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**Chief Executive's Office**

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Date: 29 June 2006

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**Chief Executive:** Donna Hall

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**Chorley**  
Borough Council

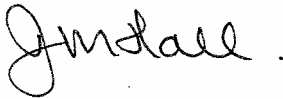
Town Hall  
Market Street  
Chorley  
Lancashire  
PR7 1DP

Dear Councillor

**ACCOUNTS COMMITTEE - THURSDAY, 29TH JUNE 2006**

I am now able to enclose, for consideration at Item 4 on the agenda for Thursday's meeting of the Accounts Committee, the report of the Director of Finance enclosing the final accounts of the Borough Council for 2005/06.

Yours sincerely



Chief Executive

Encs

**Distribution**

1. Agenda and reports to all Members of the Accounts Committee for attendance (Councillor Peter Goldsworthy (Chair), Councillor Mrs Pat Case (Vice Chair) and Councillors Catherine Hoyle, Greg Morgan, Ralph Snape and John Wilson)
2. Agenda and reports to Donna Hall (Chief Executive), Colin Campbell (Executive Director - Environment and Community (Deputy Chief Executive)), Dianne Scambler (Trainee Democratic Services Officer) and Gary Hall (Director of Finance) 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 آپکی اپنی زبان میں بھی کیا جاسکتا ہے۔ یہ خدمت استعمال کرنے کیلئے براہ مہربانی اس نمبر پر ٹیلیفون  
کیجئے: 01257 515823

4. **Final Accounts for 2005/06** (Pages 3 - 72)

Report of the Director of Finance (enclosed).

Report of	Meeting	Date
Director of Finance	Accounts Committee	29 <sup>th</sup> June 2006

## ACCOUNTS FOR 2005/06

### PURPOSE OF REPORT

- To seek approval of the Council's accounts for 2005/06.

### 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	
Financial	4	Operational	
People		Other	

- The report is concerned with the process for reporting the financial performance for the authority for 2005/06. Failure to perform has consequences for the future financial stability of the authority.

### THE ACCOUNTS

- Attached to this report are the Council's draft accounts for approval under the provisions of the Accounts and Audit Regulations 2006.
- The Council's financial outturn for the last financial year will be reported to the Executive Cabinet on 29th June 2006. The attached accounts present the same information in the form required by the Local Authority Accounting Code of Practice, which is the statutory proper practice for this purpose.
- In terms of the overall picture and issues that members may find of interest the Council met its target of retaining £1m in working balances for the General Fund by the end of the financial year and to set funds aside for known liabilities for which no funding had been identified. Housing Revenue Account working balances also achieved their reported target by the year-end.
- In accordance with accounting legislation (FRS17) the pension fund is revalued at the end of the year. At the end of 2005/06 the overall liability has reduced by £187,000 as a result of better than anticipated performance of the LCC Pension Fund. However, as there is



still an overall deficit on the fund, employers' contributions will continue to rise to the previously reported levels.

9. The accounts include a statement on the system of internal control that reports on the Councils arrangements for ensuring that the risk of failure to achieve policies, aims and objectives is managed. It incorporates a list of significant control issues, a number of which the Council is already addressing that if dealt with will improve the Council's ability to deliver.
10. As Members will be aware the statutory timetable for accounts productions has been gradually brought forward. Approval at this time is in line with the statutory requirements representing a significant improvement in timeliness.
11. The formal audit of the accounts will begin on 7th July 2006. If any matters arise from this that need to be brought back to this Committee, appropriate arrangements will be made.

### **ANALYSIS OF STATEMENTS**

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

### **STATEMENT OF INTERNAL CONTROL (SIC)**

13. The Council is now required to conduct an annual review of the effectiveness of its system of internal control and to publish a Statement on Internal Control (SIC) each year alongside the financial statements. The SIC included with these accounts has been produced in full compliance with CIPFA guidance, both in terms of format and the process for compiling it.
14. The guidance requires the Chief Executive and the Leader to sign the SIC. This emphasises that the document is about all corporate controls and is not confined to financial issues
15. The SIC is divided into 5 sections, the purposes of which are to:
  - Explain the Council's responsibility to maintain a sound system of internal control;
  - Explain the purpose of the internal control system;
  - Summarise the main elements of the Council's internal control environment;
  - State the processes in place to review the effectiveness of the control system; and,
  - List any significant internal control issues that have emerged from the most recent review
16. Of particular importance are the significant internal control issues that emerged from the latest review. These include the need to:
  - Introduce formalised procedures to identify and comply with legislative change;
  - Introduce, update and disseminate key constitutional / governance policies and procedures where omissions or weaknesses currently persist;
  - Further develop members and senior officers awareness of governance and risk management issues;
  - Effectively manage the risks associated with partnerships and partnering arrangements;
  - Fully embed a VFM culture within the Council;
  - Embed the new Corporate Strategy and improve the monitoring of targets and outcomes;
  - Improve the accuracy and reliability of performance information.

17. A detailed programme of action is now in place to address the control weaknesses identified.

**CONSOLIDATED REVENUE ACCOUNT (CRA)**

18. The net surplus for the year on the CRA was £84k after allowing for slippage. During the year there was a net contribution from reserves thereby reducing reserve balances to £1.928m.

19. The balances and movement in the year are split between:

	<b>2004/05</b>		<b>2005/06</b>
	<b>Balance</b>	<b>Movement</b>	<b>Balance</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Working balances	1,000	84	1,084
Earmarked reserves	1,305	(461)	844
	2,305	(377)	1,928

20. Working balances have increased during the year to £1,084k and are roughly at the mid point in the target range as set out in our Medium Term Financial Strategy (MFTS).

21. Earmarked reserves have reduced mainly as a result of the transfer back into general balances of the stock transfer and self-insurance reserves.

22. The reserves are categorised according to the approval mechanism as follows:

<b>Analysis of Reserves</b>	<b>£'000</b>	<b>£'000</b>
Those requiring approval by Cabinet		
General reserves	1,084	
Building Control reserve	50	
Astley Hall Works of Art	11	
	1,145	
Those approved for spend by Officers		
Unit specific reserve	230	
Job Evaluation	101	
E-workforce reserve	113	
Local Development Framework	183	
Elections	34	
	661	
Those for approval by Member under Delegation		
Innovation Fund		122
		1,928
<b>TOTAL</b>		<b>1,928</b>

23. During the setting of the 2006/07 budget I identified that the specific reserve set aside for the cost of stock transfer was no longer required as the Council had managed to get the cost underwritten by the preferred partner, Adactus. Consequently I recommended, and the Council agreed, that this money may be used to replenish the level of working balances, as there remained some key risks in the budget, particularly around the cost of concessionary travel and benefits.

24. I have also reported to the Executive Cabinet the results of the recent tender exercise for the Council's Insurances. The report contained details regarding a specific reserve set up to finance the Council self-insuring itself. In the event I recommended that the self-

insurance option is not appropriate and as such the reserve money has been written back to revenue totalling £147k.

- 25. Although working balances have increased at the end of the financial year, we need to continue to exercise caution in our spending plans. 2006/07 will present us with a number of challenges in terms of meeting our savings targets, and there are a number of volatile budgets where the cost drivers are outside our direct control. Probably the most significant examples of these are concessionary travel, recycling contract, net financing costs and benefits. These areas are demand driven by our customers or other external factors such as weather in the case of recycling rates, and in the case of concessionary travel it is still uncertain as to whether the funding provided by central government will be sufficient to cover the increase in cost.
- 26. As a result of these budgets having the potential to deplete our balances to the lower end of our targets set in the MFTS, great care needs to be taken before any expenditure is authorised from working balances.
- 27. With regard to general performance against our cash budget, this has been reported throughout the year as part of the monthly monitoring process. In this process members have been provided with specific detail on the main savings and cost increases, as they became known.
- 28. Additionally the provisional outturn report submitted to Executive Cabinet contains further detail on the variances to budget arising in the final periods, and the background to those variances.
- 29. Overall the Council managed to deliver the General Fund budget it set itself at the beginning of the financial year. Initial forecasts of overspend were dealt with by the Council and as a result general working balances are at the level anticipated and within the range set in the Council's financial strategy.

**BALANCE SHEET**

- 30. 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 us a 'snap-shot' of our 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 our debtors, paying our creditors money owed to them or the purchase or sale of our assets.
- 31. I have presented below some standard ratio analyses to help interpret the financial position at the end of the year.

**FIXED ASSET VALUES AND MOVEMENT (EXCL COUNCIL DWELLINGS)**

	<b>2004/05</b>	<b>2005/06</b>
Value of assets at 31st March	£25.8m	£27.8m
Movement in year	£1.0m	£2.0m

32. A summary of how the asset value is analysed across the various categories is shown below:

	2004/05	2005/06
	£m	£m
Land & Buildings (excluding council dwellings)	18.5	19.9
Vehicles, Equipment, Plant	1.6	1.7
Community Assets	1.9	1.9
Non Operational Assets	3.8	4.3
<b>Total Asset Value</b>	<b>£25.8m</b>	<b>£27.8m</b>

33. Land & buildings and vehicles, equipment and plant have increased mainly as a result of work or additions carried out in these categories during the year. Non-operational assets have increased as a result of asset revaluations.

**LIQUIDITY RATIOS**

	2004/05	2005/06
Current ratio	0.67:1	0.72:1
Quick ratio	0.63:1	0.70:1

34. The current ratio is the ratio of total current assets to total current liabilities, and the quick ratio is the total current assets less stocks and work in progress (WIP) to total current liabilities.
35. In the second ratio the value for stocks is removed, as it is not necessarily a simple task of turning stocks into an equivalent cash value.
36. The purpose of these two working capital ratios is to demonstrate how liquid, or how much access to cash, an organisation has. For our Authority the values for 2004/05 show that for every £1 of current liability we only had 67p worth of current assets including stocks, or 63p of assets if we exclude stocks.
37. For 2005/06 this position has improved to 72p and 70p respectively. The main cause of this improvement has been the movement in debtor and creditor balances through the year. Although this ratio has improved, it is important to recognise that we do not have improved cash balances, as our cashflow for the year has seen a reduction in cash and cash equivalents. For more information please refer to the notes on cashflow.
38. The debtor balances that are included within current assets have risen by £3.1m during the year. The majority of this increase relates to adjustments made in the last period of the year. They relate to lease costs for new fixed assets (£194k), recognition of S106 monies due from developers (£600k), monies due from LCC relating to the waste recycling contract (£653k) and stock transfer costs which will become payable after the transfer vote (£763k).
39. Creditor balances by comparison have only risen by £560k at the end of the year. The most significant movements are a reduction in the values owed to Government departments for PAYE and NNDR contributions (£909k) offset by increase in receipts in advance (£642k) relating to pre ballot costs of housing transfer and an increase in sundry

creditors (£754k). Creditors from the collection fund (NNDR and Council Tax) have also risen by £73k in the year.

**PENSION LIABILITY**

40. Our most significant long term liability on our balance sheet is the liability related to the defined benefit pension scheme for officers and employees. The values and movements over the last two years are:

	<b>2004/05</b>	<b>2005/06</b>
	<b>£'000</b>	<b>£'000</b>
Liability	22,223	22,036
Increase/(decrease) in liability from previous year	14,062	(187)

41. As we can see the overall liability has reduced, mainly as a result of the pension fund outperforming our expectations on the investment markets. However as there is still a significant liability the plans to increase employers' contributions to 16.8% over the next triennial period of the fund remain in place. This will have a significant impact on the future year's revenue budget.

**DEFERRED LIABILITIES**

42. Our balance sheet also reports deferred liabilities at the end of the year of £5.8m. In the main, these balances relate to payments made to us by developers under S106 for the authority to provide additional or improved services. The amounts are held as liabilities because they become repayable to the developer if we do not use the funds within the timescales set in the development agreement. The following table provides an analysis of the deferred liabilities:

	<b>£'000</b>
S106 contributions – Housing	225
S106 contributions – Transport	4,763
S106 contributions – Play Areas	260
S106 contributions – Environmental Improvements	5
Grounds Maintenance Commuted Sums	144
Community Centre Commuted Sums	362
	5,759

**HOUSING REVENUE ACCOUNT**

43. The Housing Revenue Account (HRA) shows the income and expenditure involved in the management and maintenance of the Authority's housing stock.

44. The surplus for the year was £150k, which is greater than originally anticipated. The main factors affecting this variance have been reported to the Executive Cabinet in the outturn report, but can be summarised as follows:

- Increase in rental income due to fewer than anticipated council house sales.
- Repairs and Maintenance was overspent for the year by £141k, which is mainly due to a Trading Account deficit of £101k. A significant part of the deficit can be attributed to an above average amount in loss of productive time. There are a number of reasons for this, including strike action, attendance at Stock Transfer



events and other miscellaneous corporate activities. An approximation of the loss of income from this is £33k. Other activities that have added to the deficit, and have been reported during the year include an increase in cost of disposal of waste materials, and also a loss of contribution from a reduction in the replacement window programme.

