

24 June 2008

Dear Councillor

**AUDIT COMMITTEE - THURSDAY, 26TH JUNE 2008**

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

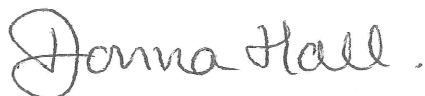
**Agenda No    Item**

7.    **Annual Accounts and Governance Statement for 2007/08 (Pages 47 - 166)**

To receive and consider the enclosed report of the Assistant Chief Executive (Business Transformation) to which is attached the following documents:

- The Financial Statement for 2007/08;
- The Annual Governance Statement within a report of the Assistant Chief Executive (Business Transformation) and the Director of Corporate Governance;
- The report of the Assistant Chief Executive (Business Transformation) on the Capital Programme Provisional Outturn, 2007/08 and Monitoring 2008/09 onwards to be considered by the Executive Cabinet on 26 June 2008; and
- The report of the Assistant Chief Executive (Business Transformation) on the Provisional Revenue Outturn, 2007/08 to be considered by the Executive Cabinet on 26 June 2008.

Yours sincerely



Donna Hall  
Chief Executive

Tony Uren  
Democratic Services Officer  
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## **Distribution**

1. All Members of the Audit Committee (Councillor Anthony Gee (Chair), Councillor Laura Lennox (Vice-Chair) and Councillors Alan Cain, Mike Devaney, Keith Iddon and Geoffrey Russell) for attendance.
2. Donna Hall (Chief Executive), Gary Hall (Assistant Chief Executive (Business Transformation)), Garry Barclay (Audit and Risk Manager), Andy Armstrong (Assistant Audit Manager) and Tony Uren (Democratic Services Officer) for attendance.
3. Fiona Blancher (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

01257 515823

کیجئے:



Report of	Meeting	Date
Assistant Chief Executive (Business Transformation)	Audit Committee	26/06/08

**FINANCIAL STATEMENT 2007/2008**

**PURPOSE OF REPORT**

- To seek approval from Members of the accounts for 2007/2008.

**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 and the Councils Governance Assurance Statement.
- The Council’s financial outturn for the last financial year was reported to the Executive Cabinet on the 26 June 2008. 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, for the financial year 2007/08, the key challenges were, maintaining a balanced budget, in the light of increased pressure on a number of demand led budgets, the triennial review of the pensions position. Further changes to be format and content of the Accounts as required by statute.



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 (108k) against its cash target after allowing for the capitalisation of the Gillibrand Link Road interest.
  - The Housing Revenue Account was closed during the year and the balances on the accounts transferred into the Council's general balances.
  - As end of year balance were outside the range identified in the Council's Financial Strategy by an additional 278k . This is the result of the effect of the reversal of the £213k of interest previously charged to revenue but now capitalised.
  - The Collection Fund ran at a deficit for the year of £485k meaning overall the account is now in deficit. This is a result on expected surplus in 2007/08 not materialising as the level of grant anticipated has not yet materialised..
  - The Council Pension deficit increased from £19.9m to £27.3m in 2007/08 as a result of the triennial revaluation and the changes in assumptions previously made.
  - The Council has produced a statement which reviews the Council's governance arrangements and this is included in the accounts but a separate report is attached as Appendix B summarising the key issues for Members.
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 August. 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 seek 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.
13. 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**

14. The Council's Income and Expenditure account shows a net deficit of £1.851m. 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 £108k after allowing for planned slippage and the adjustment for the Gillibrand interest payment.
15. 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
16. 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 £120k (7%) overspent and the concessionary travel scheme costing the Council £226k (40%) 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.
17. Details of the Council outturn and an explanation of the variations will be reported to the Council Executive on 26 June 2008. For completeness a copy of that report is attached at Appendix C.

**RESERVES AND BALANCES**

18. 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:

	<b>2006/2007 £000</b>	<b>Movement in 2001/04 £'000</b>	<b>Balance 31 March 2007 £'000</b>
Working Balances	768	1.01	1.778

21. Working balances are £1.778m at the end of the financial year. This figure is above the maximum set in the medium term financial strategy of £1.5m, but there are no plans at this stage to use those balances given the inherent risks contained in the 2008/09 budget.

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

<b>EARMARKED RESERVES</b>	<b>BALANCE 31 MARCH 2008 £'000</b>
Building control reserve	51
Astley Hall working reserve	9
Directorate reserve	459
Job Evaluation reserve	0
e-workforce/Capital reserve	63
Local Development Framework	202
Elections equalisation reserve	10
Business growth incentive	399
Performance reward growth	21
	1,214

Of the sums identified above, the bulk are committed in 2008/09 and beyond apart from the Business Grants Incentive Reserve where £357k remains uncommitted at this stage.

### **RECOGNISED GAINS AND LOSSES**

23. 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.
24. During 2007/2008 there were some significant movements, explained as follows:
- (3,925) gain a revaluation
  - 8,401 loss on Pension Fund revaluation
25. The revaluation gain on assets is in the main, the result of a increase in value of All Seasons Leisure Centre following a revaluation. The pension loss is more complex and a result of a number of different factors, the main ones being:
- The assumption regarding the costs of pension have been increased as salary inflation is expected to grow.
  - The expected returns in investments in 2007/08 was less than anticipated.

### **BALANCE SHEET**

26. 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. Again for completeness the Capital Outturn report is shown at Appendix C. Set out below is some further commentary in relation to specific balance sheet items.

### **ASSETS**

27. The Council's overall net worth has reduced if compared with the last financial year. This is predominantly as a result of the increases reported in the Councils pensions liability.

**SHORT TERM INVESTMENTS AND BORROWING**

28. Overall the Council's cash position continued to be positive as the Council had funds invested rather than being in a net borrowing position. During the year the Council took advantage of softening rates so that for the first time in many years to the longer term borrowing was taken.

**DEVELOPER CONTRIBUTIONS (\$106 FUNDS)**

29. The level of developer contribution available increased significantly during the year from £2.8m to £6.25m. This is mainly as a result of passporting the money held for the provision of the railway station and school at Buckshaw. The remaining side monies are committed to finance the Council's programme for the next three financial years.

**CONTINGENT ASSETS AND LIABILITIES**

30. Contained in the Accounts are references to two potential issues that will impact significantly on the Council's financial position if they happen. These are in relation to firstly a change in the VAT rules that may allow the Council to reclaim VAT it has recovered on car parking which is a contingent asset. A contingent liability exists in terms of the warranties given to CCH, which in the main relate to environmental issues. The Council has environmental insurance cover to match the bulk of the potential liability.

**CASH FLOW**

31. Overall the Council's cash flow was negative in year. This means it paid out more cash than it received.
32. The general trend in relation to cash flow is downwards as it had a negative cash outflow from general activities.
33. 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**

34. The Housing Revenue Account generated an in year deficit of £70k, due wholly to the housing transfer. The in year costs are associated with the closedown of the account.
35. As a consequence HRA working balances stood at £896k which is broadly as anticipated and reported in monitoring. We have received the Government's permission to close the accounts and consequently this activity is shown as a discontinued activity in the accounts with the transfer of the balances on the account in to general balances.

**THE COLLECTION FUND**

36. The Collection Fund represents effectively a holding fund where surplus and deficit on collection are redistributed to the Precepting Councils. In year deficit of £485k occurred which in the main is a result of not as many new properties as expected becoming eligible to pay Council Tax.
37. The Collection Fund account overall is now in deficit by £314k. 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. Chorley's element of this overall deficit amounts to £40k and we will recover this in future years.

**SUMMARY**

38. 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 inherent risks. I have reported previously that the risks in the Council's budget are increasing due in the main to forecasting the cost of concessionary travel and the result of the increasing complexity of achieving recovery of benefit repayments. Moving forward these are challenges the Council will have to over come if it is to continue to balance the budget and remain financially strong.

GARY HALL  
ASSISTANT CHIEF EXECUTIVE  
(BUSINESS TRANSFORMATION)

There are no background papers to this report.

<b>Report Author</b>	<b>Ext</b>	<b>Date</b>	<b>Doc ID</b>
Gary Hall	5480	23 June 2008	ACE (B&T)/Reports/2008/Audit Comm/Fin Stat 07-08



# Chorley Council

## FINANCIAL STATEMENT

**Year Ended March 31, 2008**



**FINANCIAL STATEMENT**  
**YEAR ENDED 31 MARCH 2008**

**CHAIR OF AUDIT COMMITTEE**

**Councillor A Gee**

**LEADER OF THE COUNCIL**

**Councillor P Goldsworthy**

**ASSISTANT CHIEF EXECUTIVE**  
**(BUSINESS TRANSFORMATION AND IMPROVEMENT)**

**Gary Hall BA CPFA**



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# auditor's report to chorley borough council



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# auditor's report to chorley borough council



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# explanatory foreword



## 1. INTRODUCTION BY THE CHIEF FINANCE OFFICER

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 Chief Finance Officer 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 Chief Finance Officer, 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**, a reconciliation statement that summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance.

**Statement of Total Recognised Gains and Losses**, which 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:** The Council disposed of its housing stock in March 2007. The Housing Revenue Account records residual expenditure and income occurring in 2007/08. The account was closed on 31 March 2008.

**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.

**Changes to Accounts 2007/08**, the key changes in year in relation to the overall look and feel of the accounts relate to changes in the way local Authorities Account for certain transactions. This is the result of the move to make Local Authority accounts more compliant with the standards and form of the private sector.

The major change concerns accounting for "Financial Instruments", a term that covers borrowings, investments, and the giving of financial guarantees. The regulations also affect the accounting treatment of any loans made at concessionary rates. These changes have had little impact on the main financial statements, but they have necessitated many additional disclosure notes.

The other significant change concerns accounting for fixed assets. Reductions in property values, or capital investment that does not increase the value of an asset, are now charged to the Income and Expenditure account. The amounts are significant, but they do not result in an increased charge to council tax payers, since special provisions allow the charges to be reversed before they hit the "bottom line". Increases in property values are now recorded in the Revaluation Reserve.

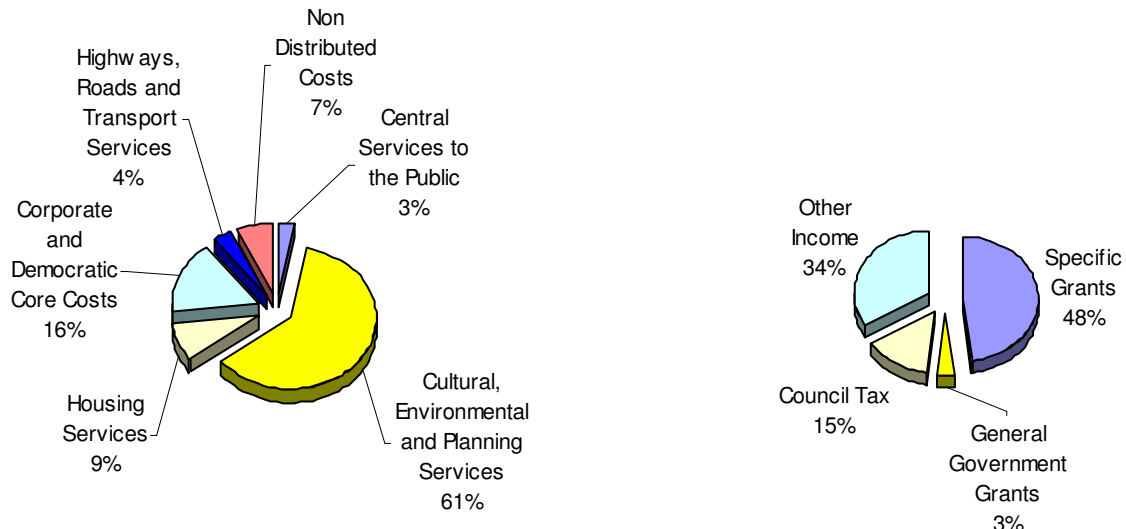
# explanatory foreword



## 2. INCOME AND EXPENDITURE 2007/08

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 and how it's paid for.

Figure 1. Revenue Expenditure & Funding

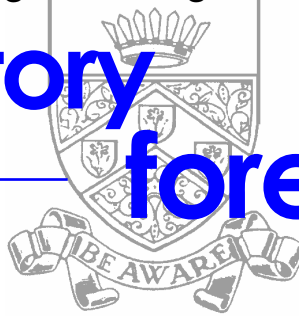


During the year the Council's net cash expenditure on the General Fund revenue account amounted to (£0.322m) when compared against planned expenditure. The 2006/07 figures have been restated to reflect the latest Council management structure. The main variations, analysed by directorate, against that originally planned are summarised in the table below:

<b>Figure 2. Budget Variations by Unit 2007/08</b>	<b>Budget 2006/07</b>	<b>Actual 2006/07</b>	<b>Variation 2006/07</b>	<b>Budget 2007/08</b>	<b>Actual 2007/08</b>	<b>Variation 2007/08</b>
<b>Service</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Chief Executive's Office	925	914	(11)	712	654	(58)
Corporate Governance	1,745	1,787	42	1,550	1,483	(67)
Business	611	507	(104)	855	819	(36)
Business Improvement	1,870	2,465	595	2,297	2,656	359
Human Resources	462	424	(38)	340	373	33
ICT Service	951	889	(62)	999	915	(84)
People	1,819	1,836	17	1,968	1,889	(79)
Policy and Performance	556	547	(9)	684	634	(50)
Neighbourhoods	4,656	4,544	(112)	4,911	4,938	27
Financing Transactions	924	840	(84)	1,261	1,063	(198)
Interest and Investment Income	(62)	(92)	(30)	(314)	(525)	(211)
Interest Payable & Similar Charges	123	136	13	0	7	7
<b>Net Expenditure to Finance</b>	<b>14,580</b>	<b>14,797</b>	<b>217</b>	<b>15,263</b>	<b>14,906</b>	<b>(357)</b>
Income from Council Tax Payers	(6,544)	(6,544)	0	(6,629)	(6,608)	21
Government Grants	(7,743)	(7,743)	0	(8,008)	(8,008)	0
Use of Reserves and Balances	(293)	(279)	14	(626)	(256)	370
LA Business Growth Incentive Grant	0	0	0	0	(356)	(356)
<b>Net Expenditure</b>	<b>0</b>	<b>231</b>	<b>231</b>	<b>0</b>	<b>(322)</b>	<b>(322)</b>



# explanatory foreword



### 3. CAPITAL SPENDING AND FINANCING 2007/08

During the year the Council spent a total of £6.474m on capital schemes. £0.612m of that sum was expended on the Housing Investment Programme (HIP), mainly in improving private sector housing.

Key areas of expenditure included sums spent on:

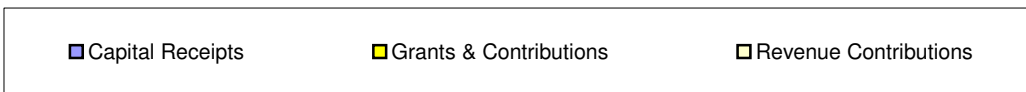
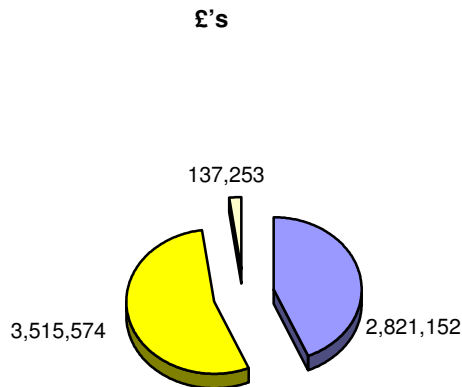
- Cost associated with making the Council more efficient
- Investing in regeneration projects
- Environmental improvements
- Leisure and play facilities

The capital spending in 2007/08 was financed from these sources:

- Capital receipts £2.821m
- Grants and contributions £3.516m
- Revenue financing £0.137m

During 2007/08 no additional borrowing was required to finance the capital spend.

**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 2006/07. The FRS17 deficiency is shown in the statement of total recognised gains and losses. 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 ( i.e. 31 March 2008) is shown in the balance sheet at £27.3m. 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 employer's contribution rate will rise incrementally over the next three years to redress the deficit. An increase in the contribution rate has already been budgeted for in 2008/09 and thereafter, the increase being as shown in the following table:

2006/07 Employer's Contribution Rate %	2007/08 Employer's Contribution Rate %	2008/09 Employer's Contribution Rate %	2009/10 Employer's Contribution Rate %	2010/11 Employer's Contribution Rate %
<u>14.5</u>	<u>15.8</u>	<u>16.8</u>	<u>17.8</u>	<u>18.8</u>

## 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 2008/09. We plan to spend £9.188m on capital schemes comprising:

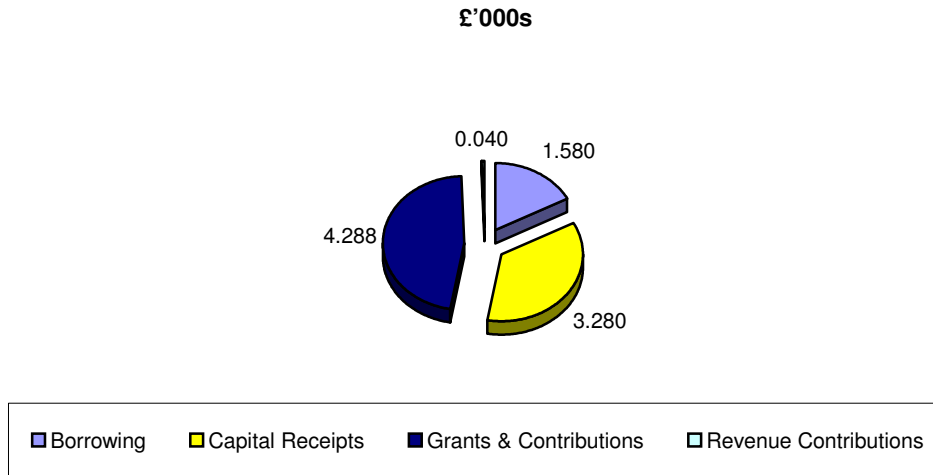
- Town Centre and Markets improvements
- Affordable Housing and Home Improvement Grants
- Enhancing park, recreation and leisure facilities
- Investing in Council assets and systems
- Enhanced recycling

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

# explanatory foreword



Figure 4. Future Capital Resources



Capital spending plans for 2008/09 assume the receipt of resources such as developers' contributions and income from the sale of surplus assets or former Council dwellings, which may be affected by factors beyond the Council's control. In particular, the "credit crunch" may have an impact on the housing market in general that may make it harder to achieve the estimated levels of capital resources. The situation will be monitored and amendments made to the spending plans as necessary.

## 7. CONTINUING REVENUE SUPPORT IN KEY AREAS

The Council continues to invest in its key priority areas. In 2008/09 additional revenue was identified for investing in neighbourhoods and the promotion of the town. We will continue to review whether the Council's scarce resources are allocated properly as we refresh the Council's plans annually. 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, i.e. 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:

**Assistant Chief Executive (Business Transformation and Improvement), 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.**

# explanatory foreword



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

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  
ASSISTANT CHIEF EXECUTIVE (BUSINESS TRANSFORMATION AND IMPROVEMENT)

# statement of responsibilities



## STATEMENT OF RESPONSIBILITIES

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

### ***The Authority's Responsibilities***

The Authority is required:

- To make arrangements for the proper administration of its financial affairs and to ensure that one of its officers (the Chief Finance Officer) has the responsibility for the administration of those affairs. In this Authority, that officer is the Assistant Chief Executive (Business Improvement and Transformation).
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- To approve the statement of accounts.

\_\_\_\_\_  
Executive Leader – Councillor Peter Goldsworthy

\_\_\_\_\_  
Date:

### ***The Chief Finance Officer's Responsibilities***

As Chief Finance Officer, 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 2008.

\_\_\_\_\_  
Gary Hall BA CPFA  
ASSISTANT CHIEF EXECUTIVE (BUSINESS  
TRANSFORMATION AND IMPROVEMENT)

\_\_\_\_\_  
Date:

# 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 the assessment of 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

Reserves consist of fund balances accumulated for use by the Council in the future. Expenditure is not charged direct to any reserve, instead it is charged to the appropriate service revenue account, and the reserve appropriated back into the General Fund Balance. Reserves include earmarked reserves set aside for purposes such as general contingencies and cash flow management. A summary of these is given in Note 32 to the Core Financial Statements.

Certain reserves are kept to manage the accounting process for tangible fixed assets and retirement benefits and do not represent usable resources for the Council. These reserves are explained in the relevant policies below.

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.

# accounting policies



## 3. TANGIBLE FIXED ASSETS

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.

Expenditure that would be capitalised includes the following:

- 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;

Other expenditure that may be capitalised includes advances or grants to other parties towards expenses incurred in respect of such capital expenditure – see Accounting Policy 4 (Deferred Charges); and the acquisition of computer software licenses – see Accounting Policy 5 (Intangible Assets).

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 Code of Practice on Local Authority Accounting, Statement of Recommended Practice. 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.

Assets included in the Balance Sheet at current value are revalued where there have been material changes in value, but as a minimum every five years. Since 1 April 2007 any increase in valuation has been credited to the Revaluation Reserve. Changes in value prior to that date have been consolidated into the Capital Adjustments Account.

Any reduction in value resulting from a revaluation (impairment) is charged to the service revenue account if it is attributable to the clear consumption of economic benefit. Otherwise the reduction is written off against any revaluation gains held in the Revaluation Reserve. If these are inadequate the excess is charged to the relevant service revenue account.

Depreciation is provided for on all tangible fixed assets with a finite useful life (determined at the time of acquisition or revaluation), 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. (See Note 17 to the Core Financial Statements.)

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets, and the depreciation that would have been chargeable based on their historical cost, being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

# accounting policies



## 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 at cost 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 19 to the Core Financial Statements.)

## 5. INTANGIBLE ASSETS

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Council (e.g. software licences) is capitalised 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. An amount equal to the amortisation charges for the use of intangible assets included in revenue accounts is credited to the Reconciling Items for the Statement of Movement on the General Fund Balance.

(See Note 14 to the Core Financial Statements.)

