OPERATING LEASES – DISCLOSURE BY LESSORS

Lease rental income (the Council as lessor)

The Council has a number of premises that it makes available on an operating lease basis, for lease terms substantially less than the expected lives of the assets. Rental income receivable during the year was as follows:

2005/06 £'000		2006/07 £'000
63	Industrial premises	61
94	Offices and other premises	215
<u>157</u>	Total rental income	<u>276</u>

A number of properties are held by the Council for use in operating leases, ie where the Council is the lessor. The gross value at 31 March 2007 was £1,975,780 (2005/06 £1,898,780) and the accumulated depreciation was £150,115 (2005/06 £112,185). The properties are included within the total for Other Land and Buildings in the Balance Sheet.

22. LONG TERM INVESTMENTS

Long-term investments at 31 March are as follows:

	31 March 2006 £'000	31 March 2007 £'000	
Association of District Councils (Properties) Limited Stock	50	50	Cost
4% Manchester Corporation Stock	7	8	Market value
	<u>57</u>	<u>58</u>	

23. LONG TERM DEBTORS

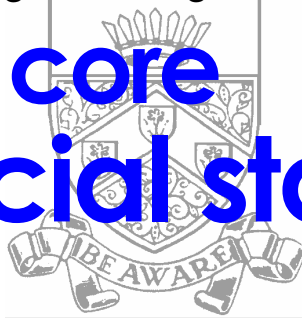
The analysis of the loans for house purchase and improvement and miscellaneous debtors is:

	Balance at 1 April 2006 £'000	Advances/ Additions £'000	Repayments/ Reductions £'000	Balance at 31 March 2007 £'000
	£	£	£	£
Mortgages (sale of Council houses)	37	0	(11)	26
Sale of Assets	856	0	(856)	0
	893	0	(867)	26
Housing Act Advances	10	2	(5)	7
Car Loans	27	10	(18)	19
Other Advances	15	0	(1)	14
Total Long Term Debtors	<u>945</u>	<u>12</u>	<u>(891)</u>	<u>66</u>

(a) This sum of £856,331 was received during 2006/07 from the joint developers of the Gillibrand Link Road and Housing Development. The estimated cost of land assembly required for the development has increased to such an extent that it is no longer likely that the Council's development partner for the project, English Partnerships, will receive a share of the sale proceeds. All of the proceeds have been applied in financing land assembly costs.

(b) See Deferred Capital Receipts.

notes to the core financial statements



24. VALUATION OF STOCKS

Included in the total value of stocks and work in progress at 31 March 2007 is an amount of £45,494, representing stocks valued at the estimated current replacement cost (2005/06 £109,422). The remaining value of stocks totalling £41,726 is shown at cost price (2005/06 £217,010). The requirement of the SSAP9 is that the value of stocks should be the lower of cost and net realisable value.

25. REVENUE AND CAPITAL ACCRUALS

	Creditors		Debtors	
	31 March 2006 £'000	31 March 2007 £'000	31 March 2006 £'000	31 March 2007 £'000
Analysis of Creditors and Debtors:				
Government departments	222	633	466	967
Other local authorities	0	161	209	182
Sundry creditors/debtors	4,763	7,087	5,653	3,722
Housing tenants	159	0	203	0
Rate and Taxpayers	1,032	1,344	1,958	1,983
Payments in advance	0	0	524	460
Receipts in advance	1,179	49	0	0
	7,355	9,274	9,013	7,314
<u>Less provision for doubtful debts</u>			(1,125)	(743)
	7,355	9,274	7,888	6,571

The increase in creditor accruals is mainly as a result of making provision for the payment of compensation and interest in respect of the Gillibrand Link Road and Housing Development land assembly.

26. BORROWING REPAYABLE WITHIN A PERIOD IN EXCESS OF 12 MONTHS

	Total outstanding 31 March '07	
	2005/06 £'000	2006/07 £'000
Analysis of Loans by Source:		
Public Works Loan Board	0	0
Temporary Loans	7,500	
Total Outstanding	7,500	0
Analysis of loans by maturity:		
Less than 1 year	7,500	0
Between 1 and 2 years	0	0
Between 2 and 5 years	0	0
Between 5 and 10 years	0	0
In 10 years or more	0	0
Long Term Borrowing	0	0
Total Outstanding	7,500	0

notes to the core financial statements



27. DEFERRED LIABILITIES

	Balance at 1 April 2006 £'000	Additions £'000	Reductions £'000	Balance at 31 March 2007 £'000
Private Street Works	13	0	(1)	12
Total Deferred Liabilities	13	0	(1)	12

S106 Developers' Contributions reported previously as Deferred Liabilities are now shown as Developer's Capital Contributions Unapplied. See note 30 below.

28. PROVISIONS

There were no miscellaneous provisions as at 31 March 2007 (2005/06 nil).

29. DEFERRED GOVERNMENT GRANTS AND CONTRIBUTIONS

The balance on this account represents the value of capital grants and contributions, which have been applied to finance the acquisition or enhancement of fixed assets. The balance is released to revenue accounts over the life of the asset taking into account depreciation.