- Increased General Supervision and Management costs incurred due to capacity issues and disruption resulting from some staff being involved in stock transfer matters
- A saving from a less than budgeted increase in bad debt provision
- A small increase in HRA Negative Subsidy
- Increase in Rent Rebate Subsidy Limitation/Transitional Arrangements
- A reduction in capital financing costs

45. A significant change relating to the HRA that impacts on other statements is the valuation of council housing stock. As a result of being part of the LSVT programme we have not needed to conduct a full valuation of the stock, but are only required to complete a desk based exercise which involves increasing property values by additional works completed and a factor representing the general increase in house values (5.22% for 2005/06).

46. However, in our financial statements we are required to show the value of the properties not at market value, but at an adjusted level to represent that they are in use for social housing. In the accounts for 2004/05 this adjustment factor was 59% and this has been reduced by the DCLG to 48% in 2005/06. By applying this reduced percentage to the values of our housing stock this gives a reduction in value for our balance sheet of approximately £13m from the previous year.

**CASHFLOW**

47. The cashflow summarises inflows and outflows of cash to the Authority in the accounting period. As with the balance sheet it is a statement at a given point in time, and reflects the movement in cash and cash equivalents from one date (the year end) to the next.

48. The cashflow for the year shows a net outflow of cash of £4m before financing. This is an increase in outflows of £2m on the same point last year. The main factors affecting this result are:

	<b>£'000</b>
Increase in capital expenditure	1,015
Reduction in capital grants	958
	1,973

49. The increase in capital expenditure is in line with the programme approved by the Capital Programme Board and reported to Executive Cabinet throughout the year. The reduction in capital grants is as a result of some of this expenditure not qualifying for grants from central government.

50. Moving forwards, in terms of improving our cashflow management there are a number of improvements we will be putting into place.

51. Firstly with regards to the management of debtors (people or organisations who owe us money) more effort is going to be directed towards recovery of amounts due to us. In support of this, the Executive Cabinet at it's meeting on 25th May 2006 approved the introduction of bankruptcy, charging orders and winding-up proceedings which will be

used in exceptional circumstances for the recovery of large debts relating to non-payment of taxes.

- 52. Another method being used to increase the rate of collection from taxpayers is for the continued encouragement of the use of Direct Debits (DD) as a means of collecting income. This method of payment allows for timely receipt of monies owed and greatly improves our cash inflow position. Presently 68% of Council Tax payers and 56% of NNDR payers make payments by DD. On a countywide basis this is the 4th and 3rd highest number of DD payments and the result is a collection rate that is the second highest for both taxes.
- 53. The management of creditors (people or organisations to whom we owe money) is another area where new working practices will be introduced in order to improve cashflow.
- 54. Currently it is our practice to pay invoices as soon as they are received and correctly authorised without reference being made to payment due dates. We will now pay invoices in accordance with payment terms after appropriate authorisation, which will mean that our cash will remain in our bank account until payment is due rather than simply paying as soon as possible. Again this will improve our cashflow in a number of areas and should generate an increase in interest receivable.

**SUMMARY**

- 55. Overall the Council managed to deliver the General Fund budget it set itself at the beginning of the financial year. Initial forecasts of overspend were dealt with by the Council and as a result general working balances are at the level anticipated and within the range set in the Council’s financial strategy
- 56. For the HRA the additional income from rents as a result of reduced Council House sales offset the overspend on repairs. The repairs budget has continued to be difficult to manage, as it is demand led, but given the impending vote on stock transfer it is vital that for 2006/07 costs are contained and I shall be working with the Director of Housing to ensure this happens.
- 57. Cashflow for the authority has reduced in comparison to previous years, however steps are being taken to improve on the current situation.

**RECOMMENDATION**

- 58. The Committee are recommended to:
  - a) Note the contents of this report.
  - b) Approve the accounts

GARY HALL  
DIRECTOR OF FINANCE

<b>Background Papers</b>			
<b>Document</b>	<b>Date</b>	<b>File</b>	<b>Place of Inspection</b>
Provisional Revenue Outturn Report	29 <sup>th</sup> June 2006	Finance Unit	Gillibrand Street Annexe

<b>Report Author</b>	<b>Ext</b>	<b>Date</b>	<b>Doc ID</b>
Gary Hall	5480	26 June 2006	Accounts 2005/06

# Chorley

Borough Council



# **FINANCIAL STATEMENT YEAR ENDED 31 MARCH 2006**



**FINANCIAL STATEMENT**  
**YEAR ENDED 31 MARCH 2006**

**LEADER OF THE COUNCIL**

**Councillor P Goldsworthy**

**DIRECTOR OF FINANCE**

**Gary Hall BA CPFA**

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# auditor's report to chorley borough council



## DRAFT UNAUDITED ACCOUNTS

# auditor's report to chorley borough council



## DRAFT UNAUDITED ACCOUNTS

# explanatory foreword



## 1. INTRODUCTION BY THE DIRECTOR OF FINANCE

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

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

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

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

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

**Consolidated Revenue Account**, which brings together expenditure and income relating to all the Authority's functions.

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

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

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

**Statement of Total Movements in Reserves**, which brings together any recognised gains or losses and use of reserves during the period.

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

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.

## 2. REVENUE SPENDING & FINANCING 2005/06

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

**Figure 1. Revenue Expenditure & Funding**





# explanatory foreword



During the year the Council's net cash overspend on the General Fund revenue account amounted to £0.015m when compared against planned expenditure. The main variations against that originally planned are summarised in the table below:

**Figure 2. Budget Variations by Unit 2005/06**

Service	Cash Budget 2004/05 £'000	Actual 2004/05 £'000	Cash Variation 2004/05 £'000	Cash Budget 2005/06 £'000	Actual 2005/06 £'000	Cash Variation £'000
Corporate & Policy Services	479	469	(10)	485	480	(5)
Customer, Democratic & Office Support Services	3,198	3,102	(96)	3,031	3,075	44
Economic Regeneration	246	130	(116)	212	184	(28)
Environmental Services	2,871	2,832	(39)	3,079	3,064	(15)
Finance	1,182	1,142	(40)	1,102	1,074	(28)
Housing Services (GF)	416	441	25	288	272	(16)
Human Resources	399	418	19	510	502	(8)
Information & Communication Technology Services	914	913	(1)	873	859	(14)
Legal Services	82	162	80	208	212	4
Leisure & Cultural Services	1,065	1,062	(3)	1,110	1,136	26
Planning Services	359	379	20	281	258	(23)
Property Services	(52)	(141)	(89)	7	(4)	(11)
Public Space Services	3,107	3,036	(71)	1,390	1,389	(1)
Net Financing and use of Reserves	(182)	(60)	122	537	627	90
<b>Net Expenditure to Finance</b>	<b>14,084</b>	<b>13,885</b>	<b>(199)</b>	<b>13,113</b>	<b>13,128</b>	<b>15</b>

Despite the small overspend, the Council has been able to set aside money in earmarked reserves for future liabilities and service enhancements.

An underspend occurred on the Housing Revenue Account against that planned. As a result working balances are greater than anticipated.

### 3. CAPITAL SPENDING AND FINANCING 2005/06

During the year the Council spent a total of £10.155m on capital schemes. £2.977m of that sum was expended on the Housing Investment Programme (HIP), improving both private sector and Council housing.

Key areas of expenditure included sums spent on:

- Investment in technology
- Modernising and improving the Council's properties
- Investing in recycling initiatives
- Investing in regeneration projects
- Continuing investment in window and door replacement on Council-owned housing stock.

The capital spending in 2005/06 was financed from these sources:

- Capital receipts £5.514m
- Grants and contributions £2.348m
- Revenue financing, including Major Repairs Allowance £2.024m
- Prudential borrowing (in respect of HIP expenditure) £0.269m

# explanatory foreword



## 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

## 5. PENSIONS FUND

The Pension Fund actuarial valuation was completed during the financial year 2005/06. The FRS17 deficiency shown in note 7 to the Consolidated Revenue Account shows the excess of the accrued pension liabilities assessed on a prescribed basis, compared with the market value of assets at a single point in time (ie 31 March 2006). It represents an actuarially calculated figure for accounting purposes. Whilst successive year on year FRS17 figures can normally be expected to give a general indication of how the finances of the fund are progressing only if the actual assumptions come to fruition will the true picture be known. The outcome from the fund valuation is that there is an underlying deficit and as such the employers contribution rate will rise incrementally over the next three years to 16.8% of total pay to redress the deficit.

## 6. FUTURE DEVELOPMENTS AND SPENDING

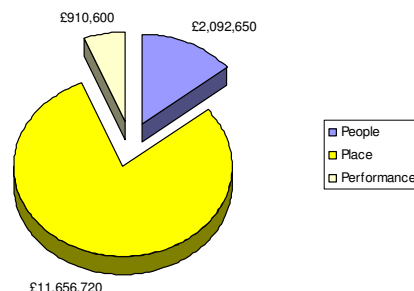
The Council's vision is **to make Chorley a better place to live, work and visit**. In order to achieve this the Council's key priorities remain:

- Prosperity
- People
- Place
- Performance

Future spending of both a capital and revenue nature will be directed to these priority areas. In summary the Council's future spending commitments for 2006/07 until 2008/09 include:

Investing £14.7m of capital resources in the following areas

**Figure 3. Capital Investment**



Our commitment to making Chorley a better place to live work and visit will mean that key improvements will be made in the medium term including:

- Further Investment in E-service delivery
- An improved transport infrastructure
- More Investment in Recycling

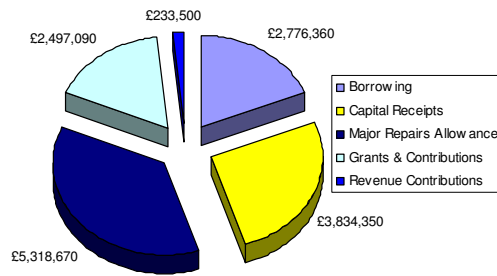
# explanatory foreword



- Enhancing parks within the Borough
- Achieving the 'decent homes standard' for social housing.

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

**Figure 4. Capital Resources**



## 7. CONTINUING REVENUE SUPPORT IN KEY AREAS

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

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

## 8. FURTHER INFORMATION

Further information about this statement of accounts is available from:

Director of Finance, Council Offices, Gillibrand Street, Chorley, Lancashire, PR7 2EL

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

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

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

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کیجئے:

# explanatory foreword

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

Gary Hall BA CPFA  
DIRECTOR OF FINANCE

# statement of responsibilities



## STATEMENT OF RESPONSIBILITIES

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

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

The Authority is required:

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

### ***The Director of Finance's Responsibilities***

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

In preparing this statement of accounts, as Chief Finance Officer I have

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

I have also:

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

Gary Hall BA CPFA  
DIRECTOR OF FINANCE

# accounting policies



## 1. INTRODUCTION

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (2004) 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
  - reliability
  - comparability
  - understandability
- Materiality
- Pervasive accounting concepts
  - accruals
  - going concern
  - primacy of legislative requirements

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

## 2. RESERVES AND PROVISIONS

- 2.1 Reserves consist of fund balances accumulated for use by the Council. A summary of these is given at Note 20 to the Consolidated Balance Sheet.
- 2.2 A Provision for Doubtful Debts has been made for losses that are likely to be incurred, but where it is uncertain as to the amounts or dates on which they will arise. In accordance with CIPFA Code of Practice this has been deducted from the Balance Sheet Debtors figure. (See Note 11 to the Consolidated Balance Sheet.) This provision is made on the basis of the Authority's best estimate of the likely level of debts. This estimate is prudently informed by the Authority's experience and current knowledge of its debts.
- 2.3 The Fixed Asset Restatement Account represents principally the balance of the surpluses or deficits arising on the periodic revaluation of fixed assets. (See Note 16 to the Consolidated Balance Sheet.)
- 2.4 The Capital Financing Account represents amounts set aside from revenue resources or capital receipts to finance expenditure on fixed assets or for the repayment of external loans and certain other capital financing transactions. (See Note 17 to the Consolidated Balance Sheet.)

