Town Hall
Market Street
Chorley
Lancashire
PR7 1DP

27 June 2011

Dear Councillor

AUDIT COMMITTEE - THURSDAY, 30TH JUNE 2011

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

Agenda No	**Item**
4.	**Treasury Management Annual Report** **(Pages 49 - 54)** Report of Director of Transformation (enclosed).
6.	**Draft Core Financial Statements 2010/11** **(Pages 55 - 66)** Report of Director of Transformation (enclosed).

Yours sincerely

Donna Hall

Donna Hall CBE
Chief Executive

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

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

Chorley Council

Report of	Meeting	Date
Director of Transformation	Audit Committee	30 June 2011

TREASURY MANAGEMENT ANNUAL REPORT 2010/11

PURPOSE OF REPORT

1. One of the changes in the regulatory environment concerning treasury management is that a greater onus is placed on members to scrutinise treasury policy and activity. To enable that, each year the Council is required to consider three treasury reports. These consist of an annual strategy statement in advance of the year (Council 2/3/10), a mid year review of that strategy (Executive Cabinet 11/11/2010), and finally this out-turn report. An additional report on quarter 1activity was submitted to Executive cabinet on August 12.

RECOMMENDATION(S)

2. Members are asked to note the report

EXECUTIVE SUMMARY OF REPORT

3. The report advises that Prudential and Treasury Indicators were complied with and that the return on investments totalled 0.65% which exceeded the benchmark of 0.43%. Details of borrowings are given and the situation with regard to the Icelandic investments is updated.

CORPORATE PRIORITIES

4. This report relates to the following Strategic Objectives:

Strong Family Support		Education and Jobs	
Being Healthy		Pride in Quality Homes and Clean Neighbourhoods	
Safe Respectful Communities		Quality Community Services and Spaces	
Vibrant Local Economy		Thriving Town Centre, Local Attractions and Villages	
A Council that is a consistently Top Performing Organisation and Delivers Excellent Value for Money			X

DETAIL

5. **<u>Prudential Indicator Capital Expenditure and Financing 2010/11</u>**
A comprehensive report on the capital out-turn has been separately submitted to Executive Cabinet. Expenditure in the year was significantly less than that originally estimated, a fact which has had important consequences for cash balances and investments. These are commented on below.

6. **Prudential Indicator The Capital Financing Requirement (CFR)**
The CFR is a measure of the capital expenditure of the Council which is still to be paid for. Such expenditure will currently be met by borrowing or by temporarily using internal cash balances. Ultimately however it has to be paid for and will be a charge to Council tax payers.

	Original Estimate £000	Actual £000
Capital Financing Requirement at 1 April 2010	9,823	9,674
Change in year – prudential borrowing	613	62
- MRP	(457)	(412)
- Voluntary MRP		(719)
CFR at 31 March 2011	**9,979**	**8,605**

It will be seen that the CFR has reduced as a result of the reduced prudential borrowing and the voluntary set aside of MRP under the Council's debt reduction strategy.

7. **Prudential Indicator The CFR and Borrowing**
The Prudential Code requires that borrowing, net of investments, should be compared to the CFR, and should not exceed not only the current years CFR but also the anticipated increase in the next two years. As at 31 March 2011net borrowing is a negative figure (i.e invested cash exceeds borrowing by £0.303m) and is thus well below the CFR.

8. **Compliance with Borrowing Limits**
The Prudential Indicators include two borrowing limits.
The Operational Boundary is the expected borrowing position. This was set at £9.4m and has not been exceeded.
The Authorised Limit is the limit, set by the Council itself, required by Section 3 of the Local Government Act 2003. The Council does not have power to exceed it. This was set at £9.979m and has not been exceeded.

9. **Prudential Indicator Ratio of Financing Costs to the Revenue Stream**
This indicator shows what percentage of the Council's income from Government grants and council tax has been used to meet interest costs and debt repayment.
As a result of the increase in MRP reported above, this has increased from 3.93% to an out-turn figure of 7.55%.