	£'000
Balance at 31 March 2006	1,399
Add; grants and contributions applied in year	251
Less: Transfer to Reconciling Items for the statement of movement on the General Fund Balance	(215)
	(a) _____
Balance at 31 March 2007	1,435

(a) See Note 13 to the Core Financial Statement

30. DEVELOPERS' CONTRIBUTIONS UNAPPLIED

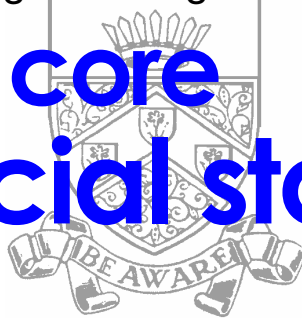
Section 106 receipts are monies paid to the Council by developers as a result of the grant of planning permission where works are required to be carried out or new facilities provided as a result of that permission. The sums are restricted to being spent by the Council only in accordance with the agreements concluded with the developers. The section 106 receipts held by the Council during the year were paid by developers for the following purposes:

	Balance at 1 April 2006 £'000	Income £'000	Expenditure £'000	Balance at 31 March 2007 £'000
Affordable Housing	225	0	(1)	224
Transport Infrastructure	4,763	50	(4,571)	242
Recreational Facilities	260	41	(117)	184
Environmental Improvements	5	0	0	5
Various Purposes	0	2,174	0	2,174
	5,253	2,265	(4,689)	2,829

Additional section 106 monies were received for the maintenance of facilities provided by developers, such as public open space, play areas and community centres. These contributions are treated as receipts in advance within creditors (note 25 above) and are released to revenue to fund the maintenance expenditure over a number of years.

The developers' s106 contributions for provision of new facilities were reported in previous years as Deferred Liabilities.

notes to the core financial statements



In July 2006, the Council paid £4.47 million of the balance held for transport infrastructure to Lancashire County Council in order to enable the construction of the Eaves Green Link Road.

31. RESERVES

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

Reserve	Purpose of Reserve	Balance at 01 April 2006 £'000	Net Movement in year £'000	Balance at 31 March 2007 £'000	Further Detail of Movements
Fixed Asset Restatement Account	Store of gains on revaluation of fixed assets	53,938	(73,756)	(19,818)	(a) below
Capital Financing Account	Store of capital resources set aside to meet past expenditure	32,871	9,732	42,603	(b) below
Usable Capital Receipts Account	Proceeds of fixed asset sales available to meet future capital investment	1,138	281	1,419	(c) below
Deferred Capital Receipts	The agreed capital income still to be received relating to the disposal of fixed assets	893	(867)	26	Note 23 to the Core Financial Statements
General Fund	Resources available to meet future running costs for non-housing services	1,928	(274)	1,654	(d) below
Pensions Reserve	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet	(22,036)	4,312	(17,724)	Notes 34 and 35 to Core Financial Statements
Housing Revenue Account	Resources available to meet future running costs for Council houses	593	373	966	HRA Statement
Major Repairs Reserve	Resources available to meet capital investment in Council housing	0	0	0	HRA Statement
Earmarked reserves		375	(205)	171	(d) below
Total		69,701	(60,404)	9,297	

notes to the core financial statements



(a) Fixed Asset Restatement Account

	£'000	£'000
Balance as at 31 March 2006		53,938
Revaluation of fixed assets in year	53,255	
Disposal of fixed assets in year	(127,011)	
		(73,756)
Balance at 31 March 2007		(19,818)

The Fixed Asset Restatement Account was established as a requirement of the new system of capital accounting. The balance represents the difference between the valuation of assets under the previous system of capital accounting and the revaluation as at 1 April 1994. The account is reduced by the net book value of assets as they are disposed of, and increases or decreases by the amount of surplus of deficits arising from revaluations.

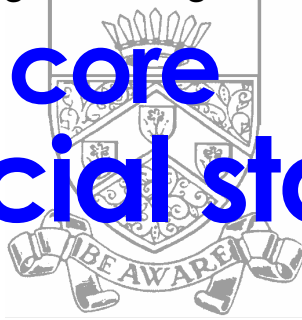
(b) Capital Financing Account

		£'000
Balance at 31 March 2006		32,871
2006/07 Capital financing - Capital receipts	(a)	2,837
- Revenue	(a)	108
2006/07 Minimum Revenue Provision (less depreciation provision and impairment)		(934)
<u>Less:</u>		
Write down of deferred charges		1,626
Write down of deferred debtors		(1)
Write down of deferred liabilities		(2,819)
		8,915
Balance at 31 March 2007		42,603

The Capital Financing Account contains the amounts that are required by statute to be set aside from capital receipts for the repayment of external loans, and the amount of capital expenditure financed from revenue and capital receipts. It also contains the difference between amounts provided for depreciation and that required to be charged to revenue to repay the principal element of external loans. The balance on the account is reduced as loan debt is repaid. It does not represent a resource available to the Council for financing additional capital expenditure.

(a) See Note 14, Capital Expenditure and Financing, above.

notes to the core financial statements



(c) Usable Capital Receipts Reserve

	£'000	£'000
Usable Capital Receipts as at 1 April 2006		1,138
Restated b/f balance as at 1 April 2006		1,867
Capital receipts during year from sales of assets	3,273	
Less pooled housing capital receipts	(1,180)	
Other capital receipts	16	
	<hr/>	2,109
<u>Less:</u> Capital receipts applied in capital financing during year		(3,643)
Capital receipts applied in repayment of external borrowing		(52)
Balance at 31 March 2007		<hr/> 1,419 <hr/>