# accounting policies



## 3. FIXED ASSETS

- 3.1 The *Local Government and Housing Act 1989* provides that all expenditure incurred by the Council must be charged to a revenue account of the Council, unless it falls within certain specified exceptions that may be capitalised. Capital expenditure is defined as:
- the acquisition, reclamation, enhancement or laying out of land;
  - the acquisition, construction, preparation, enhancement or replacement of roads, buildings and other structures, including insulation works and disabled adaptations;
  - the acquisition, installation or replacement of movable or immovable plant, machinery, vehicles, apparatus or vessels;
  - advances, grants or financial assistance to another person towards expenses incurred or to be incurred by him in respect of items mentioned above;
  - the acquisition of investments or share or loan capital in a corporate body;
  - the acquisition or preparation of computer programs to be used for at least one year.
- 3.2 All expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis in the accounts. Expenditure on fixed assets is capitalised, provided that the fixed asset yields benefits to the Council, and the services it provides, for a period of more than one year. This excludes expenditure on routine repairs and maintenance of fixed assets, which is charged direct to service revenue accounts.
- 3.3 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. Fixed assets are classified into the groupings required by the 1998 Code of Practice on Local Authority Accounting. They are included in the Consolidated Balance Sheet on the following basis:
- land, operational properties and other operational assets are included at the lower of net current replacement cost and net realisable value.
  - non-operational assets, including investment properties and assets that are surplus to requirements, are included at the lower of net current replacement cost and net realisable value. In the case of investment properties, this is normally open market value.
  - infrastructure assets and community assets are included in the balance sheet at historical cost.
- 3.4 Note 3 to the Consolidated Balance Sheet indicates the progress of the Council's rolling programme for the revaluation of fixed assets.
- 3.5 Depreciation is provided for on all fixed assets with a finite useful life (determined at the time of acquisition or revaluation), which is calculated using the straight-line method and where appropriate adjustments are made to asset valuations where impairment has occurred (ie fire damage).

## 4. BASIS OF CHARGES TO REVENUE FOR USE OF FIXED ASSETS

- 4.1 General Fund service revenue accounts, central support services, trading accounts, maintenance services, and the Housing Revenue Account are charged with a capital charge for the use of fixed assets in the provision of services. The total charge covers the annual provision for depreciation plus a capital financing charge calculated by applying a specified notional interest rate to net asset values. In 2005/06 the specified notional interest rate was 3.5% for assets at current value, and 4.8% for assets at historical value. The aggregate charge to individual services is determined on the basis of the fixed assets employed in the provision of the service.
- 4.2 The Asset Management Revenue Account is credited with the capital charges made to services. Capital charges therefore have a neutral impact on the amounts required to be raised from local taxation. (See Note 4 to the Consolidated Revenue Account, and Note 7 to the Housing Revenue Account.)

# accounting policies



## 5. DEFERRED CHARGES AND INTANGIBLE ASSETS

Deferred charges represent expenditure which may be capitalised, but which does not represent tangible fixed assets, such as expenditure on home improvement grants. Revenue expenditure may be capitalised following a direction by the Secretary of State. Deferred charges are amortised to revenue over an appropriate period, usually the year in which the expenditure is incurred.

In 2005/06, computer software has been reallocated to the new category of intangible assets. Premiums on debt refinancing have been transferred to long-term debtors.

(See Note 12 to the Consolidated Revenue Account and Note 6 to the Consolidated Balance Sheet.)

An intangible item may meet the definition of an asset when access to the future economic benefits that it represents is controlled by the reporting entity, either through custody or legal protection. Purchased intangible assets (eg software licences) should be capitalised as assets. Intangible assets should be amortised on a systematic basis over their economic lives. (See Note 1 to the Consolidated Balance Sheet.)

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

Income from the disposal of intangible and fixed assets is accounted for on an accruals basis, and is credited to the Usable Capital Receipts Reserve. A proportion of the proceeds from the sale of Council dwellings has been paid to the Government in accordance with statutory criteria. (See Consolidated Balance Sheet Notes 19.)

## 7. GRANTS

7.1 Revenue grants are accounted for in the year in which they arise and are credited to the relevant service in the Consolidated Revenue Account.

7.2 Where the acquisition or enhancement of a fixed asset is financed wholly or in part by a Government grant or other contribution, the amount of the grant or contribution is credited to the Government Grants – Deferred account. (See Note 18 to the Consolidated Balance Sheet.) This is subsequently written off to the Asset Management Revenue Account over the useful life of the asset to match the depreciation of the asset to which it relates. (See Note 4 to the Consolidated Revenue Account.)

## 8. INTEREST

8.1 Interest paid on external borrowings is accrued and charged to the Asset Management Revenue Account. See Note 4 to the Consolidated Revenue Account for details.

8.2 Interest earned on the external investment of surplus funds is accrued and credited to the General Fund Revenue Account.

8.3 Internal interest payments flow between the General Fund and Housing Revenue Account (HRA), based on the net cash balance held on the HRA during the year. The interest is calculated at a rate in accordance with Subsidy Regulations.

## 9. REDEMPTION OF DEBT

9.1 Amounts set aside from revenue for the repayment of external loans used to finance capital expenditure are disclosed separately in the Consolidated Revenue Account, below Net Operating Expenditure. See Note 5 to the Consolidated Revenue Account.

9.2 Where borrowing is refinanced or restructured with substantially the same overall effect when viewed as a whole, gains or losses are recognised over the life of the replacement borrowing.



# accounting policies



## 10. LEASING

10.1 Items may be acquired by the Council under leasing arrangements that fall within the following categories

- Finance leases : whereby the risks and responsibilities of ownership are substantially transferred to the Council
- Operating leases : whereby the lessor retains the risks and responsibilities of ownership

10.2 Those assets acquired under finance leases that have not been fully depreciated are capitalised in the Authority's accounts. Other assets previously acquired under deferred purchase schemes are included in the balance sheet at their fair value.

10.3 The amount of finance lease rentals paid during 2005/06 and the amount of undischarged leasing obligations is shown at Note 5 to the Consolidated Balance Sheet. Finance and operating lease rentals are charged to revenue, details of which are shown in Note 9 to the Consolidated revenue Account.

10.4 In line with the CIPFA code of practice operating leases are not shown as assets or liabilities on the Authority's balance sheet. Note 9 to the Consolidated Revenue Account details the current and future payments required by these leases.

## 11. REVENUE TRANSACTIONS

Revenue transactions have been recorded on an income and expenditure basis. Provision has been made on an actual or estimated basis for all debtors and creditors as at 31 March 2006 with the following exception of various items where the charges from one year to the next are not material, ie gas, electricity and telephone charges.

(See Note 11 to the Consolidated Balance Sheet.)

## 12. STOCKS AND STORES

Most stores held by the Maintenance Services are shown in the accounts at estimated current replacement value. All other stocks are shown at cost price. (See Note 10 to the Consolidated Balance Sheet.) 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 costs is made to all services and accounts. This allocation is based on an estimation of resource consumption.

## 14. PENSION COSTS

The accounts have been prepared adopting the policies and practices outlined in FRS17.

Further information is presented in Note 7 to the Consolidated revenue Account and Note 20 to the Consolidated Balance Sheet.

## 15. INVESTMENTS/INTEREST IN COMPANIES

Of the £56,810 long-term investments recorded in the consolidated balance sheet, £50,000 are at cost and £6,810 at market value. (See Note 8 to the Consolidated Balance Sheet.)

# accounting policies

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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 2005/06 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, 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.

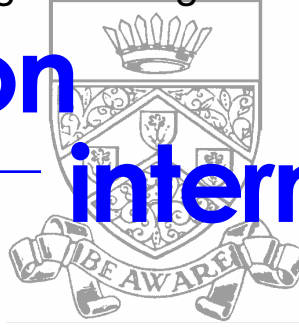
See Note 21 to the Consolidated Balance Sheet.

## 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 22 to the Consolidated Balance Sheet.

# statement on internal control



## STATEMENT ON INTERNAL CONTROL

### 1. Scope of Responsibility

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

### 2. The Purpose of the Internal Control System

- 2.1 The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them economically, efficiently and effectively.
- 2.2 The system of internal control has been in place at Chorley Borough Council for the year ended 31 March 2006 and up to the date of approval of the annual report and accounts.

### 3. The Internal Control Environment

#### *Establishing & Monitoring the Achievement of Objectives*

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

#### *Policy & Decision Making*

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

#### *Compliance*

- The Council aims to ensure compliance with established policies, procedures, laws and regulations through a variety of mechanisms, including:
  - Monitoring Officer;
  - Section 151 Officer;
  - Internal Audit;
  - External Audit;
  - Performance management system.

# statement on internal control



- The Council has designated the Director of Customer, Democratic and Legal Services as Monitoring Officer, who plays a key role in ensuring compliance. After consulting with the Chief Executive, the Monitoring Officer will report to the full Council if he/she considers that any proposal, decision or omission would give rise to unlawfulness or maladministration. Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered.

### ***Risk Management***

- The Council has introduced a robust structure and system for identifying and evaluating all significant business risks at both the strategic and operational / service levels. The key elements of which are:
  - A member approved Risk Management Policy Statement;
  - A Strategic Risk Register;
  - Service level risk assessments built into the business planning process.

### ***Economy, Efficiency & Effectiveness***

- The Council has constantly sought ways of ensuring the economical, effective and efficient use of resources, and for securing continuous improvement in the way in which its functions are exercised. These now include:
  - Efficiency & Transformation Board;
  - Corporate Procurement Working Group;
  - Overview & Scrutiny Committees;
  - External Audit;
  - Internal Audit.
- The Council recently obtained a score of 3 for the value for money element of the Use of Resources assessment, indicating that the Council is performing well in this area, consistently achieving above minimum requirements.
- The Efficiency & Transformation Board has a particularly important role to play in securing the delivery of value for money services and been established to:
  - Act as the co-ordinating body for the efficiency programme in support of the Council's corporate plans and priorities;
  - Champion efficiency both within the Council and externally with partners, suppliers and customers;
  - Meet government & Council reporting requirements regarding Annual Efficiency Statements;
  - Monitor & review the efficiency programme on an ongoing basis to ensure that it is meeting objectives;
  - Fully integrate efficiency into the 3-year business planning and budgeting cycle.

### ***Financial Management***

- The Council has designated the Director of Finance as chief finance officer under Section 151 of the Local Government Act 1972.
- The financial management of the Council is conducted in accordance with the Financial Procedure Rules set out in the Council's Constitution. The Council has also adopted and implemented the relevant financial codes of practice covering such areas as treasury management and the Prudential Code.
- The Council has in place a five-year Financial Strategy, updated annually, to support the medium-term aims of the Corporate Strategy.

# statement on internal control



- The Council maintains a sound Internal Audit function which operates to the standards set out in the 'Code of Practice for Internal Audit in Local Government in the UK'. Internal Audit report four times annually to the Audit Committee and are a prime source of assurance to the authority regarding its financial management (including the adequacy of its financial systems, budgetary control and the efficient and effective use of resources). Internal Audit also provides assurance in the areas of governance, risk management and compliance.
- The Council has an objective and professional relationship with its external auditors and statutory inspectors.

## **Performance Management**

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

## **4. Review of Effectiveness**

- Chorley Borough Council has responsibility for conducting, at least annually, a review of the system of internal control. A variety of review mechanisms are in place to facilitate this.

## **Corporate Governance Group**

- To oversee the production of the SIC itself, the Council has established a Corporate Governance Group with the following membership.  
 Director of Finance (S.151 Officer);  
 Director of Legal Services (Monitoring Officer);  
 Head of Corporate & Policy Services;  
 Audit & Risk Manager.
- Using the detailed guidance provided by CIPFA as the basis, the Group have produced a Schedule of Controls Assurance & Evidence; a process which also aims to identify any significant internal control or compliance issues within the authority. Although the cumulative knowledge and experience of the Group is the prime source of information, reference is made to independent sources of controls assurance wherever possible; including:
  - Comprehensive Performance Assessment (CPA);
  - CPA Progress Assessment Report (Direction of Travel);
  - Audit Commission Use of Resources Assessment;
  - Internal strategic risk assessment ;
  - The Annual Report of Internal Audit.
- The Schedule of Controls Assurance & Evidence is reviewed and challenged by the Council's Strategy Group who agree the form and content of the draft SIC itself, including the significant control issues to be disclosed. The draft SIC and supporting evidence is subsequently submitted to the Audit Committee for approval prior to formal sign-off and publication.

# statement on internal control



- The Corporate Governance Group's remit has now been extended to include wider governance responsibilities, incorporating the terms of reference of the former Risk Management Board. The aim of the Corporate Governance Group is to monitor developments in the governance and risk management arena and to ensure that the Council's in-house arrangements continue to represent best practice.

### ***Monitoring Officer***

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

### ***Scrutiny Committee***

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

### ***Audit Committee***

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

### ***Internal Audit***

- Internal Audit is responsible for monitoring the quality and effectiveness of the systems of 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 head of service. 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.
- A significant element of the necessary controls assurance is therefore taken from the work of Internal Audit. Internal Audit provides independent and objective assurance across a wide range of the authority's activities and Internal Audit plans are now constructed around the key business risk issues facing the authority.
- 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.