10. **Prudential Indicator Incremental impact of capital investment decisions**
This indicator seeks to assess the impact on Council Tax payers of changes in the capital programme. The original estimated impact on Band D charges was £3.49 pa. The reduced programme has reduced this to £0.99

11. **Treasury Position as at 31 March 2011**

	Estimated value as at 31 March 2011 £000	Actual value as at 31 March 2011 £000
Borrowing at period start	2,266	2,266
Borrowing repaid in year	(1,366)	(1,541)
Borrowing in year	8,500	8,146
Interest accrued		52
Total borrowing at period end	**9,400**	**8,923**
Investments excluding Iceland deposit	**Nil**	**9,226**
Icelandic investment		

12. **Borrowings**
During the year two borrowings were made, £5m in May 2010 and £3.146m in August. The amount taken was less than that estimated to avoid temporarily exceeding the approved treasury limit. The second borrowing is repayable by instalments rather than on maturity, hence the fact that repayments exceeded the estimate

13. **Treasury Indicator Upper limit on fixed rate exposure**
The Council is exposed to fixed interest rates on its borrowings. The indicator for 2010/11 was £9.9m and has not been breached.

14. **Investments**
There has been a significant increase in the value of investments. It was anticipated that these would have reduced to nil by year end, but in fact they totalled £9.23m. The reasons for this are as follows:

	£m
Reduced capital expenditure, from an estimated £8.64m to £2.29m	6.35
Movements in debtor and creditor balances	1.48
General Fund surplus for the year	0.74
Other – including receipts of grants and contributions	0.66
Total movement	**9.23**

Consistent with this the average amount invested significantly exceeded the forecast position (see below).

Throughout the year bank rate remained at its historical low of 0.5%, although growing market expectations of imminent monetary tightening saw 6 to 12 month rates picking up.

The following table summarises investment activity and returns in 2010/11

Details	Average daily Investment £'000	Interest Earned £	Average Rate %
Money Market Funds	1,686	9,384	0.56
Short Term deposits	0.825	12,015	1.46
Call accounts	5,933	45,685	0.77
Debt Management Office (DMO)	3,175	7,936	0.25
Total	**11,619**	**75,020**	**0.65**

The performance benchmark is the London 7 day Inter-Bank Bid Rate (LIBID). This averaged 0.43% over the year

15. **Treasury Indicator Upper limit on exposure to variable interest rates**
The Council is exposed to variable interest rates only on its invested cash. Consistent with the expectation that the amounts available for investment would reduce to nil over the year, this limit was set at £10m, being 100% of the anticipated peak level of investments. In fact investments averaged £11.6m and peaked at £19.6m. In cash terms the limit was exceeded, but not in percentage terms.

16. **Icelandic Investments**
In April the long awaited judgement of the Icelandic courts was delivered, upholding the priority status of Local Authority deposits. This is still subject to further challenge in the Icelandic Supreme Court, and repayments are frozen until this is resolved (expected late autumn).
The book value of the Council's investment at 31/3/2011 was £1.57m. This was after the following in year transactions. Please note that the 'book value' below is the value that we are required to include in the accounts. This is not the same as the actual amount that will be received which is currently expected to be £1.965m.

	£000
Balance as at 1 April 2010	£000
Interest accrued during the year	1.489
Additional impairment	0.088
Total	**(0.007)**
	1.570

17. **<u>The economy and Interest rates</u>**
The review of the year provided by the Council's consultant is at Appendix A

18. **<u>Treasury Advisors</u>**
2010/11 was the first of the three years covered by the contract with Sector Treasury Services. The significant event in the year was the merger between Sector and its biggest competitor, Butlers.