(d) General Fund

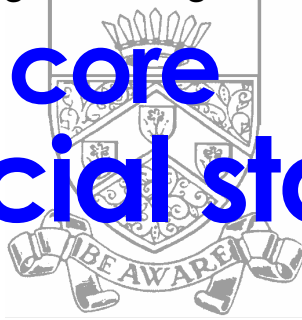
	Balance at 31 March 2006 £'000	Receipts in year £'000	Payments in year £'000	Balance at 31 March 2007 £'000
These can be analysed over the various funds, as follows:				
General Fund				
General reserves	1,084	0	(315)	769
Earmarked reserves				
- future revenue expenditure	732	436	(344)	824
- new developments	112	22	(73)	61
	<hr/> 844	458	(417)	885
	<hr/> 1,928	458	(732)	1,654
Housing Revenue Account				
General reserves	593	373	0	966
Major repairs reserve	0	1,729	(1,729)	0
	<hr/> 593	2,102	(1,729)	966
Earmarked Reserves				
Collection Fund	376	171	(376)	171
	<hr/> 376	171	(376)	171

32. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

i) Contingent Asset

The Council has claimed an amount of £636,000 from HM Revenue and Customs in relation to Value Added Tax charged on car parking in previous financial years. Recent case law indicates that this money should have been retained rather than being paid to Customs. However the ruling is subject to a judicial review, which will determine the validity of the claim.

notes to the core financial statements



ii) Contingent Liabilities

The owners of land required to enable the construction of the Gillibrand Link Road have claimed compensation that is approximately £2 million more than has been included in these accounts. The final settlement is to be decided by means of arbitration but the amount of compensation payable is not yet known. Payment of interest has been provided for in the Income and Expenditure Account based on the Council's estimate of the compensation due. The interest to be paid would also increase if the total compensation sum increased after arbitration.

33. TRUST FUNDS

The Council acts as sole or custodian trustee for five funds and the Mayor of Chorley's fundraising activities. The funds have arisen from legacies given by inhabitants of the Borough and the proceeds of the sale of the Former Free Library.

	Balance at 1 April 2006	Revaluation of Investments	Income	Expenditure	Balance at 31 March 2007
	£'000	£'000	£'000	£'000	£'000
HT Parke's Baths Fund <i>(Maintenance of Brinscall Baths)</i>	2	0	0	(0)	2
William Cocker Charity <i>(Provision of recreation grounds in Chorley)</i>	3	0	0	(0)	3
WB Park's Charity <i>(Extension of Infectious Diseases Hospital, Withnell)</i>	2	0	0	0	2
Proceeds of Sale of Former Free Library <i>(General benefit of Chorley Borough residents)</i>	91	0	6	0	97
Edward McKnight Memorial Fund <i>(Educational lectures in memory of E McKnight)</i>	4	0	0	0	4
Mayor of Chorley's Charity Accounts <i>(Fundraising for various charitable purposes)</i>	0	0	2	(2)	0
Total Trust Funds	102	0	8	(2)	108

The total value of these funds at 31 March 2007* was £108,981 (2005/06 £102,474), of which £93,460 was invested in external listed securities (2005/06 £90,296). The funds are not assets of the Council so the external investments are not included in the Balance Sheet.

* External investments valuation as at 31 March 2007.

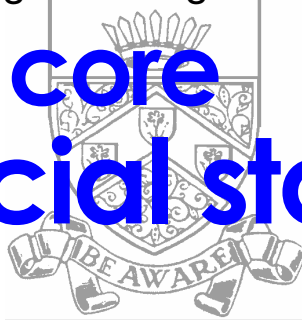
34. PENSION COSTS

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

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

This Council recognises the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against Council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the Income and Expenditure Account after Net Operating Expenditure. The following transactions have been made in the Income and Expenditure Account during the year:

notes to the core financial statements



Local Government Pension Scheme

	2005/06 £'000	2006/07 £'000
Net Cost of Services:		
Current service cost	(1,686)	(1,919)
Past service costs	1,114	(131)
Net Operating Expenditure:		
Gains or losses on pension scheme settlements or curtailments	(409)	1,131
Interest cost	(3,815)	(4,017)
Expected return on assets in the scheme	3,180	3,646
Amounts to be met from Government Grants and Local Taxation:		
Movement on pensions reserve	317	(127)
Actual amount charged against Council tax for pensions in the year:		
Employers' contribution payable to scheme	(1,299)	(1,417)

Note 35 contains details of the assumptions made in estimating the figures included in this note. The Statement of Total Movements in Reserves details the costs that have arisen through the year.

35. PENSIONS

Note 14 to the Core Financial Statement contains details of the Authority's participation in the Local Government Pensions Scheme administered by Lancashire County Council.

	Local Government Pension Scheme	
	2005/06 £'000	2006/07 £'000
Estimated liabilities in scheme	(82,007)	(75,587)
Estimated assets in scheme	59,971	57,863
Net asset/(liability)	(22,036)	(17,724)

The liabilities show the underlying commitments that the Authority has in the long run to pay retirement benefits. The total liability has a substantial impact on the net worth of the Authority as recorded in the balance sheet.

The deficit on the Local Government Scheme can be made good by increased contribution over the remaining working life of employees, as assessed by the scheme actuary. The lowest actuarial valuation will be effective from 1 April 2005.

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The County Council Fund liabilities have been assessed by Mercers, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 1 April 2005.