# statement on internal control



**5. Significant Internal Control Issues**

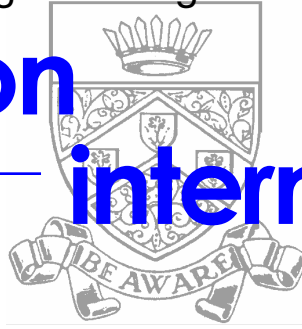
5.1 The following significant internal control issues published last year have now been addressed.

<b><i>Establishing &amp; Monitoring the Achievement of Objectives</i></b>
Further improving the engagement of communities and other stakeholders and working as a key partner in the LSP to develop a new Community Strategy.
Clarifying the Council's vision and ambition in terms of a new Corporate Strategy, which articulates clear priorities, strategic objectives and specific, measurable and sustainable outcomes.
<b><i>Policy &amp; Decision Making</i></b>
Introducing a structured member development programme to enable members to more effectively fulfil their roles.
<b><i>Compliance</i></b>
Clarifying member and officer responsibilities for governance, including the adoption of new terms of reference for the Audit Committee.
Further developing project management disciplines across the Council, including its application to business planning.

5.2 However further action is required in other areas, including new action resulting from the recent Audit Commission Use of Resources assessment which has "raised the bar" in terms of control expectations. The following significant internal control issues have been identified for 2005/6:

No.	Issue	Action Planned
	<b><i>Compliance</i></b>	
1	Introducing formalised procedures to identify and comply with legislative change.	<ul style="list-style-type: none"> <li>Introduce a centralised capture and monitoring mechanism in Legal Services.</li> </ul>
2	Introducing, updating and disseminating key constitutional / governance policies and procedures where omissions or weaknesses currently persist.	<ul style="list-style-type: none"> <li>Introduce arrangements for the perpetual update of key documents on the intranet, incorporating version control and the timely notification of changes to members &amp; officers.</li> </ul>
	<b><i>Risk Management</i></b>	
3	Further developing members and senior officers awareness of governance and risk management issues	<ul style="list-style-type: none"> <li>Include governance and risk management in new officer &amp; member induction programmes.</li> <li>Provide training &amp; support in the application of project based risk assessments in service units.</li> </ul>
4	Effectively managing the risks associated with partnerships and partnering arrangements.	<ul style="list-style-type: none"> <li>Identify the Council's key partners and partnering arrangements and ensure that proportionate, structured governance and risk management arrangements are in place.</li> </ul>
	<b><i>Economy, Efficiency &amp; Effectiveness</i></b>	
5	Fully embedding a VFM culture within the Council.	<ul style="list-style-type: none"> <li>Develop detailed programmes to implement corporate objectives for efficiency and transformation and procurement.</li> <li>Develop a benchmarking strategy to systematically compare the Council's costs and outputs against higher performing and more efficient organisations.</li> </ul>

# statement on internal control



	<i>Performance Management</i>	
6	Embedding the new Corporate Strategy and improving the monitoring of targets & outcomes.	<ul style="list-style-type: none"> <li>Establish more robust, systematic monitoring through the Performance Plus information system.</li> </ul>
7	Improving the accuracy and reliability of performance information.	<ul style="list-style-type: none"> <li>Introduce a more effective quality control mechanism for BVPI and other performance information.</li> </ul>

Cllr. P Goldsworthy  
Leader of the Council

D Hall  
Chief Executive

G Hall  
Director of Finance (Section 151 Officer)



# consolidated revenue account



## CONSOLIDATED REVENUE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2006

2004/05 Net Expenditure £'000	DESCRIPTION OF SERVICE	2005/06 Gross Expenditure £'000	2005/06 Gross Income £'000	2005/06 Net Expenditure £'000	Notes to the Consolidated Revenue Account
874	Central Services to the Public	6,511	(5,631)	880	
10,326	Cultural, Environmental and Planning Services	16,035	(3,513)	12,522	
(100)	Highways, Roads and Transport Services	2,246	(2,173)	73	
3,474	Housing Services (including Council Dwellings)	24,384	(22,140)	2,244	
2,611	Central and Democratic Core Costs	3,003	(74)	2,929	
242	Non Distributed Costs	1,214	(822)	392	
<b>17,427</b>	<b>TOTAL CONTINUING OPERATIONS</b>	<b>53,393</b>	<b>(34,353)</b>	<b>19,040</b>	
0	Discontinued operations	0	0	0	
<b>17,427</b>	<b>NET COST OF SERVICES</b>	<b>53,393</b>	<b>(34,353)</b>	<b>19,040</b>	
364	Precepts Paid to Parish Councils			413	
101	Net costs on Trading undertakings			83	8
(4,084)	Asset Management Revenue Account			(3,432)	4
673	Contribution to Housing Pooled Capital Receipts			685	
234	Net loss on Repurchase or Early Settlement of Borrowing			55	
40	Interest and Investment Income			(61)	
281	Pensions interest cost & expected return on pensions asset			635	
<b>15,036</b>	<b>NET OPERATING EXPENDITURE</b>			<b>17,418</b>	
	<b>Appropriations</b>				
132	Surplus/(Deficit) transferred to/(from) HRA Balances			150	
818	Transfer to/(from) Major Repairs Reserve			888	
(178)	Contributions to/(from) reserves not attributable to cost of services			(461)	12
95	Capital expenditure financed from revenue			277	
(1,182)	Transfer from Capital Reserves			(2,584)	
(1,129)	Provision for Repayment of External Loans			(1,081)	5
(673)	Transfer from Usable Capital Receipts equal to contribution to Housing Pooled Capital Receipts			(685)	
(789)	Contribution to/(from) Pensions Reserve			(1,128)	
<b>12,130</b>	<b>AMOUNT TO BE MET FROM GOVERNMENT GRANT AND LOCAL TAXPAYERS</b>			<b>12,794</b>	
	<b>Sources of Finance</b>				
(3,508)	General Government Grants			(3,705)	
	Business Growth Incentive Grant			(122)	
(2,759)	Non-Domestic Rates redistribution			(2,946)	
(5,714)	Precept Demanded from Collection Fund			(6,057)	
(149)	Collection Fund Transfer in respect of (Surpluses)/Deficits			(48)	
<b>0</b>	<b>NET GENERAL FUND (SURPLUS)/DEFICIT FOR THE YEAR</b>			<b>(84)</b>	
	<b>MOVEMENT IN GENERAL FUND RESERVES:</b>				
2,483	Balance on General Fund brought forward			2,305	12
<b>2,305</b>	<b>Balance on General Fund carried forward</b>			<b>1,928</b>	12

# notes to the consolidated revenue account



## 1. AGENCY AGREEMENTS

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

## 2. SECTION 137, LOCAL GOVERNMENT ACT 1972 (AMENDED)

Section 137, as amended by Section 36 of the Local Government and Housing Act 1989, empowers local authorities to incur expenditure which in their opinion is in the interest of and will bring direct benefit to their area or any part of it, or all or some of its inhabitants. The current limit on expenditure is £5.30 per head of population per annum.

The Council was permitted to spend £417,640 under this power in 2005/06 and its actual expenditure was £50,085, incurred largely on grants to voluntary organisations.

## 3. SECTION 5(i), LOCAL GOVERNMENT ACT 1986

Set out below, under the requirements of this Act, is the Council's spending on publicity:

	2004/05 £'000	2005/06 £'000
Recruitment advertising	124	69
Other advertising	19	26
Promotions/publicity	150	89
	293	184

## 4. ASSET MANAGEMENT REVENUE ACCOUNT

The Asset Management Revenue Account is credited with notional charges made to service committees for the capital employed in the delivery of services. It is debited with the actual financing costs incurred during the year. The balance on the account is then transferred back to the Consolidated Revenue Account to ensure that the notional charges for capital do not impact on the level of Council Tax.

	2004/05 £'000	2005/06 £'000
<b>INCOME</b>		
Capital Charges:		
- General Fund	(1,563)	(1,764)
- Housing Revenue Account	(4,119)	(3,499)
Amortisation of Intangible Assets	(417)	(308)
Government Grants Deferred	(130)	(187)
	(6,229)	(5,758)
<b>EXPENDITURE</b>		
Provision for depreciation - Fixed Assets	1,703	1,769
- Intangible Assets	417	308
Impairment	0	0
External interest charges	25	249
	2,145	2,326
<b>Transfer to Consolidated Revenue Account</b>	(4,084)	(3,432)

# notes to the consolidated revenue account



## 5. PROVISION FOR REPAYMENT OF EXTERNAL LOANS

	2004/05 £'000	2005/06 £'000
Non-housing amount	392	422
Less adjustment for loss on grant commutation	(392)	(308)
	0	114
From Capital Financing Account to cancel General Fund depreciation charge in Asset Management Revenue Account	(1,129)	(1,195)
Provision for Repayment of External Loans	(1,129)	(1,081)

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

The Council on occasions is commissioned by other public bodies to undertake work on their behalf. During the financial year 2005/06 the total of work commissioned and the financial impact was immaterial.

## 7. PENSION COSTS

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

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

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

### Local Government Pension Scheme

	2004/05 £'000	2005/06 £'000
Net Cost of Services:		
Current service cost	(1,532)	(1,686)
Past service costs	(927)	705
Net Operating Expenditure:		
Interest cost	(3,261)	(3,815)
Expected return on assets in the scheme	2,980	3,180
Amounts to be met from Government Grants and Local Taxation:		
Movement on pensions reserve	(13,173)	176
Actual amount charged against council tax for pensions in the year:		
Employers' contribution payable to scheme	1,851	1,627

Note 15 to the Consolidated Balance Sheet contains details of the assumptions made in estimating the figures included in this note. The Statement of Total Movements in Reserves details the costs that have arisen through the year.

# notes to the consolidated revenue account



## 8. TRADING OPERATIONS

- (a) The Council owns two public markets. The turnover of these undertakings was £299,912 in 2005/06 and a deficit of £44,415 was made (2004/05 £309,413 and a surplus of £127).
- (b) The Council owns commercial land and premises in the Borough. The turnover of these undertakings was £276,673 in 2005/06 and a surplus of £16,718 was made (2004/05 £260,987 and a surplus of £36,166).
- (c) ServiceGroup, which maintains grounds and highways, had a turnover in respect of rechargeable works of £107,890 in 2005/06 and a net cost of £55,284 (2004/05 £2,413,942 and a net cost of £65,490). The turnover figures are not directly comparable for the two financial years, since those for 2004/05 included work recharged to other units of the Council. In order to significantly reduce the administrative burden, from 1st April 2005 invoices are no longer raised for work carried out for other CBC units

## 9. FINANCE AND OPERATING LEASES

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

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

Payments 2004/05 £'000		Payments 2005/06 £'000	Commitments in 2006/07 for leases expiring in		
			2006/07 £'000	2007/08 to 2010/11 £'000	2011/12 onwards £'000
62	Land and other buildings	63	63	253	702
639	Other operating leases	647	537	611	0
<b>701</b>	<b>Total rental payments</b>	<b>710</b>	<b>600</b>	<b>864</b>	<b>702</b>

The commitment in total in respect of these leases from 2007/08 onwards is £0.955 million for land and other buildings, including services charges; and £0.611 million for other operating leases.

### *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:

2004/05 £'000		2005/06 £'000
56	Industrial premises	63
110	Offices and other premises	94
<b>166</b>	<b>Total rental income</b>	<b>157</b>

# notes to the consolidated revenue account



## 10. OFFICERS' EMOLUMENTS

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

Remuneration Band	Number of Employees	
	2004/05	2005/06
£50,000 - £59,999	2	3
£60,000 - £69,999	3	2
£70,000 - £79,999	0	1
£80,000 - £89,999	1	0
£90,000 - £99,999	0	0
£100,000 - £109,999	0	1

## 11. MEMBERS' ALLOWANCES

Allowances paid to Members in 2005/06 totalled £281,948 (2004/05 £262,031).

## 12. MOVEMENTS IN GENERAL FUND RESERVES

The movements in General Fund Reserves are as follows:

	General Reserve £'000	Earmarked Reserves £'000	Total 2005/06 £'000
<b>Balance on General Fund brought forward</b>	1,000	1,305	2,305
Add General fund surplus	84	0	84
Less financing of General fund non-recurring expenditure	(250)	0	(250)
Less net contribution from reserves not attributable to cost of services	0	(461)	(461)
Add other transfers to/(from) reserves	250	0	250
<b>Balance on General Fund carried forward</b>	<b>1,084</b>	<b>844</b>	<b>1,928</b>
The 'contribution from reserves not attributable to cost of services' can be analysed as follows:			
Transfer to Service Units' Earmarked reserves	0	320	320
Transfer to Innovation Reserve	0	122	122
	0	442	442
Less:			
Transfer from Service Units' Earmarked Reserves	0	(249)	(249)
Transfer from Building Control Reserve	0	(18)	(18)
Transfer from Job Evaluation Reserve	0	(99)	(99)
Transfer from eWorkforce Reserve	0	(110)	(110)
Transfer from Insurance Reserve	0	(147)	(147)
Transfer from Stock Transfer Reserve	0	(250)	(250)
Transfer from Buildings Fund	0	(30)	(30)
	0	(903)	(903)
<b>Net contribution to reserves not attributable to cost of services</b>	<b>0</b>	<b>(461)</b>	<b>(461)</b>

# notes to the consolidated revenue account



## 13. RELATED PARTY TRANSACTIONS

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

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

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

### ● Central Government

Grants from the Government are included in the Cash Flow Statement and its Note 3.