IMPLICATIONS OF REPORT

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

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

COMMENTS OF THE STATUTORY FINANCE OFFICER

20. This report meets statutory requirements. Its statistical content is consistent with the Council's financial accounts for the year 2010/11

GARY HALL
DIRECTOR OF TRANSFORMATION

Report Author	Ext	Date	Doc ID
G Whitehead	5485	May 2011	***

Background Papers			
Document	**Date**	**File**	**Place of Inspection**
Treasury Management Strategy Treasury monitoring report Treasury mid year review	2/3/10 12/8/10 11/11/10		Town Hall

Appendix A - The Economy and Interest Rates

2010/11 proved to be another watershed year for financial markets. Rather than a focus on individual institutions, market fears moved to sovereign debt issues, particularly in the peripheral Euro zone countries. Local authorities were also presented with changed circumstances following the unexpected change of policy on Public Works Loan Board (PWLB) lending arrangements in October 2010. This resulted in an increase in new borrowing rates of 0.75 – 0.85%, without an associated increase in early redemption rates. This made new borrowing more expensive and repayment relatively less attractive.

UK growth proved mixed over the year. The first half of the year saw the economy outperform expectations, although the economy slipped into negative territory in the final quarter of 2010 due to inclement weather conditions. The year finished with prospects for the UK economy being decidedly downbeat over the short to medium term while the Japanese disasters in March, and the Arab Spring, especially the crisis in Libya, caused an increase in world oil prices, which all combined to dampen international economic growth prospects.

The change in the UK political background was a major factor behind weaker domestic growth expectations. The new coalition Government struck an aggressive fiscal policy stance, evidenced through heavy spending cuts announced in the October Comprehensive Spending Review, and the lack of any “giveaway” in the March 2011 Budget. Although the main aim was to reduce the national debt burden to a sustainable level, the measures are also expected to act as a significant drag on growth.

Gilt yields fell for much of the first half of the year as financial markets drew considerable reassurance from the Government’s debt reduction plans, especially in the light of Euro zone sovereign debt concerns. Expectations of further quantitative easing also helped to push yields to historic lows. However, this positive performance was mostly reversed in the closing months of 2010 as sentiment changed due to sharply rising inflation pressures. These were also expected (during February / March 2011) to cause the Monetary Policy Committee to start raising Bank Rate earlier than previously expected.

The developing Euro zone peripheral sovereign debt crisis caused considerable concerns in financial markets. First Greece (May), then Ireland (December), were forced to accept assistance from a combined EU / IMF rescue package. Subsequently, fears steadily grew about Portugal, although it managed to put off accepting assistance till after the year end. These worries caused international investors to seek safe havens in investing in non-Euro zone government bonds.

Deposit rates picked up modestly in the second half of the year as rising inflationary concerns, and strong first half growth, fed through to prospects of an earlier start to increases in Bank Rate. However, in March 2011, slowing actual growth, together with weak growth prospects, saw consensus expectations of the first UK rate rise move back from May to August 2011 despite high inflation. However, the disparity of expectations on domestic economic growth and inflation encouraged a wide range of views on the timing of the start of increases in Bank Rate in a band from May 2011 through to early 2013. This sharp disparity was also seen in MPC voting which, by year-end, had three members voting for a rise while others preferred to continue maintaining rates at ultra low levels.

Risk premiums were also a constant factor in raising money market deposit rates beyond 3 months. Although market sentiment has improved, continued Euro zone concerns, and the significant funding issues still faced by many financial institutions, mean that investors remain cautious of longer-term commitment. The European Commission did try to address market concerns through a stress test of major financial institutions in July 2010. Although only a small minority of banks “failed” the test, investors were highly sceptical as to the robustness of the tests, as they also are over further tests now taking place with results due in mid-2011.

Chorley Council

Report of	Meeting	Date
Director of Transformation	Audit Committee	30 June 2011

DRAFT CORE FINANCIAL STATEMENTS FOR YEAR ENDING 31 MARCH 2011

PURPOSE OF REPORT

1. To report a draft summary of the Core Financial Statements plus key messages that will form part of the Council's year end Statutory Statement of Accounts (SOA) for 2010/11 for information purposes.