The main assumptions used in their calculations have been:

	Local Government Pension Scheme	
	2005/06 %	2006/07 %
Rate of inflation	2.90	3.10
Rate of increase in salaries	4.65	4.85
Rate of increase in pensions	2.90	3.10
Rate for discounting scheme liabilities	4.90	5.40

notes to the core financial statements



Assets in the County Council Pension Fund are valued at fair value, principally market value for investments, and consist of the following categories, by proportion of the total assets held by the Fund:

	Proportion of total assets 2005/06 %	Expected rate of return on assets %	Proportion of total assets 2006/07 %	Expected rate of return on assets %
Equity Investments	64.5	7.0	64.3	7.50
Government Bonds	7.3	4.3	8.4	4.70
Other Bonds	15.7	4.9	12.5	5.40
Property	6.0	6.0	7.0	6.50
Cash/Liquidity	3.8	4.5	4.5	5.25
Other Assets	2.7	7.0	3.3	7.50
	<u>100.0</u>		<u>100.0</u>	

36. RECONCILIATION OF REVENUE DEFICIT TO NET CASH FLOW

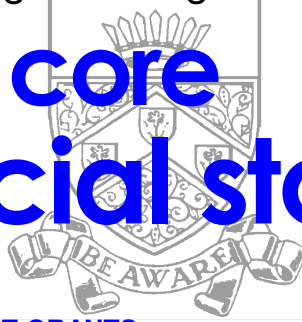
	£'000	£'000
Surplus/(Deficit) for the year		(231)
Non-Cash Transactions:		
Capital	(1,700)	
Contribution from Reserves	188	
Net Movement in Bad Debt Provision	139	
Government Grants Deferred	215	(1,158)
Items on an Accrual Basis		
Increase in Creditors	1,919	
Decrease in Debtors	1,318	
Decrease in Stocks and Work-In-Progress	(284)	2,953
Items in Another Classification		
Servicing of Finance		157
Other Revenue Activities		4
Net cash from revenue activities		<u>1,724</u>

37. RECONCILIATION OF ITEMS UNDER THE FINANCING AND MANAGEMENT OF LIQUID RESOURCES SECTIONS OF THE CASH FLOW STATEMENT TO THE BALANCE SHEET

	Balance at 01/04/06 £'000	Balance at 31/03/07 £'000	Movement in the year £'000
Short term investments	1,674	3,526	1,852
Long term loans	0	0	0
Short term loans	(7,500)	0	7,500
Total Financing and Management of Liquid Resources			<u>9,352</u>

Included in the management of liquid resources section of the Cash Flow Statement is the net movement on current asset investments which are managed in accordance with the Council's Treasury Management policy.

notes to the core financial statements



38. ANALYSIS GOVERNMENT GRANTS

The following Government grants have been received by the Council during the year:

	£'000	£'000
Revenue		
NDR Receipt from Pool		6,445
Revenue Support Grant		1,298
DWP Grants for Benefits		13,478
Other Government Grants:		
• Council Tax Benefits	5,065	
• Home Office Regional Directors Fund	12	
• Homelessness Grant	46	
• Electoral Postal Vote Grant	31	
• Housing Revenue Account Subsidy	224	
• Benefits Administration	591	
• NDR Administration	0	
• Home Office Community Safety Grants	320	
• DEFRA Paper Collection Grants	45	
• Supporting People Administration	-	
• Cycling Projects Fund	-	
• Planning Delivery Grant	325	
• House Renovation Grant Subsidy	-	6,659
Capital		
Housing Capital Grants	493	
Other Capital Grants	223	
Lottery Grant	288	1,004
Total Government Grants Received		28,884

39. DATE OF AUTHORISATION FOR ISSUE

The Statement of Accounts includes any necessary disclosures in respect of events after the balance sheet date up to the date indicated below:

Gary Hall BA CPFA
DIRECTOR OF FINANCE

Date: 26 June 2007

housing revenue account

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

This statement shows the income and expenditure on HRA services. These amounts are included in the whole authority Income & Expenditure Account

2005/06 £'000	DESCRIPTION OF SERVICE	2006/07 £'000	2006/07 £'000	Note
	Income			
(6,955)	Dwelling rents	(6,990)		
(98)	Non-dwelling rents	(84)		
(98)	Charges for services and facilities	(201)		
(388)	Contributions towards expenditure	(337)		
(7,539)	Total income		(7,612)	
	Expenditure			
1,712	Repairs and maintenance	1,854		
2,116	Supervision and management	2,318		
22	Rents, rates, taxes and other charges	19		
1,355	Negative housing revenue account subsidy payable	1,274		
882	Depreciation and impairment of fixed assets	1,520		
12	Debt management costs	12		
46	Increase/(decrease) in bad debt provision	(40)		
	Sums directed by the Secretary of State			
111	Rent rebates, transfer to the General Fund	0		
15	Amortisation of deferred charges	15		
6,271	Total expenditure		6,972	
(1,268)	Net cost of HRA services per Authority Income and Expenditure Account		(640)	
20	HRA services share of Corporate and Democratic Core		20	
(106)	HRA share of other amounts included in the whole authority Net Cost of services but not allocated to specific services		(155)	
(1,354)	Net cost of HRA services		(775)	
0	Gain/loss on the disposal of fixed assets		0	
98	Interest payable and similar charges		112	
55	Amortisation of premiums and discounts		51	
(26)	Interest and Investment Income		(38)	
106	Pensions interest cost & expected return on pensions asset		62	
(1,121)	(Surplus) or deficit for the year on HRA services		(588)	

housing revenue account



THE STATEMENT OF MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE

The detailed HRA Income and Expenditure Account reflects the accounting requirements of the SORP. In some instances these requirements conflict with statute and non-statutory proper practice. This conflict is resolved by further adjustments being made to the HRA balance. The following statements summarise, and show in detail, these adjustments.