### ● Other Local Authorities and Precepting Bodies

Payments to the Lancashire County Council Superannuation Fund are indicated in Note 7 above.

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

Details of the road and street lighting maintenance agency with Lancashire County Council are presented in Note 1 above.

Grants to improve and maintain amenities were made to Parish Councils as follows:

	2004/05 £'000	2005/06 £'000
Revenue expenditure	62	0
Capital expenditure	0	0
	62	0

### ● Subsidiary and Associated Companies

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

	2004/05 £'000	2005/06 £'000
Business Link N & W Lancashire	11	0
Lancashire West Partnership	20	20
Wigan Groundwork Trust	70	69
South Lancashire Arts Partnership	7	10
Chorley Citizen Advice Bureau	87	89
	195	188

The Council has in prior years had an interest in Chorley Business Solutions Limited, in which we have had a 50% stake. This company has been wound up and no longer trades but the Council is awaiting the sale proceeds and an appropriate debtor provision was made in the 2004/05 accounts.

# notes to the consolidated revenue account



- **Members and Chief Officers**

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

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

- **Other Related Parties**

Community Leisure Services Limited are contracted to act as agents of the Council for provision of sports and leisure facilities management. In 2005/06, payments totalled £340,884 (2004/05 £349,385).

## 14. 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:

	2003/04 £'000	2004/05 £'000	2005/06 £'000	Cumulative £'000
Income received	333	301	294	928
Less expenditure incurred	(267)	(303)	(309)	(879)
(Deficit)/Surplus for the year	66	(2)	(15)	49

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, income has exceeded expenditure by £49,375.

## 15. DISCLOSURE OF AUDIT COSTS

In 2005/06 Chorley Borough Council made the following payments to the Audit Commission.

	2004/05 £'000	2005/06 £'000
Fees payable in respect of statutory inspection	3	1
Fees payable in respect of the audit of accounts	101	98
Fees payable for the certification of grant claims and returns	26	28
	130	127

# housing revenue account



## HOUSING REVENUE ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2006

Actuals 2004/05 £'000		Actuals 2005/06 £'000
	<b><u>INCOME</u></b>	
(6,792)	Dwelling Rents	(6,955)
(98)	Non-dwelling Rents	(98)
(110)	Charges for Services and Facilities	(98)
(356)	Contributions towards expenditure	(389)
<u>(7,356)</u>	<b>Total Income</b>	<u>(7,540)</u>
	<b><u>EXPENDITURE</u></b>	
1,644	Repairs and Maintenance	1,714
	Supervision and Management:-	
1,245	- General	1,395
733	- Special	751
20	Rents, rates, taxes and other charges	22
(2)	Rent Rebates	0
1,465	Negative HRA Subsidy	1,355
11	Increased provision for bad or doubtful debts	46
3,100	Cost of Capital Charge	2,727
992	Depreciation and Impairment	882
40	Amortisation of Deferred Charges & Intangible Assets	15
37	Debt Management Costs	12
179	Sums directed by Secretary of State	111
	- Transfers to General Fund	
<u>9,464</u>	<b>Total Expenditure</b>	<u>9,030</u>
<b>2,108</b>	<b>Net Cost of Services</b>	<b>1,490</b>
(3,012)	Net HRA income or expenditure on the Asset Management Revenue Account	(2,643)
58	Amortised Premiums and Discounts	55
(15)	HRA Investment Income	(26)
<u>(861)</u>	<b>Net Operating Expenditure</b>	<u>(1,124)</u>
0	Revenue contribution to capital expenditure	150
818	Transfer to /(from) Major Repairs Reserve	888
(89)	Transfer to/(from) Pensions Reserve	(64)
<u>(132)</u>	<b>(Surplus) / Deficit for the Year</b>	<u>(150)</u>
(311)	<b>Balance Brought Forward from Previous Year</b>	(443)
<u>(443)</u>	<b>Balance Carried Forward to Next Year</b>	<u>(593)</u>



# notes to the housing revenue account



## 1. HOUSING STOCK

The number of dwellings managed by the Council at 31 March 2006 was 2,950 (31 March 2005, 2,987), and can be analysed as follows:

31/03/05		31/03/06
1,233	One bedroom houses, flats and bungalows	1,229
768	Two bedroom houses, flats and bungalows	755
913	Three bedroom houses, flats and bungalows	893
73	Four bedroom houses, flats and bungalows	73
<u>2,987</u>	<b>Total dwellings</b>	<u>2,950</u>

## 2. RENT ARREARS

At 31 March 2006 cumulative arrears of rent were £203,848, for which a bad debt provision of £121,390 has been made.

## 3. HRA SUBSIDY FOR THE FINANCIAL YEAR

	2004/05 £'000	2005/06 £'000
Management Allowance	1,021	1,090
Maintenance Allowance	2,157	2,332
Major Repairs Allowance	1,810	1,771
Charges for Capital	464	446
Rent Rebates	0	0
Defective Housing Grant	2	2
Guideline Rent	(6,993)	(7,006)
Interest on Receipts	(5)	(3)
Admissible Allowance	9	6
<b>Entitlement for the Year</b>	<b>(1,535)</b>	<b>(1,362)</b>
Prior Year Adjustment	70	7
<b>Total Subsidy in the Accounts</b>	<b>(1,465)</b>	<b>(1,355)</b>

From 1 April 2004 the responsibility of accounting for Council housing tenants' rent rebates transferred from the HRA to the General Fund. As a result the authority has since had a negative entitlement to HRA Subsidy, as shown in the above figures, which is payable from the HRA to Central Government.

### TRANSFER TO THE GENERAL FUND – RENT REBATES

A further consequence of the removal of rent rebates from the HRA, is that it is required to make a mandatory transfer to the General Fund to cover the residual liability from the rent rebate subsidy limitation scheme. In addition the Council has made a discretionary transfer under transitional arrangements to cover rent rebate overpayments. The two transfers made in 2005/06 were as follows:

	2005/06 £'000
Rent rebate subsidy limitation scheme	70
Transitional arrangement	41
	<u>111</u>

# notes to the housing revenue account



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

31/03/05		31/03/06
£'000		£'000
	<b>Operational Assets</b>	
0	Land	0
85,418	Houses	72,258
1,029	Other Property	984
<u>86,447</u>		<u>73,242</u>
	<b>Non-operational Assets</b>	
550	Land	849
0	Houses	0
0	Other Property	0
<u>550</u>		<u>849</u>
<u>86,997</u>	<b>Total Balance Sheet Value of Housing Revenue Account Assets</b>	<u>74,091</u>

The reduction in the 2005/06 value is the result of a significant reduction in the discount factor (from 59% to 48%) that is required to be used for the conversion from the open market value to the existing social use value.

## VACANT POSSESSION VALUE – PROPERTY

31/03/05		31/03/06
£'000		£'000
<u>144,940</u>	Operational Assets (dwellings)	<u>150,516</u>

## 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.

## 5. MOVEMENTS ON THE MAJOR REPAIRS RESERVE

	£'000
<b>Balance at 1 April 2005</b>	0
Transfer into Major Repairs Reserve in the year	1,771
Transfer from the Major Repairs Reserve in the year	0
Debits in the year in respect of HRA Capital Expenditure on dwellings	(1,771)
<b>Balance at 31 March 2006</b>	<u>0</u>

# notes to the housing revenue account



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

	2004/05 £'000	2005/06 £'000
<b>Capital Expenditure</b>		
Land	0	0
Houses	2,350	2,176
Other Property	41	69
	<hr/> 2,391	<hr/> 2,245
<b>Sources of Financing</b>		
Borrowing	0	269
Usable capital receipts	581	27
Grants and Contributions	0	28
Revenue contributions	0	150
Major Repairs Reserve	1,810	1,771
	<hr/> 2,391	<hr/> 2,245

## CAPITAL RECEIPTS FROM DISPOSALS

Land	144	0
Houses	3,589	1,868
Other Property	36	20
	<hr/> 3,769	<hr/> 1,888

## 7. CAPITAL CHARGE AND CAPITAL ASSET CHARGES ACCOUNTING ADJUSTMENT

The Council is required by statute (Capital asset charges under item 8) to charge the cost of capital (3.5% of the rate of HRA operational assets) into the Housing Revenue Account. The charge represents the notional cost to the Council of retaining the Housing Stock, as opposed to using the asset value to attract a return from other investments. It is purely an accounting adjustment to show the costs of using Council funds to maintain a Housing Revenue Account. The notional charge is reversed out through the Asset Management Revenue Account (below the cost of service line) so that no charge is then made to tenants. In other words the adjustment has a zero effect in expenditure terms on the Housing Revenue Account.

## 8. CHARGE FOR DEPRECIATION

	2004/05 £'000	2005/06 £'000
Operational Assets		
Dwellings	979	870
Other land and buildings	13	12
Non-operational Assets	0	0
<b>Total Charge for Depreciation</b>	<hr/> 992	<hr/> 882

# notes to the housing revenue account



## 9. IMPAIRMENT CHARGES

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

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

During 2005/06 Chorley Borough Council's HRA dwellings there were no impairments as a result of physical damage and economic obsolescence. A number of dwellings that had been impaired in previous years were sold during 2005/06 in order to bring them back into residential use under new ownership.

## 10. DEFERRED CHARGES AND INTANGIBLE ASSETS

Deferred charges arise from capital expenditure that does not result in the acquisition of, or improvement to, fixed assets. Deferred charges are amortised to revenue over an appropriate period, usually the year in which the expenditure is incurred. The Housing Revenue Account did not incur such expenditure in 2005/06 (2004/05 - £12,644).

Purchased intangible assets, such as computer software licences, are capitalised and amortised to revenue over an appropriate period. The HRA did not incur capital expenditure on intangible assets in 2005/06 (2004/05 - £23,694).

## 11. PENSION RESERVE

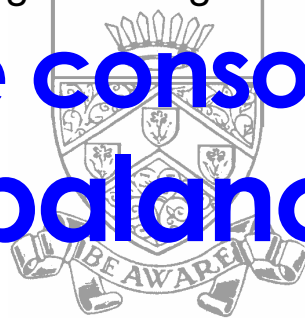
The HRA is presented in accordance with the requirement to account for retirement benefits under the principles of FRS17. A total amount of £64,570 is included in management and maintenance expenditure to reflect the Current Service Pension Costs. These costs are negated by an equivalent contribution from the pensions reserve.