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 (e.g. software licences) are capitalised as assets at their cost. Intangible assets are amortised on a systematic basis over their economic lives.

(See Note 18 to the Core Financial Statements.)

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

When an asset is disposed of or decommissioned, the Balance Sheet value is written off to the Income & Expenditure Account. This is offset by crediting the disposal receipt. Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustments Account.

Receipts in excess of £10,000 are categorised as capital receipts. A proportion of receipts from housing disposals is payable to the Government, the balance must be credited to the Usable capital Receipts Reserve to be used for new capital expenditure or to reduce the need to borrow. To achieve this the usable portion of the receipts are appropriated to the Reserve from the Statement of Movement on the General Fund Balance (SMGFB).

The written off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustments Account from the SMGFB.

## 7. GRANTS

Revenue grants are accounted for in the year in which they arise and are credited to the relevant service in the Income and Expenditure 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.

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 30 to the Core Financial Statement.) This is subsequently written off to the Reconciling Items for the Statement of Movement on the General Fund Balance over the useful life of the asset to match the depreciation of the asset to which it relates. (See Note 14 to the Core Financial Statement.)

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

Interest paid on external borrowings is accrued and charged to the Income and Expenditure Account.

Interest earned on the external investment of surplus funds is accrued and credited to the Income and Expenditure Account.

## 9. LEASING

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

Assets acquired under finance leases that had not been fully depreciated would be capitalised in the Authority's accounts.

The amount of lease rentals paid during 2007/08 and the amount of undischarged leasing obligations are shown at Note 21 to the Core Financial Statements. Finance and operating lease rentals are charged to revenue. The Council had no finance leases in operation during 2007/08. In line with the SORP, operating leases are not shown as assets or liabilities on the Authority's balance sheet.

## 10. 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 at cost 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 2008 with the exception of various items where the charges from one year to the next are not material, i.e. gas, electricity and telephone charges.

See Note 26 to the Core Financial Statements.

## 11. 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.

## 12. 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 25 to the Core Financial Statements.) 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.

## 13. CENTRAL SUPPORT SERVICE AND ADMINISTRATIVE EXPENSES

A full allocation of these overhead 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. The total absorption principle is used, with the exception of:

- Corporate and Democratic core costs
- Non distributed costs

# accounting policies



## 14. 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 Income and Expenditure 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 Recognised Gains and Losses 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 were no discretions granted during the accounting period.

Further information is presented in Notes 38 and 39 to the Core Financial Statements.

## 15. 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 23 to the Core Financial Statements.) 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 2007/08 had no interest in any company that undertook any trading activity during the period.

## 16. 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 36 to the Core Financial Statements.

## 17. 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 36 to the Core Financial Statements.

# accounting policies



## 18. 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 (See note 47 to the Core Financial Statements).

## 19. 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.

## 20. MINIMUM REVENUE PROVISION

In accordance with the requirements of the Local Government and Housing Act 1989, the authority is required to set aside a minimum revenue provision for repayment of debt.

See Note 14 to the Core Financial Statements.

## 21. PRIOR PERIOD ADJUSTMENTS AND CHANGES IN ACCOUNTING POLICIES

The effect of Prior Period Adjustments arising from changes in accounting policies or from the correction of fundamental errors are disclosed in the Statement of Accounts showing the effect of the change on the results of the current period and explaining the necessity for the adjustments.

For a complete illustration of the effects of these changes on the 2006/2007 figures please refer to Note 2 to the Core Financial Statements.

## 22. FINANCIAL INSTRUMENTS

### Financial Liabilities

Financial liabilities are initially measured at fair value and carried at their amortised cost. Annual charges to the Income and Expenditure Account for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest.

Any gains or losses on the repurchase or early settlement of borrowing are charged to the Income & Expenditure account. However where repurchase has taken place as part of a restructure the premium or discount is added to the amortised cost and charged over the life of the new or modified loan. Where premiums and discounts have been charged directly to the Income and Expenditure Account regulations permit the impact on the General Fund Balance to be spread

# accounting policies

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over future years. This is achieved by transfer to/from the Financial Instruments Adjustment Account. No such gains or losses arose in 2007/08.

## Financial Assets

These are classified into two types:

- **Loans and Receivables** – assets that have fixed or determinable payments but are not quoted in an active market. These are measured at fair value and carried at amortised cost. Annual credits to the Income and Expenditure Account are based on the carrying amount multiplied by the effective rate of interest. In all cases where the Council has made loans cost has been used as a proxy for fair value
- **Available for sale assets** – assets that have a quoted market price and/or do not have fixed or determinable payments. These are initially measured, and carried, at fair value. Credits to the Income & Expenditure Account for interest are based on the amortised cost multiplied by the effective rate of interest. The single small investment in this category is valued at its quoted market price. Gains or losses are posted to the Available for sale Reserve. On derecognition gains or losses are charged to the Income and Expenditure Account.

# 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, facilitating the effective exercise of its functions and which includes arrangements for the management of risk.

The Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Good Governance in Local Government*. A copy of the Code is on our website at [www.chorley.gov.uk](http://www.chorley.gov.uk) under "Council & Democracy" or can be obtained from Andrew Docherty, Corporate Director of Governance, Town Hall, Chorley, PR7 1DP. This statement explains how Chorley Council has complied with the Code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) Regulations 2006 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, the culture and values by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

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 Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at the Council for the year ended 31 March 2008 and up to the date of approval of the annual report and statement of accounts.

# the governance assurance statement



### 3. The Governance Framework

The following paragraphs describe the key elements of the systems and processes that comprise the authority's governance arrangements:

#### ***Identifying & communicating the authority's vision of its purpose and intended outcomes for citizens and service users***

- The Corporate Strategy sets out the Council's vision, priorities and strategic objectives. These are derived from the Community Strategy, which clearly articulates a shared vision for the Borough of Chorley.
- Long term outcomes and interim performance targets have been established for each strategic objective.
- The Community Strategy and Corporate Strategy are published widely and are also available on the Council website and intranet.

#### ***Reviewing the authority's vision & its implications for the authority's governance arrangements***

- The Community Strategy and Corporate Strategy are regularly reviewed and the Council's vision and strategic objectives have been refined to reflect changing aspirations, both locally and nationally.
- A performance management framework is in place for the Local Strategic Partnership providing clear arrangements for joint working, including specific LSP projects.

#### ***Measuring the quality of services for users, for ensuring they are delivered in accordance with the authority's objectives and for ensuring that they represent the best use of resources***

- Service level Business Improvement Plans contain key projects that are geared towards achieving overall strategic objectives. They also contain challenging targets in respect of both national performance indicators and local performance targets.
- This system is in turn supported by individual staff performance and development reviews to ensure that everyone understands their individual and service unit contribution to corporate goals.
- The Council uses a bespoke performance management software system, Performance Plus, which uses a traffic light system to monitor not only individual performance indicators, but also their combined effect on the achievement of strategic objectives. Reports are produced to ensure that trends in performance can be identified and corrective action introduced if appropriate. This is supported by a robust data quality control system, which ensures the accuracy of the reported information.
- Performance against targets is monitored at officer and member levels, by Strategy Group, Executive Cabinet, Overview & Scrutiny and the Audit Committee.
- The Council achieved a maximum score of 4 for the 2007 Use of Resources assessment by the Audit Commission, which demonstrates that the above arrangements are effective.

#### ***Defining & documenting the roles & responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication***

- The Council's Constitution sets out how the Council operates, how decisions are made and the procedures that 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.
- The Constitution also sets out the situations where senior officers of the Council can make decisions under delegated authority
- The Council publishes a Forward Plan containing 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).

# the governance assurance statement



## ***Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff***

- 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.
- Both members and officers have been extensively briefed on personal conduct and disclosure requirements.
- An automated system has been established on the Council's intranet for officer disclosures.

## ***Reviewing & updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes / manuals, which clearly define how decisions are taken and the processes and controls to manage risks***

- The Corporate Director of Governance arranges for the review and re-adoption of the Council Constitution on an annual basis. This includes a review of Standing Orders, Contract Procedure Rules, Financial Procedure Rules and Responsibilities for Functions.
- The standard member reporting procedure requires a consideration of risk for all significant decisions. This is also underpinned by a robust structure and system for identifying and evaluating all significant business risks at both the strategic and operational levels, the key elements of which are a Strategic Risk Register and service level risk assessments built into the business planning process.

## ***Undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committees - Practical Guidance for Local Authorities***

- 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.

## ***Ensuring compliance with relevant laws and regulations, internal policies and procedures and that expenditure is lawful***

- 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 Corporate Director of Governance 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.
- The standard committee reporting procedure and template now requires the monitoring officer to consider legality and compliance in respect of all decisions made by members.



# the governance assurance statement



## ***Arrangements for whistle blowing and for receiving and investigating complaints from the public***

- The Council has an up to date Whistle Blowing Policy, which has been widely publicised via the Council web site, intranet and other channels. All members of staff have been fully briefed on the Policy including how, and whom they should make a disclosure.
- The Council also operates a formal Corporate Complaints Procedure, which has been widely publicised.

## ***Identifying the development need of members and senior officers in relation to their strategic roles, supported by appropriate training***

- Formal induction programmes and training & development plans are in place for both members and senior officers.
- All senior officers participate in the corporate staff appraisal scheme.

## ***Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation***

- Up to date strategies are in place in respect of communications, marketing and consultation.

## ***Incorporating good governance arrangements in respect of partnerships and other group working as identified in the Audit Commission's report on the governance of partnerships, and reflecting these in the authorities overall governance arrangements***

- The Council has adopted a formal Framework for Partnership Working which specifies the minimum governance requirements in respect of all the Council's partnerships and the enhanced requirements in respect of its key partnerships.

#### **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 executive managers 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 describe the processes that has been applied in maintaining and reviewing the effectiveness of the Council's governance framework:

#### ***Corporate Level Review***

A management group consisting of the following officers has been established for some time to oversee the compilation of the Annual Governance Statement (previously Statement on Internal Control):

- Assistant Chief Executive - Business Transformation & Improvement (S151 Officer);
- Corporate Director of Governance (Monitoring Officer);
- Assistant Chief Executive - Policy & Performance;
- Audit & Risk Manager.

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 governance assurance statement



## ***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 Corporate Director of Governance 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 Sub-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.

## ***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**

# the governance assurance statement



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 and have identified the following improvement opportunities:

No.	Governance Areas	Planned Improvements
	<i>Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area</i>	
1	Ensuring that partnerships are underpinned by a common vision of their work that is understood and agreed by all partners	This is the case for the Chorley Partnership (LSP) but it will also be made clear in the Council's other key commercial partnership agreements
2	Measuring the environmental impact of policies, plans and decisions	The standard committee report template will be amended to address this, supported by staff training and awareness
	<i>Members and officers working together to achieve a common purpose with clearly defined functions and roles</i>	
3	When working in partnership, ensuring that members are clear about their roles and responsibilities both individually and collectively in relation to the partnership and to the authority	Clear terms of reference & feedback mechanisms will be established for members working on outside bodies
	<i>Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour</i>	
4	Ensuring that standards of conduct and personal behaviour expected of members and staff, of work between members and staff and between the authority, its partners and the community are defined and communicated through codes of conduct and protocols.	The Officers' Code of Conduct will be updated and communicated to staff and a section on personal behaviour will be inserted in the Framework for Partnership Working
5	Putting in place arrangements to ensure that members and employees of the authority are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders and put in place appropriate processes to ensure that they continue to operate in practice	More formalised monitoring of the Officers' Register of Interests & Disclosures will be established
6	In pursuing the vision of a partnership, agreeing a set of values against which decision making and actions can be judged. Such values must be demonstrated by partners' behaviour both individually and collectively.	This will be incorporated within the performance management & reporting frameworks for the Chorley Partnership and the Council's other key commercial partnerships

# the governance assurance statement



	<b><i>Developing the capacity and capability of members and officers to be effective</i></b>	
7	Ensuring that the statutory officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the authority	Staffing plans for the Corporate Governance and Finance functions will be implemented
	<b><i>Directorate Compliance</i></b>	
8	Customer feedback mechanisms	More regular, formalised collection & monitoring methods will be introduced for back-office / support services
9	Computer & Data Security	Staff will be reminded to log-off from the network when not in use, supported by a programme of spot-checks
10	Document Retention Guidelines	Annual reviews will be introduced incorporating paper-based and electronic records

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 propose over the coming year to take steps to address the above matters to further enhance our governance arrangements through the corporate business improvement planning process. We 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 Goldsworthy**  
Leader of the Council

**D Hall**  
Chief Executive

**G Hall**  
Assistant Chief Executive  
(Business Transformation &  
Improvement)  
(Section 151 Officer)

**A Docherty**  
Corporate Director  
of Governance  
(Monitoring Officer)

# the core financial statements



## INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2008

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.

Restated 2006/07 Net Expenditure £'000	DESCRIPTION OF SERVICE	2007/08 Gross Expenditure £'000	2007/08 Gross Income £'000	2007/08 Net Expenditure £'000	Note
681	Central services to the public	6,572	(6,017)	555	
12,134	Cultural, environmental and planning services	14,257	(3,435)	10,822	
372	Highways, roads and transport services	1,884	(1,249)	635	
3,567	Housing services	16,988	(15,445)	1,543	
3,078	Corporate and democratic core costs	2,987	(97)	2,890	
(545)	Non distributed costs	1,426	(275)	1,151	
<b>19,287</b>	<b>TOTAL CONTINUING OPERATIONS</b>	<b>44,114</b>	<b>(26,518)</b>	<b>17,596</b>	
48,958	Discontinued operations	55	(1)	54	
<b>48,958</b>	<b>TOTAL DISCONTINUED OPERATIONS</b>	<b>55</b>	<b>(1)</b>	<b>54</b>	
<b>68,245</b>	<b>NET COST OF SERVICES</b>	<b>44,169</b>	<b>(26,519)</b>	<b>17,650</b>	
(2,247)	Gains or losses on the sale of fixed assets			(1,219)	
535	Precepts paid to Parish Councils			550	
(84)	Net costs on trading undertakings			74	
131	Interest payable and similar charges			7	
1,180	Contribution to housing pooled capital receipts			11	
226	Net loss on repurchase or early settlement of borrowing			0	
(13)	Interest and investment income			(525)	
371	Pensions interest cost & expected return on pensions asset			274	
<b>68,344</b>	<b>NET OPERATING EXPENDITURE</b>			<b>16,822</b>	
	<b>Sources of Finance</b>				
(1,534)	General government grants			(1,506)	
(6,445)	Non-Domestic Rates redistribution			(6,857)	
(6,544)	Precept demanded from Collection Fund			(6,608)	
<b>53,821</b>	<b>NET (SURPLUS)/DEFICIT FOR THE YEAR</b>			<b>1,851</b>	

# the core financial statements



## 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:

- For Council tax purposes capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

These differences, and movements in earmarked reserves, are adjusted by movements in the General Fund balance. The increase or decrease in the General Fund balance represents the true financial surplus or deficiency for the year. Full details of the movements are shown in Note 14 to the Core Financial Statements.

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

2006/07 £'000		2007/08 £'000	Note
53;	(Surplus)/deficit for the year		
(53);	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the Fund for the year		14
<b>231</b>	<b>(INCREASE)/DECREASE IN GENERAL FUND BALANCE FOR THE YEAR</b>	<b>(321)</b>	
84	In-year transfer to earmarked reserves	100	
0	Housing Revenue Account balance transferred in	(896)	
(1,084)	General Fund balance brought forward	(769)	
<b>(769)</b>	<b>BALANCE ON FUND CARRIED FORWARD</b>	<b>(1,886)</b>	<b>32(f)</b>

# 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.

2006/07 £'000		2007/08 £'000	Notes
53,821	(Surplus)/deficit for the year on the Income and Expenditure Account	1,851	
9,813	(Surplus)/deficit arising on revaluation of fixed assets	(3,925)	
(4,185)	Actuarial (gains)/losses on pension fund assets and liabilities	8,401	
205	(Surplus)/deficit for the year on the Collection Fund	485	32(h)
0	Deferred capital receipts, discharged in the year, treated as de minimis revenue receipts	3	
<b>59,654</b>	<b>TOTAL RECOGNISED (GAINS)/LOSSES FOR THE YEAR</b>	<b>6,815</b>	

# the core financial statements



## THE BALANCE SHEET AS AT 31 MARCH 2008

Restated 31/03/07 £'000		£'000	31/03/08 £'000	Notes
560	Intangible assets		538	18
	Operational assets			
928	- Council dwellings	0		
21,624	- Other land and buildings	25,534		
1,536	- Vehicles, plant, furniture & equipment	1,550		
0	- Infrastructure	151		
1,301	- Community assets	2,626		
	Non-operational assets			
2,637	- Investment properties	2,348		
1,712	- Surplus assets held for disposal	1,622		
<b>29,738</b>	Tangible fixed assets		<b>33,831</b>	15
0	Deferred charges		0	19
58	Long-term investments		58	23
248	Long-term debtors		247	24
<b>30,604</b>	<b>Total long-term assets</b>		<b>34,674</b>	
87	Stocks and work in progress	67		25
6,252	Debtors	7,794		26
3,526	Investments	10,363		33
852	Cash and bank	575		
<b>10,717</b>	<b>Total current assets</b>	<b>18,799</b>		
0	Short-term borrowing	(2,367)		33
(9,274)	Creditors	(6,386)		26
<b>(9,274)</b>	<b>Total current liabilities</b>	<b>(8,753)</b>		
<b>32,047</b>	<b>Total assets less current liabilities</b>		<b>44,720</b>	
0	Long-term borrowing	(4,633)		27
(12)	Deferred liabilities	(12)		29
0	Provisions	0		28
(1,435)	Government grants-deferred account	(2,229)		30
(2,829)	Unapplied grants and contributions	(7,280)		31
(17,724)	Liability related to defined benefit pension scheme	(27,334)		39
<b>(22,000)</b>			<b>(41,488)</b>	
<b>10,047</b>	<b>TOTAL ASSETS LESS LIABILITIES</b>		<b>3,232</b>	20
	<b>Financed by:</b>			
0	Revaluation reserve		470	32b
23,535	Capital adjustment account		26,326	32d
1,419	Usable capital receipts reserve		1,070	32e
26	Deferred capital receipts		22	24
(17,724)	Pensions reserve		(27,334)	39
1,654	General Fund balance		2,992	32f
966	Housing Revenue Account balance		0	32g
171	Earmarked reserves		(314)	32h
<b>10,047</b>	<b>TOTAL NET WORTH</b>		<b>3,232</b>	32

# the core financial statements



## CASH FLOW STATEMENT FOR YEAR ENDED 31 MARCH 2008

2006/07 £'000	Revenue Activities	2007/08 £'000	Notes
	<b>Cash Outflows</b>		
(12,669)	Cash paid to and on behalf of employees	(9,902)	
(18,577)	Other operating cash payments	(13,867)	
(9,596)	Housing benefit paid out	(14,573)	
(19,424)	National non-domestic rate payments to national pool	(19,975)	
(41,308)	Precepts paid	(43,916)	
(1,117)	Payments to the Capital Receipts Pool	(11)	
	<b>Cash Inflows</b>		
3,495	Rents (after rebates)	0	
43,122	Council tax receipts	45,179	
6,445	National non-domestic rate receipts from national pool	6,857	
20,104	Non-domestic rate receipts	20,724	
1,298	Revenue support grant	1,151	
13,478	Department for Work and Pensions (DWP) grants for benefits	13,786	44
6,659	Other government grants	7,137	44
8,624	Cash received for goods and services	4,734	
1,190	Other revenue cash receipts	1,685	
1,724	<b>Net Cash Inflow/(Outflow) From Operating Activities</b>	(991)	40
	<b>Return on Investments and Servicing of Finance</b>		
	<b>Cash Outflows</b>		
(226)	Interest paid	(458)	
0	Interest element of finance lease rental payments	0	
	<b>Cash Inflows</b>		
69	Interest received	430	
(157)		(28)	
	<b>Capital Activities</b>		
	<b>Cash Outflows</b>		
(11,565)	Purchase of fixed assets and other capital cash payments	(8,142)	
	<b>Cash Inflows</b>		
5,879	Sale of fixed assets	1,340	
1,004	Capital grants received	1,598	44
12,561	Other capital cash receipts	5,783	
7,879		579	
9,446	<b>Net cash Inflow/(Outflow) Before Financing</b>	(440)	
	<b>Management of Liquid Resources</b>		
(1,852)	Net decrease/(increase) in short-term deposits	(6,837)	43
	<b>Financing</b>		
	<b>Cash Outflows</b>		
(7,500)	Repayments of amounts borrowed	0	
0	Capital element of finance lease rental payments	0	
	<b>Cash Inflows</b>		
0	New loans raised	7,000	
0	New short-term loans	0	
(9,352)	<b>Net Cash Inflow/(Outflow) from Financing</b>	7,000	
94	<b>Net Increase/(Decrease) in Cash</b>	(277)	



# notes to the core financial statements



## 1. DISCONTINUED OPERATIONS

Following a ballot of housing tenants and with financial support from the then Office of the Deputy Prime Minister (ODPM), the Council's housing stock and related assets and liabilities were transferred to Chorley Community Housing on the 26 March 2007. In line with the regulations relating to such stock transfers the Council's Housing Revenue Account had to remain open until the 31 March 2008, although there are substantially no operations in the 2007/08 financial year.

The only significant liability relating to this discontinued operation as at 31 March 2008 is a creditor of £548,543, being housing subsidy due to the Department of Communities and Local Government. This amount is included within the Creditors balance on the Balance Sheet.