2005/06 £'000		2006/07 £'000	Note
(1,121)	(Surplus)/deficit for the year on the Income and Expenditure Account	(588)	
971	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the HRA Balance for the year	215	1
(150)	INCREASE IN HOUSING REVENUE ACCOUNT BALANCE FOR THE YEAR	(373)	
(443)	Housing Revenue Account surplus brought forward	(593)	
(593)	HOUSING REVENUE ACCOUNT BALANCE CARRIED FORWARD	(966)	

notes to the housing revenue account



1. RECONCILING ITEMS FOR THE STATEMENT OF MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE

This statement shows in detail the amounts additional to the surplus or deficit on the Income and Expenditure Account that are required, by statute and non-statutory proper practices, to be debited or credited to the HRA for the year.

2005/06 £'000		2006/07 £'000
	Amounts included in the HRA Income and Expenditure Account but excluded from the Movement on the HRA Balance for the year	
(15)	Amortisation of intangible fixed assets – reversal of charge	
0	Net gain or loss on the sale of HRA fixed assets	0
(268)	Net charges made for retirement benefits in accordance with FRS 17	(215)
(283)		(230)
	Amounts not included in the HRA Income and Expenditure Account but included in the Movement on the HRA Balance for the year	
888	Transfer to the Major Repairs Reserve	209
0	Depreciation charge on non dwelling assets	0
150	Capital expenditure charged-in year to the HRA	
216	Employers contributions payable to the Lancashire Pension Fund and retirement benefits payable direct to pensioners	236
1,254		445
971	NET ADDITIONAL AMOUNT REQUIRED TO BE CREDITED TO THE HRA BALANCE FOR THE YEAR	215

2. HOUSING STOCK

Following the disposal of its housing stock to Chorley Community Housing Ltd, the Council has no general purpose housing stock:

31/03/06		31/03/07
1,229	One bedroom houses, flats and bungalows	0
755	Two bedroom houses, flats and bungalows	0
893	Three bedroom houses, flats and bungalows	0
73	Four bedroom houses, flats and bungalows	0
2,950	Total dwellings	0

3. RENT ARREARS

All rent arrears were acquired by Chorley Community Housing Ltd at the date of transfer.

notes to the housing

revenue account



4. HRA SUBSIDY FOR THE FINANCIAL YEAR

	2005/06 £'000	2006/07 £'000
Management Allowance	1,090	1,153
Maintenance Allowance	2,332	2,403
Major Repairs Allowance	1,771	1,729
Charges for Capital	446	513
Rent Rebates	0	0
Defective Housing Grant	2	4
Guideline Rent	(7,006)	(7,197)
Interest on Receipts	(3)	(2)
Admissible Allowance	6	3
Rental Constraint Allowance	0	91
Negative subsidy, payable to the DCLG	(1,362)	(1,303)
Prior Year Adjustment	7	29
Total negative subsidy in the accounts	(1,355)	(1,274)

5. SUMS DIRECTED BY THE SECRETARY OF STATE TO BE CHARGED TO THE ACCOUNT

In 2005/06 the HRA was required to make contributions to the General Fund totalling £112k in respect of the transitional arrangements for rent rebate overpayments (£40k), and rent rebates in excess of the subsidisable rent limit (£72k). In 2006/7 the first of these liabilities (rent rebate overpayments) has ceased (2005/6 being the final year of the transitional scheme). The second liability is nil by virtue of the fact that rent rebates do not exceed the rent limit for 2006/7.

The HRA is also required to be charged with the cost of amortising intangible assets (£15k). This charge is then reversed (see the Note 1 Reconciling Items for the Statement of Movement on the HRA account).

notes to the housing revenue account



6. BALANCE SHEET VALUE – LAND, HOUSES AND OTHER PROPERTY

31/03/06		31/03/07
£'000		£'000
	Operational Assets	
0	Land	0
72,258	Houses	0
984	Other Property	929
<u>73,242</u>		<u>929</u>
	Non-operational Assets	
849	Land	883
0	Houses	0
0	Other Property	0
<u>849</u>		<u>883</u>
<u>74,091</u>	Total Balance Sheet Value of Housing Revenue Account Assets	<u>1,812</u>

7. VACANT POSSESSION VALUE – PROPERTY

31/03/06		31/03/07
£'000		£'000
<u>150,516</u>	Operational Assets (dwellings)	

8. EXPLANATION OF VACANT POSSESSION VALUE

The vacant possession value of assets represents the stock value of prevailing market rents, adjusted for the fact that there are probably sitting tenants who will also have an option to buy. In other words the valuation assumes a market rent rather than a sub-market rent payable by a Housing Tenant. The difference between the existing social use valuation and the vacant possession value represents the economic cost or opportunity cost to the Government and Council of providing social housing for which they receive less income from rent and sales than they would otherwise have achieved.