RECOMMENDATION(S)

2. That Governance Committee Members are asked to note the contents of the report.

EXECUTIVE SUMMARY OF REPORT

3. This is the first year in which these statements have been produced in compliance with the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11, (The Code), which is based on International Financial Reporting Standards. This has resulted in some significant changes in both the approval process and format:-

- In previous years the Governance Committee were required to approve the SOA before 30th June before it was inspected by external auditors to be returned back to the committed for final approval prior to 30th September.
- This year the Chief Financial Officer approves the SOA prior to 30th June and the Governance Committee Members approve the document after the external inspection by 30th September. The SOA will be made available to members for comment during the period of inspection.
- There will also be changes to the appearance and format of the statements and notes. It has meant that the statements for the previous year have had to be restated in order to enable a consistent comparison to be made between the years.

4. The main changes in the figures are:

- inclusion of an accrual for holiday entitlement outstanding at 31/3/2011 (£125k)
- the reclassification of two leases as finance leases. This has resulted in the deletion of two fixed assets and the introduction of long term debtors, but there is only a negligible impact on the revenue account.
- government grants and other contributions towards capital expenditure (totalling £0.931m in 2010/11 and £1.461m in 2009/10) now appear directly in the Comprehensive Income and Expenditure Statement in the year of receipt.

Previously these amounts were released as income, over time, as assets were depreciated.

5. It is important to note that theses changes do not impact on the charges to council tax payers. Regulations require compensating adjustments to be made.

CORPORATE PRIORITIES

6. This report relates to the following Strategic Objectives:

Strong Family Support		Education and Jobs	
Being Healthy		Pride in Quality Homes and Clean Neighbourhoods	
Safe Respectful Communities		Quality Community Services and Spaces	
Vibrant Local Economy		Thriving Town Centre, Local Attractions and Villages	
A Council that is a consistently Top Performing Organisation and Delivers Excellent Value for Money			✓

BACKGROUND

7. The Code of Practice on Local Authority Accounting in the United Kingdom (the code) specifies the principles and practices of accounting required to give a “true and fair” view of the financial position and transactions of the Council and required by the Local Government Act 2003.

8. The Core Financial Statements are set out in Appendix One and consist of the following:-

- Movement in Reserves Statement
- Comprehensive Income and Expenditure Statement
- The Balance Sheet
- Cash Flow Statement
- Collection Fund Account
- Annual Governance Statement
- Notes to the Main Financial Statements
- Statement of Responsibilities for the Statement of Accounts

9. Each Statement appears in Appendix One below with an explanation of what the Statements shows plus the salient points to note at this stage

<u>2010/11 Financial Out-turn Position</u>

10. This report relates directly to the Provisional Revenue Out-turn 2010/11 and Capital Programme Provision Out-turn 201011 reports. The Executive Summary of each of the reports are replicated below. If Members require more detailed information, please follow the links below.

Executive Summary Capital Outturn

11. Council of 1st March 2011 approved revisions to the 2010/11 Capital Programme, to change the current estimate to £4,587,240, as indicated in column (1) of Appendix 1. After taking account of reductions in capital expenditure of £307,112 and rephasing of expenditure of £1,994,937, the provisional outturn for 2010/11 is £2,285,190, as presented in column (5) of Appendix 1.

12. In addition to the £1.995 million expenditure rephased from 2010/11 to 2011/12, the 2011/12 Capital Programme should also be increased by £3,770 brought forward from 2012/13 to reflect the revised phasing of purchases of gazebos for the Flat Iron Market.