## 2. RECONCILIATION OF RE-STATEMENT ADJUSTMENTS MADE TO 2006/07 INCOME AND EXPENDITURE ACCOUNT FIGURES

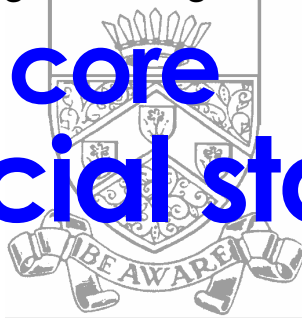
	Income & Expenditure Account in 2006/07 Statement of Accounts	Correction to Interest Payable and Similar Charges	Removal of Items from Trading Operations	Reclassify Council Housing as a Discontinued Operation	Restated 2006/07 Income and Expenditure Account
	£'000	£'000	£'000	£'000	£'000
Central Service to the Public	681				681
Cultural, Environment and Planning Services	12,134				12,134
Highways, Roads and Transport Services	278		94		372
Housing Services (including Council dwellings)	52,525			(48,958)	3,567
Corporate and Democratic Core Costs	3,078				3,078
Non Distributed Costs	(545)				(545)
Discontinued Operations				48,958	48,958
<b>IMPACT ON NET COST OF SERVICE</b>	<b>68,151</b>		<b>94</b>	<b>0</b>	<b>68,245</b>
Net costs on Trading undertakings	10		(94)		(84)
Interest and Investment Income	(33)	20			(13)
Interest Payable and Similar Charges	151	(20)			131
<b>IMPACT ON NET OPERATING EXPENDITURE</b>	<b>68,279</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>68,279</b>

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

In 2008/09 the Council is committed to making payments estimated at £2.577 million under a contract with Veolia Environmental Services (UK) Limited (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 £0.347 million in 2008/09. The contract expires at the end of 2011 for one of the leisure facilities and continues until 2020 for the other three. See also Note 12 to the Core Financial Statements.

# notes to the core financial statements



The Council is committed to making estimated payments of £0.280 million in 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. The contract expires at the end of 2008/09.

Glendale Managed Services manage Duxbury Park Golf Course on behalf of the Council under the terms of a twenty five year contract, which commenced on the 20<sup>th</sup> March 2006. Glendale pay an annual rental to the Council. Glendale collect all fees and charges and fund any maintenance out of the cash collected.

In 2007/08 the Council entered into a contract with Liberata UK for the provision of property management services. The contract runs until 2014/15. Estimated payments in 2008/09 are £0.547m.

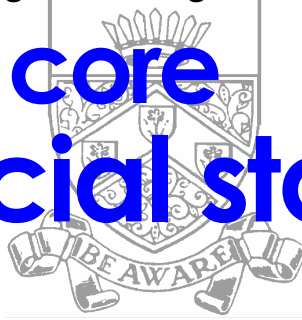
The Council is committed to make payments for parking enforcement to Lancashire County Council. The agreement runs until 30 September 2009. Estimated payments are £0.231m in 2008/09.

	2008/09 £'000	2009/10 £'000	2010/11 £'000	2011/12 £'000
Refuse collection/recycling	2,557	0	0	0
Indoor leisure management	347	347	347	326
Insurance portfolio	280	0	0	0
Property management	547	547	547	547
Parking enforcement	231	115	0	0
<b>Total</b>	<b>3,962</b>	<b>1,009</b>	<b>894</b>	<b>873</b>

## 4. TRADING OPERATIONS

Restated 2006/07 Total		2007/08		
		Markets	Investment Portfolio	Total
£'000		£'000	£'000	£'000
(593)	Income	(293)	(434)	(727)
127	Employee Related	129	17	146
104	Premises Related	71	33	104
0	Transport Related	0	0	0
8	Supplies & Services	22	13	35
0	Third Party Payments	0	0	0
229	Support Services	72	187	259
3	Current Service Pensions	0	29	29
38	Capital Charges	6	222	228
509	Total Expenditure	300	501	801
(84)	<b>Net (Surplus)/Deficit</b>	<b>7</b>	<b>67</b>	<b>74</b>

# notes to the core financial statements



## 5. 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 made no contributions pursuant to this power in 2007/08 (2006/07 restated - nil).

## 6. EXPENDITURE ON PUBLICITY

In accordance with the Local Government Act 1986, section 5, a local authority is required to disclose its expenditure on publicity. The Act defines publicity as "any communication, in whatever form, addressed to the public at large or to a section of the public".

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

	<b>Restated 2006/07 £'000</b>	<b>2007/08 £'000</b>
Recruitment advertising	74	74
Other advertising	22	29
Promotions/publicity	216	198
	<u>312</u>	<u>301</u>

## 7. BUILDING REGULATIONS CONTROL SERVICES

The income received and expenditure incurred in respect of Building Regulations Control Services under the Building (Local Authority Charges) Regulations 1998 were as follows:

	<b>2005/06 £'000</b>	<b>2006/07 £'000</b>	<b>2007/08 £'000</b>	<b>Cumulative £'000</b>
Income received	294	256	295	845
Less expenditure incurred	(309)	(293)	(295)	(897)
(Deficit)/Surplus for the year	<u>(15)</u>	<u>(37)</u>	<u>0</u>	<u>(52)</u>

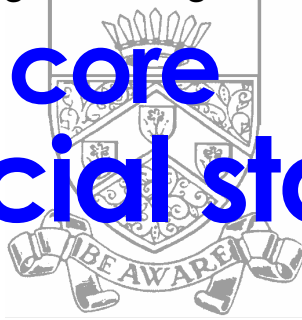
Under these regulations, the function is set a target of covering expenditure incurred in providing the services by the income earned from fees and charges, over a three year period. Over the last three years, expenditure has exceeded income by £0.052m.

## 8. LOCAL AUTHORITIES (GOODS AND SERVICES) ACT 1970

The Council on occasions is commissioned by other public bodies to undertake work on their behalf. Charging for these services is based on full cost recovery and the expenditure relating to their function is included in the Income and Expenditure account.

	<b>2006/07 £'000</b>	<b>2007/08 £'000</b>
South Ribble Borough Council	67	80
Parish Councils	52	52
Lancashire County Council	265	161
<b>Total</b>	<u>384</u>	<u>293</u>

# notes to the core financial statements



## 9. LOCAL AREA AGREEMENT (LAA)

The Lancashire Partnership is an umbrella organisation of local authorities, including Chorley, and other public bodies. The members of the Partnership have signed a Local Area Agreement which identifies areas where improvement in local performance is required, and the action to be taken. The LAA covers a three-year period, of which 2007/08 was the first year.

In 2007/08 Lancashire County Council, as accountable body, received a total of £28.092m from the Government to fund improvements, and of this sum Chorley received £210,279.

## 10. MEMBERS' ALLOWANCES

Allowances paid to Members in 2007/08 totalled £280,715 (2006/07 £274,046).

## 11. OFFICERS' REMUNERATION

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

Remuneration Band	Number of Employees	
	Restated 2006/07	2007/08
£50,000 - £59,999	4	3
£60,000 - £69,999	4	3
£70,000 - £79,999	1	1
£80,000 - £89,999	2	3
£90,000 - £99,999	0	1
£100,000 - £109,999	0	0
£110,000 - £119,999	1	0
£120,000 - £129,999	0	1

The 2006/07 figures quoted have been altered from those reported last year, as a result of the inclusion of redundancy costs

## 12. RELATED PARTY TRANSACTIONS

The Council is required to disclose material transactions with related parties, i.e. bodies or individuals that have the potential to control or influence the Council, or to be controlled or influenced by the Council. The following related party transactions have been identified :

**Central Government** has effective control of the Council by providing both the statutory framework for the Council, and the majority of its funding. Grants from central government are detailed in the cash flow statement and in note 44.

### Other local authorities.

The Council has responsibility for collecting the precepts of the Lancashire County Council, the Lancashire Combined Fire Authority, and the Lancashire Police Authority. These are detailed in the Collection Fund accounts. It also makes payments to the Local Government Pension Scheme, administered by the County Council, which are detailed in note 38.

The Council has a wide range of other financial and working relationships with the County Council. The only material transaction is the receipt of £0.682m in respect of waste collection and recycling.

# notes to the core financial statements



## Members & 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 officers with related parties are not material.

## Other related parties

- Community Leisure Services are contracted to act as agents of the Council to provide sports and leisure facilities management. In 2007/08 payments totalled £0.440m (2006/07 £0.390m). See also Note 3 to the Core Financial Statement for details of future payments under the terms of the contract.
- The Council's housing stock was transferred to Chorley Community Housing (CCH) in 2006/07. Pursuant to that transfer, in 2007/08 CCH purchased services valued at £0.304m from the Council; the Council purchased services from CCH costing £0.130m; and CCH paid over a proportion of the receipts from the preserved "right to buy" sales of dwellings to former Chorley Council tenants, totalling £1.176m.
- In the following cases the Council made grants that were significant relative to the size of the recipient organisation :

	2006/07 £'000	2007/08 £'000
South Ribble Business Venture	11	12
Lancashire Economic Partnership	20	20
Wigan Groundwork Trust	28	27
South Lancashire Arts Partnership	30	7
Chorley Citizen Advice Bureau	91	109
Chorley Shopmobility	10	10
North West Local Authorities Employers Organisation	10	14
Chorley & South Ribble CVS	4	25
	204	224

## 13. 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 2007/08 were:-

	2006/07 £'000	2007/08 £'000
Fees payable in respect of statutory inspection	4	6
Fees payable in respect of the audit of accounts	101	104
Fees payable for the certification of grant claims and returns	27	24
	132	134

# notes to the core financial statements



## 14. RECONCILING ITEMS FOR THE STATEMENT OF MOVEMENT ON THE FUND BALANCES

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.

2006/07 £'000		2007/08 £'000
	<b>Amounts to be included in the Income and Expenditure Account but required by statute to be excluded when determining the movement on the Fund balance for the year</b>	
	(2) Amortisation of intangible fixed assets	(2)
(58,9)	Depreciation and impairment of fixed assets	(1,7)
2	Government grants deferred amortisation	5
(2,8)	Write down of deferred charges to be financed from capital resources	(9)
2,2	Gains or losses on the sale of fixed assets	1,2
(2,1)	LSVT capital receipt applied	
8,5	LSVT capital grant applied	
(1,290)	Net charges made for retirement benefits as per FRS 17	(2,347)
(54,463)		(3,486)
	<b>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</b>	
197	Minimum revenue provision for capital financing	0
108	Capital expenditure charged-in year to revenue	137
(1,180)	Transfer from usable capital receipts to meet payments to the housing capital receipts pool	(11)
1,418	Employers contributions to Lancashire Pension Fund and retirement benefits payable direct to pensioners	1,138
543		1,264
	<b>Transfers to or from the General Fund Balance that are required to be taken into account when determining the movement on the General Fund balance for the year</b>	
373	Housing Revenue Account balance	(70)
0	Voluntary revenue provision for capital financing	0
(43)	Net transfers to and from earmarked reserves	120
330		50
(53,590)	<b>NET ADDITIONAL AMOUNT TO BE CREDITED OR DEBITED TO THE FUND BALANCE FOR THE YEAR</b>	(2,172)

# notes to the core financial statements



## 15. SUMMARY OF CAPITAL EXPENDITURE AND FIXED ASSET DISPOSALS

### Movement on Fixed Assets

	Council Dwellings £'000	Operational Assets			Community Assets £'000	Non-Operational Assets £'000	Total Fixed Assets £'000
		Other Land and Buildings £'000	Vehicles, Equipment, Plant, etc £'000	Infra-structure £'000			
Certified valuation 31 March 2007	963	23,074	2,757	0	1,445	4,349	32,588
Accumulated depreciation and impairment	(35)	(1,450)	(1,221)	0	(144)	0	(2,850)
Net book value at 31 March 2007	928	21,624	1,536	0	1,301	4,349	29,738
<i>Movement in 2007/08</i>							
Additions/expenditure in year	0	1,266	383	151	1,339	0	3,139
Appropriations	(903)	567	0	0	0	336	0
Disposals	0	(328)	0	0	0	(933)	(1,261)
Revaluations	(25)	3,322	32	0	0	627	3,956
Depreciation for year	0	(499)	(401)	0	(14)	0	(914)
Impairment	0	(418)	0	0	0	(409)	(827)
<b>Net book value at 31 March 2008</b>	<b>0</b>	<b>25,534</b>	<b>1,550</b>	<b>151</b>	<b>2,626</b>	<b>3,970</b>	<b>33,831</b>

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

2006/07 £'000		2007/08 £'000
1,900	Council dwellings and estate improvements	0
1,147	Leisure and play facilities	910
626	Environmental improvements	1,400
0	Land acquisition	328
218	Improvements to offices, depots, and other premises	210
149	Waste collection and recycling	208

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

		2008/09 £'000	2009/10 £'000	2010/11 £'000	Total £'000
Leisure facilities	Improvements to leisure centres and golf course	777	237	244	1,258
Astley Park and Hall	Heritage Lottery funded improvement scheme that started 2004/05	1,568	0	0	1,568
Other Council premises	Planned enhancements	330	200	200	730
		<b>2,675</b>	<b>437</b>	<b>444</b>	<b>3,556</b>

# notes to the core financial statements



## Capital Expenditure and Financing

The capital expenditure for the year was financed as follows:

		2006/07 £'000	2007/08 £'000
<b><u>Capital Expenditure</u></b>			
Intangible Assets	(a)	296	212
Fixed Assets		4,172	3,139
Deferred Charges	(b)	8,801	3,124
		13,269	6,475
<b><u>Sources of Finance</u></b>			
Long-term borrowing		1,217	0
Capital receipts		3,643	2,821
Capital grants and contributions		6,841	3,517
Revenue (including Major Repairs Allowance)		1,568	137
		13,269	6,475

a) See Note 18 below.

b) See Note 19 below.

## 16. TANGIBLE FIXED ASSETS ANALYSIS

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

	31 March 2007		31 March 2008	
	number	area	number	area
Hostel	1		1	
Town Hall (including Lancastrian Room)	1		1	
Other administrative buildings	3		1	
Depots and workshops	2		1	
Off-street car parks (charged weekdays)	12	(1,273 spaces)	12	(1,396 spaces)
Leisure centres and pools	4	**	4	**
Museum	1		1	
Allotments	104	(8 acres)	105	(8 acres)
Parks and recreation grounds		(357 acres)		(360 acres)
Amenity open spaces		(454 acres)		(454 acres)
Markets	2		2	
Cemeteries	2		2	
Community Centres	5		5	
Golf Course	1		1	
Public conveniences	5		5	

\*\* The Council operates four leisure centres and pools, one of which is leased and is not included within the balance sheet value of fixed assets.



# notes to the core financial statements



## 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 Liberata UK Limited, 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	0	34	3,172	151	1,560	0	4,917
Valued at current value:							
Current year	0	14,210	0	0	0	1,676	15,886
2006/07	0	1,347	0	0	0	112	1,459
2005/06	0	8,949	0	0	1,224	2,182	12,355
2004/05	0	1,774	0	0	0	0	1,774
2003/04	0	1,122	0	0	0	0	1,122
<b>Total</b>	<b>0</b>	<b>27,436</b>	<b>3,172</b>	<b>151</b>	<b>2,784</b>	<b>3,970</b>	<b>37,513</b>

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 property services contractor, Liberata UK Limited. The total depreciation charge fell from £2.311m in 2006/07 to £0.914m in 2007/08 as a result of the disposal of the housing stock.

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

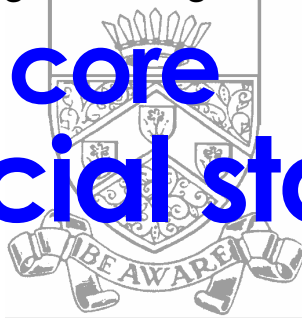
Traditionally built buildings	15 to 80 years
Portable office facilities	10 to 15 years
Vehicles	10 years
IT and other equipment	5 years

Revaluation gains are also subject to an adjustment for depreciation (see Accounting Policy 3).

The cumulative amount of provisions for depreciation is as follows:

	Balance as at 31 March 2007 £'000	Depreciation for the Year £'000	Revaluations and Appropriations £'000	Disposals in the year £'000	Balance as at 31 March 2008 £'000
Council Dwellings	35	0	(35)	0	0
Other land and buildings	1,450	499	3	(50)	1,902
Vehicles, Plant, Furniture and Equipment	1,221	401	0	0	1,622
Infrastructure	0	0	0	0	0
Community assets	144	14	0	0	158
Non-operational assets	0	0	32	(32)	0
<b>Total Depreciation</b>	<b>2,850</b>	<b>914</b>	<b>0</b>	<b>(82)</b>	<b>3,682</b>

# notes to the core financial statements



## 18. INTANGIBLE ASSETS

	Computer software licences £'000	Licences, trademarks etc. £'000	Patents £'000	Total £'000
Valuation at 31 March 2007	1,743	0	0	1,743
Accumulated amortisation and impairment to 31 March 2007	(1,183)	0	0	(1,183)
Net book value at 31 March 2007	560	0	0	560
Additions/expenditure in year	212	0	0	212
Disposals	0	0	0	0
Impairment losses	0	0	0	0
Amortisation in year	(234)	0	0	(234)
<b>Net book value at 31 March 2008</b>	<b>538</b>	<b>0</b>	<b>0</b>	<b>538</b>
Accumulated amortisation and impairment to 31 March 2008	(1,417)	0	0	(1,417)

Amortisation of computer software licences is calculated by the straight-line method, using estimated useful lives in the range three to five years.

## 19. DEFERRED CHARGES

2006/07 £'000		2007/08 £'000	
0	Balance as at 1 April		0
	Capital expenditure in year		
603	- Improvement Grants and other housing capital expenditure	563	
7,550	- Other capital expenditure	1,496	
648	- Capitalised revenue expenditure	1,065	
8,801			3,124
(8,801)	Written off in year to Income and Expenditure Account		(3,124)
0	<b>Balance as at 31 March</b>		<b>0</b>

## 20. NET ASSETS EMPLOYED

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

	Restated Net Assets as at 31 March 2007 £'000	Net Assets as at 31 March 2008 £'000
General Fund	7,238	3,232
Housing Revenue Account	2,809	0
	<b>10,047</b>	<b>3,232</b>

# notes to the core financial statements



## 21. FINANCE AND OPERATING LEASES – DISCLOSURE BY LESSEES

### Lease rental payments (the Council as lessee)

The Council uses 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 2006/07 £'000		Payments 2007/08 £'000
59	Land and other buildings	59
594	Other operating leases	460
653	<b>Total rental payments</b>	519

The Council was committed at 31 March 2008 to making payments of £1.371m under operating leases, comprising the following elements:

	Other land & Buildings £'000	Vehicles, Plant & Equipment £'000	Total £'000
Leases expiring in 2008/09	59	105	164
Leases expiring between 2009/10 and 2012/13	127	630	757
Leases expiring after 2013/14	450	0	450
<b>Total rental payments</b>	636	735	1,371

Premises and other vehicles and equipment financed under the terms of operating leases are not the property of the Council and are not included in the Balance Sheet.

## 22. 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:

2006/07 £'000		2007/08 £'000
61	Industrial premises	58
215	Offices and other premises	207
276	<b>Total rental income</b>	265

A number of properties are held by the Council for use in operating leases, i.e. where the Council is the lessor. The gross value at 31 March 2008 was £2.033m (Restated 2006/07 £1.976m) and the accumulated depreciation was £0.192m (Restated 2006/07 £0.150m). The properties are included within the total for Other Land and Buildings in the Balance Sheet.

# notes to the core financial statements



## 23. LONG TERM INVESTMENTS

Long-term investments at 31 March are as follows:

	31 March 2007 £'000	31 March 2008 £'000	
Association of District Councils (Properties) Ltd Stock 2011	50	50	Cost
4% Manchester Corporation Stock	8	8	Market value
	58	58	

The Association of District Councils (Properties) Limited debenture stock does not generate interest but does provide the Council with additional benefits of membership (of successor body, the Local Government Association). The Council will be entitled to its pro rata share in the appreciation in value of the property (which the debenture was used to purchase) on redemption of the debenture stock in 2011.

The Manchester Corporation (now Manchester City Council) 4% irredeemable loan stock entitles the Council to bi-annual interest of 4% (£227) on the principal sum invested of £11,350. The stock is shown at market value.

## 24. LONG TERM DEBTORS

The analysis of outstanding long term debtors is:

		Restated Balance at 1 April 2007 £'000	Advances/ Additions £'000	Repayments/ Reductions £'000	Balance at 31 March 2008 £'000
Mortgages (sale of Council houses)	(a)	26	0	(4)	22
Decriminalised parking	(b)	182	16	0	198
Housing Act Advances		7	0	(2)	5
Car Loans		19	0	(10)	9
Other Advances		14	0	(1)	13
<b>Total Long Term Debtors</b>		248	16	(17)	247

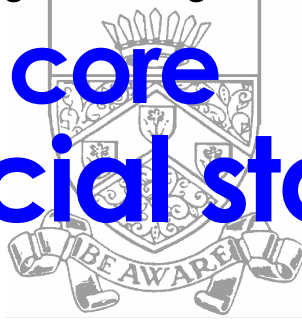
(a) The Long Term Mortgage debtor is matched by a Deferred Capital Receipt.

(b) This is the accumulated deficit on parking enforcement, due from the County.

## 25. VALUATION OF STOCKS

Included in the total value of stocks and work in progress at 31 March 2008 is an amount of £45,298, representing stocks valued at the estimated current replacement cost (2006/07 £45,494). The remaining value of stocks totalling £22,162 is shown at cost price (2006/07 £41,726). The requirement of the SSAP9 is that the value of stocks should be the lower of cost and net realisable value.

# notes to the core financial statements



## 26. REVENUE AND CAPITAL ACCRUALS

	Creditors		Debtors	
	31 March 2007 £'000	31 March 2008 £'000	Restated 31 March 2007 £'000	31 March 2008 £'000
<b>Analysis of Creditors and Debtors</b>				
Government departments	633	1,098	1,155	1,124
Other local authorities	161	134	182	297
Sundry creditors/debtors	6,629	3,231	3,721	4,961
Rate and Taxpayers	1,344	1,147	1,795	1,571
Payments in advance	0	0	460	500
Receipts in advance	508	776	0	0
	9,275	6,386	7,313	8,453
<i>Less</i> provision for impairment			(742)	(659)
	9,275	6,386	6,571	7,794

All these assets and liabilities are carried at cost. See Note 46 to the Core Financial Statements for an analysis of the credit risk.

Trade and other payables are non interest bearing and are normally settled on 30 day terms. Therefore the carrying value of trade and other payables approximates to their fair value. The one exception was a provision at 31 March 2007 of £2.5m (inclusive of interest) in respect of the Gillibrand link road and housing development land assembly. This approximated to fair value.