# consolidated balance sheet



31/03/05 £'000		£'000	As at 31/03/06 £'000	Notes
610	Intangible Assets		544	1,7
	Operational Assets			
86,284	- Council Dwellings	73,092		
18,520	- Other Land and Buildings	19,879		
1,562	- Vehicles, Equipment, Plant etc.	1,653		
0	- Infrastructure	0		
1,937	- Community Assets	1,914		
3,759	Non-Operational Assets	4,331		
112,062	Tangible Fixed Assets		100,869	2,3,4,5,7
0	Deferred Charges		0	6,7
57	Long-term Investments		57	8
1,334	Long-term Debtors		1,249	9
<b>114,063</b>	<b>Total long-term assets</b>		<b>102,719</b>	
307	Stocks and work in progress	372		10
4,564	Debtors	7,729		11
0	Investments	1,673		
213	Cash in hand	177		
<b>5,084</b>	<b>Total current assets</b>		<b>9,951</b>	
0	Short-term borrowing	(7,500)		12
(6,130)	Creditors	(6,690)		11
(1,411)	Bank overdraft	445		
<b>(7,541)</b>	<b>Total current liabilities</b>		<b>(13,745)</b>	
<b>111,606</b>	<b>Total assets less current liabilities</b>		<b>98,925</b>	
0	Long-term borrowing	0		12
(5,612)	Deferred liabilities	(5,790)		13
(913)	Deferred capital receipts	(893)		
0	Provisions	0		14
(22,223)	Liability related to defined benefit pension scheme	(22,036)		15
<b>(28,748)</b>			<b>(28,719)</b>	
<b>82,858</b>	<b>TOTAL ASSETS LESS LIABILITIES</b>		<b>70,206</b>	
69,061	Fixed asset restatement account		53,938	16
28,728	Capital financing account		32,870	17
959	Government grants-deferred account		1,399	18
3,061	Usable capital receipts reserve		1,138	19
(22,223)	Pensions reserve		(22,036)	15
524	Earmarked reserves	376		
2,305	General Fund balance	1,928		
443	Housing Revenue Account balance	593		
0	Major Repairs Reserve	0		
<b>82,858</b>	<b>TOTAL EQUITY</b>		<b>70,206</b>	20

# notes to the consolidated balance sheet



## 1. INTANGIBLE ASSETS

	Balance as at 31 March 2005 £'000	Additions £'000	Disposals £'000	Amortisation £'000	Impairment Losses £'000	Balance as at 31 March 2006 £'000
Computer software licences	610	285	0	(351)	0	544
<b>Total Intangible Assets</b>	<b>610</b>	<b>285</b>	<b>0</b>	<b>(351)</b>	<b>0</b>	<b>544</b>

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

## 2. FIXED ASSETS

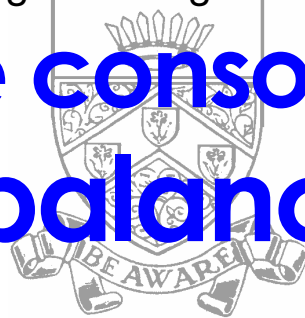
	Operational Assets						Total Fixed Assets £'000
	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Equipment, Plant, etc £'000	Infra- structure £'000	Community Assets £'000	Non- Operational Assets £'000	
Certified valuation at 31 March 2005	89,251	19,072	2,069	0	2,045	3,759	116,196
Accumulated depreciation and impairment	(2,967)	(552)	(507)	0	(108)	0	(4,134)
Net book value at 31 March 2005	86,284	18,520	1,562	0	1,937	3,759	112,062
<i>Movement in 2005/06</i>							
Additions/expenditure in year	2,245	2,518	439	477	0	0	5,679
Appropriations	0	0	0	0	0	0	0
Disposals	(968)	0	0	0	0	(509)	(1,477)
Revaluations	(13,599)	(633)	(12)	(477)	(1)	1,081	(13,641)
Depreciation for year	(870)	(526)	(336)	0	(22)	0	(1,754)
<b>Net book value at 31 March 2006</b>	<b>73,092</b>	<b>19,879</b>	<b>1,653</b>	<b>0</b>	<b>1,914</b>	<b>4,331</b>	<b>100,869</b>

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

	Net Book Value as at 31 March 2005 £'000	Net Book Value as at 31 March 2006 £'000
General Fund	25,065	26,778
Housing Revenue Account	(a) 86,997	74,091
	<b>112,062</b>	<b>100,869</b>

(a) See note 4 to the Housing Revenue Account for additional analysis of HRA asset values.

# notes to the consolidated balance sheet



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

	2005/06 £'000
Council dwellings and estate improvements	2,245
Improvements to offices, depots and other premises	2,020
Environmental improvements	593
Waste collection and recycling	133
Extension and upgrade of CCTV network	80

The Council has authorised expenditure on fixed assets in 2006/07 of £5.947 million, which is made up as follows:

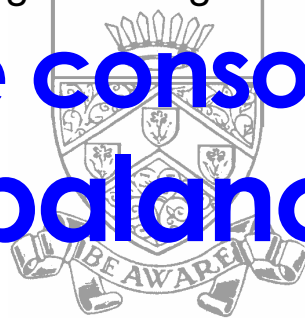
	Expenditure Approved to proceed and Contracted at 31 March 2006	Expenditure Approved to proceed but not Contracted at 31 March 2006
	£'000	£'000
Council dwellings and estates		2,054
Astley Hall and Park improvements	1,664	293
Improvements to office and other premises	1,568	
Enhancement and other schemes		368
	3,232	2,715

### 3. FIXED ASSET VALUATION

The following statement shows the progress of the Council's rolling programme for the revaluation of fixed assets. The valuations are carried out by qualified contractors under Mr R P Handscombe, FRICS, the Council's Head of Property Services, 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	0	2,496	0	221	173	2,890
Valued at current value in:							
Current year	75,941	8,418	0	0	0	2,857	87,216
2004/05	0	9,345	0	0	0	0	9,345
2003/04	0	1,362	0	0	0	1,286	2,648
2002/03	0	145	0	0	0	0	145
2001/02	988	1,600	0	0	1,773	15	4,376
2000/01 and before	0	88	0	0	50	0	138
<b>Total</b>	<b>76,929</b>	<b>20,958</b>	<b>2,496</b>	<b>0</b>	<b>2,044</b>	<b>4,331</b>	<b>106,758</b>

# notes to the consolidated balance sheet



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 Head of Property Services. The total depreciation charge for 2005/06 was £1,768,590 compared to £1,702,920 in 2004/05.

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

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

The cumulative amount of provisions for depreciation is as follows:

	Balance as at 31 March 2005	Depreciation for the year	Revaluations and Appropriations	Disposals in the year	Balance as at 31 March 2006
	£'000	£'000	£'000	£'000	£'000
Council Dwellings	2,967	870	0	0	3,837
Other land and buildings	552	540	(13)	0	1,079
Vehicles, Plant, Furniture and Equipment	507	336	0	0	843
Infrastructure	0	0	0	0	0
Community assets	108	22	0	0	130
Non-operational assets	0	0	0	0	0
<b>Total Depreciation</b>	<b>4,134</b>	<b>1,768</b>	<b>(13)</b>	<b>0</b>	<b>5,889</b>

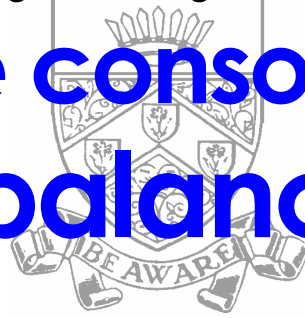
#### 4. FIXED ASSETS ANALYSIS

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

	31 March 2005		31 March 2006	
	number	area	number	area
Council dwellings	2,987		2,950	
Town Hall (including Lancastrian Room)	1		1	
Other administrative buildings	3		3	
Depots and workshops	3		3	
Off-street car parks (charged weekdays)	11	(1,295 Spaces)	12	(1,311 spaces)
Leisure centres and pools	4		4	
Museum	1		1	
Allotments	104	(8 Acres)	104	(8 acres)
Parks and recreation grounds		(357 Acres)		(357 acres)
Amenity open spaces		(454 Acres)		(454 acres)
Markets	2		2	
Cemeteries	2		2	
Community Centres	4		4	
Golf Course	1		1	
Public conveniences	5		5	



# notes to the consolidated balance sheet



## 5. FINANCE AND OPERATING LEASES

Vehicles acquired through finance leases that have been depreciated in full in previous years are excluded from the Fixed Assets total in the balance sheet. There are no outstanding primary rental obligations in respect of these leases as at 31 March 2006, and there were no secondary lease rental payments for the year 2005/06. (2004/05 - £515.)

In addition, the Council uses premises and other vehicles and equipment financed under the terms of operating leases. Such premises, vehicles and equipment are not the property of the Council and are not included in the Consolidated Balance Sheet. Details of payments in the year and obligations outstanding for future years are given under note 9 to the Consolidated Revenue Account.

A number of properties are held by the Council for use in operating leases, ie where the Council is the lessor. The gross value at 31 March 2006 was £1,598,780 (2004/05 £1,333,550) and the accumulated depreciation was £95,365 (2004/05 £99,545). The properties are included within the total for Other Land and Buildings in the Consolidated Balance Sheet. Note 9 to the Consolidated Revenue Account shows the rental income from these properties.

## 6. DEFERRED CHARGES

	£'000	£'000
Balance as at 1 April 2005		0
Capital expenditure in the year		
- Improvement Grants and other housing expenditure	732	
- Other capital and revenue expenditure	3,459	
	4,191	4,191
Amounts written off to Consolidated Revenue Account		
- Capitalised expenditure		(4,191)
<b>Balance as at 31 March 2006</b>		0

## 7. CAPITAL EXPENDITURE AND FINANCING

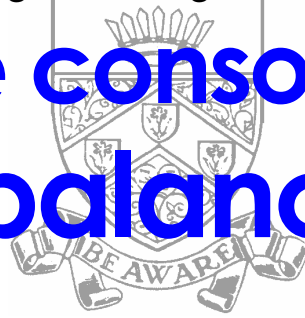
The capital expenditure for the year was financed as follows:

		2004/05 £'000	2005/06 £'000
<b>Capital Expenditure</b>			
Intangible Assets	(a)	603	285
Fixed Assets	(b)	4,879	5,679
Deferred Charges	(c)	3,824	4,191
		9,306	10,155
<b>Sources of Finance</b>			
Long-term borrowing		0	269
Capital receipts		4,088	5,514
Capital grants and contributions		3,183	2,348
Revenue (including Major Repairs Allowance)		1,905	2,024
Other	(d)	130	0
		9,306	10,155

(a) See note 1 above. (b) See note 2 above. (c) See note 6 above.

(d) 'Other' includes temporary borrowing pending the receipt of Government capital grants in the following year; and net movement in capital creditors.

# notes to the consolidated balance sheet



## 8. LONG TERM INVESTMENTS

Long-term investments at 31 March 2006 are as follows:

	£'000
Association of District Councils (Properties) Limited Stock	50
4% Manchester Corporation Stock	7
	57
	57

## 9. LONG TERM DEBTORS

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

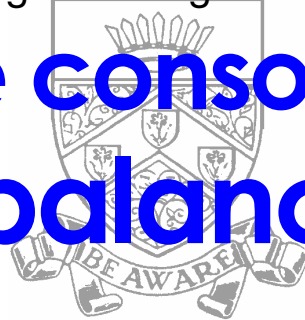
		Balance at 1 April 2005 £'000	Advances/ Additions £'000	Repayments/ Reductions £'000	Balance at 31 March 2006 £'000
		£	£	£	£
Mortgages (sale of Council houses)		57	0	(20)	37
Sale of Assets	(a)	856	0	0	856
	(b)	913	0	(20)	893
Housing Act Advances		14	0	(4)	10
Car Loans		27	13	(13)	27
Other Advances		17	0	(2)	15
Premiums on debt refinancing		363	0	(59)	304
<b>Total Long Term Debtors</b>		1,334	13	(98)	1,249

- (a) This sum relates to the Gillibrand Link Road and Housing Development, Chorley. The sum of £856,331 is due in 2006 from the joint developers. Of this total, approximately 70 percent less deductibles will be paid to English Partnerships, the Council's development partner for this project.
- (b) See Deferred Capital Receipts.

## 10. VALUATION OF STOCKS

Included in the total value of stocks and work in progress at 31 March 2006 is an amount of £109,422, representing stocks valued at the estimated current replacement cost (2004/05 £99,727). The remaining value of stocks totalling £217,010 is shown at cost price (2004/05 £175,044). The requirement of the SSAP9 is that the value of stocks should be the lower of cost and net realisable value.

# notes to the consolidated balance sheet



## 11. REVENUE AND CAPITAL ACCRUALS

	Creditors		Debtors	
	31 March 2005 £'000	31 March 2006 £'000	31 March 2005 £'000	31 March 2006 £'000
<b>Analysis of Creditors and Debtors:</b>				
Government departments	1,131	222	698	466
Other local authorities	0	0	210	208
Sundry creditors/debtors (a)	4,009	4,763	2,552	5,653
Housing tenants, including net rent arrears (b)	0	0	39	45
Rate and Taxpayers	959	1,032	2,193	1,958
Payments in advance	0	0	475	524
Receipts in advance	31	673	0	0
	6,130	6,690	6,167	8,854
<u>Less provision for doubtful debts</u>			(1,603)	(1,125)
	6,130	6,690	4,564	7,729

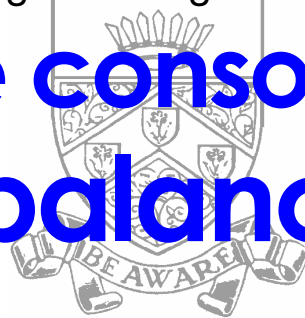
(a) The majority of the increase is from adjustments at the end of the financial year relating to the lease cost of new assets, recognition of S106 sums due from developers and money owed by LCC under the waste management contract.

(b) The total for Housing tenants debtors is net of prepayments of rent for Council dwellings.