13. The Capital Programme for 2011/12 should also be increased by a net total of £362,720, as presented in column (3) of Appendix 2. Of this total, £449,720 is in respect of budgets which could be increased or added to the programme as a result of receiving additional Government grants or developers' contributions. For accounting reasons, the £50,000 budget for dilapidation repairs at Coppull Leisure Centre should be transferred to the revenue account budget in 2011/12, and revenue financing of the capital programme should be reduced to match, so that the effect on revenue and capital budgets is neutral.

14. The Capital Programme for 2012/13 should be reduced by £3,770, as shown in Column (6) of Appendix 2. This is because the budget provision is required in 2011/12 in order to implement Phase 2 of the Flat Iron Market gazebos project.

15. There are no changes at this stage to the 2013/14 Capital programme.

    In accordance with the Council's strategy of reducing the debt incurred for financing of capital expenditure in previous years, £0.719 million has been set aside voluntarily in addition to the Minimum Revenue Provision for debt reduction charged to the revenue budget each year. This has been achieved by applying VAT Shelter Income and revenue account savings in 2010/11, in order to reduce the charge to the revenue budget for repaying debt in subsequent years.

Executive Summary Revenue Outturn

16. In December I reported on the financial position of the Council as compared against the budgets and efficiency savings targets for 2010/11. At that time I reported that the full savings target of £360,000 had already been achieved. Further savings have been achieved during the remainder of the year and these have helped to offset one-off costs associated with the recent directorate restructures.

17. The provisional outturn shows the Council's initial net expenditure at the end of the year to be £505,000 below budget. However, this figure includes budgeted underspends to the value of £169,000 on committed items where slippage requests have been received to carry forward resources to 2011/12. After taking slippage into account, the outturn shows an underspend of £336,000 against the budget reflecting a further reduction of £244,000 from the position reported in December.

18. The Council's Medium Term Financial Strategy proposed that working balances were to be no lower that £2.0m due to the financial risks facing the Council. I am pleased to report that the level of balances proposed at 31 March 2011 will exceed the minimum of £2.0m by £0.077m. This puts the Council in a strong position for the start of the next financial period.

19. Please click below for the Capital Programme Provisional Outturn 2010/11 and Monitoring 2011/12 - 2013/14 report and appendices
    http://democracy.chorley.gov.uk/mgConvert2PDF.aspx?ID=18795,
    http://democracy.chorley.gov.uk/mgConvert2PDF.aspx?ID=18796,
    http://democracy.chorley.gov.uk/mgConvert2PDF.aspx?ID=18797

20. Please click below for the Provisional Revenue Outturn 2010/11 report and appendices
http://democracy.chorley.gov.uk/mgConvert2PDF.aspx?ID=18817
http://democracy.chorley.gov.uk/mgConvert2PDF.aspx?ID=18777
http://democracy.chorley.gov.uk/mgConvert2PDF.aspx?ID=18778

IMPLICATIONS OF REPORT

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

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

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

GARY HALL
DIRECTOR OF TRANSFORMATION

There are no background papers to this report.

Report Author	Ext	Date	Doc ID
Gordon Whitehead	5485	June 2011	

APPENDIX ONE

DRAFT SUMMARY CORE FINANCIAL STATEMENTS

Movement in Reserves Statement

The statement shows the levels of reserves, and movements therein. They, in part, indicate the underlying financial strength of the Council.

This statement distinguishes usable from unusable reserves. "Usable" are available to fund expenditure or reduce local taxation. Unusable includes the Revaluation Reserve (holding unrealised gains in property values), and other reserves holding amounts arising from differences between the accounting basis used in compiling the Comprehensive Income and Expenditure Statement and the statutory basis prescribed for taxation purposes.