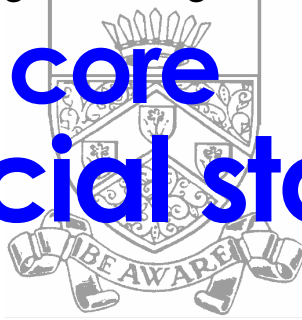
## 27. BORROWING REPAYABLE WITHIN A PERIOD IN EXCESS OF 12 MONTHS

	Total outstanding 31 March	
	2007 £'000	2008 £'000
Analysis of Loans by Source:		
Public Works Loan Board	0	4,633
Temporary Loans	0	0
<b>Total Outstanding</b>	0	4,633
Analysis of loans by maturity:		
Between 1 and 2 years	0	2,366
Between 2 and 5 years	0	2,267
Between 5 and 10 years	0	0
<b>Long Term Borrowing</b>	0	4,633
<b>Total Outstanding</b>	0	4,633

## 28. PROVISIONS

There were no provisions as at 31 March 2008 (2006/07 nil).

# notes to the core financial statements



## 29. DEFERRED LIABILITIES

	Balance at 1 April 2007 £'000	Additions £'000	Reductions £'000	Balance at 31 March 2008 £'000
Private Street Works	12	0	0	12
<b>Total Deferred Liabilities</b>	<b>12</b>	<b>0</b>	<b>0</b>	<b>12</b>

## 30. DEFERRED GOVERNMENT GRANTS AND CONTRIBUTIONS

The balance on this account represents the value of capital grants and contributions that 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.

2006/7 £'000		2007 £'000
1,399	Balance at 1 April	1,435
251	Add; grants and contributions applied in year	1,339
(215)	Less: Transfer to Reconciling Items for the Statement of Movement on the General Fund Balance (a)	(523)
	Transfer to the Housing Revenue Account	(22)
<b>1,435</b>	<b>Balance at 31 March</b>	<b>2,229</b>

(a) See Note 14 to the Core Financial Statements

## 31. UNAPPLIED GRANTS AND CONTRIBUTIONS

This consists largely of Section 106 receipts (i.e. 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 are analysed in the following table.

	Balance at 31 March 2007 £'000	Income £'000	Expenditure £'000	Balance at 31 March 2008 £'000
Section 106 Receipts				
Affordable Housing	224	623	(11)	836
Transport Infrastructure	242	4,330	(675)	3,897
Recreational Facilities	184	418	(87)	515
Environmental Improvements	5	0	0	5
Various Purposes	2,174	30	(1,026)	1,178
School Provision	0	849	0	849
	<b>2,829</b>	<b>6,250</b>	<b>(1,799)</b>	<b>7,280</b>

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 26 above) and are released to revenue to fund the maintenance expenditure over a number of years.

# notes to the core financial statements



## 32. 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 31 March 2007 £'000	Net Movement in year £'000	Balance at 31 March 2008 £'000	Further Detail of Movements
Fixed Asset Restatement Account	Store of gains on revaluation of fixed assets	39,267	(39,267)	0	(a) below
Revaluation Reserve	Store of gains on revaluation of fixed assets not yet realised through sales	0	470	470	(b) below
Capital Financing Account	Store of capital resources set aside to meet past expenditure	(15,732)	15,732	0	(c) below
Capital Adjustment Account	Store of capital resources set aside to meet past expenditure	0	26,326	26,326	(d) below
Usable Capital Receipts Account	Proceeds of fixed asset sales available to meet future capital investment	1,419	(349)	1,070	(e) below
Deferred Capital Receipts	The agreed capital income still to be received relating to the disposal of fixed assets	26	(4)	22	Note 24 to the Core Financial Statements
Pensions Reserve	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet	(17,724)	(9,610)	(27,334)	Notes 38 and 39 to Core Financial Statements
General Fund	Resources available to meet future running costs for non-housing services	1,654	1,338	2,992	(f) below
Housing Revenue Account	Resources available to meet future running costs for Council houses	966	(966)	0	(g) below and HRA Statement
Earmarked reserves		171	(485)	(314)	(h) below
<b>Total</b>		<b>10,047</b>	<b>(6,815)</b>	<b>3,232</b>	

# notes to the core financial statements



## (a) Fixed Asset Restatement Account

2006/07 £'000		2007/08 £'000
53,938	Balance as at 1 April	39,267
(10,018)	Revaluation of fixed assets in year	
(4,653)	Disposal of fixed assets in year	
	Transfer to Capital Adjustment Account	(39,267)
39,267	<b>Balance at 31 March</b>	(

The balance on the Fixed Asset Restatement Account represented the total of all property revaluations since 1994, both positive and negative, less the value of assets disposed of. Following the creation of the Revaluation Reserve on 1 April 2007, the balance on the Fixed Asset Restatement Account was written off against the Capital Adjustment Account.

## (b) Revaluation Reserve

This reserve replaces the Fixed Asset Restatement Account (FARA). The movements on the reserve are as follows:

	2007/08 £'000
Balance as at 31 March 2007	0
Revaluation of fixed assets in year	569
Revaluation written off following disposal of asset	(99)
<b>Balance at 31 March 2008</b>	<b>470</b>

## (c) Capital Financing Account

2006/07 £'000		2007/08 £'000
32,871	Balance at 1 April	(15,732)
3,643	Capital Financing - Capital receipts	
1,568	- Revenue	
(60,728)	Minimum Revenue Provision (less depreciation provision and impairment)	
8,594	Application of Overhanging Debt Grant following LSVT	
321	Repayment of Debt	
	<u>Less:</u>	
(8,801)	Write down of deferred charges	
(4)	Write down of deferred debtors	
6,804	Write down of deferred liabilities	
	Transfer to Capital Adjustment account	15,732
(15,732)	<b>Balance at 31 March</b>	

The Capital Financing Account has been replaced by the Capital Adjustment Account.



# notes to the core financial statements



## (d) Capital Adjustment Account

This account replaces the former Capital Financing Account.

	£'000	£'000
Balance as at 31 March 2007		0
Transfer from Fixed Asset Restatement Account at 1 April 2007	39,267	
Transfer from Capital Adjustment Account at 1 April 2007	(15,732)	
	<hr/>	23,535
Correction of valuation errors at 31 March 2007	3,355	
Write off book value of assets disposed of, net of revaluation reserve	(1,162)	
Reversal of depreciation and amortisation charges, net of deferred grants	(2,358)	
Revenue and capital receipts used to finance capital	2,958	
Minimum provision for debt repayment, net of commutation adjustment	0	
Other	(2)	
	<hr/>	2,791
<b>Balance at 31 March 2008</b>		<hr/> <b>26,326</b> <hr/>

This account is required because there is a difference between the requirements of accounting practice for the amortisation of fixed assets (e.g. depreciation and charges following derecognition), and the rate at which capital charges should be made according to statute. The balance therefore represents the effect of this timing difference.

## (e) Usable Capital Receipts Reserve

2006/07		2007/08	
£'000		£'000	£'000
1,138	Usable Capital Receipts as at 1 April		1,419
1,761	Capital receipts transferred from Creditors	0	
106	Adjustment to previous year's pooled housing capital receipts	0	
3,221	Capital receipts during year from sale of assets	1,336	
(1,180)	Less pooled housing capital receipts	(11)	
2,225	Capital receipt from Large Scale Voluntary Transfer (LSVT) of Council dwellings	0	
16	Other capital receipts	1,147	
		<hr/>	2,472
7,287			
(3,643)	<u>Less:</u> Capital receipts applied in capital financing during year		(2,821)
	LSVT capital receipt applied in financing disposal costs and new landlord's set up costs		0
(2,173)			
(52)	Capital receipts applied in repayment of borrowing		0
		<hr/>	1,070
1,419	<b>Balance at 31 March</b>		<hr/> <b>1,070</b> <hr/>

# notes to the core financial statements



## (f) General Fund

	Balance at 31 March 2007 £'000	Gain or losses in year £'000	Transfers between reserves £'000	Balance at 31 March 2008 £'000
General reserves	769	321	796	1,886
Earmarked reserves				
- future revenue expenditure	824	119	100	1,043
- new developments	61	2	0	63
Total Earmarked reserves	885	121	100	1,106
Total General Fund Reserves	1,654	442	896	2,992

## (g) Housing Revenue Account

	Balance at 31 March 2007 £'000	Gain or losses in year £'000	Transfers between reserves £'000	Balance at 31 March 2008 £'000
General reserves	966	(70)	(896)	0
Total HRA Reserves	966	(70)	(896)	0

## (h) Other Reserves

	Balance at 31 March 2007 £'000	Gain or losses in year £'000	Transfers between reserves £'000	Balance at 31 March 2008 £'000
Collection Fund	171	(485)	0	(314)
Total Other Reserves	171	(485)	0	(314)

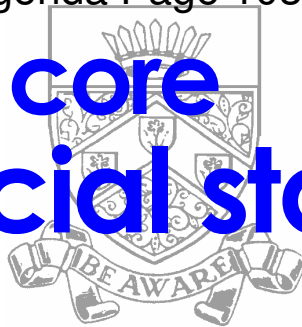
## 33. FINANCIAL INSTRUMENTS – BORROWINGS AND INVESTMENTS

The borrowings and investments disclosed in the balance sheet are made up of the following categories of financial instrument

	Long-Term		Current	
	31 March 2007 £'000	31 March 2008 £'000	31 March 2007 £'000	31 March 2008 £'000
Financial liabilities at amortised cost	0	4,633	0	2,367
Financial liabilities at fair value through profit & loss	0		0	0
Total borrowings	0	4,633	0	2,367
Loans and receivables	50	50	3,526	10,363
Available - for – sale financial assets	8	8	0	0
Unquoted equity investment at cost	0	0	0	0
Total investments	58	58	3,526	10,363

There has been no reclassification of assets and no pledges of collateral have been made.

# notes to the core financial statements



## 34. COMPARISON OF CARRYING AMOUNT AND FAIR VALUE

The carrying amounts and the fair values of financial assets and liabilities are as follows:

	Carrying amounts		Fair values	
	2007	2008	2007	2008
	£'000	£'000	£'000	£'000
Loans and receivables (a)	50	50	40	42
Available – for – sale financial assets (b)	8	8	8	8

(a) The fair value has been calculated using an assumed discount rate of 6%.

(b) The fair value has been determined by reference to published price quotations.

(c) Investments repayable within one year, short and long term borrowing, and trade receivables and payables, are not included since their carrying amounts approximate to their fair values.

## 35. FINANCIAL INSTRUMENTS – AMOUNTS CHARGED TO THE INCOME & EXPENDITURE ACCOUNT AND STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	Financial Liabilities		Financial Assets			
	Measured at amortised cost		Loans & receivables		Available for sale assets	
	2006/07	2007/08	2006/07	2007/08	2006/07	2007/08
	£'000	£'000	£'000	£'000	£'000	£'000
Interest expenses	(119)	(7)	0	0	0	0
Impairment losses	0	0	196	(49)	0	0
Interest income	0	0	16	528	0	0
Gain/(loss) on revaluation	0	0	0	0	1	0
	(119)	(7)	212	479	1	0

The total gain in 2007/08 is £0.472m (gain in 2006/07 was £0.94m).

## 36. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

### 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. Additionally, since the discovery of this potential overpayment the Council has been withholding VAT in relation to car park income pending the outcome of the judicial review. A creditor of £301,250 is therefore included in the balance sheet which may not be settled if the review's ruling was found to be in favour of the Council. A resolution to the case is expected sometime during the 2008/09 financial year.

As part of the Voluntary Stock Transfer Agreement an agreement has been reached with Chorley Community Housing to share their Value Added Tax that they can claim from HMRC. This arrangement is unique to Councils and Registered Social Landlords upon transfer. Secondly we have agreed to share any proceeds of former Council House Sales if they are subsequently sold by Chorley Community Housing. The share of reclaimable Value Added Tax is likely to be in the region of £3.4m over the next ten years. For property sales the agreement lasts for fifteen years but the sum will depend upon the number sold each year.

# notes to the core financial statements



## Contingent Liabilities

During 1992/93 Municipal Mutual Insurance Limited (MMI), the insurer to Chorley Borough Council and many other local authorities, experienced trading difficulties. The company's creditors agreed a "Scheme of Arrangement", which allowed MMI to work towards a solvent run-off until all outstanding claims were settled. If the company becomes insolvent, there is a "claw back" arrangement whereby the creditors may be required to repay a proportion of the claims paid. The creditors committee of MMI envisages that there will be a solvent run-off and therefore no "claw back" claims will be made against the Council.

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

## 37. 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 2007	Revaluation of Investments	Income	Expenditure	Balance at 31 March 2008
	£'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>	97	0	4	(5)	96
Edward McKnight Memorial Fund <i>(Educational lectures in memory of E McKnight)</i>	5	0	0	0	5
Mayor of Chorley's Charity Accounts <i>(Fundraising for various charitable purposes)</i>	0	0	0	0	0
<b>Total Trust Funds</b>	<b>109</b>	<b>0</b>	<b>4</b>	<b>(5)</b>	<b>108</b>

The total value of these funds at 31 March 2008 was £107,834 (31 March 2007 £108,980), of which £88,164 was invested in external listed securities (31 March 2007 £93,481). The funds are not assets of the Council so the external investments are not included in the Balance Sheet.

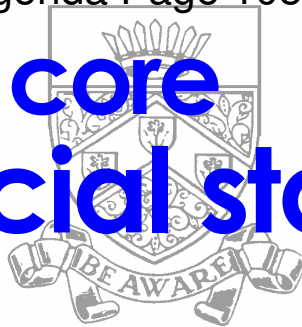
## 38. RETIREMENT BENEFITS

### Participation in the Scheme

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.

# notes to the core financial statements



## Transactions Relating to Retirement Benefits

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 required to be made 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 and Statement of Movement in General Fund Balance during the year:

### Local Government Pension Scheme

Income and Expenditure Account	2006/07 £'000	2007/08 £'000
Net cost of services:		
Current service cost	(1,919)	(1,158)
Past service costs	1,000	(915)
Net operating expenditure:		
Interest cost	(4,017)	(4,039)
Expected return on assets in the scheme	3,646	3,765
Net charge to the Income & Expenditure Account	(1,290)	(2,347)

### Statement of Movement in General Fund Balance

Reversal of net charges made for retirement benefits in accordance with FRS 17	1,290	2,347
Actual amount charged against General Fund balance for pensions in the year:		
Employers' contribution payable to scheme	(1,417)	(1,138)

Note 39 contains details of the assumptions made in estimating the figures included in this note.

## 39. PENSIONS

Note 38 to the Core Financial Statements contains details of the Authority's participation in the Local Government Pensions Scheme administered by Lancashire County Council.

	Local Government Pension Scheme	
	2006/07 £'000	2007/08 £'000
Estimated liabilities in scheme	(75,587)	(80,435)
Estimated assets in scheme	57,863	53,101
<b>Net asset/(liability)</b>	(17,724)	(27,334)

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.

# notes to the core financial statements



## Basis for Estimating Assets and Liabilities

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 31 March 2007.

The main assumptions used in their calculations have been:

	Local Government Pension Scheme	
	2006/07	2007/08
	%	%
Rate of inflation	3.10	3.60
Rate of increase in salaries	4.85	5.35
Rate of increase in pensions	3.10	3.60
Rate for discounting scheme liabilities	5.40	6.10

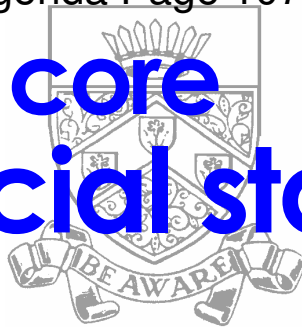
Assets in the County Council Pension Fund are valued at fair value, principally market value for investments, and consist of the following categories, by proportion of the total assets held by the Fund:

	Proportion of total assets 2006/07 %	Expected rate of return on assets %	Proportion of total assets 2007/08 %	Expected rate of return on assets %
Equity Investments	64.3	7.50	62.2	7.50
Government Bonds	8.4	4.70	7.1	4.60
Other Bonds	12.5	5.40	15.0	6.10
Property	7.0	6.50	6.0	6.50
Cash/Liquidity	4.5	5.25	3.3	5.25
Other Assets	3.3	7.50	6.4	7.50
	100.0		100.0	

## Prepaid or Accrued Pensions Contributions

An amount of £135,081 is included in the creditors section of the balance sheet which represents accrued pensions contributions as at 31 March 2008. These were paid to Lancashire County Pension Fund in April 2008.

# notes to the core financial statements



## Actuarial Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2007/08 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2008:

	2003/04		2004/05		2005/06		2006/07		2007/08	
	£	%	£	%	£	%	£	%	£	%
Differences between the expected and actual return on assets	5,643	13	2,249	4.7	8,214	13.7	(429)	0.7	(4,613)	8.7
Difference between actuarial assumptions about liabilities and actual experience	0	0	(3,517)	5	(1,445)	1.8	0	0	303	0.4
Changes in the demographic and financial assumptions used to estimate liabilities	0	0	(11,905)	16.9	(6,593)	8	4,229	5.6	(4,590)	5.7
<b>Net Gain/(Loss)</b>	<b>5,643</b>		<b>(13,173)</b>		<b>176</b>		<b>3,800</b>		<b>(8,900)</b>	

# notes to the core financial statements



## 40. RECONCILIATION OF SURPLUS OR DEFICIT TO NET CASH FLOW FROM OPERATING ACTIVITIES

2006/07 £'000		2007/08 £'000	2007/08 £'000
	Surplus/(deficit) for the year		
(53,821)	Income & Expenditure Account	(1,850)	
(205)	Collection Fund	(485)	
(54,026)			(2,335)
	Non-cash transactions:		
58,917	Depreciation & impairment	1,975	
(1,243)	Deferred charges written off	(2,196)	
(215)	Government grants deferred	(545)	
(127)	Pension Fund adjustment	1,209	
2,713	LSVT capital receipt applied	0	
(8,593)	LSVT capital grant applied	0	
51,452			443
	Items on an accrual basis		
1,863	Increase/(decrease) in creditors	(837)	
623	(Increase)/decrease in debtors	344	
284	(Increase)/decrease in stock	7	
2,770			(486)
	Items in another classification		
(325)	Servicing of finance	(518)	
4,100	Deferred charges	3,124	
(2,247)	Gains or losses on the disposal of fixed assets	(1,219)	
1,528			1,387
<b>1,724</b>	<b>Net cash inflow/(outflow) from operating activities</b>		<b>(991)</b>



# notes to the core financial statements



## 41. ANALYSIS OF NET DEBT (RECONCILIATION OF NET DEBT TO RELATED ITEMS IN THE BALANCE SHEET)

	Cash £'000	Temp. Invest. & Short Term Deposits £'000	Total £'000	Loans Due Within One Year £'000	Loans Due After More Than One Year £'000	Deferred Liabilities £'000	Net Debt £'000
Balance At 1 April 2007	851	3,526	<b>4,377</b>	0	0	(12)	4,365
Cashflow/Changes In Year	(277)	6,837	<b>6,560</b>	(2,367)	(4,633)	0	(440)
Other Non-Cash Changes	0	0	<b>0</b>	0	0	0	0
<b>Balance At 31 March 2008</b>	<b>574</b>	<b>10,363</b>	<b>10,937</b>	<b>(2,367)</b>	<b>(4,633)</b>	<b>(12)</b>	<b>3,925</b>

## 42. RECONCILIATION OF CHANGES IN CASH TO MOVEMENT IN NET DEBT

2006/07 £'000		2007/08 £'000
94	<b>Increase/(decrease) in cash in year</b>	(277)
1,852	Cash outflow from management of liquid resources	6,837
0	Cash inflow from:	
	New loans raised	(7,000)
	Cash outflow from:	
7,500	Loans repaid	0
9,446		(440)
136	Other noncash changes	0
<b>(5,217)</b>	<b>Net debt brought forward</b>	<b>4,365</b>
<b>4,365</b>	<b>Net debt carried forward</b>	<b>3,925</b>

## 43. ANALYSIS OF CHANGES IN CASH AND LIQUID RESOURCES IN THE YEAR

	Balance at 01/04/07 £'000	Balance at 31/03/08 £'000	Movement in the year £'000
Short term investments	3,526	10,363	6,837
Short term loans	0	0	0
Cash bank	852	575	(277)
<b>Increase/(decrease) in year</b>	<b>4,378</b>	<b>10,938</b>	<b>6,560</b>

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

# notes to the core financial statements



## 44. ANALYSIS OF GOVERNMENT GRANTS

i) The categories of government grants shown in the Cash Flow Statement are:

2006/07		2007/08	
£'000		£'000	
1,124	Capital activities	1,598	
20,112	Revenue activities	20,923	
0	European grants	0	
<b>21,236</b>	<b>Total government grants</b>	<b>22,521</b>	

ii) Analysis of revenue government grants

2006/07		2007/08	
£'000		£'000	
19,672	Community service	20,181	
3	Environmental health	52	
0	Sports development	60	
45	Waste management	42	
392	Other government grants	588	
<b>20,112</b>	<b>Total revenue government grants received</b>	<b>20,923</b>	

## 45. FURTHER ANALYSIS TO ASSIST WITH THE INTERPRETATION OF THE CASH FLOW STATEMENT

There have been material changes in the operational cash flows of the Council between the financial years 2006/07 and 2007/08. The most significant changes are highlighted below.

	2006/07	2007/08	Change
	£'000	£'000	£'000
<b>Revenue Activities</b>			
<b>Cash Outflows</b>			
Cash paid to and on behalf of employees	(12,669)	(9,902)	2,767
Other operating cash payments	(18,577)	(13,867)	4,710
Housing benefit paid out	(9,596)	(14,573)	(4,977)
Payments to the Capital Receipts Pool	(1,117)	(11)	1,106
<b>Net Reduction in Cash Outflows</b>			<b>3,606</b>
<b>Cash Inflows</b>			
Rents (after rebates)	3,495	0	(3,495)
Cash received for goods and services	8,624	4,734	(3,890)
<b>Net Reduction in Cash Inflows</b>			<b>(7,385)</b>

These changes are mainly due to the transfer of the Council's housing stock to Chorley Community Housing on 26 March 2007 which resulted in fewer costs being borne by the Council (e.g. employee costs and expenditure on supplies and services) and fewer revenues being collected (e.g. rents) during 2007/08.