9. MOVEMENTS ON THE MAJOR REPAIRS RESERVE

	£'000
Balance at 1 April 2006	
Transfer into Major Repairs Reserve in the year	(1,729)
Utilised to repay housing debt	269
Utilised to finance HRA capital expenditure	1,460
Balance at 31 March 2007	<u>0</u>

notes to the housing revenue account



10. CAPITAL EXPENDITURE ON LAND, HOUSES AND OTHER PROPERTY

	2005/06 £'000	2006/07 £'000
Capital Expenditure		
Land	0	0
Houses	2,176	1,899
Other Property	69	1
	<u>2,245</u>	<u>1,900</u>
Sources of Financing		
Borrowing	269	0
Usable capital receipts	27	290
Grants and Contributions	28	150
Revenue contributions	150	0
Major Repairs Reserve	1,771	1,460
	<u>2,245</u>	<u>1,900</u>

11. CAPITAL RECEIPTS FROM DISPOSALS

Land	0	0
Houses	1,868	2,165
Other Property	20	29
	<u>1,888</u>	<u>2,194</u>

12. CAPITAL CHARGE AND CAPITAL ASSET CHARGES ACCOUNTING ADJUSTMENT

The Council was required in 2005/6 to make a notional interest charge to the HRA of 3.5% of the value of its operational assets. This represented the cost of holding those assets. The charge was reversed through the Asset Management Revenue account (below the Cost of Service line), and it thus had no impact on HRA balances and charges to tenants. In 2006/7 the requirement to make this charge has ceased.

13. CHARGE FOR DEPRECIATION

	2005/06 £'000	2006/07 £'000
Operational Assets		
Dwellings	870	1,511
Other land and buildings	12	9
Non-operational Assets	0	0
Total Charge for Depreciation	<u>882</u>	<u>1,520</u>

notes to the housing revenue account



14. IMPAIRMENT CHARGES

Impairment charges represent the reduction in the value of a fixed asset where something has happened to the asset or to the economic environment to cause a reduction. Examples of this include:


- a significant decline in demand for social housing
- evidence of obsolescence or physical damage to the asset
- a significant adverse change in statutory or other regulatory environment commitment by the Authority to undertake a significant housing reorganisation.

During 2006/07 there were no impairments to HRA assets

15. PENSION RESERVE

The HRA is presented in accordance with the requirement to account for retirement benefits under the principles of FRS17. A total amount of £83,550 is included in management and maintenance expenditure to reflect the Current Service Pension Costs. These costs are negated by an equivalent contribution from the pensions reserve.

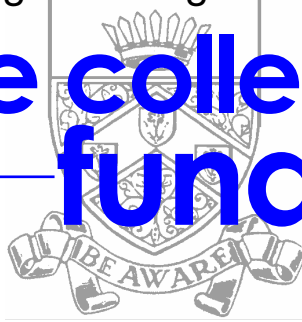
collection fund



THE COLLECTION FUND INCOME AND EXPENDITURE ACCOUNT FOR YEAR ENDED 31 MARCH 2007

Actuals 2005/06 £'000		£'000	£'000	Note
	Income			
40,017	Income from Council Tax		42,146	
4,693	<i>Transfers from General Fund:</i>			
-	Council Tax Benefits	5,008		
4,693	Transitional Relief	(1)	5,007	
18,235	Income Collectable from Business Ratepayers		19,412	2
62,945	Total Income		66,565	
	Expenditure			
	<i>Precepts and Demands:</i>			
32,782	Lancashire County Council	34,635		
6,057	Chorley Borough Council	6,495		
3,716	Lancashire Police Authority	3,929		
1,797	Lancashire Combined Fire Authority	1,901		
44,352			46,960	
	<i>Business Rate:</i>			
18,116	Payment to National Pool	19,292		
119	Costs of Collection to the General Fund	120		
18,235			19,412	2
197	Bad and Doubtful Debts			
(47)	Write Offs	137		
(150)	Provision	(95)	42	
	<i>Contributions:</i>			
357	Distribution of Estimated Collection Fund Surplus	356		5
357			356	
63,094	Total Expenditure		66,770	
(149)	Surplus/(Deficit) for the year		(205)	
524	Surplus brought forward as at 1 April 2006		375	
375	Surplus carried forward as at 31 March 2007		170	

notes to the collection fund



1. GENERAL

These accounts contain the transactions of the Collection Fund. The Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992) requires the Council to maintain a separate fund for the collection and distribution of Council Tax and non-domestic rates. Collection Fund balances are consolidated in the Consolidated Balance Sheet.

2. INCOME FROM BUSINESS RATES

The Council collects non-domestic rates from local businesses, which are based on the rateable values of business premises multiplied by an amount specified by Central Government (the non-domestic rating multiplier). The gross amount due from ratepayers, less certain reliefs and other deductions, is paid into a national pool administered by Central Government. The national pool is then used to distribute business rates income back to local authorities as a standard amount per head of local adult population.

	2005/2006	2006/2007
Non-Domestic Rating Multiplier	42.2p	43.3p
Small Business Non-Domestic Rating Multiplier	41.5p	42.6p
Total Rateable Value at 31 March	£52,799,390	£54,942,290
Total Number of Hereditaments at 31 March	2,755	2,809

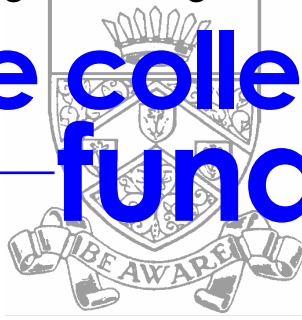
3. COUNCIL TAX BASE

The gross amount of Council Tax payable for a property is based upon a band allocated to it by the Listing Officer, who is an official of the Valuation Office Agency. There are 8 bands, A to H, and each band attracts a different level of Council Tax based on the charge at band D.