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

	Useable Reserves						
	General Fund £'000	**Earmarked Reserves £'000**	**Capital Receipts Reserve £'000**	**Capital Grants & Contribtns £'000**	**Total Useable Reserves £'000**	**Unusable Reserves £'000**	**TOTAL RESERVES £'000**
Balance 31 March 2009	**(1,601)**	**(1,319)**	**(680)**	**(5,690)**	**(9,290)**	**(5,480)**	**(14,770)**
Movement in 2009/10							
Deficit on provision of service	2,993	0	0	0	**2,993**	0	**2,993**
Other comprehensive income & expenditure	0	0	0	0	**0**	10,633	**10,633**
Total Comprehensive Income & Expenditure	**2,993**	**0**	**0**	**0**	**2,993**	**10,633**	**13,626**
Adjustments between accounting basis & funding basis	(3,227)	0	680	612	**(1,935)**	1,935	**0**
Net change before transfers to/(from) earmarked reserves	**(234)**	**0**	**680**	**612**	**1,058**	**12,568**	**13,626**
Transfers to/(from) earmarked reserves	172	(172)	0	0	**0**	0	**0**
(Increase)/Decrease in year	**(62)**	**(172)**	**680**	**612**	**1,058**	**12,568**	**13,626**
Balance 31 March 2010	**(1,663)**	**(1,491)**	**0**	**(5,078)**	**(8,232)**	**7,088**	**(1,144)**

	Useable Reserves						
	General Fund £'000	**Earmarked Reserves £'000**	**Capital Receipts Reserve £'000**	**Capital Grants & Contribtns £'000**	**Total Useable Reserves £'000**	**Unusable Reserves £'000**	**TOTAL RESERVES £'000**
Movement in 2010/11 (Surplus) on provision of service	(4,029)	0	0	0	**(4,029)**	0	**(4,029)**
Other comprehensive income & expenditure	0	0	0	0	**0**	(7,591)	**(7,591)**
Total Comprehensive Income & Expenditure	**(4,029)**	**0**	**0**	**0**	**(4,029)**	**(7,591)**	**(11,620)**
Adjustments between accounting basis & funding basis	3,292	0	(41)	(662)	**2,589**	(2,589)	**0**
Net change before transfers to/(from) earmarked reserves	**(737)**	**0**	**(41)**	**(662)**	**(1,440)**	**(10,180)**	**(11,620)**
Transfers to/(from) earmarked reserves	323	(323)	0	0	**0**	0	**0**
(Increase)/Decrease in year	**(414)**	**(323)**	**(41)**	**(662)**	**(1,440)**	**(10,180)**	**(11,620)**
Balance 31 March 2011	**(2,077)**	**(1,814)**	**(41)**	**(5,740)**	**(9,672)**	**(3,092)**	**(12,764)**

The salient points to note are:

- The surplus for the year is £4.029m. A number of items have however to be added or deleted in order to determine the amount to be included in assessing local taxation. These adjustments include many transactions relating to capital charges, pensions and the provision for debt repayment. They total £3.292m, leaving an effective surplus of £0.737m.
- Whilst the balances appear comfortably large at £9.7m, the major portion, £5.7m, can only be used for capital purposes. In many instances these resources are already committed to capital projects in progress.

The out-turn report gives a fuller report on activity and changes during the year

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices. This statement incorporates gains and losses which would have been shown in previous years in the Statement of Total Recognised Gains and Losses. The final line in the statement, "Total Comprehensive Income", reconciles to the movements in the year in Total Reserves of the Authority, as shown in the Balance Sheet.