# notes to the core financial statements



## 46. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

### Credit risk

This is the risk that other parties might fail to pay amounts due to the Council. It exists in relation to debtors, and investments made as a result of the Council's treasury operations.

To minimise treasury risk the Council each year considers a Treasury Management Strategy, in which acceptable credit ratings are determined for counter-parties, and limits on deal sizes are set. As an indicator of exposure the maximum invested at any one time during 2007/08 was £13.5m, the average invested at any one time was £8.8m and the longest term of investment was £2m for 3 months. The Council has no record of default on such deposits.

The more likely risk of default exists in respect of debtors. As per note 26 these total £8.453m of which £0.5m is payments in advance. The remainder consists of:

	Total £'000	Debts raised in 2007/08 £'000	Debts raised in earlier years £'000
Government and Local Authorities	1,421	1,421	0
Rates and taxpayers	1,571	957	614
Developers contributions	1,463	1,463	0
Housing associations and banks	1,486	1,486	0
Housing benefit overpayments	838	174	664
Sundry debtors	1,174	991	183
	<b>7,953</b>	<b>6,492</b>	<b>1,461</b>

There is reckoned to be little risk of default in respect of the amounts owed by Government, Local Authorities, Housing Associations or banks.

The developers contributions are held in the Balance Sheet in the Unapplied Grants and Contributions Account and will be used, in the main, to fund capital expenditure. There is a credit risk attached to this debtor, but if a loss occurred it would affect the capital programme instead of the Income and Expenditure account. No impairment provision has been made.

A credit risk applies to the rate and taxpayers debts, but Councils have extensive and special recovery powers. The impairment provision reflects this.

A credit risk also applies to both housing benefit debtors and sundry debtors, and an appropriate impairment provision, based on scrutiny of individual debtors, and past recovery rates, has been made.

### Liquidity risk

This is the risk that the Authority might not have liquid funds available to make payments when due. As the authority has ready access to borrowings from the Public Works Loans Board there is no significant risk that it will be unable to meet its commitments under financial instruments. There is however the risk that it might have to borrow at disadvantageous times. This risk is mitigated by the flexibility to borrow for any period and at fixed or variable rates.

### Market Risk

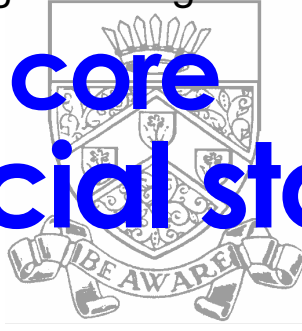
This consists of:

- **Interest Rate risk**

The Council's borrowings at 31 March 2008 totalled £7m. This is at fixed rates of interest for periods of up to five years. The Council is therefore protected against increases in interest rates, but will not be able to take advantage of falling rates.

The short duration of its investments means that it is vulnerable to falling interest rates, but will be able to take advantage if rates increase. A 1% change in rates will result in a change in investment income of £88,000.

# notes to the core financial statements



- **Price risk**

The Council's exposure to this risk is minimal, since it only holds one small investment (£8k) which is Available for Sale, and subject to annual revaluation to fair value.

## 47. 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:

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Gary Hall BA CPFA  
ASSISTANT CHIEF EXECUTIVE  
(BUSINESS TRANSFORMATION AND IMPROVEMENT)

Date: 26 June 2008

# housing revenue account

## HRA INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2008

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

Restated 2006/07 £'000	DESCRIPTION OF SERVICE	2007/08 £'000	2007/08 £'000	Note
	<b>Income</b>			
(6,990)	Dwelling rents	0		
(84)	Non-dwelling rents	0		
(201)	Charges for services and facilities	0		
(337)	Contributions towards expenditure	0		
(7,612)	<b>Total income</b>		0	
	<b>Expenditure</b>			
1,854	Repairs and maintenance	15		
2,318	Supervision and management	55		
19	Rents, rates, taxes and other charges	0		
1,274	Negative housing revenue account subsidy payable	0		
59,855	Depreciation and impairment of fixed assets	0		
12	Debt management costs	0		
(40)	Increase/(decrease) in bad debt provision	0		
	Sums directed by the Secretary of State	0		
0	Rent rebates, transfer to the General Fund	0		
15	Amortisation of intangible assets	(16)		
65,307	<b>Total expenditure</b>		54	
57,695	<b>Net cost of HRA services per Authority Income and Expenditure Account</b>		54	
20	HRA services share of Corporate and Democratic Core		0	
(155)	HRA share of other amounts included in the whole authority Net		0	
	Cost of services but not allocated to specific services			
(8,769)	Exceptional item – receipt of overhanging debt grant		0	
48,791	<b>Net cost of HRA services</b>		54	
0	Gain/loss on the disposal of fixed assets		0	
112	Interest payable and similar charges		0	
227	Amortisation of premiums and discounts		0	
(38)	Interest and Investment Income		0	
62	Pensions interest cost & expected return on pensions asset		0	
49,154	<b>(Surplus) or deficit for the year on HRA services</b>		54	

# 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.

2006/07 £'000		2007/08 £'000	Note
49,154	(Surplus)/deficit for the year on the Income and Expenditure Account	54	
(49,527)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the HRA Balance for the year	16	1
(373)	<b>(INCREASE)/DECREASE IN HRA BALANCE FOR THE YEAR</b>	70	
(593)	Housing Revenue Account surplus brought forward	(966)	
0	Housing Revenue Account surplus transferred to General Fund Balance	896	
(966)	<b>HOUSING REVENUE ACCOUNT BALANCE CARRIED FORWARD</b>	0	

# 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.

2006/07 £'000		2007/08 £'000
	<b>Amounts included in the HRA Income and Expenditure Account but excluded from the Movement on the HRA Balance for the year</b>	
(15)	Difference between amounts charged to Income and Expenditure for amortisation of premiums and discounts and the charge for the year determined in accordance with the statute	0
(58,335)	Difference between any other item of Income and Expenditure determined in accordance with the SORP and determined in accordance with statutory HRA requirements	16
8,593	LSVT Capital Grant Applied	0
(215)	Net charges made for retirement benefits in accordance with FRS 17	0
(49,972)		16
	<b>Amounts not included in the HRA Income and Expenditure Account but included in the Movement on the HRA Balance for the year</b>	
209	Transfer to the Major Repairs Reserve	0
236	Employers contributions payable to the Lancashire Pension Fund and retirement benefits payable direct to pensioners	0
445		0
(49,527)		16

## 2. VACANT POSSESSION VALUE – PROPERTY

01/04/06 £'000		01/04/07 £'000
150,516	Dwellings	0

## 3. 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.

## 4. EXCEPTIONAL ITEMS

Exceptional items are ones that are material in terms of the authority's overall financial position and are not expected to occur frequently or regularly. During 2006/07 the HRA Income and Expenditure Account was credited with £8.769 million Overhanging Debt Grant. This one-off transaction represents the amount of housing-related PWLB debt repaid in March 2007 by the Government on behalf of the Council in relation to the LSVT of its dwellings.

# notes to the housing revenue account



## 5. HRA SUBSIDY FOR THE FINANCIAL YEAR

	2006/07 £'000	2007/08 £'000
Management Allowance	1,153	0
Maintenance Allowance	2,403	0
Major Repairs Allowance	1,729	0
Charges for Capital	513	0
Defective Housing Grant	4	0
Guideline Rent	(7,197)	0
Interest on Receipts	(2)	0
Admissible Allowance	3	0
Rental Constraint Allowance	91	0
<b>Negative subsidy, payable to the DCLG</b>	<b>(1,303)</b>	<b>0</b>
Prior Year Adjustment	29	7
<b>Total (negative)/positive subsidy in the accounts</b>	<b>(1,274)</b>	<b>7</b>

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

31/03/07 £'000		31/03/08 £'000
	<b>Operational Assets</b>	
0	Land	0
0	Houses	0
929	Other Property	0
929		0
	<b>Non-operational Assets</b>	
883	Land	0
0	Houses	0
0	Other Property	0
883		0
1,812	<b>Total Balance Sheet Value of Housing Revenue Account Assets</b>	0

As a 31/03/07 the assets remaining in the HRA consisted of garages, land and a hostel. As a precursor to closing the HRA these assets were transferred to the General Fund as at 1 April 2007.



# notes to the housing revenue account



## 7. MOVEMENTS ON THE MAJOR REPAIRS RESERVE

2006/07 £'000		2007/08 £'000
0	<b>Balance at 1 April</b>	0
(1,729)	Transfer into Major Repairs Reserve in the year	0
269	Utilised to repay housing debt	0
1,460	Utilised to finance HRA capital expenditure	0
<u>0</u>	<b>Balance at 31 March</b>	<u>0</u>

## 8. CAPITAL EXPENDITURE ON LAND, HOUSES AND OTHER PROPERTY

	2006/07 £'000	2007/08 £'000
<b>Capital Expenditure</b>		
Houses	1,899	0
Other Property	<u>1</u>	<u>0</u>
	1,900	0
<b>Sources of Financing</b>		
Usable capital receipts	290	0
Grants and Contributions	150	0
Major Repairs Reserve	<u>1,460</u>	<u>0</u>
	1,900	0

## 9. CAPITAL RECEIPTS FROM DISPOSALS

	2006/07 £'000	2007/08 £'000
Land	0	11
Houses - Right to Buy sales and repaid discounts	2,165	7
- Large Scale Voluntary Transfer	2,225	0
Other Property	<u>29</u>	<u>0</u>
	4,419	18

## 10. CHARGE FOR DEPRECIATION

	2006/07 £'000	2007/08 £'000
Operational Assets - Dwellings	1,511	0
- Other land and buildings	9	0
Non-operational Assets	<u>0</u>	<u>0</u>
<b>Total Charge for Depreciation</b>	1,520	0

# collection fund



**THE COLLECTION FUND REVENUE ACCOUNT FOR YEAR ENDED 31 MARCH 2008**

Actuals 2006/07 £'000		Actuals 2007/08 £'000	Actuals 2007/08 £'000	Note
	<b>Income</b>			
42,146	Income from Council Tax		44,345	
	<i>Transfers from General Fund:</i>			
5,008	Council Tax Benefits	5,257		
(1)	Transitional Relief	(4)		
5,007			5,253	
-	Contributions Towards Council Tax Benefits		-	
19,412	Income Collectable from Business Ratepayers		19,857	2
66,565	<b>Total Income</b>		69,455	
	<b>Expenditure</b>			
	<i>Precepts and Demands:</i>			
34,635	Lancashire County Council	36,580		
6,495	Chorley Borough Council	6,548		
3,929	Lancashire Police Authority	4,404		
1,901	Lancashire Combined Fire Authority	2,008		
46,960			49,540	
	<i>Business Rate:</i>			
19,292	Payment to National Pool	19,736		
120	Costs of Collection to the General Fund	121		
19,412			19,857	2
	<i>Bad and Doubtful Debts</i>			
137	Write Offs	149		
(95)	Provision	(40)		
42			109	
	<i>Contributions:</i>			
356	Distribution of Estimated Collection Fund Surplus	434		5
-	Adjustment of Previous Years Community Charges	-		
356			434	
66,770	<b>Total Expenditure</b>		69,940	
(205)	<b>Surplus/(Deficit) for the year</b>		(485)	
376	<b>Surplus/(Deficit) brought forward as at 1 April 2007</b>		171	
171	<b>Surplus/(Deficit) carried forward as at 31 March 2008</b>		(314)	

# notes to the collection fund



## 1. GENERAL

These accounts contain the transactions of the Collection Fund. Section 89 of 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 amounts due in respect of Council Tax and National Non-Domestic Rates (NNDR). There is no requirement for a separate Collection Fund Balance Sheet. Instead Collection Fund balances are consolidated into the Balance Sheet.

## 2. INCOME FROM NATIONAL NON-DOMESTIC 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.

2006/2007		2007/2008
43.3p	Non-Domestic Rating Multiplier	44.4p
42.6p	Small Business Non-Domestic Rating Multiplier	44.1p
£54,942,290	Total Rateable Value at 31 March	£53,324,367
2,809	Total Number of Hereditaments at 31 March	2,865

## 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 £1,381.29 (2006/07 £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	13,936	11,647.50	7,762.9
B	7/9	9,969	8,858.00	6,889.6
C	8/9	8,424	7,703.75	6,847.8
D	1	5,678	5,259.75	5,259.8
E	11/9	4,202	3,966.75	4,848.3
F	13/9	1,675	1,587.50	2,293.1
G	15/9	722	679.75	1,132.9
H	18/9	61	44.50	89.0
		44,667	39,747.50	35,123.4
Less adjustments for anticipated changes to the base and losses on collection				158.4
Band D Equivalent Number of Properties				34,965.0

# notes to the collection fund



## 4. BAND D COUNCIL TAX

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

2006/07 £		2007/08 £
34,635,115	Lancashire County Council Precept	36,580,379
3,929,402	Lancashire Police Authority Precept	4,403,845
1,900,866	Lancashire Combined Fire Authority Precept	2,008,390
5,269,851	Chorley Borough Council Demand	5,304,135*
<hr/> 45,735,234	<b>TOTAL TO BE MET FROM COUNCIL TAX</b>	<hr/> 48,296,749
34,744.40	Divided by the Council Tax Base	34,965.00
<hr/> 1,316.33	Band D Council Tax	<hr/> 1,381.29

\*The Chorley Borough Council demand on the Collection Fund excludes parish precepts of £549,835 (2006/07 £535,399) and excludes special expenses of £693,576 (2006/07 £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 £433,610 at 31 March 2007, which was distributed in 2007/08 as follows:

Estimated Surplus for 2005/06 distributed in 2006/07 £		Estimated Surplus for 2006/07 distributed in 2007/08 £
262,813	Lancashire County Council	319,803
29,791	Lancashire Police Authority	36,282
14,409	Lancashire Combined Fire Authority	17,552
48,561	Chorley Borough Council	59,973
<hr/> 355,574		<hr/> 433,610

The estimated Collection Fund surplus for 2007/08 was £0.



### **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.

### **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 or enhancement of fixed or intangible assets, either directly by the Council or indirectly in the form of grants to other persons or bodies. The definition of expenditure that may be capitalised is set out in the SORP. Previously the Local Government and Housing Act 1989 contained a similar definition, but this has been replaced in the Local Government Act 2003 by a reference to expenditure which falls to be capitalised under proper practices. As the SORP is identified as a source of proper practice in England and Wales by regulations under section 21 of the Local Government Act 2003 this definition has taken on statutory status, except in cases where the Government issues regulations or makes directions, modifying the items to be classified as capital expenditure for financing purposes.

### **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.

### **CHIEF FINANCE OFFICER**

In England and Wales the Chief Finance Officer is colloquially known as the 'S151 officer', as the relevant provisions are contained in section 151 of the Local Government Act 1972. Section 151 requires every local authority to 'make arrangements for the proper administration of their financial affairs' and give one of their officers responsibility for this. That officer has specific duties under other statutes, including issuing a preventative report if there is, or is likely to be, unlawful expenditure or an unbalanced budget, and reporting to the authority at budget-setting time on the robustness of estimates made and the adequacy of the financial reserves. Under the Prudential Code, the Chief Finance Officer has responsibility



# glossary

for ensuring that the authority is given information on all 'matters required to be taken into account' when making decisions on capital investment. Chorley Borough Council's Chief Finance Officer is the Assistant Chief Executive (Business Transformation).

## 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.

## 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.

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# glossary

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## **DEFERRED CAPITAL RECEIPTS**

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

## **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, sets 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.

## **GOVERNANCE ASSURANCE STATEMENT**

See STATEMENT ON INTERNAL CONTROL.

## **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 (e.g. software licences) should be capitalised as assets. Intangible assets should be amortised on a systematic basis over their economic lives.

## **LARGE SCALE VOLUNTARY TRANSFER**

Large Scale Voluntary Transfer involves the Local Authority transferring the ownership of its HRA dwelling stock to a new landlord, with the agreement of the tenants.

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# glossary

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## **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.

## **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**

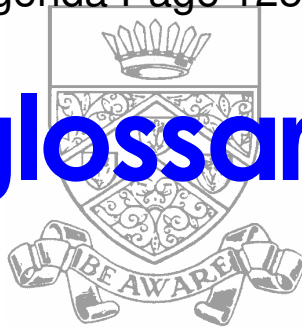
A subsidy payable by the Council to a low-income tenant in private rented accommodation.



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# glossary

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## 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.

## S151 OFFICER

The colloquial name for the Chief Finance Officer.

## 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. The statement should relate to the system of internal control as it applied during the financial year for the accounts that it accompanies.

An authority may decide to publish a wider-ranging statement on internal control than that required by legislation and/or a statement on the adoption of a local code of corporate governance and how they have complied with such a code and monitored its effectiveness. Where this is the case the authority may choose to include these statements, signed on behalf of the authority, with their Statement of Accounts in place of the legislative requirement to include a SIC or SORP requirement to include a Statement on the System of Internal Financial Control (SIFC).

## STATEMENT OF RECOMMENDED PRACTICE (SORP)

A Statement of Recommended Practice (SORP) on Accounting Practices for local authorities is prepared regularly, and the SORP's form enables it to be related to the Financial Reporting Standards issued by the Accounting Standards Board. The SORP sets out the proper accounting practices required for Statements of Accounts, by section 21(2) of the Local Government Act 2003 prepared in accordance with the statutory framework established for England by the Accounts and Audit Regulations 2003.

The Chartered Institute of Public Finance and Accountancy (CIPFA) is the recognised SORP setting body for local government in England and Wales.

## 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).

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Report of	Meeting	Date
Assistant Chief Executive (Business Transformation) & Corporate Director of Governance	Audit Committee	26 <sup>th</sup> June 2008

## ANNUAL GOVERNANCE STATEMENT

### PURPOSES OF THE REPORT

- 1 To remind the Audit Committee of the regulatory framework requiring the Council to continuously review its system of governance and to formally publish an Annual Governance Statement (AGS) alongside its annual financial statements.
- 2 To explain the structure and processes that are in place within the Council to enable the AGS to be produced.
- 3 To invite Members to review and approve the draft AGS (shown at Appendix 1) which has been produced in accordance with new guidelines issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE).
- 4 Thereafter the approved AGS will need to be formally signed-off by the Leader & Chief Executive and be submitted for external audit as part of the 2007/8 financial statements.

### RECOMMENDATIONS

- 5 That members review and approve the draft AGS which has been produced in accordance with CIPFA / SOLACE guidelines.
- 6 That the approved AGS be formally signed off by the Leader and Chief Executive before being submitted for external audit as part of the 2007/8 financial statements.

### EXECUTIVE SUMMARY OF REPORT

- 7 The Council is now required to conduct an annual review of the effectiveness of its system of governance and publish an AGS each year alongside its financial statements.
- 8 CIPFA and SOLACE have issued guidance explaining the required format of the AGS and the self-assessment process, which councils must undertake in order to compile it.
- 9 This report contains a draft AGS for 2008 for members' approval and gives assurance that it has been properly compiled in accordance with the prevailing guidance.

### CORPORATE PRIORITIES



Put Chorley at the heart of regional economic development in the central Lancashire sub region		Improved access to public services	
Improving equality of opportunity and life chance		Develop the character and feel of Chorley as a good place to live	
Involving People in their Communities		Ensure Chorley is a performing Organisation	✓

**BACKGROUND**

- 10 Under the Accounts and Audit (Amendment) Regulations 2006 every Council is now required to conduct an annual review of the effectiveness of its system of governance and publish an AGS each year alongside its financial statements.
- 11 CIPFA and SOLACE recently issued a new Framework and supporting guidance entitled "Delivering Good Governance in Local Government", under which councils are required to:
  - develop and maintain an up-to-date local code of governance consistent with certain "core principles" set out in the Framework;
  - review their existing governance arrangements against the Framework;
  - prepare a governance statement in order to report publicly on the extent to which the Council complies with its own code on an annual basis including how it has monitored the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period.
- 12 The new CIPFA SOLACE Framework defines proper practice for the form and content of the AGS, which subsumes the earlier requirement to prepare and publish an annual Statement on Internal Control (SIC).
- 13 The Framework requires the most senior officer (chief executive or equivalent) and the most senior member (leader or equivalent) to sign the AGS. They must be satisfied that the document is supported by reliable evidence and accurately reflects the Council's system of governance.
- 14 The AGS is a corporate document and should involve (in addition to the most senior officer and the most senior member as signatories) a variety of people charged with delivering governance, including:
  - the monitoring officer in meeting his/her statutory responsibilities;
  - the responsible financial officer who is responsible for the accounting control systems and the preparation of the statement of accounts;
  - directors assigned with the ownership of risks and the delivery of services;
  - members (e.g. through audit or scrutiny committees); and
  - others responsible for providing assurance (e.g. Internal & External Audit).
- 15 Thus as a corporate document, the AGS should be owned by all senior officers and members of the authority. A shared approach should be taken to compiling the AGS because any delegation to a single individual or section will dilute its significance and encourage other people to distance themselves from their proper responsibilities.
- 16 The guidance also states the need for a review body in the process such as the Audit Committee or Scrutiny role, which should be charged with critically reviewing the AGS and

its supporting documentation. It is vital that this review body remains independent from the AGS compilation and is given real powers to make recommendations and ultimately changes to the process as it sees fit.