## 12. LOANS OUTSTANDING

	Total outstanding 31 March	
	2004/05 £'000	2005/06 £'000
<b>Analysis of Loans by Source:</b>		
Public Works Loan Board	0	0
Temporary Loans	0	7,500
<b>Total Outstanding</b>	0	7,500
<b>Analysis of loans by maturity:</b>		
Less than 1 year	0	7,500
Between 1 and 2 years	0	0
Between 2 and 5 years	0	0
Between 5 and 10 years	0	0
In 10 years or more	0	0
<b>Long Term Borrowing</b>	0	0
<b>Total Outstanding</b>	0	7,500

# notes to the consolidated balance sheet



## 13. DEFERRED LIABILITIES

	Balance at 1 April 2005 £'000	Additions £'000	Reductions £'000	Balance at 31 March 2006 £'000
Private Street Works	13	0	0	13
Discount on refinancing of loans	21	0	(4)	17
s106 Developers' Contributions	5,578	789	(607)	5,760
<b>Total Deferred Liabilities</b>	<b>5,612</b>	<b>789</b>	<b>(611)</b>	<b>5,790</b>

## 14. PROVISIONS

There were no miscellaneous provisions as at 31 March 2006 (2004/05 nil).

## 15. PENSIONS

Note 7 to the Consolidated Revenue Account contains details of the Authority's participation in the Local Government Pensions Scheme administered by Lancashire County Council.

	Local Government Pension Scheme	
	2004/05 £'000	2005/06 £'000
Estimated liabilities in scheme	(70,456)	(82,007)
Estimated assets in scheme	48,233	59,971
<b>Net asset/(liability)</b>	<b>(22,223)</b>	<b>(22,036)</b>

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

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

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

The main assumptions used in their calculations have been:

	Local Government Pension Scheme	
	2004/05 %	2005/06 %
Rate of inflation	2.90	2.90
Rate of increase in salaries	4.65	4.65
Rate of increase in pensions	2.90	2.90
Rate for discounting scheme liabilities	5.40	4.90

# notes to the consolidated balance sheet



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 2004/05 %	Expected rate of return on assets %	Proportion of total assets 2005/06 %	Expected rate of return on assets %
Equity Investments	65.0	7.50	64.5	7.0
Government Bonds	9.0	4.70	7.3	4.3
Other Bonds	15.0	5.40	15.7	4.9
Property	5.0	6.50	6.0	6.0
Cash/Liquidity	3.0	4.75	3.8	4.5
Other Assets	3.0	7.50	2.7	7.0
	100.0		100.0	

## 16. FIXED ASSET RESTATEMENT ACCOUNT

	£'000	£'000
Balance as at 31 March 2005		69,061
Revaluation of fixed assets in year	(13,646)	
Disposal of fixed assets in year	(1,477)	
		(15,123)
<b>Balance at 31 March 2006</b>		<b>53,938</b>

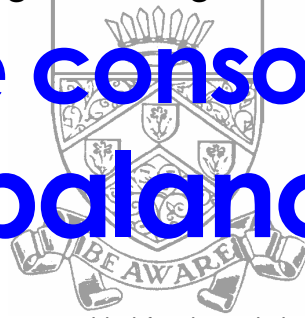
The Fixed Asset Restatement Account was established as a requirement of the new system of capital accounting. The balance represents the difference between the valuation of assets under the previous system of capital accounting and the revaluation as at 1 April 1994. The account is reduced by the net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

## 17. CAPITAL FINANCING ACCOUNT

	£'000
Balance at 31 March 2005	28,728
2005/06 Capital financing - Capital receipts	(a) 5,965
- Revenue	(a) 2,048
2005/06 Minimum Revenue Provision (less depreciation provision and impairment)	(1,964)
<u>Less:</u>	
Write down of deferred charges	(2,784)
Write down of deferred debtors	(6)
Write down of deferred liabilities	883
<b>Balance at 31 March 2006</b>	<b>32,870</b>

The Capital Financing Account contains the amounts that are required by statute to be set aside from capital receipts for the repayment of external loans, and the amount of capital expenditure financed from revenue and capital receipts. It

# notes to the consolidated balance sheet



also contains the difference between amounts provided for depreciation and that required to be charged to revenue to repay the principal element of external loans. The balance on the account is reduced as loan debt is repaid. It does not represent a resource available to the Council for financing additional capital expenditure.

(a) See note 7 above.

## 18. 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.

	£'000
Balance at 31 March 2005	959
Add; grants and contributions applied in year	627
Less: Transfer to Asset Management Revenue Account (a)	(187)
<b>Balance at 31 March 2006</b>	<b>1,399</b>

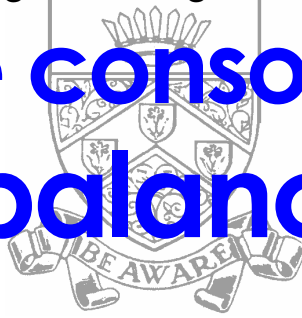
(a) See Note 4 to the Consolidated Revenue Account.

## 19. USABLE CAPITAL RECEIPTS RESERVE

	£'000	£'000
Usable Capital Receipts as at 1 April 2005		3,061
Capital receipts during year from sales of assets	4,697	
Less pooled housing capital receipts	(685)	
Other capital receipts	29	
		4,041
<u>Less:</u> Capital receipts applied in capital financing during year		(5,964)
<b>Balance at 31 March 2006</b>	<b>(a)</b>	<b>1,138</b>

(a) The balance of usable capital receipts as at 31 March 2006 includes £1,035,910 of receipts restricted to housing capital investment under the arrangements for the pooling of housing capital receipts.

# notes to the consolidated balance sheet



## 20. FUND BALANCES AND RESERVES

	Balance at 31 March 2005 £'000	Receipts in year £'000	Payments in year £'000	Balance at 31 March 2006 £'000
	£	£	£	£
These can be analysed over the various funds, as follows:				
General Fund				
general reserves	1,000	334	(250)	1,084
earmarked reserves				
- future revenue expenditure	655	442	(365)	732
- planned maintenance of assets	30	0	(30)	0
- new developments	223	0	(111)	112
- insurance reserve	147	0	(147)	0
- stock transfer reserve	250	0	(250)	0
	1,305	442	(903)	844
	2,305	776	(1,153)	1,928
Housing Revenue Account				
general reserves	443	150	0	593
major repairs reserve	0	1,771	(1,771)	0
	443	1,921	(1,771)	593
Earmarked Reserves				
Collection Fund	524	376	(524)	376
	524	376	(524)	376
<b>Total Fund Balances and Reserves</b>	<b>3,272</b>	<b>3,073</b>	<b>(3,448)</b>	<b>2,897</b>

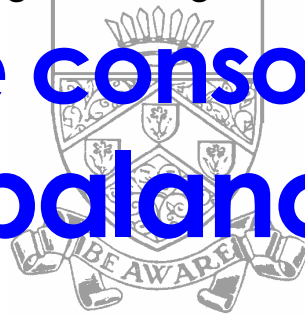
## 21. CONTINGENT ASSET

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.

## 22. CONTINGENT LIABILITY

The Council is currently in the process of implementing the single status agreement for employees. The purpose of the agreement is to ensure all employees have equal pay and conditions. Whilst in theory the exercise should be cost neutral, other authorities that have completed the process have experienced an increase in their overall pay bill. At this stage in the process it is not possible to estimate the potential liability.

# notes to the consolidated balance sheet



## 23. 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 2005	Revaluation of Investments	Income	Expenditure	Balance at 31 March 2006
	£'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>	76	12	6	(3)	91
Edward McKnight Memorial Fund <i>(Educational lectures in memory of E McKnight)</i>	4	0	0	0	4
Mayor of Chorley's Charity Accounts <i>(Fundraising for various charitable purposes)</i>	0	0	2	(2)	0
<b>Total Trust Funds</b>	<b>87</b>	<b>12</b>	<b>8</b>	<b>(5)</b>	<b>102</b>

The total value of these funds at 31 March 2006\* was £102,474 (2004/05 £86,536), of which £90,296 was invested in external listed securities (2004/05 £77,580). The funds are not assets of the Council so the external investments are not included in the Consolidated Balance Sheet.

\* External investments valuation as at 31 March 2006.



# statement of total movements in reserves 2005/2006



2004/05 £'000		£'000	2005/06 £'000	Notes
	Surplus/(deficit) for the year			
0	- General Fund	84		1
132	- Housing Revenue Account	150		1
(889)	Deduct appropriation to pensions reserve	11		1
(13,173)	Actuarial gains/(losses) relating to pensions	176		1, 6
(160)	Add back/(deduct) movements on specific revenue reserves	(609)		
<b>(14,090)</b>	<b>Total increase/(decrease) in revenue resources</b>		<b>(188)</b>	1
(1,181)	Increase/(decrease) in usable capital receipts before pooling	(2,609)		2
673	Effect of amounts payable to the housing capital receipts pool	685		
<b>(508)</b>	<b>Total increase/(decrease) in realised capital resources</b>		<b>(1,924)</b>	2
12,252	Gains/(losses) on revaluation of fixed assets	(13,646)		3
<b>12,252</b>	<b>Total increase/(decrease) in unrealised value of fixed assets</b>		<b>(13,646)</b>	3
<b>(3,051)</b>	<b>Value of assets sold, disposed of or decommissioned</b>		<b>(1,477)</b>	4
2,976	Capital resources set aside	4,143		5
370	Movement on Government Grants Deferred	440		5
<b>3,346</b>	<b>Total increase/(decrease) in amounts set aside to finance capital investment</b>		<b>4,583</b>	5
<b>(2,051)</b>	<b>Total recognised gains and losses</b>		<b>(12,652)</b>	

# statement of total movements in reserves 2005/2006



## Notes to the Statement of Total Movements in Reserves

### 1. Movements in Revenue Resources

	General Fund Balances £'000	HRA Balances £'000	Earmarked Reserves £'000	Pensions Reserve £'000
Surplus/(deficit) for 2005/06	84	150		
Appropriations to/(from) revenue	0	0	(609)	11
Actuarial gains and losses relating to pensions				176
	84	150	(609)	187
Balance brought forward at 1 April 2005	1,000	443	1,829	(22,223)
<b>Balance carried forward at 31 March 2006</b>	<b>1,084</b>	<b>593</b>	<b>1,220</b>	<b>(22,036)</b>

### 2. Movements in realised capital resources

	Usable capital receipts £'000	Unapplied capital grants & contributions £'000
Amounts receivable in 2005/06	4,726	2,348
Amounts payable to the housing capital receipts pool	(685)	0
Amounts applied to repay debt in 2005/06	0	0
Amounts applied to finance new capital investment in 2005/06	(5,964)	(2,348)
<b>Total increase/(decrease) in realised capital resources in 2005/06</b>	<b>(1,923)</b>	<b>0</b>
Balance brought forward at 1 April 2005	3,061	0
<b>Balance carried forward at 31 March 2006</b>	<b>(a) 1,138</b>	<b>0 (b)</b>

(a) See Note 19 to the Consolidated Balance Sheet – Usable Capital Receipts Reserve.

(b) Capital grants and contributions totalling £143,950 are included within Sundry Creditors (2004/05 £439,752). See Note 11 to the Consolidated Balance Sheet. S106 contributions from various developers totalling £5,759,767 are included within Deferred Liabilities (2004/05 £5,578,162). See Note 13 to the Consolidated Balance Sheet.

### 3. Movements in unrealised value of fixed assets

	Fixed asset restatement account £'000
Gains/(losses) on revaluation of fixed assets in 2005/06	(13,646)
<b>Total increase/(decrease) in unrealised capital resources in 2005/06</b>	<b>(13,646)</b>

# statement of total movements in reserves 2005/2006



4. Value of Assets sold, disposed of or decommissioned	Fixed asset restatement account £'000
Amounts written off fixed asset balances for disposals in 2005/06	(1,477)
Total movement on reserve in 2005/06	(15,123)
Balance brought forward at 1 April 2005	69,061
<b>Balance carried forward at 31 March 2006</b>	(c) <b>53,958</b>

(c) See Note 16 to the Consolidated Balance Sheet – Fixed Asset Restatement Account

## 5. Movements in amounts set aside to finance capital investment

	Capital Financing Account £'000	Government Grants Deferred £'000	Total £'000
Capital receipts set aside in 2005/06			
- reserved receipts	0		0
- usable receipts applied	5,965		5,965
- write down of deferred debtors	(6)		(6)
<b>Total capital receipts set aside in 2005/06</b>	<b>4,083</b>	<b>0</b>	<b>4,083</b>
Revenue resources set aside in 2005/06			
- capital expenditure financed from revenue	2,048		2,048
- reconciling amount for provisions for loan repayment	(1,963)		(1,963)
<b>Total revenue receipts set aside in 2005/06</b>	<b>202</b>	<b>0</b>	<b>202</b>
Grants applied to capital investment in 2005/06	883	627	1,510
Amounts credited to the asset management revenue account in 2005/06	(2,784)	(187)	(2,971)
<b>Movement on Government Grants Deferred</b>	<b>(1,901)</b>	<b>440</b>	<b>(1,461)</b>
<b>Total increase/(decrease) in amounts set aside to finance capital investment</b>	<b>2,976</b>	<b>370</b>	<b>3,346</b>
Balance brought forward at 1 April 2005	28,728	959	
<b>Balance carried forward at 31 March 2006</b>	(d) <b>32,870</b>	(e) <b>1,399</b>	

(d) See Note 17 to the Consolidated Balance Sheet – Capital Financing Account.