2009/10				2010/11		
Gross Expenditure £'000	**Gross Income £'000**	**Net Expenditure £'000**		**Gross Expenditure £'000**	**Gross Income £'000**	**Net Expenditure £'000**
8,803	(7,028)	**1,775**	Central services to the public	8,856	(7,231)	**1,625**
15,116	(3,984)	**11,132**	Cultural, environmental, regulatory & planning services	17,003	(4,409)	**12,594**
2,454	(1,638)	**816**	Highways & transport services	1,739	(1,609)	**130**
23,096	(21,075)	**2,021**	Other housing services	23,476	(22,769)	**707**
2,345	(15)	**2,330**	Corporate democratic core	2,089	(116)	**1,973**
1,410	(978)	**432**	Non distributed costs	1,339	(1,042)	**297**
0	0	**0**	Exceptional Item	0	(5,584)	**(5,584)**
53,224	**(34,718)**	**18,506**	**Cost of Services**	**54,502**	**(42,760)**	**11,742**
603	(753)	**(150)**	Other operating expenditure	874	(1,609)	**(735)**
5,077	(3,283)	**1,794**	Financing & investment income & expenditure	5,384	(3,838)	**1,546**
0	0	**0**	Surplus or deficit of discontinued operations	0	0	**0**
0	(17,157)	**(17,157)**	Taxation & non-specific grant income	0	(16,582)	**(16,582)**
58,904	**(55,911)**	**2,993**	**(Surplus)/Deficit on provision of services**	**60,760**	(64,789)	**(4,029)**
		(29)	(Surplus)/deficit on revaluation of property, plant & equipment assets			**(1,435)**
		10,659	Actuarial (gains)/losses on pension assets & liabilities			**(6,156)**
		3	Other gains			**0**
		10,633	**Other Comprehensive Income & Expenditure**			**(7,591)**
		13,625	**TOTAL Comprehensive Income & Expenditure**			**(11,620)**

The salient points to note are:

- The two major items to note in this table are firstly the exceptional item of income of £5.58m. This is an adjustment to the estimated pension liabilities of the Council in respect of past employment. It has arisen because of the decision to base pension increases on CPI rather than RPI.
- The second major item is also pension related. The actuary has reassessed the assets and liabilities of the fund, as he does every year and made a net £6.1m reduction in liabilities. The combined effect of these and other pension changes is a reduction of £10.4m in the pension deficit. It now stands at £27.3m.
- As above, and shown in the reserves statement, only £0.7m of the total surplus is available for general Council Purposes.

The Balance Sheet

The Balance Sheet demonstrates the value of the assets and liabilities recognised by the Council. The total of these, the Net Assets, is matched by the authority's reserves, as shown in the lower part of the Balance Sheet.

1 April 2009 £'000	31 March 2010 £'000		31 March 2011 £'000
36,136	37,571	Property, plant & equipment	36,041
1,055	1,055	Investment property	1,123
509	544	Intangible assets	690
0	0	Assets held for sale	0
8	8	Long term investments	8
364	357	Long term debtors	352
38,072	**39,535**	**Total Long Term Assets**	**38,214**
1,595	1,490	Short term investments	4,577
0	0	Assets held for sale	0
41	41	Inventories	22
6,596	7,695	Short term debtors	6,913
3,349	0	Cash and cash equivalents	5,225
11,581	**9,226**	**Total Current Assets**	**16,737**
0	(82)	Cash and cash equivalents	0
(2,389)	(2,780)	Short term borrowing	(1,101)
(4,429)	(5,275)	Short term creditors	(4,887)
0	0	Provisions	0
0	0	Liabilities in disposal groups	0
(6,818)	**(8,137)**	**Total Current Liabilities**	**(5,988)**
0	0	Long term creditors	0
0	0	Provisions	0
(2,280)	(900)	Long term borrowing	(7,822)
(25,522)	(37,669)	Other long term liabilities	(27,291)
0	0	Net pension liability	0
0	0	Donated assets account	0
(263)	(911)	Capital grants receipts in advance	(1,086)
(28,065)	**(39,480)**	**Total Long Term Liabilities**	**(36,199)**
14,770	**1,114**	**NET ASSETS**	**12,764**
(9,290)	(8,232)	Usable Reserves	9,672
(5,480)	7,088	Unusable Reserves	3,092
14,770	**1,144**	**TOTAL RESERVES**	**12,764**

The salient points to note are:

- Borrowings have increased during the year in anticipation of committed capital expenditure. This policy was agreed in the Treasury Strategy, and the timing took advantage of extremely low interest rates during the year. This is the major factor causing the increase of £5.2m in cash balances (held in call accounts).
- As reported previously other long term liabilities have fallen as a result of the pension fund changes.