- 17 **Although CIPFA SOLACE only becomes mandatory for the 2007/8 reporting year, the Council worked with the consultation draft of the Framework last year to publish a compliant AGS for 2006/7 rather than a SIC. A report was taken to the Audit Committee in January 2008 detailing the progress made to address the "significant governance issues" disclosed in the 2006/7 AGS. All those issues have now been rectified with the exception of some work still ongoing in respect of the Finance shared services project, business continuity planning and asset registers.**

#### **STEPS TAKEN TO COMPILE THE 2007/8 AGS**

- 18 The definitive CIPFA SOLACE Framework and guidance for 2007/8 onwards differs only marginally from the draft version followed in 2006/7 and therefore we were able to update the 2006/7 self-assessment rather than starting with a blank canvas. The updated self-assessment takes account of the actions that have since been implemented to address the "significant governance issues" which were identified last year.
- 19 Like last year, a management group consisting of the following officers contributed to the updated self-assessment and the 2007/8 AGS itself:
- Corporate Director of Governance (Monitoring Officer)
  - Assistant Chief Executive - Business Transformation & Improvement (S151 Officer)
  - Assistant Chief Executive - Policy & Performance
  - Audit & Risk Manager
- 20 Section 5 of Appendix 1 again discloses what the management group consider to be the current "significant governance issues" taking account of changes to the prevailing guidance, organisational changes and the corrective action implemented following last year's self assessment. This view has been derived from the group's cumulative knowledge of the Council's system of governance and the views of independent assurance sources such as the Audit Commission Use of Resources assessment.

#### **DIRECTORATE ASSURANCE STATEMENTS**

- 21 In addition to the corporate self-assessment, assurance has also been obtained from Directors, as it is they who are responsible for implementing the respective governance systems and procedures within their service areas. Directorate Assurance Statements have been compiled which require 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.
- 22 The completed Directorate Assurance Statements have been analysed to ascertain whether there are any common areas of concern, and if so, whether these constitute significant governance issues. Again, any significant non-compliance issues emerging from the Directorate Assurance Statements have also been included in the AGS at Appendix 1.

#### **REVIEW OF THE EFFECTIVENESS OF THE SYSTEM OF INTERNAL AUDIT**

- 23 The Accounts & Audit (Amendment) (England) Regulations 2006 state at paragraph 6(3) that (the Council) "shall at least once a year conduct a review of the effectiveness of its system of internal audit". The regulations go on to say that the findings of this review be considered by a committee of the Council as part of the wider consideration of its system of governance.

- 24 The Audit Commission conduct a detailed review of Internal Audit on a triennial basis and the latest CIPFA Code of Internal Audit Practice also contains a self-assessment toolkit / checklist for the same purpose. The Audit Committee has previously agreed that it will rely on the Audit Commission's triennial review plus internal self-assessments in the intervening years.
- 25 On this basis we undertook a self-assessment of the system of internal audit for 2006/7 and identified no substantive compliance issues with regard to the CIPFA Code of Practice, with the exception of the need for us to produce a formal Internal Audit Strategy. This was developed and reported to the Audit Committee in September 2007.
- 26 We have since updated the self-assessment for 2007/8 and have no non-compliance issues to report to members this year.

**FURTHER ACTIONS**

- 27 Section 5 of Appendix 1 lists the actions that will be taken to address all the improvement opportunities that have been identified in the updated corporate self-assessment and directorate assessments. These actions will be fed into the Business Improvement Plans of the directorates concerned.

**IMPLICATIONS OF REPORT**

- 28 This report has no implications for specific Directorates. The matters raised in the report are cross cutting and impact upon the authority as a whole

GARY HALL  
ASSISTANT CHIEF EXECUTIVE (BUSINESS TRANSFORMATION)

ANDREW DOCHERTY  
CORPORATE DIRECTOR OF GOVERNANCE

<b>Background Papers</b>			
<b>Document</b>	<b>Date</b>	<b>File</b>	<b>Place of Inspection</b>
Accounts & Audit Regulations	2006	FINANCE	UNION ST OFFICES
Delivering Good Governance in Local Government (CIPFA / SOLACE)	2007		

<b>Report Author</b>	<b>Ext</b>	<b>Date</b>	<b>Doc ID</b>
Garry Barclay	5468	20/06/08	AC GAS 2008

**CHORLEY COUNCIL****ANNUAL GOVERNANCE 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, facilitating the effective exercise of its functions and which includes arrangements for the management of risk.

The Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Good Governance in Local Government*. A copy of the Code is on our website at [www.chorley.gov.uk](http://www.chorley.gov.uk) under "Council & Democracy" or can be obtained from Andrew Docherty, Corporate Director of Governance, Town Hall, Chorley, PR7 1DP. This statement explains how Chorley Council has complied with the Code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) Regulations 2006 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, the culture and values by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

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 Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at the Council for the year ended 31 March 2008 and up to the date of approval of the annual report and statement of accounts.

**3. The Governance Framework**

The following paragraphs describe the key elements of the systems and processes that comprise the authority's governance arrangements:

***Identifying & communicating the authority's vision of its purpose and intended outcomes for citizens and service users***

- The Corporate Strategy sets out the Council's vision, priorities and strategic objectives. These are derived from the Community Strategy, which clearly articulates a shared vision for the Borough of Chorley.
- Long term outcomes and interim performance targets have been established for each strategic objective.
- The Community Strategy and Corporate Strategy published widely and are also available on the Council website and intranet.

***Reviewing the authority's vision & its implications for the authority's governance arrangements***

- The Community Strategy and Corporate Strategy are regularly reviewed and the Council's vision and strategic objectives have been refined to reflect changing aspirations, both locally and nationally.
- A performance management framework is in place for the Local Strategic Partnership providing clear arrangements for joint working, including specific LSP projects.

***Measuring the quality of services for users, for ensuring they are delivered in accordance with the authority's objectives and for ensuring that they represent the best use of resources***

- Service level Business Improvement Plans contain key projects that are geared towards achieving overall strategic objectives. They also contain challenging targets in respect of both national performance indicators and local performance targets.
- This system is in turn supported by individual staff performance and development reviews to ensure that everyone understands their individual and service unit contribution to corporate goals.
- The Council uses a bespoke performance management software system, Performance Plus, which uses a traffic light system to monitor not only individual performance indicators, but also their combined effect on the achievement of strategic objectives. Reports are produced to ensure that trends in performance can be identified and corrective action introduced if appropriate. This is supported by a robust data quality control system, which ensures the accuracy of the reported information.
- Performance against targets is monitored at officer and member levels, by Strategy Group, Executive Cabinet, Overview & Scrutiny and the Audit Committee.
- The Council achieved a maximum score of 4 for the 2007 Use of Resources assessment by the Audit Commission, which demonstrates that the above arrangements are effective.

***Defining & documenting the roles & responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication***



- The Council's Constitution sets out how the Council operates, how decisions are made and the procedures that 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.
- The Constitution also sets out the situations where senior officers of the Council can make decisions under delegated authority
- The Council publishes a Forward Plan containing 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).

***Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff***

- 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.
- Both members and officers have been extensively briefed on personal conduct and disclosure requirements.
- An automated system has been established on the Council's intranet for officer disclosures.

***Reviewing & updating standing orders, standing financial instructions, a scheme of delegation and supporting procedure notes / manuals, which clearly define how decisions are taken and the processes and controls to manage risks***

- The Corporate Director of Governance arranges for the review and re-adoption of the Council Constitution on an annual basis. This includes a review of Standing Orders, Contract Procedure Rules, Financial Procedure Rules and Responsibilities for Functions.
- The standard member reporting procedure requires a consideration of risk for all significant decisions. This is also underpinned by a robust structure and system for identifying and evaluating all significant business risks at both the strategic and operational levels, the key elements of which are a Strategic Risk Register and service level risk assessments built into the business planning process.

***Undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committees - Practical Guidance for Local Authorities***

- 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.

***Ensuring compliance with relevant laws and regulations, internal policies and procedures and that expenditure is lawful***

- 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 Corporate Director of Governance 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.
  - The standard committee reporting procedure and template now requires the monitoring officer to consider legality and compliance in respect of all decisions made by members.

***Arrangements for whistle blowing and for receiving and investigating complaints from the public***

- The Council has an up to date Whistle Blowing Policy, which has been widely publicised via the Council web site, intranet and other channels. All members of staff have been fully briefed on the Policy including how, and whom they should make a disclosure.
- The Council also operates a formal Corporate Complaints Procedure, which has been widely publicised.

***Identifying the development need of members and senior officers in relation to their strategic roles, supported by appropriate training***

- Formal induction programmes and training & development plans are in place for both members and senior officers.
- All senior officers participate in the corporate staff appraisal scheme.

***Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation***

- Up to date strategies are in place in respect of communications, marketing and consultation.

***Incorporating good governance arrangements in respect of partnerships and other group working as identified in the Audit Commission's report on the governance of partnerships, and reflecting these in the authorities overall governance arrangements***

- The Council has adopted a formal Framework for Partnership Working which specifies the minimum governance requirements in respect of all the Council's partnerships and the enhanced requirements in respect of its key partnerships.

#### **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 executive managers 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 describe the processes that has been applied in maintaining and reviewing the effectiveness of the Council's governance framework:

#### ***Corporate Level Review***

- A management group consisting of the following officers has been established for some time to oversee the compilation of the Annual Governance Statement (previously Statement on Internal Control):
  - Assistant Chief Executive - Business Transformation & Improvement (S151 Officer);
  - Corporate Director of Governance (Monitoring Officer);
  - Assistant Chief Executive - Policy & Performance;
  - Audit & Risk Manager.
- 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.

#### ***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 Corporate Director of Governance 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 Sub-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.

#### ***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 and have identified the following improvement opportunities:

No.	Governance Areas	Planned Improvements
	<b><i>Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area</i></b>	
1	Ensuring that partnerships are underpinned by a common vision of their work that is understood and agreed by all partners	This is the case for the Chorley Partnership (LSP) but it will also be made clear in the Council's other key commercial partnership agreements
2	Measuring the environmental impact of policies, plans and decisions	The standard committee report template will be amended to address this, supported by staff training and awareness
	<b><i>Members and officers working together to achieve a common purpose with clearly defined functions and roles</i></b>	
3	When working in partnership, ensuring that members are clear about their roles and responsibilities both individually and collectively in relation to the partnership and to the authority	Clear terms of reference & feedback mechanisms will be established for members working on outside bodies
	<b><i>Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour</i></b>	
4	Ensuring that standards of conduct and personal behaviour expected of members and staff, of work between members and staff and between the authority, its partners and the community are defined and communicated through codes of conduct and protocols.	The Officers' Code of Conduct will be updated and communicated to staff and a section on personal behaviour will be inserted in the Framework for Partnership Working
5	Putting in place arrangements to ensure that members and employees of the authority are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders and put in place appropriate processes to ensure that they continue to operate in practice	More formalised monitoring of the Officers' Register of Interests & Disclosures will be established
6	In pursuing the vision of a partnership, agreeing a set of values against which decision making and actions can be judged. Such values must be demonstrated by partners' behaviour both individually and collectively.	This will be incorporated within the performance management & reporting frameworks for the Chorley Partnership and the Council's other key commercial partnerships
	<b><i>Developing the capacity and capability of members and</i></b>	

	<b><i>officers to be effective</i></b>	
7	Ensuring that the statutory officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the authority	Staffing plans for the Corporate Governance and Finance functions will be implemented
	<b><i>Directorate Compliance</i></b>	
8	Customer feedback mechanisms	More regular, formalised collection & monitoring methods will be introduced for back-office / support services
9	Computer & Data Security	Staff will be reminded to log-off from the network when not in use, supported by a programme of spot-checks
10	Document Retention Guidelines	Annual reviews will be introduced incorporating paper-based and electronic records

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 propose over the coming year to take steps to address the above matters to further enhance our governance arrangements through the corporate business improvement planning process. We 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 Goldsworthy**  
Leader of the Council

**D Hall**  
Chief Executive

**G Hall**  
Assistant Chief Executive  
Business Transformation &  
Improvement  
(Section 151 Officer)

**A Docherty**  
Corporate Director  
of Governance  
(Monitoring Officer)

Report of	Meeting	Date
Assistant Chief Executive (Business Transformation) (Introduced by the Executive Member for Resources, Councillor A. Cullens)	Executive Cabinet	26 June 2008

## **CAPITAL PROGRAMME PROVISIONAL OUTTURN 2007/08 AND MONITORING 2008/09 ONWARDS**

### **PURPOSE OF REPORT**

1. To report the provisional outturn for the Capital Programme for 2007/08, which is subject to audit.
2. To provide a progress update for the Capital Programme for 2008/09 onwards, including a review of the availability of capital resources required for the financing of the programme.

### **RECOMMENDATION(S)**

3. That the provisional outturn for the 2007/08 Capital Programme, which totals £6,473,979, be noted.
4. That the financing of the 2007/08 Capital programme as set out in Appendix 1 to this report be approved.
5. That the net slippage of capital expenditure from 2007/08 be added to the Capital Programme for 2008/09.
6. That the revised Capital Programme for 2008/09, as set out in Appendix 3 at a total of £10,034,550, be approved.

### **EXECUTIVE SUMMARY OF REPORT**

7. During 2007/08 the Executive Cabinet has received regular monitoring reports estimating the outturn for the Capital Programme. The previous report presented to the Executive Cabinet of 27 March 2008 updated the programme to a total of £7,292,970. This final monitoring report for 2007/08 indicates a net reduction in capital expenditure of £818,991, giving a provisional outturn of £6,473,979.
8. The variance at outturn is made up of an increase in expenditure of £390,407 less slippage of committed expenditure to 2008/09. The largest expenditure increases are £198,882 in respect of Buckshaw Village Railway Station, which is financed by a S106 contribution; and £152,315 in respect of the capitalisation of restructuring costs, the purpose of which is to generate savings in the revenue budget in subsequent financial years. Of the slippage, over half is in respect of just one budget, a contribution towards the cost of the Eaves Green Link Road (financed by the sale of the Council's developable land in the area). The County Council have now provided an invoice for this contribution so that payment should be made early in 2008/09. All other expenditure variances are presented in Appendix 1 and 2.

9. The proposed financing of the 2007/08 Capital Programme does not require any borrowing, which gives a revenue saving in 2008/09 that will be taken account of in revenue budget monitoring. Additional borrowing will be required in 2008/09 because of the slippage of expenditure from 2007/08, though the aim would be to keep total borrowing for the four years 2007/08 to 2010/11 within the total previously approved. However, there are reasons to consider whether there may be a shortfall of capital receipts during 2008/09 compared to the budgeted total, particularly in respect of ‘Preserved Right To Buy’ income from Chorley Community Housing. The availability of capital resources should be reviewed in detail and the implications of any shortfall on the financing of the Capital Programme be taken into account.

**REASONS FOR RECOMMENDATION(S)**

**(If the recommendations are accepted)**

10. The slippage to 2008/09 represents expenditure that was committed during 2007/08 but which was not incurred by 31<sup>st</sup> March 2008 for various reasons. It is necessary to increase the 2008/09 programme by this sum to enable the completion of the projects.
11. The 2008/09 programme should also be adjusted to take account of slippage of currently uncommitted budgets to the following year, the transfer to revenue of some budgets, and deletion of other budgets pending confirmation that they are required.

**ALTERNATIVE OPTIONS CONSIDERED AND REJECTED**

12. The Capital Programme for 2007/08 could have been financed in part by incurring the budgeted ‘prudential borrowing’ of £1.190m. However, slipping the use of borrowing to a later year gives a revenue budget saving in 2008/09.

**CORPORATE PRIORITIES**

13. This report relates to the following Strategic Objectives:

Put Chorley at the heart of regional economic development in the Central Lancashire sub-region	√	Develop local solutions to climate change.	
Improving equality of opportunity and life chances		Develop the Character and feel of Chorley as a good place to live	√
Involving people in their communities	√	Ensure Chorley Borough Council is a performing organization	√

**BACKGROUND**

14. The previous Capital Programme monitoring report presented to Executive Cabinet of 27 March 2008 took account of information provided by project managers in order to estimate the outturn for 2007/08. Though there is a large net underspend of £818,991, much of this total is in respect of just three budgets, discussed in more detail below.
15. The figures presented in this report are provisional and are subject to external audit. It is not expected that these figures will changes significantly as a result of the audit.

**CAPITAL PROGRAMME PROVISIONAL OUTTURN 2007/08**

16. Attached at Appendix 1 is a detailed analysis of the provisional outturn for 2007/08 compared to the revised budget. This appendix also presents the proposed financing of the 2007/08 Capital Programme and identifies the slippage of expenditure to 2008/09 and



other expenditure variances. These other changes at outturn are analysed in detail in Appendix 2.

17. Of the slippage to 2008/09, over half is in respect of just one budget, the final contribution to the County Council's cost of constructing the Eaves Green Link Road. Chorley Council will now make the payment early in 2008/09, having received recently an invoice from County. This contribution has been enabled by the sale of the Council's land at Eaves Green jointly with English Partnerships during 2007/08, the capital receipt having been earmarked for this purpose.
18. Offsetting the slippage was a net increase in expenditure on other schemes of £390,407. Most of this was in respect of just two budgets. The largest variance relates to the Buckshaw Village Railway Station, which was £198,882 more than forecast. As this is financed with a S106 contribution specifically for this purpose there is no impact on the Council's own capital resources. The expenditure is being incurred by Network Rail on behalf of the Council and as a consequence it is difficult to estimate the phasing of the costs.
19. Expenditure on capitalised restructuring costs has also increased by £152,315. This relates to redundancy costs and pension fund contributions, which can be capitalised with the permission of the Secretary of State. By capitalising the expenditure, an increase in costs to the revenue budget is thereby avoided.
20. The proposed financing of the Capital Programme avoids the use of borrowing in 2007/08, which gives a revenue budget saving in 2008/09 that will be taken into account in monitoring of that budget. This has been achieved by a combination of the slippage of expenditure to 2008/09 and a change to the phasing of the use of other capital resources, in particular Housing Capital Grant.

#### **CAPITAL PROGRAMME MONITORING 2008/09 ONWARDS**

21. Attached at Appendix 3 is an updated Capital Programme for 2008/09 to 2010/11. The first column – Current Estimate 2008/09 – is the Original estimate for 2008/09 plus the slippage from 2007/08 that was reported to Executive Cabinet of 27 March 2008. It is recommended that the additional slippage from 2007/08 identified at outturn is added to the 2008/09 budget.
22. In addition to the slippage, a number of other changes to the programme have been identified after discussions with project managers. These are as follows:
  - Town Centre Investment - £31,690 and £10,000 to be included in the revenue budget instead of the capital programme. Though much of the expenditure should be of long-term benefit to Chorley, it does not meet the statutory definition of capital expenditure. There are no resource implications for either revenue or capital budgets. Slippage of £200,000 capital expenditure from 2008/09 to 2009/10 is also required.
  - Affordable Housing – slippage of £28,500 to 2009/10. The phasing of the other affordable housing budgets should be reviewed and proposals reported back at a later date.
  - Investment in Council Assets – slippage of £50,000 to 2009/10.
  - Business directorate projects – deletion of Cotswold House Refurbishment (£3.2m) pending alternative proposals being developed. Deletion of the eDevelopment project pending confirmation of whether further payments to the contractor of required.

- Neighbourhoods directorate projects – deletion of Safer Stronger Communities budget of £20,070, which is incorporated in the revenue budget instead. Merger of various refuse/recycling/litter budgets for bins/boxes etc. and reduction by £10,160 to match increase in revenue budget.
- The likely phasing of the remaining expenditure on the Buckshaw Village Railway Station is not yet known and will be added to the programme at a later date. The effect on resources should be neutral when it is added, as the expenditure is financed from S106 resources received for this purpose.

23. Though these changes help the resource position, there are reasons to review the availability of resources and to consider whether budgeted capital receipts can be achieved. In particular, though 'Preserved Right to Buy' receipts from CCH were on target during 2007/08, circumstances have changed. The original estimate for 2008/09 required a total of £1m, which should have been achievable had sales continued at the same rate as last year. However, this is beginning to look less likely, firstly because of the effect of the so-called 'credit crunch', which may mean that CCH's tenants find it harder to get mortgages to purchase their properties; and secondly because tenants may prefer to wait for improvements to their properties to be completed before buying them. The likelihood is that capital receipts from this source will be considerably lower than in 2007/08.

24. Should resources fall short of the estimated values, any shortfall could be met by increased borrowing, but this is undesirable because of the impact on the revenue budget. The alternative would be to reduce or rephase budgeted capital expenditure and to increase other capital resources, where the Council has the ability to do this. Working with Liberata Property Services, the availability of capital receipts from the disposal of surplus or low-income earning assets should be considered. Members may wish to consider whether any existing capital schemes should be financed with the uncommitted Local Authority Business Growth Incentive Scheme Grant in hand at 31 March 2008, which is about £0.357m. Project managers should consider to review the phasing of their schemes, in case any expenditure can be slipped to later years.

**IMPLICATIONS OF REPORT**

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

Finance	√	Customer Services	
Human Resources		Equality and Diversity	
Legal		No significant implications in this area	

GARY HALL  
 ASSISTANT CHIEF EXECUTIVE (BUSINESS TRANSFORMATION)

There are no background papers to this report.

Report Author	Ext	Date	Doc ID
Michael Jackson	5490	6 <sup>th</sup> June 2008	Capital Outturn 07-08 Monitoring 08-09.