The Council set a band D Council Tax of £1,316.33. This was calculated by dividing the total of the Council's net expenditure to be met from the Council Tax and the precepts of Lancashire County Council, Lancashire Police Authority and Lancashire Combined Fire Authority by the Council Tax base. The Council Tax base is the number of band D equivalent properties in the Council's area. It represents the amount of income that would be raised by a Council Tax levy of £1.00 at band D. The Council Tax base has been calculated as follows:

BAND	RATIO TO BAND D	TOTAL NO OF PROPERTIES	TOTAL EQUIVALENT NO AFTER DISCOUNTS	BAND D EQUIVALENTS
A	6/9	13,837	11,604.00	7,734.10
B	7/9	9,843	8,762.50	6,815.30
C	8/9	8,341	7,639.25	6,790.40
D	1	5,602	5,193.00	5,193.00
E	11/9	4,175	3,955.75	4,834.80
F	13/9	1,654	1,568.75	2,266.00
G	15/9	723	685.00	1,141.70
H	18/9	61	42.25	84.50
		44,246	39,451.00	34,859.80
Less adjustments for anticipated changes to the base and losses on collection				115.40
Band D Equivalent Number of Properties				34,744.40

notes to the collection fund



4. BAND D COUNCIL TAX

The band D Council Tax set by the Council has been calculated as follows:

	£
Lancashire County Council Precept	34,635,115
Lancashire Police Authority Precept	3,929,402
Lancashire Combined Fire Authority Precept	1,900,866
Chorley Borough Council Demand	5,269,851*
TOTAL TO BE MET FROM COUNCIL TAX	45,735,234
Divided by Council Tax Base	34,744.40
Band D Council Tax	1,316.33

*The Chorley Borough Council demand on the Collection Fund excludes parish precepts of £535,399 and excludes special expenses of £689,586.

5. DISTRIBUTION OF ESTIMATED COLLECTION FUND SURPLUS

Each January the Council estimates what the Collection Fund balance will be on 31 March. If there is an estimated surplus on 31 March, it has to be shared between the Council and the major precepting authorities during the following financial year. Chorley Borough Council estimated there would be a Collection Fund surplus of £357,455 on 31 March 2006, which was distributed in 2006/07 as follows:

	£
Chorley Borough Council	48,561
Lancashire County Council	262,813
Lancashire Police Authority	29,791
Lancashire Combined Fire Authority	14,409
	355,574

The estimated Collection Fund surplus for 2006/07 was £433,611. This will be distributed to the precepting authorities in 2007/08 in proportion to the value of their respective precepts on the Collection Fund.

glossary



ACCOUNTING STANDARDS BOARD (ASB)

The role of the Accounting Standards Board (ASB) is to issue accounting standards. Accounting standards developed by the ASB are contained in 'Financial Reporting Standards' (FRSs). Soon after it started its activities in 1990, the ASB adopted the standards issued by the Accounting Standards Committee (ASC), so that they also fall within the legal definition of accounting standards. These are designated 'Statements of Standard Accounting Practice' (SSAPs). Whilst some of the SSAPs have been superseded by FRSs, some remain in force. Accounting standards apply to all companies, and other kinds of entities that prepare accounts that are intended to provide a true and fair view.

ACCRUALS

The concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

AGENCY SERVICES

Services provided by the Council, as an agent on behalf of the responsible body, where the principal reimburses the Council for the cost of the work carried out.

AUDITOR'S OPINION

The opinion required by statute from the Council's external auditors, indicating whether the statement of accounts presents fairly the financial position of the Authority.

BALANCE SHEET

The combined fund balance sheets of the Council.

BUDGET

A statement of the Council's spending plans for revenue and capital expenditure over a specified period of time.

CAPITAL EXPENDITURE

Spending on the acquisition of assets either directly by the Council or indirectly in the form of grants to other persons or bodies. Section 40 of the *Local Government and Housing Act 1989* defines 'expenditure for capital purposes'. Expenditure that does not fall within the definition must be charged to a revenue account.

CAPITAL RECEIPTS

Proceeds from the sale of fixed assets, such as land or buildings, or the repayment of capital grants or advances.

CAPITAL RECEIPTS UNAPPLIED

The proportion of capital receipts received which may be used to finance capital expenditure or to repay debt, but not to finance revenue expenditure.

COLLECTION FUND

The account which shows the transactions of the Council in relation to non-domestic rates and Council Tax, and the distribution of these to preceptors and the General Fund. The Collection Fund is consolidated with the other accounts of the Council.

glossary



COMMUNITY ASSETS

Assets that the Council intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

CONTINGENT ASSET

A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the local authority's control. Contingent assets are not recognised in the accounting statements, they but are disclosed by way of notes if the inflow of a receipt or economic benefit is probable. Such disclosures indicate the nature of the contingent asset and an estimate of its financial effect.

CONTINGENT LIABILITY

A contingent liability is either:

- (a) a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the authority's control, or
- (b) a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.

COST OF MANAGEMENT AND ADMINISTRATION

An allocation to service accounts of the net cost of the administrative and professional departments that support all of the Council's services.

CREDITOR

An amount owed by the Council for goods received, or services rendered to it within the accounting period, but for which payment has not been made.

CURRENT COSTS ACCOUNTING (CCA)

The presentation of the accounts in a form that aims to reflect the consequences of price and value changes.

DEBT REDEMPTION

The repayment of external loans previously raised to finance capital expenditure.

DEBTOR

An amount of income due to the Council within the accounting period but not received at the balance sheet date.