Cash Flow Statement

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

2009/10 £'000		2010/11 £'000
(2,993)	Net surplus or (deficit) on provision of services	4,030
1,910	Adjustments to net surplus or deficit on the provision of services for non cash movements	2,974
710	Adjustments for items reported separately on the cash flow statements	(4,215)
(373)	Net cash flows from Operating Activities	2,789
(2,618)	Investing Activities	(1,980)
(440)	Financing Activities	4,497
(3,431)	Net increase or (decrease) in cash & cash equivalents	5,306
3,349	Cash & cash equivalents at the beginning of the reporting period	(81)
(82)	**Cash & cash equivalents at the end of the reporting period**	**5,225**

Salient points

- Investing activities consist of an outflow of cash on capital expenditure (£1.8m) and treasury investments (£3m) offset by an inflow from capital grants, contributions and receipts.
- Financing activity consists primarily of the net inflow of cash from additional borrowings, net of repayments.

Collection Fund Account

This statement is relevant to organisations that act as collecting agent for other authorities, for example, police fire and county council. Its purpose is to reflect the statutory obligation for billing authorities to record transactions relating to the collection of Council Tax and Non-Domestic Rates, and their distribution to precepting authorities, the Government, and the Council itself.

2009/10			2010/11	
£'000	**£'000**		**£'000**	**£'000**
		INCOME		
	46,883	Income from Council Tax		47,578
		Transfers from General Fund		
6,244		Council Tax Benefits	6,482	
(1)		Transitional Relief	0	
	6,243			6,482
	22,681	Income Collectable from Business Ratepayers		20,956
	75,807	**TOTAL INCOME**		**75,016**
		EXPENDITURE		
		Precepts and Demands		
38,900		Lancashire County Council	39,017	
6,900		Chorley Borough Council	6,917	
4,987		Lancashire Police Authority	5,149	
2,318		Combined Fire Authority	2,241	
	52,978			53,324
		Distribution of Collection Fund Surplus/(Deficit)		
(91)		Lancashire County Council	(113)	
(16)		Chorley Borough Council	(20)	
(12)		Lancashire Police Authority	(15)	
(5)		Combined Fire Authority	(6)	
	(124)			(154)
	0	Adjustment to previous years Community Charge		0
		Business Rates		
22,556		Payment to National Pool	20,826	
125		Cost of Collection Allowance	130	
	22,681			20,956
		Bad and Doubtful Debts/Appeals		
123		Write Offs	97	
34		Provisions	315	
	157			412
	75,692	**TOTAL EXPENDITURE**		**74,538**
	115	Surplus/(Deficit) for the Year		478
	0	Surplus/(Deficit) at 1 April		0
	(15)	Transfer to/(from) Collection Fund Adjustment Account		(62)
	(100)	Net Transfer to Major Precept Debtor		(416)
	0	**Surplus/(Deficit) at 31 March**		**0**

The salient points to note are:

- The collection fund surplus is not income due to the Council. Although it is held by the Council it will be paid to the County, Police and Fire Authorities as well as this Council in proportion to the amounts they levy in the Council Tax.
- **<u>Collection rates</u>** – The proportion of taxation paid is closely monitored and managed, the collection rates over the two years are as follows and should be considered in line with the current economic climate:-

	2009/10 %	**20010/11 %**	**Increase/(Decrease) %**
Council Tax	98.4	98.4	**-**
NNDR	97.4	97.8	**0.4**

<u>Other Statements</u>

Annual Governance Statement – reported to committee within another item on the agenda.

Notes to the Main Financial Statements and the Statement of Responsibilities – to be contained in the Statement of Accounts for approval by the Chief Finance Office and available for member comment during the period of external inspection.

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