**Capital Programme Provisional Outturn 2007/08**

## Scheme

**Assistant Chief Executive (Policy & Performance)**

Project Management Support Capitalisation  
 Website Refresh  
 Contribution to Pitch Drainage Bishop Rawsthorne School  
 External Funding Pot  
 - Charnock Richard FC

**Assistant Chief Executive (Policy & Performance) Total****Assistant Chief Executive (Business Transformation and Improvement)**

Capitalised Restructuring Costs  
 Planned Maintenance of Fixed Assets  
 Town Hall Disabled Access and Refurbishment  
 Gillibrand Link Road - land assembly  
 Financial Systems Development

**Assistant Chief Executive (Business Transformation and Improvement) Total****Director of Human Resources**

HR Management System

**Director of Human Resources Total**

2007/08 Current Estimate £	Slippage (to)/from 2008/09 £	Other Changes £	2007/08 Provisional Outturn £	External Funding £	CBC Funding £
40,000		0	40,000		40,000
15,050		0	15,050		15,050
19,990		4	19,994	19,994	0
6,000		0	6,000		6,000
<b>81,040</b>	<b>0</b>	<b>4</b>	<b>81,044</b>	<b>19,994</b>	<b>61,050</b>
700,000		152,315	852,315		852,315
100,000	(29,986)	(49,014)	21,000		21,000
11,290		20,517	31,807		31,807
961,730		3	961,733	961,733	0
86,000		25,985	111,985	74,694	37,291
<b>1,859,020</b>	<b>(29,986)</b>	<b>149,806</b>	<b>1,978,840</b>	<b>1,036,427</b>	<b>942,413</b>
18,000	(14,763)	0	3,237		3,237
<b>18,000</b>	<b>(14,763)</b>	<b>0</b>	<b>3,237</b>	<b>0</b>	<b>3,237</b>

**Capital Programme Provisional Outturn 2007/08**

## Scheme

**Director of ICT**

Website Development (incl. ICT salary capitalisation)  
Thin Client Pilot/Full Integration  
Telephony

**Director of ICT Total****Corporate Director (Neighbourhoods)**

Litter/Dog Waste/On-street recycling bins  
Replacement of recycling/litter bins & containers  
Enhanced Recycling/Kerbside Collection  
DEFRA Waste Performance & Efficiency Grant scheme  
Various traffic calming/local road safety schemes  
Intelligent Management Information  
Alleygates  
Building Safer Communities

**Corporate Director (Neighbourhoods) Total**

2007/08 Current Estimate £	Slippage (to)/from 2008/09 £	Other Changes £	2007/08 Provisional Outturn £	External Funding £	CBC Funding £
30,000	(30,000)		0		0
251,150	(175,134)	76,398	152,414		152,414
67,000	(67,000)	0	0		0
<b>348,150</b>	<b>(242,134)</b>	<b>46,398</b>	<b>152,414</b>	<b>0</b>	<b>152,414</b>
24,660	(1)		24,659		24,659
24,000	(13,730)	0	10,270		10,270
130,100	(5)		130,095		130,095
44,970	0		44,970	44,966	4
18,000	0		18,000	18,000	0
13,790	3		13,793		13,793
51,490	(1,029)	0	50,461	50,461	0
26,760	(4)		26,756	26,756	0
<b>333,770</b>	<b>(14,759)</b>	<b>(7)</b>	<b>319,004</b>	<b>140,183</b>	<b>178,821</b>

**Capital Programme Provisional Outturn 2007/08**

Scheme	2007/08 Current Estimate £	Slippage (to)/from 2008/09 £	Other Changes £	2007/08 Provisional Outturn £	External Funding £	CBC Funding £
<b><u>Corporate Director (Business)</u></b>						
Disabled Facilities Grants	355,000	(1,914)	2,067	355,153	355,153	0
Housing Renewal						
- Home Repair Grants	105,000	(14,530)	7,507	97,977	97,977	0
- Energy Grants	101,880	(24,463)	7,507	84,924	84,924	0
- Handyperson Scheme	10,000	0	0	10,000	10,000	0
Refurbishment of Cotswold House Homeless Unit	40,000	(3,810)	53	36,243	36,243	0
Housing Software Implementation	10,000	(2,800)	(7,200)	0	0	0
Affordable Housing Halliwell Street Project 2007-2010	0	0	2,282	2,282	2,282	0
Homelessness Prevention Central Lancs Sanctuary Scheme	0	0	2,282	2,282	2,282	0
Affordable Housing HALS Project 07/09	0	0	2,282	2,282	2,282	0
EAGA Energy Efficiency	0	0	7,507	7,507	7,507	0
Regeneration Projects - Design Fees	103,220	(103,220)	0	0	0	0
Town Centre Paving Project	33,080	(248)	0	32,832	32,832	0
eDevelopment and Building Control Project	24,690	(12,211)	0	12,479	0	12,479
Delivering the Chorley Town Centre Strategy	80,000	(11,690)	(40,310)	28,000	28,000	0
Eaves Green Link Road - contribution to LCC scheme	1,195,980	(619,451)	18,170	594,699	266,750	327,949
Buckshaw Village Railway Station	150,000	0	198,882	348,882	348,882	0
<b>Corporate Director (Business) Total</b>	<b>2,208,850</b>	<b>(690,869)</b>	<b>97,561</b>	<b>1,615,542</b>	<b>1,275,114</b>	<b>340,428</b>

**Capital Programme Provisional Outturn 2007/08**

**Scheme**

**Corporate Director (People)**

- Leisure Centres/Swimming Pool Refurbishment
- Duxbury Park Golf Course capital investment
- Astley Park Improvements - Construction
- Astley Park Woodland Management
- Village Hall & Community Centres Projects
- Extension to Chorley Cemetery (new burial area)
- Cemetery Development
- Chorley Cemetery Lodge Refurbishment
- Memorial Safety - Closed Churchyards
- Groundwork Projects
- Adlington Rail Station Improvements (S106 funded)
- Common Bank - Big Wood Reservoir
- Adlington Play Development (S106 funded)
- Harpers Lane Recreation Ground Imps (S106 funded)
- Play/Recreation Facilities (S106 funded)
- Ulnes Walton Play/Leisure Schemes (S106 funded)
- Corporate Play Development Plan
- Coppull Playzone (S106 funded)
- CRM Integration

2007/08 Current Estimate £	Slippage (to)/from 2008/09 £	Other Changes £	2007/08 Provisional Outturn £	External Funding £	CBC Funding £
831,250	27,760	0	859,010		859,010
50,000	(50,000)	0	0		0
898,820	(36,743)	28,497	890,574	674,121	216,453
56,000	(50,406)	(5,594)	0		0
30,000	(30,000)	0	0		0
550		(4)	546		546
6,780	(6,780)	0	0		0
13,490		(2)	13,488		13,488
20,000	1,541	0	21,541		21,541
29,050	(10,248)	15,479	34,281	20,539	13,742
7,500		3,700	11,200	11,200	0
370,000	(146)	48,877	418,731	369,854	48,877
25,450		726	26,176	26,176	0
30,000		1,204	31,204	31,204	0
10,250	(4,250)	301	6,301	6,301	0
0		451	451	451	0
50,000	(50,000)	1,204	1,204	1,204	0
0		1,806	1,806	1,806	0
15,000	(7,615)	0	7,385		7,385
<b>2,444,140</b>	<b>(216,887)</b>	<b>96,645</b>	<b>2,323,898</b>	<b>1,142,856</b>	<b>1,181,042</b>
<b>7,292,970</b>	<b>(1,209,398)</b>	<b>390,407</b>	<b>6,473,979</b>	<b>3,614,574</b>	<b>2,859,405</b>

**Capital Programme Provisional Outturn 2007/08**

Scheme	2007/08 Current Estimate £	Slippage (to)/from 2008/09 £	Other Changes £	2007/08 Provisional Outturn £	External Funding £	CBC Funding £
Prudential Borrowing	1,189,790	(1,189,790)	0	0		0
Unrestricted Capital Receipts	1,370,860	67,703	225,301	1,663,864		1,663,864
Preserved RTB Capital Receipts from CCH	1,140,000		3,800	1,143,800		1,143,800
Housing Investment Programme Restricted Capital Receipts	360,370	(323,650)	(23,232)	13,488		13,488
Revenue Budget - Specific Revenue Reserves or Budgets	74,840		(36,587)	38,253		38,253
<b>CBC Resources</b>	<b>4,135,860</b>	<b>(1,445,737)</b>	<b>169,282</b>	<b>2,859,405</b>	<b>0</b>	<b>2,859,405</b>
Ext. Contributions - Developers	1,616,750	(54,656)	164,439	1,726,533	1,726,533	0
Ext. Contributions - Lottery Bodies	694,940	(20,819)	0	674,121	674,121	0
Ext. Contributions - Other	370,000	(146)	0	369,854	369,854	0
Government Grants - Disabled Facilities Grants	180,000		0	180,000	180,000	0
Government Grants - WPEG	44,970		(4)	44,966	44,966	0
Government Grants - Housing Capital Grant	95,000	323,650	0	418,650	418,650	0
Government Grants - LPSA1	0		71,000	71,000	71,000	0
Government Grants - LABGI	80,000	(11,690)	(40,310)	28,000	28,000	0
Government Grants - Planning Delivery Grant	48,690		4	48,694	48,694	0
Government Grants - Other	26,760		25,996	52,756	52,756	0
<b>External Funding</b>	<b>3,157,110</b>	<b>236,339</b>	<b>221,125</b>	<b>3,614,574</b>	<b>3,614,574</b>	<b>0</b>
<b>TOTAL CAPITAL FINANCING</b>	<b>7,292,970</b>	<b>(1,209,398)</b>	<b>390,407</b>	<b>6,473,979</b>	<b>3,614,574</b>	<b>2,859,405</b>

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**Capital Programme 2007/08 - Other Changes**

**Scheme**

**Assistant Chief Executive (Policy & Performance)**

Contribution to Pitch Drainage Bishop Rawsthorne School

**Assistant Chief Executive (Policy & Performance) Total**

**Assistant Chief Executive (Business Transformation and Improvement)**

Capitalised Restructuring Costs

Planned Maintenance of Fixed Assets

Town Hall Disabled Access and Refurbishment

Gillibrand Link Road - land assembly

Financial Systems Development

**Assistant Chief Executive (Business Transformation and Improvement) Total**

**Director of ICT**

Website Development (incl. ICT salary capitalisation)

Thin Client Pilot/Full Integration

**Director of ICT Total**

Other Changes £	Reallocation		Increases £	Reductions £	Comments
	£	£			
4			4		
<b>4</b>	<b>0</b>	<b>4</b>	<b>4</b>	<b>0</b>	
152,315 (49,014) 20,517 3	(49,014) 20,517	152,315	3	(15)	To achieve revenue budget saving Reallocated to Town Hall & Astley park Reallocated from Planned Maintenance  Transferred from revenue budget - no resource implications
<b>149,806</b>	<b>(28,497)</b>	<b>178,318</b>		<b>(15)</b>	
(30,000) 76,398			76,398	(30,000)	Transferred to revenue budget Transferred from revenue budget
<b>46,398</b>	<b>0</b>	<b>76,398</b>		<b>(30,000)</b>	

**Capital Programme 2007/08 - Other Changes****Scheme****Corporate Director (Neighbourhoods)**

Litter/Dog Waste/On-street recycling bins  
 Enhanced Recycling/Kerbside Collection  
 Intelligent Management Information  
 Building Safer Communities

**Corporate Director (Neighbourhoods) Total****Corporate Director (Business)**

Disabled Facilities Grants  
 Housing Renewal  
 - Home Repair Grants  
 - Energy Grants  
 Refurbishment of Cotswold House Homeless Unit  
 Housing Software Implementation  
 Affordable Housing Halliwell Street Project 2007-2010  
 Homelessness Prevention Central Lancs Sanctuary Scheme  
 Affordable Housing HALS Project 07/09  
 EAGA Energy Efficiency  
 Regeneration Projects - Design Fees  
 Town Centre Paving Project  
 Delivering the Chorley Town Centre Strategy  
 Eaves Green Link Road - contribution to LCC scheme  
 Buckshaw Village Railway Station

**Corporate Director (Business) Total**

Other Changes £	Reallocation		Increases		Reductions		Comments
	£	£	£	£	£	£	
(1)					(1)		
(5)					(5)		
3				3			
(4)					(4)		
<b>(7)</b>	<b>0</b>	<b>3</b>	<b>(10)</b>				
2,067	7,507		(5,440)				Reallocated from Design Fees
7,507	7,507						Reallocated from Design Fees
7,507	7,507						Reallocated from Design Fees
53	53		(7,200)				Reallocated from Design Fees
(7,200)							Reallocated from Design Fees
2,282	2,282						Reallocated from Design Fees
2,282	2,282						Reallocated from Design Fees
2,282	2,282						Reallocated from Design Fees
7,507	7,507						Reallocated from Design Fees
(103,220)	(105,675)	2,455	(248)				Reallocated to specific schemes
(248)							Transferred to revenue budget
(40,310)			(40,310)				Payment slips to 2008/09
18,170		18,170					Estimated phasing not accurate
198,882		198,882					
<b>97,561</b>	<b>(68,748)</b>	<b>219,507</b>	<b>(53,198)</b>				

**Capital Programme 2007/08 - Other Changes**

**Scheme**

**Corporate Director (People)**

- Astley Park Improvements - Construction
- Astley Park Woodland Management
- Extension to Chorley Cemetery (new burial area)
- Chorley Cemetery Lodge Refurbishment
- Groundwork Projects
- Adlington Rail Station Improvements (S106 funded)
- Common Bank - Big Wood Reservoir
- Adlington Play Development (S106 funded)
- Harpers Lane Recreation Ground Imps (S106 funded)
- Play/Recreation Facilities (S106 funded)
- Ulnes Walton Play/Leisure Schemes (S106 funded)
- Corporate Play Development Plan
- Coppull Playzone (S106 funded)

**Corporate Director (People) Total**

**Capital Programme Total**

Other Changes £	Reallocation		Comments
	Increases £	Reductions £	
28,497	28,497		
(5,594)		(5,594)	Reallocated from Planned Maintenance
(4)		(4)	Transferred to revenue budget
(2)		(2)	
15,479	10,479		Reallocated from Design Fees
3,700	3,700	5,000	Reallocated from Design Fees
48,877	48,877		Reallocated from Design Fees
726	726		Reallocated from Design Fees
1,204	1,204		Reallocated from Design Fees
301	301		Reallocated from Design Fees
451	451		Reallocated from Design Fees
1,204	1,204		Reallocated from Design Fees
1,806	1,806		Reallocated from Design Fees
<b>96,645</b>	<b>97,245</b>	<b>5,000</b>	
<b>390,407</b>	<b>0</b>	<b>479,230</b>	
		<b>(88,823)</b>	

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**Capital Programme - 2008/09 to 2010/11**

Scheme

**Town Centre Investment**

Delivering the Chorley Town Centre Strategy  
Marketing Chorley  
Markets Action Plan (Phase I)  
Town Centre Investment

**Town Centre Investment Total**

**Affordable Housing**

Homelessness Prevention Central Lancs Sanctuary Scheme  
Affordable Housing Halliwell Street Project 2007-2010  
Affordable Housing HALS Project 2007/08 - 2008/09  
Choice Based Lettings  
Affordable Housing New Development Project 2008/09 - 2010/11

**Affordable Housing Total**

**Sustainability & Climate Change**

Climate Change Pot

**Sustainability & Climate Change Total**

**Matched Funding Pot**

Matched Funding Pot

**Matched Funding Pot Total**

2008/09 Current Estimate £	Slippage (to)/from 2007/08 £	Other Changes £	2008/09 Revised Estimate £	2009/10 Original Estimate £	Slippage from 2008/09 £	2009/10 Revised Estimate	2010/11 Original Estimate £	Total 2008/09 to 2010/11 £
20,000	11,690	(31,690)	0			0		0
10,000		(10,000)	0			0		0
250,000			250,000			0		250,000
325,000		(200,000)	125,000	825,000	200,000	1,025,000		1,150,000
<b>605,000</b>	<b>11,690</b>	<b>(241,690)</b>	<b>375,000</b>	<b>825,000</b>	<b>200,000</b>	<b>1,025,000</b>	<b>0</b>	<b>1,400,000</b>
57,000		(28,500)	28,500			28,500		57,000
79,000			79,000			0		79,000
880,000			880,000			0		880,000
20,000			20,000			0		20,000
599,400			599,400	311,500		311,500	377,000	1,287,900
<b>1,635,400</b>	<b>0</b>	<b>(28,500)</b>	<b>1,606,900</b>	<b>311,500</b>	<b>28,500</b>	<b>340,000</b>	<b>377,000</b>	<b>2,323,900</b>
180,000			180,000			0		180,000
<b>180,000</b>	<b>0</b>	<b>0</b>	<b>180,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>180,000</b>
100,000			100,000	100,000		100,000	100,000	300,000
<b>100,000</b>	<b>0</b>	<b>0</b>	<b>100,000</b>	<b>100,000</b>	<b>0</b>	<b>100,000</b>	<b>100,000</b>	<b>300,000</b>

APPENDIX 3

	2008/09 Current Estimate £	Slippage (to)/from 2007/08 £	Other Changes £	2008/09 Revised Estimate £	2009/10 Original Estimate £	Slippage from 2008/09 £	2009/10 Revised Estimate £	2010/11 Original Estimate £	Total 2008/09 to 2010/11 £
<b>Scheme</b>									
<b><u>Performing Organisation - Investment in Infrastructure</u></b>									
<b><u>Assistant Chief Executive (Business Transformation)</u></b>									
Planned Maintenance of Fixed Assets	300,000	29,990	(50,000)	329,990	200,000	50,000	200,000	200,000	729,990
Investment in Council Assets	150,000			100,000			50,000		150,000
	<b>450,000</b>	<b>29,990</b>	<b>(50,000)</b>	<b>429,990</b>	<b>200,000</b>	<b>50,000</b>	<b>250,000</b>	<b>200,000</b>	<b>879,990</b>
<b><u>Assistant Chief Executive (Business Transformation)</u></b>									
<b><u>Assistant Chief Executive (Policy &amp; Performance)</u></b>									
Project Management Support Capitalisation	40,000			40,000	40,000		40,000	40,000	120,000
External Funding Pot	9,650			9,650			0		9,650
Performance Management	10,000			10,000			0		10,000
	<b>59,650</b>	<b>0</b>	<b>0</b>	<b>59,650</b>	<b>40,000</b>	<b>0</b>	<b>40,000</b>	<b>40,000</b>	<b>139,650</b>
<b><u>Corporate Director (Business)</u></b>									
Disabled Facilities Grants	371,450	1,910		373,360	300,000		300,000	300,000	973,360
Housing Renewal	200,000	45,600	32,430	278,030	200,000		200,000	200,000	678,030
Refurbishment of Cotswold House Homeless Unit	3,200,000		(3,200,000)	0			0		0
EAGA Energy Efficiency	110,000			110,000			0		110,000
Other housing-related capital expenditure	32,430		(32,430)	0			0		0
Regeneration Projects - Design Fees	103,220			103,220	70,000		70,000	70,000	243,220
eDevelopment and Building Control Project	0	12,210	(12,210)	0			0		0
Eaves Green Link Road - contribution to LCC scheme	0	619,450		619,450			0		619,450
Buckshaw Village Railway Station	0			0			0		0
	<b>4,017,100</b>	<b>679,170</b>	<b>(3,212,210)</b>	<b>1,484,060</b>	<b>570,000</b>	<b>0</b>	<b>570,000</b>	<b>570,000</b>	<b>2,624,060</b>
<b><u>Corporate Director (Governance)</u></b>									
Legal Case Management System	31,750			31,750			0		31,750
	<b>31,750</b>	<b>0</b>	<b>0</b>	<b>31,750</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>31,750</b>

**Capital Programme - 2008/09 to 2010/11**

**Performing Organisation - Investment in Infrastructure**

**Assistant Chief Executive (Business Transformation)**

Planned Maintenance of Fixed Assets  
Investment in Council Assets

**Assistant Chief Executive (Business Transformation)**  
**Assistant Chief Executive (Policy & Performance)**

Project Management Support Capitalisation  
External Funding Pot  
Performance Management

**Assistant Chief Executive (Policy & Performance)**

**Corporate Director (Business)**

Disabled Facilities Grants  
Housing Renewal  
Refurbishment of Cotswold House Homeless Unit  
EAGA Energy Efficiency  
Other housing-related capital expenditure  
Regeneration Projects - Design Fees  
eDevelopment and Building Control Project  
Eaves Green Link Road - contribution to LCC scheme  
Buckshaw Village Railway Station

**Corporate Director (Business)**

**Corporate Director (Governance)**

Legal Case Management System

**Corporate Director (Governance)**

APPENDIX 3

**Capital Programme - 2008/09 to 2010/11**

**Scheme**

**Director of Human Resources**

e-Enabling HR systems - Training  
HR Management System

**Director of Human Resources Total Corporate Director (Neighbourhoods)**

Replacement of recycling/litter bins & containers  
Enhanced Recycling/Kerbside Collection  
Highway improvements - Gillibrand estate/Southlands  
Intelligent Management Information  
Safer Stronger Communities  
Alleygates  
Refuse and Recycling Contract Revenue Mitigation  
MATAC CCTV Infrastructure Upgrades

**Corporate Director (Neighbourhoods)**

**Corporate Director (ICT)**

Website Development (incl. ICT salary capitalisation)  
Thin Client/Citrix (started 2007/08)  
Telephony  
Data Storage Solution  
OS Positional Accuracy Improvement  
Server Virtualisation  
Web Accessibility

**Corporate Director (ICT)**

2008/09 Current Estimate £	Slippage (to)/from 2007/08 £	Other Changes £	2008/09 Revised Estimate £	2009/10 Original Estimate £	Slippage from 2008/09 £	2009/10 Revised Estimate £	2010/11 Original Estimate £	Total 2008/09 to 2010/11 £
30,000			30,000			0		30,000
50,500	14,760		65,260			0		65,260
<b>80,500</b>	<b>14,760</b>	<b>0</b>	<b>95,260</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>95,260</b>
69,760	13,730	4,220	87,710	50,000		50,000	50,000	187,710
14,380		(14,380)	0			0		0
90,000			90,000			0		90,000
65,520			65,520			0		65,520
20,070		(20,070)	0			0		0
40,000	1,030		41,030	30,000		30,000	30,000	101,030
1,000,000			1,000,000			0		1,000,000
25,000			25,000			0		25,000
<b>1,324,730</b>	<b>14,760</b>	<b>(30,230)</b>	<b>1,309,260</b>	<b>80,000</b>	<b>0</b>	<b>80,000</b>	<b>80,000</b>	<b>1,469,260</b>
30,000			30,000	30,000		30,000	30,000	90,000
21,850	175,130		196,980	44,850		44,850	159,350	401,180
70,000	67,000		137,000			0		137,000
67,350			67,350			0		67,350
38,900			38,900			0		38,900
101,000			101,000	51,200		51,200		152,200
20,000			20,000			0		20,000
<b>349,100</b>	<b>242,130</b>	<b>0</b>	<b>591,230</b>	<b>126,050</b>	<b>0</b>	<b>126,050</b>	<b>189,350</b>	<b>906,630</b>