DEFERRED CAPITAL RECEIPTS

Capital receipts to be received by instalments over agreed periods of time.

glossary



DEFERRED CHARGES

Expenditure which may properly be deferred, but which does not result in, or remain matched with, tangible assets. An example of a deferred charge is expenditure on items such as improvement grants.

DEPRECIATION

The measure of the wearing out, consumption, or other reduction in the useful economic life of a fixed asset.

FINANCIAL REPORTING STANDARD (FRS) 17

FRS 17, issued by the Accounting Standards Board in November 2000 and amended November 2002, set out the accounting treatment for retirement benefits such as pensions and medical care during retirement.

FIXED ASSETS

Tangible assets that yield benefits to the Council and the services it provides for a period of more than one year.

GENERAL FUND

The main revenue fund of the Council. Day-to-day spending on services is met from the fund. Spending on the provision of housing, however, must be charged to a separate Housing Revenue Account.

HOUSING REVENUE ACCOUNT (HRA)

An account that includes the expenditure and income arising from the direct provision of housing by the Council.

INFRASTRUCTURE ASSETS

Fixed assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure assets are highways and footpaths.

INTANGIBLE ASSETS

An intangible item may meet the definition of an asset when access to the future economic benefits that it represents is controlled by the reporting entity, either through custody or legal protection. Purchased intangible assets (eg software licences) should be capitalised as assets. Intangible assets should be amortised on a systematic basis over their economic lives.

LEASING

A method of utilising assets where a rental charge is paid for a specified period of time, instead of outright purchase.

LOANS OUTSTANDING

The total amounts borrowed from external lenders for capital and temporary revenue purposes but not repaid at the balance sheet date.

MAJOR REPAIRS ALLOWANCE (MRA)

Since April 2001, local authorities have received from the Government an annual Major Repairs Allowance (MRA) to cover depreciation and ongoing major repairs, but which is not intended to cover the backlog in repairs to Council dwellings. The MRA can be accumulated year on year, to allow authorities flexibility in spending on their Housing Revenue Account stock.

glossary



MAJOR REPAIRS RESERVE (MRR)

The Major Repairs Reserve holds any unspent balances of the annual Major Repairs Allowances, to be carried forward to future years in order to fit in with the planning approach to asset management.

MINIMUM REVENUE PROVISION (MRP)

The minimum amount which must be charged to the Council's revenue account each year and be set aside for the repayment of external loans.

NATIONAL NON-DOMESTIC RATES (NNDR)

A national non-domestic rate poundage for commercial premises is set annually by the government and collected by all local authorities. The proceeds are redistributed between local authorities in proportion to their adult populations.

NET BOOK VALUE

The amount at which fixed assets are included in the balance sheet, ie, their historical cost of current value, less the cumulative amounts provided for depreciation.

NON-OPERATIONAL ASSETS

Fixed assets held by the Council, but not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets are investment properties and assets that are surplus to requirements, pending sale or redevelopment.

OPERATIONAL ASSETS

Fixed assets held and occupied, used or consumed by the Council in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

PRECEPT

The levy made by precepting authorities on billing authorities, requiring the latter to collect income from Council Taxpayers on their behalf.

PROVISION

An amount set aside in the accounts for liabilities that are certain to be incurred in the future, but which cannot be quantified accurately at the balance sheet date.

PUBLIC WORKS LOAN BOARD (PWLB)

A Government agency that provides longer-term loans to local authorities.

RENT ALLOWANCE

A subsidy payable by the Council to a low-income tenant in private rented accommodation.

RENT REBATE

A subsidy payable by the Council to low-income tenants in Council houses.

glossary



RESERVE

Amounts included in one financial year's accounts to provide for payment for goods or services, whether revenue or capital, in a future financial year.

REVENUE ACCOUNT

An account that records an authority's day-to-day expenditure and income on such items as salaries and wages and other running costs of services.

SECTION 137 EXPENDITURE

Section 137 of the Local Government Act 1972, as amended by Section 36 of the *Local Government and Housing Act 1989*, empowers authorities to incur expenditure for the benefit of some or all of their inhabitants that is not authorised under other powers.

STATEMENT ON INTERNAL CONTROL (SIC)

Regulation 4(2) of The Accounts and Audit Regulations 2003 requires English authorities to 'conduct a review at least once in a year of the effectiveness of its system of internal control' and include a statement on internal control with any statement of accounts.

STATEMENT OF RECOMMENDED PRACTICE (SORP)

A Statement of Recommended Practice (SORP) on Accounting Practices for local authorities is prepared regularly to assist in the determination of recommended accounting practices and the SORP's form enables it to be related to the Financial Reporting Standards issued by the Accounting Standards Board. In England and Wales, the SORP constitutes 'proper accounting practice' under the terms of Section 66(4) of the *Local Government and Housing Act 1989*. The Chartered Institute of Public Finance and Accountancy (CIPFA) is the recognised SORP setting body for local government in England and Wales. To be applicable in Scotland the SORP requires approval by the Local Authority (Scotland) Accounts Advisory Committee (LASAAC). A Joint Committee (CIPFA/LASAAC) has been established to enable the SORP to be recognised in England, Wales and Scotland.

STATEMENT OF STANDARD ACCOUNTING PRACTICE (SSAP) 9

SSAP 9 gives guidance on the accounting treatment of both stocks and long-term contracts. Stocks should be valued at the lower of cost and net realisable value (actual or estimated selling price after deduction of all further costs to completion and costs of marketing, selling and distribution).