(e) See Note 18 to the Consolidated Balance Sheet – Deferred Government Grants and Contributions.

# statement of total movements in reserves 2005/2006



**6. Actuarial Gains and Losses**

The actuarial gains identified as movements on the Pensions Reserve in 2005/06 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2006:

	<b>£'000</b>	<b>%</b>	
Differences between the expected and actual returns on assets	8,214	13.7	of assets
Differences between actuarial assumptions about liabilities and actual experience	(1,445)	1.8	of liabilities
Changes in the demographic and financial assumptions used to estimate liabilities	<u>(6,593)</u>	8.0	of liabilities
	<u>176</u>	0.2	of liabilities
 Comparative total for 2004/05	 <u>(13,173)</u>		

# cash flow statement



## CASH FLOW STATEMENT

FOR YEAR ENDED 31 MARCH 2006

2004/05 £'000	Revenue Activities	2005/06 £'000	Notes
	<b>Cash Outflows</b>		
11,820	Cash paid to and on behalf of employees	13,345	
22,562	Other operating cash payments	18,740	
8,386	Housing benefit paid out	8,931	
16,097	National non-domestic rate payments to national pool	18,740	
38,018	Precepts paid	39,017	
	<b>Income</b>		
(3,392)	Rents (after rebates)	(3,420)	
(38,979)	Council tax income	(40,211)	
(2,760)	National non-domestic rate receipts from national pool	(2,946)	3
(16,288)	Non-domestic rate receipts	(17,715)	
(3,508)	Revenue support grant	(3,705)	3
(11,806)	Department for Work and Pensions (DWP) grants for benefits	(12,260)	3
(3,893)	Other government grants	(4,955)	3
(9,951)	Cash received for goods and services	(8,726)	
(4,187)	Other revenue cash payments/income	(2,157)	
2,119		2,678	1
	<b>Servicing of Finance</b>		
	<b>Cash Outflows</b>		
26	Interest paid	46	
-	Interest element of finance lease rental payments	-	
	<b>Income</b>		
(258)	Interest received	(371)	
(232)		(325)	
	<b>Capital Activities</b>		
	<b>Cash Outflows</b>		
7,319	Purchase of fixed assets and other capital expenditure	8,334	
	<b>Income</b>		
(3,837)	Sale of fixed assets	(4,576)	
(2,951)	Capital grants received	(1,993)	3
(218)	Other capital cash income	(111)	
313		1,654	
2,200	<b>Net cash (inflow)/outflow before financing</b>	4,007	
	<b>Financing</b>		
	<b>Cash Outflows</b>		
3,000	Repayments of amounts borrowed	-	
-	Capital element of finance lease rental payments	-	
	<b>Income</b>		
-	New loans raised	(7,500)	
3,000		(7,500)	
5,200	<b>Decrease/(increase) in cash and cash equivalents</b>	(3,493)	2

# notes to the cash flow statement



## 1. RECONCILIATION OF REVENUE DEFICIT TO NET CASH FLOW

	£'000	£'000
Surplus/(Deficit) for the year		609
Non-Cash Transactions:		
Capital	(1,714)	
Contribution from Reserves	375	
Contribution from Provisions	264	
Government Grants Deferred	187	(888)
Items on an Accrual Basis		
Increase in Creditors	560	
Increase in Debtors	(2,688)	
Increase in Stocks and Work-In-Progress	65	(2,063)
Items in Another Classification		
Servicing of Finance		(325)
Other Revenue Activities		(12)
Net cash from revenue activities		(2,678)


2. The net decrease in cash and cash equivalents of £3.493 million is reconciled to the Consolidated Balance Sheet on the following basis:

	Balance at 01/04/05 £'000	Balance at 31/03/06 £'000	Movement in the year £'000
Cash in hand	213	177	(36)
Bank	(1,411)	445	1,856
Short term investments	-	1,674	1,674
Increase/(Decrease) in cash and cash equivalents			3,493

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

	£'000	£'000
Revenue		
NNDR Receipt from Pool		2,946
Revenue Support Grant		3,705
DWP Grants for Benefits		12,260
Other Government Grants:		
• Council Tax Benefits	4,777	
• Housing Revenue Account Subsidy	(1,136)	
• Benefits Administration	587	
• NNDR Administration	120	
• Home Office Community Safety Grants	188	
• DEFRA Paper Collection Grants	35	
• Supporting People Administration	-	
• Cycling Projects Fund	-	
• Planning Delivery Grant	385	
• House Renovation Grant Subsidy	-	4,955
Capital		
Housing Capital Grants	1,766	
Other Capital Grants	227	
Lottery Grant	-	1,993
Total Government Grants Received		25,859

# collection fund

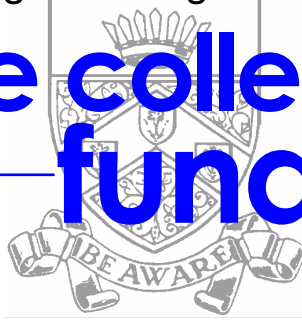


## THE COLLECTION FUND REVENUE ACCOUNT

FOR YEAR ENDED 31 MARCH 2006

Actuals 2004/05 £'000		£'000	£'000	Note
	<b>Income</b>			
38,207	Income from Council Tax		40,017	
4,522	<i>Transfers from General Fund:</i>			
(1)	Council Tax Benefits	4,693		
4,521	Transitional Relief	-	4,693	
-	Contributions Towards Council Tax Benefits		-	
17,283	Income Collectable from Business Ratepayers		18,235	2
<b>60,011</b>	<b>Total Income</b>		<b>62,945</b>	
	<b>Expenditure</b>			
	<i>Precepts and Demands:</i>			
31,797	Lancashire County Council	32,782		
5,714	Chorley Borough Council	6,057		
3,454	Lancashire Police Authority	3,716		
1,702	Lancashire Combined Fire Authority	1,797	44,352	
42,667				
	<i>Business Rate:</i>			
17,164	Payment to National Pool	18,116		
119	Costs of Collection to the General Fund	119	18,235	2
17,283				
110	Bad and Doubtful Debts			
(916)	Write Offs	197		
(806)	Provision	(47)	150	
801	<i>Contributions:</i>			
48	Distribution of Estimated Collection Fund Surplus	357		5
849	Adjustment of Previous Years Community Charges	-	357	
<b>59,993</b>	<b>Total Expenditure</b>		<b>63,094</b>	
18	<b>Surplus/(Deficit) for the year</b>		(149)	
506	<b>Surplus brought forward as at 1 April 2005</b>		524	
524	<b>Surplus carried forward as at 31 March 2006</b>		375	

# notes to the collection fund



## 1. GENERAL

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

## 2. INCOME FROM BUSINESS RATES

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

There have been significant changes to the non-domestic rates system for the financial year 2005/06 the first being the 2005 revaluation. Since business rates began in 1990 there have been revaluations of the rateable values every five years. The latest revaluations take effect from 1 April 2005 with the total rateable value of business premises in the Council's area on the 01 April 2005, as notified by the Valuation Office Agency, being £51,568,837 (£43,764,995 on 31 March 2005). But this will not lead to an increase in yield due to a decrease in the non-domestic rating multiplier. In addition a second, lower small business non-domestic rating multiplier has been introduced for small businesses.

The total rateable value of business premises in the Council's area on 31 March 2006 is £52,799,390 (£43,764,995 on 31 March 2005) and the non-domestic rating multiplier for the 2005/06 financial year is 42.2 pence, or 41.5 pence for small businesses (45.6 pence in 2004/05 for all businesses).

## 3. COUNCIL TAX BASE

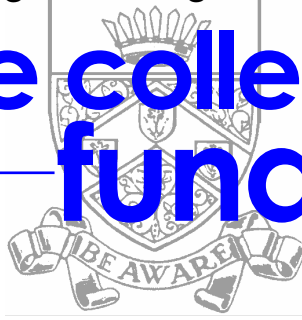
The gross amount of Council Tax payable for a property is based upon a band allocated to it by the Listing Officer, who is an official of the Valuation Office Agency. There are 8 bands, A to H, and each band attracts a different level of Council Tax based on the charge at band D.

The Council set a band D Council Tax of £1,254.71. 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	13,834	11,562.75	7,706.80
B	7/9	9,720	8,669.50	6,742.90
C	8/9	8,245	7,546.00	6,707.60
D	1	5,480	5,107.25	5,107.30
E	11/9	4,128	3,909.50	4,778.30
F	13/9	1,631	1,549.50	2,238.20
G	15/9	714	672.75	1,121.30
H	18/9	62	42.25	84.50
		43,814	39,060.00	34,486.90
Plus adjustments for anticipated changes to the base and losses on collection				9.90
Band D Equivalent Number of Properties				34,496.80



# notes to the collection fund



## 4. BAND D COUNCIL TAX

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

	£
Lancashire County Council Precept	32,781,846
Lancashire Police Authority Precept	3,715,992
Lancashire Combined Fire Authority Precept	1,797,251
Chorley Borough Council Requirement	4,988,111
<b>TOTAL TO BE MET FROM COUNCIL TAX</b>	<b>43,283,200</b>
Divided by Council Tax Base	34,496.80
Band D Council Tax	1,254.71

The Chorley Borough Council requirement on the Collection Fund excludes parish precepts.

## 5. DISTRIBUTION OF ESTIMATED COLLECTION FUND SURPLUS

Each January the Council estimates what the Collection Fund balance will be on 31 March. If there is an estimated surplus on 31 March, it has to be shared between the Council and the major precepting authorities during the following financial year. Chorley Borough Council estimated there would be a Collection Fund surplus of £357,455 on 31 March 2005, which was distributed in 2005/06 as follows:

	£'000
Chorley Borough Council	48
Lancashire County Council	266
Lancashire Police Authority	29
Lancashire Combined Fire Authority	14
	357

The estimated Collection Fund surplus for 2005/06 was £452,775. This will be distributed to the precepting authorities in 2006/07 in proportion to the value of their respective precepts on the Collection Fund.

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# glossary



## ACCOUNTING STANDARDS BOARD (ASB)

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

## ACCRUALS

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

## AGENCY SERVICES

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

## ASSET MANAGEMENT REVENUE ACCOUNT (AMRA)

An account that the Council is required to maintain under the new capital accounting arrangements, which apply from 1994/95 onwards. All principal repayments and interest charges on loans are charged to the account.

## 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.

## BUDGET

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

## CAPITAL EXPENDITURE

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

## CAPITAL RECEIPTS

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

## CAPITAL RECEIPTS UNAPPLIED

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

## COLLECTION FUND

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

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# glossary

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## **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.

## **CONSOLIDATED BALANCE SHEET**

The combined fund balance sheets of the Council.

## **CONTINGENT ASSET**

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

## **CONTINGENT LIABILITY**

A contingent liability is either:

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

## **COST OF MANAGEMENT AND ADMINISTRATION**

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

## **CREDITOR**

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

## **CURRENT COSTS ACCOUNTING (CCA)**

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

## **DEBT REDEMPTION**

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

## **DEBTOR**

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

## **DEFERRED CAPITAL RECEIPTS**

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

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# glossary

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## **DEFERRED CHARGES**

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

## **DEPRECIATION**

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

## **FINANCIAL REPORTING STANDARD (FRS) 17**

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

## **FIXED ASSETS**

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

## **GENERAL FUND**

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

## **HOUSING REVENUE ACCOUNT (HRA)**

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

## **INFRASTRUCTURE ASSETS**

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

## **INTANGIBLE ASSETS**

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

## **LEASING**

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

## **LOANS OUTSTANDING**

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

## **MAJOR REPAIRS ALLOWANCE (MRA)**

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

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# glossary

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## **MAJOR REPAIRS RESERVE (MRR)**

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

## **MINIMUM REVENUE PROVISION (MRP)**

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

## **NATIONAL NON-DOMESTIC RATES (NNDR)**

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

## **NET BOOK VALUE**

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

## **NON-OPERATIONAL ASSETS**

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

## **OPERATIONAL ASSETS**

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

## **PRECEPT**

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

## **PROVISION**

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

## **PUBLIC WORKS LOAN BOARD (PWLB)**

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

## **RENT ALLOWANCE**

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

## **RENT REBATE**

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

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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.

## SECTION 137 EXPENDITURE

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

## STATEMENT ON INTERNAL CONTROL (SIC)

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

## STATEMENT OF RECOMMENDED PRACTICE (SORP)

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

## STATEMENT OF STANDARD ACCOUNTING PRACTICE (SSAP) 9

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



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