APPENDIX 3

**Capital Programme - 2008/09 to 2010/11**

Scheme	2008/09 Current Estimate £	Slippage (to)/from 2007/08 £	Other Changes £	2008/09 Revised Estimate £	2009/10 Original Estimate £	Slippage from 2008/09 £	2009/10 Revised Estimate £	2010/11 Original Estimate £	Total 2008/09 to 2010/11 £
<b>Corporate Director (People)</b>									
Leisure Centres/Swimming Pool Refurbishment	304,050	(27,760)		276,290	237,070		237,070	244,180	757,540
Duxbury Park Golf Course capital investment	450,090	50,000		500,090	0		0		500,090
Improvements to Sports Pitches	100,000			100,000	100,000		100,000	100,000	300,000
Astley Park Improvements - Construction	1,531,390	36,740		1,568,130	0		0		1,568,130
Astley Park Woodland Management (S106 funded)	30,000	50,410		80,410	30,000		30,000		110,410
Astley Hall/Park CCTV	34,000			34,000	0		0		34,000
Ulnes Walton Play/Leisure Schemes (S106 funded)	10,630			10,630	0		0		10,630
Corporate Play Development Plan	0	50,000		50,000	0		0		50,000
Coppull Playzone	25,000			25,000	0		0		25,000
Play/Recreation Facilities (S106 funded)	47,260	4,250		51,510	0		0		51,510
Lighting at Coronation Recreation Ground	60,000			60,000	0		0		60,000
Village Hall & Community Centres Projects	90,000	30,000		120,000	0		0		120,000
Cemetery Development	6,500	6,780		13,280	0		0		13,280
Memorial Safety St Johns Churchyard	30,000	(1,540)		28,460	0		0		28,460
Memorial Safety	25,000			25,000	25,000		25,000	25,000	75,000
Common Bank - Big Wood Reservoir	118,100	150		118,250	0		0		118,250
Groundwork Projects	15,000	10,250		25,250	0		0		25,250
Chorley Strategic Regional Site	576,530			576,530	0		0		576,530
CRM Process Optimisation	101,000	7,620		108,620	35,000		35,000		143,620
<b>Corporate Director (People)</b>	<b>3,554,550</b>	<b>216,900</b>	<b>0</b>	<b>3,771,450</b>	<b>427,070</b>	<b>0</b>	<b>427,070</b>	<b>369,180</b>	<b>4,567,700</b>
<b>Performing Organisation - Investment in Infrastructure Total</b>	<b>9,867,380</b>	<b>1,197,710</b>	<b>(3,292,440)</b>	<b>7,772,650</b>	<b>1,443,120</b>	<b>50,000</b>	<b>1,493,120</b>	<b>1,448,530</b>	<b>10,714,300</b>
<b>Capital Programme Total</b>	<b>12,387,780</b>	<b>1,209,400</b>	<b>(3,562,630)</b>	<b>10,034,550</b>	<b>2,679,620</b>	<b>278,500</b>	<b>2,958,120</b>	<b>1,925,530</b>	<b>14,918,200</b>

Scheme

**Corporate Director (People)**

- Leisure Centres/Swimming Pool Refurbishment
- Duxbury Park Golf Course capital investment
- Improvements to Sports Pitches
- Astley Park Improvements - Construction
- Astley Park Woodland Management (S106 funded)
- Astley Hall/Park CCTV
- Ulnes Walton Play/Leisure Schemes (S106 funded)
- Corporate Play Development Plan
- Coppull Playzone
- Play/Recreation Facilities (S106 funded)
- Lighting at Coronation Recreation Ground
- Village Hall & Community Centres Projects
- Cemetery Development
- Memorial Safety St Johns Churchyard
- Memorial Safety
- Common Bank - Big Wood Reservoir
- Groundwork Projects
- Chorley Strategic Regional Site
- CRM Process Optimisation

**Corporate Director (People)**

**Performing Organisation - Investment in Infrastructure Total**

**Capital Programme Total**



APPENDIX 3

**Capital Programme - 2008/09 to 2010/11**

**Scheme**

**Financing the Capital Programme**

- Prudential Borrowing
- Unrestricted Capital Receipts
- Housing Investment Programme Restricted Capital Receipts
- Capital Receipt earmarked for Strategic Regional Site
- Preserved RTB Capital Receipts from CCH
- Revenue Budget - Specific Revenue Reserves or Budgets

**CBC Resources**

- Ext. Contributions - Developers
- Ext. Contributions - Lottery Bodies
- Ext. Contributions - Other
- Government Grants - Disabled Facilities Grants
- Government Grants - Housing Capital Grant
- Government Grants - LPSA1
- Government Grants - LABGI
- Government Grants - Planning Delivery Grant
- Government Grants - Other

**External Funding**

**TOTAL CAPITAL FINANCING**

2008/09 Current Estimate £	Slippage (to)/from 2007/08 £	Other Changes £	2008/09 Revised Estimate £	2009/10 Original Estimate £	Slippage from 2008/09 £	2009/10 Revised Estimate £	2010/11 Original Estimate £	Total 2008/09 to 2010/11 £
1,579,850	1,189,790		2,769,640	400,000		400,000	455,000	3,624,640
1,375,000	(67,700)	661,120	1,968,420	460,030	141,890	601,920	413,530	2,983,870
328,660	323,650	(652,310)	0	141,890	(141,890)	0	0	0
576,530		(262,210)	737,790	500,000	250,000	750,000	500,000	1,987,790
1,000,000								
39,650		31,750	71,400			0		71,400
4,899,690	1,445,740	(221,650)	6,123,780	1,501,920	250,000	1,751,920	1,368,530	9,244,230
2,075,480	54,650	(500,000)	1,630,130	686,200		686,200	0	2,316,330
1,293,320	20,820		1,314,140			0		1,314,140
105,000	150		105,150			0		105,150
180,000			180,000	180,000		180,000	180,000	540,000
1,084,220	(323,650)	(79,220)	681,350	311,500	28,500	340,000	377,000	1,398,350
10,000		(10,000)	0			0		0
20,000	11,690	(31,690)	0			0		0
0			0			0		0
2,720,070		(2,720,070)	0			0		0
7,488,090	(236,340)	(3,340,980)	3,910,770	1,177,700	28,500	1,206,200	557,000	5,673,970
<b>12,387,780</b>	<b>1,209,400</b>	<b>(3,562,630)</b>	<b>10,034,550</b>	<b>2,679,620</b>	<b>278,500</b>	<b>2,958,120</b>	<b>1,925,530</b>	<b>14,918,200</b>

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Report of	Meeting	Date
Assistant Chief Executive (Business Transformation) (Introduced by the Executive Member for Resources)	Executive Cabinet	26 June 2008

## PROVISIONAL REVENUE OUTTURN 2007/2008

### PURPOSE OF REPORT

1. To report to Members the provisional outturn figures for the Council's budget for the financial year 2007/08. The report contains information on both the General Fund and Housing Revenue Account.
2. The accounts are now subject to final checking and scrutiny by the Council's external auditor. Should there be any significant changes to the outturn as a result of this process. I shall submit a further report to Executive Cabinet.

### RECOMMENDATION

3. Executive Cabinet are asked to note the contents of the report.

### EXECUTIVE SUMMARY OF REPORT

4. In December I reported on the financial position of the Council as compared against the budgets and efficiency savings it set itself for 2007/08. I predicted that with the likelihood of further savings the Council should be on track to balance its budget and meet all its savings targets for the year. I am pleased to report that both of these objectives have been achieved.
5. The report shows that the level of working balances at 31 March 2008 is £1.778m including the transfer of £896k for the HRA surplus. Although this level falls outside the range recommended in the Medium Term Financial Strategy of £1.25m to £1.50m, this is largely due to the saving made in relation to interest payable for the Gillibrand Link Road. For the reasons outlined in the report I propose maintaining working balances at their current level for an interim period whilst a number of factors that will affect the Council's ability to balance its budget unravel themselves.

### ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

6. None.

**CORPORATE PRIORITIES**

7. This report relates to the following Strategic Objectives:

Put Chorley at the heart of regional economic development in the Central Lancashire sub-region		Develop local solutions to climate change.	
Improving equality of opportunity and life chances		Develop the Character and feel of Chorley as a good place to live	
Involving people in their communities		Ensure Chorley Borough Council is a performing organization	✓

Ensuring cash targets are met maintains the Council's financial standing.

**BACKGROUND**

8. During the financial year the Executive Cabinet received monitoring reports indicating that the General Fund budget was broadly on track to be balanced by the end of the financial year, with working balances to be maintained at around £770,000 (excluding any HRA balances).
9. Monitoring reports had also highlighted the impact on the 2007/08 revenue account of the additional interest payable of £213,000 in respect of the Gillibrand Link Road.

**PROVISIONAL OUTTURN GENERAL FUND**

10. The Council's budget for 2007/08 included real cash savings targets of £278,000 for vacancy savings and a further £60,000 to come from other efficiency gains. Both of these targets have been achieved in the year.
11. The December monitoring report highlighted the issue regarding interest payable on the land assembly costs for the Gillibrand Link Road and the intention to apply for permission to capitalise this expenditure. I am pleased to say that the Council has since received permission to capitalise the full amount of £213,000 and this cost will no longer fall on the General Fund revenue account. This is a substantial saving that has obviously had a major impact on the final outturn position.
12. During the year I reported that spending was on course to be within budget and that further savings may be possible. This proved to be the case as the Council's net expenditure at the end of the year shows an underspend of £321,000 or -2.24% of total service expenditure. A summary of individual directorate performance is attached at Appendix A.
13. The net movement in expenditure from the position reported in December shows a reduction of £138,000 (excluding the saving made as a result of the capitalisation agreement).
14. An analysis of the main variances over and above those previously reported in monitoring is shown below. Further details are contained in the directorate analysis available in the members' room.

**Significant variations since the last monitoring report**

	<b>£'000</b>
<b>Expenditure</b>	
- Staffing	(161)
- Bed & Breakfast costs	49
- Stock Transfer related costs	37
- Increase in Provision for Bad Debts	49
- Benefits	71
- Concessionary Travel	29
- Vehicle Fuel costs	20
- Target Bonus recycling contract	17
- Internet Charges	(25)
- Consultants Fees (CPA, LSP related work)	(20)
- Food Hygiene/ Health Education (Smoke free grant)	(16)
- Job Evaluation (Appeals)	(25)
- Bank Charges	(8)
- Health & Safety	(12)
- Refuse Collection (Skips Bengal St)	22
- Operating Leases	(14)
- Supplies - Highways Cleansing/Grounds Maint.	17
- Efficiency saving Public Convenience contract	(8)
- Contaminated Land Investigations	(8)
- Maintenance of Street Furniture	(7)
<b>Income</b>	
- Licence Fees	(11)
- Land Charges	21
- Building Control/Planning Application Fees	(12)
- Markets Tolls	11
- Additional PDG	(12)
- Rental income - Investment Portfolio	(11)
- Chorley/Adlington Cemetery Income	(16)
- Car Parking Fees	22
- Green Waste Processing rebate	(22)
- Recycling Banks	(15)
- Service Level Agreements (CCH)	(6)
- Net Financing Transactions	(79)
- Other minor forecasts	(15)
<b>Net Movement</b>	<b><u>(138)</u></b>

Brackets = underspend or additional income

15. Clearly one of the most significant changes being reported here is the additional savings relating to salaries. These savings are again as a result of vacant posts, many of which have been kept vacant pending the outcome of directorate and departmental restructures due to take effect within coming months. The saving is further analysed by directorate as £51,000 from People, £46,000 from Business, £30,000 from Business Improvement and £34,000 from other areas.

16. In a previous report the issue of Bed and Breakfast costs was highlighted as an area that would have a significant impact on the revenue outturn position. Estimated costs based on figures provided by Chorley Community Housing have now proved to be understated, resulting in a further overspend of £49,000.
17. Following the completion of the LSVT to Chorley Community Housing there have been additional costs relating to the transfer that will fall on the General Fund revenue account in 2007/08 totalling £37,000. These in the main are made up of legal fees and professional advice on stock transfer issues.
18. Following an appraisal of the Council's bad debt provision, it was deemed necessary to increase the level of cover by £49,000 to provide an adequate safeguard against potential future losses.
19. Previous budget monitoring reports have highlighted the volatility of a number of budgets. One such budget that has impacted on the year-end position is housing and council tax benefits. Throughout the year it is extremely difficult to accurately predict the level of expenditure, as the nature of the budget is demand driven. The outturn position shows an additional shortfall of £71,000. This is made up of a reduction in the level of subsidy received and a reduction in the level of overpayments.
20. Another area previously highlighted to members has been Concessionary Travel costs. Due to the delays in receiving accurate and timely cost information from LCC, together with the nature of the demand driven budget, it has been difficult to predict expenditure levels for the year. The outturn position shows an additional increase in costs of £29,000.
21. Over the previous twelve months we have seen a sharp rise in the prices of petrol, oil and diesel. This has resulted in a budget overspend of £20,000 on vehicle fuel costs within the Neighbourhoods directorate.
22. Additional expenditure on Target Bonus Recycling payments is due to a further increase in tonnage volumes over and above those in the base contract, resulting from increases in recycling levels. This cost however, should be viewed in light of the additional income received from Green Waste Processing and Recycling Banks outlined in the table above.

### SLIPPAGE REQUESTS

23. Included in the outturn figure are slippage amounts. Each year the Council commits itself to incurring expenditure that may not always be incurred in the financial year. It is custom and practice to allow Directorates that have a budget underspend to carry forward this cash to pay for items where such a commitment has been made.
24. Accordingly I have received the following slippage requests that I support. Other requests have been denied on the basis that costs can be accommodated within the 2008/09 cash budget.

<b>Details</b>	<b>£'000</b>
Strategic Housing - additional cost of agency staffing	40
Internet charges - budget underspend needed for additional cost of Microsoft Enterprise agreement	17
Smoke Free Initiatives - budget required to fund initiatives delayed until 2008/09	16
Consultations budget to be used in 2008/09	10

Yarrow Valley Park information leaflets - work delayed until 2008/09	5
Survey Expenses (including Market Walk extension)	5
Reward & Recognition - budget underspend required to fund initiatives in 2008/09	4
Staffing of Postal Vote opening - requirement for agency staff in 2008/09	4
Project Management Training - funding received in 07/08 required for work in 2008/09	4
Arts Initiatives - project begins in 2008/09	3
<b>Total</b>	<b><u>108</u></b>

**GENERAL FUND RESOURCES AND BALANCES**

25. Set out below for Members information is a summary of the levels of reserves and balances available to the Council at the end of the financial year 2007/08. Resources and balances are set aside to be able to pay for future known expenditure and to guard against financial risk.

**Analysis of Reserves**

	£m	£m
Those requiring approval by Cabinet		
Working Balances (including former HRA)	1.778	
Building Control Reserve	0.050	
Astley Hall Works of Art	0.009	
		1.837
Those approved for spend by Officers		
Directorate specific reserves	0.302	
e-Workforce & Capital Reserves	0.063	
Local Development Framework	0.202	
Elections equalisation reserve	0.010	
		0.577
Those for approval by Member under Delegation		
LA Business Growth Incentive Grant	0.449	
Performance Reward Grant	0.021	
		0.470
<b>Total</b>		<b>2.884</b>
Slippage not yet approved		0.108
<b>Reserves total if slippage approved</b>		<b>2.992</b>

26. The table shows that working balances are now £1.778m. This figure includes the transfer of the HRA surplus of £896k as detailed below. It should be noted that of the £0.449m LA Business Growth Incentive Grant, a sum of £0.357m currently remains uncommitted.

Whilst the level of working balances is greater than that recommended in the financial strategy propose that balances are maintained at this level in the interim for the following reasons:

I anticipated at this point in time having some initial data on the costs of concessionary travel. This has not proven to be the case.

Since the budget was set the economic position has shifted significantly. The credit crunch and oil prices both have the propensity to affect both the Councils revenue and expenditure position in a negative way.

**HRA OUTTURN 2007/08**

27. Following the transfer of housing stock to Chorley Community Housing, the budget assumed no net expenditure on the HRA in 2007/08. However, the outturn position shows that costs of around £70,000 have been incurred during the year. The reasons for this are as follows:

	<b>£'000</b>
Proportion of External Audit charges relating to HRA	44
Proportion of staffing costs relating to HRA work	34
Subsidy adjustment	(8)
<b>Net Total</b>	<b><u>70</u></b>

28. It should be noted that this cost has been met from the accrued HRA surplus of £966,000. The remaining HRA surplus of £896,000 has been transferred to the General Fund at 31 March 2008.

**IMPLICATIONS OF REPORT**

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

Finance	✓	Customer Services	
Human Resources		Equality and Diversity	
Legal		No significant implications in this area	

The financial implications are detailed in the body of the report.

GARY HALL  
 ASSISTANT CHIEF EXECUTIVE (BUSINESS TRANSFORMATION AND IMPROVEMENT)

There are no background papers to this report.

Report Author	Ext	Date	Doc ID
Dave Bond/Michael Jackson	5488/5490	04/06/08	10JuneAwayDayProvisional Revenue Outturn Report 2007-08



General Fund Revenue Budget Monitoring 2007/08 - Provisional Outturn

	(1) Original Budget	(2) Impact of Council Restructure	(3) Agreed Changes (Directorates)	(4) Agreed Changes (Other)	(5) Original Cash Budget	(6) Contribution to Corp. Savings (Staffing)	(7) Contribution to Corp. Savings (Other)	(8) Current Cash Budget	(9) Forecast Outturn	(10) Variance	(11) Variance
	£	£	£	£	£	£	£	£	£	£	%
Chief Executive's Office	924,170	-	(87,480)		836,690	(102,000)	(23,150)	711,540	653,750	(57,790)	-8.12%
Corporate Governance	2,092,340	(744,630)	232,740	31,700	1,612,150	(61,600)		1,550,550	1,483,220	(67,330)	-4.34%
Business	1,061,650	-	(174,140)	10,000	897,510	(22,000)	(20,450)	855,060	818,590	(36,470)	-4.27%
Business Improvement	1,698,090	3,760	80,670	(54,000)	1,728,520	(5,000)		1,723,520	1,734,000	10,480	0.61%
Human Resources	483,020	-	(191,790)	48,540	339,770			339,770	373,160	33,390	9.83%
Information & Communication Technology Services	998,230	-	12,590	(10,990)	999,830	(1,000)		998,830	914,510	(84,320)	-8.44%
People	1,231,770	738,020	40,780	(22,000)	1,988,570	(20,000)		1,968,570	1,889,550	(79,020)	-4.01%
Policy & Performance	625,810	-	27,830	65,000	718,640	(34,450)		684,190	634,400	(49,790)	-7.28%
Neighbourhoods	4,988,550	2,850	58,800	(57,590)	4,992,610	(82,000)	-	4,910,610	4,937,860	27,250	0.55%
Budgets Excluded from Finance Unit Monitoring:											
Benefit Payments	(250,340)			48,000	(202,340)			(202,340)	3,850		
Concessionary Fares	550,580				550,580			550,580	692,710		
Pensions Account	225,000				225,000			225,000	225,690		
<b>Corporate Savings Targets</b>											
Management of Establishment				(278,050)	(278,050)	278,050		-	-		
Efficiency/Other Savings				(60,000)	(60,000)		60,000	-	-		
Salary Related Savings				(50,000)	(50,000)	50,000		-	-		
<b>Total Service Expenditure</b>	<b>14,628,870</b>	<b>-</b>	<b>-</b>	<b>(329,390)</b>	<b>14,299,480</b>	<b>-</b>	<b>16,400</b>	<b>14,315,880</b>	<b>14,361,290</b>		
<b>Non Service Expenditure</b>											
Contingency Fund	50,000				50,000			50,000	-		
Contingency - Job Evaluation	255,680				255,680			255,680	-		
Contingency - Management of Establishment	(278,050)			278,050	-			-	-		
Contingency - Procurement Savings	(35,000)			35,000	-			-	-		
Contingency - Gershon Savings	(25,000)			25,000	-			-	-		
Contingency - Salary Related Savings	(50,000)			50,000	-			-	-		
Revenue Contribution to Capital	40,000			234,510	274,510			274,510	137,250		
Net Financing Transactions	(307,900)				(307,900)			(307,900)	(517,910)		
Parish Precepts	549,835				549,835			549,835	549,835		
Contribution to Earmarked Reserves	-			125,350	125,350			125,350	376,260		
<b>Total Non Service Expenditure</b>	<b>199,565</b>	<b>-</b>	<b>-</b>	<b>747,910</b>	<b>947,475</b>	<b>-</b>	<b>-</b>	<b>947,475</b>	<b>545,435</b>		
<b>Total Expenditure</b>	<b>14,828,435</b>	<b>-</b>	<b>-</b>	<b>418,520</b>	<b>15,246,955</b>	<b>-</b>	<b>16,400</b>	<b>15,263,355</b>	<b>14,906,725</b>		
<b>Financed By</b>											
Council Tax	(6,569,235)				(6,569,235)			(6,569,235)	(6,547,545)		
Aggregate External Finance	(8,008,230)				(8,008,230)			(8,008,230)	(8,008,230)		
Collection Fund Surplus	(59,970)				(59,970)			(59,970)	(60,440)		
Use of Earmarked Reserves - capital financing	-			(234,510)	(234,510)			(234,510)	(137,250)		
Use of Earmarked Reserves - revenue expenditure	(151,000)			(184,010)	(335,010)		(16,400)	(351,410)	(118,770)		
Contribution to or use of General Balances	(40,000)				(40,000)			(40,000)	-		
LA Business Growth Incentive Grant	-				-			-	(355,580)		
<b>Total Financing</b>	<b>(14,828,435)</b>	<b>-</b>	<b>-</b>	<b>(418,520)</b>	<b>(15,246,955)</b>	<b>-</b>	<b>(16,400)</b>	<b>(15,263,355)</b>	<b>(15,227,815)</b>		
<b>Net Expenditure</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(321,090)</b>		
<b>General Balances Summary Position</b>				<b>Budget</b>	<b>Forecast</b>						
				<b>£</b>	<b>£</b>						
General Fund Balance at 1.4.07				1,000,000	768,610						
Budgeted use of General Balances					0						
Forecast (Over)/Under Spend				-	321,090						
<b>Forecast General Fund Balance at 31.3.08</b>				<b>1,000,000</b>	<b>1,089,700</b>						

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