

Audit Committee

Agenda and Reports
for consideration on

**Thursday, 25th September
2008**

in Committee Room 1, Town Hall, Chorley

At 2.30 pm



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16 September 2008

Dear Councillor

AUDIT COMMITTEE - THURSDAY, 25TH SEPTEMBER 2008

You are invited to attend a meeting of the Audit Committee to be held in Committee Room 1, Town Hall, Chorley on Thursday, 25th September 2008 commencing at 2.30 pm.

AGENDA

1. **Apologies for absence**

2. **Declarations of Any Interests**

Members are reminded of their responsibility to declare any personal interest in respect of matters contained in this agenda. If the interest arises **only** as result of your membership of another public body or one to which you have been appointed by the Council then you only need to declare it if you intend to speak.

If the personal interest is a prejudicial interest, you must withdraw from the meeting. Normally you should leave the room before the business starts to be discussed. You do, however, have the same right to speak as a member of the public and may remain in the room to enable you to exercise that right and then leave immediately. In either case you must not seek to improperly influence a decision on the matter.

3. **Minutes (Pages 1 - 4)**

To confirm as a correct record the minutes of the meeting of the Audit Committee held on 26 June 2008 (enclosed).

4. **Delivering Efficiency and Value for Money - Reflecting back and looking forward (Pages 5 - 12)**

To receive and consider the enclosed report of the Assistant Chief Executive (Business Transformation) presented to the Executive Cabinet on 4 September 2008.

5. **Internal Audit Activities - Interim report up to 12 September 2008 (Pages 13 - 18)**

To consider the enclosed report of the Assistant Chief Executive (Business Transformation).

6. **Fraud and Corruption Risk Register (Pages 19 - 34)**

To consider the attached report of the Assistant Chief Executive (Business Transformation), enclosing a further explanatory report and action plan.

7. **Financial Statement of Accounts for 2007/08 (Pages 35 - 114)**

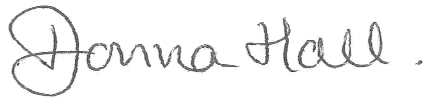
To receive and consider the enclosed report of the Assistant Chief Executive (Business Transformation) on the resubmission of the accounts for the year ended 31 March 2008, to which is attached the audited Financial Statement for the year.

8. **Annual Governance Report for 2007/08 (Pages 115 - 138)**

To receive and consider the Audit Commission's annual Governance Report for 2007/08 (enclosed).

9. **Any other item(s) that the Chair decides is/are urgent**

Yours sincerely



Donna Hall
Chief Executive

Tony Uren
Democratic Services Officer
E-mail: tony.uren@chorley.gov.uk
Tel: (01257) 515122
Fax: (01257) 515150

Distribution

1. Agenda and reports to all Members of the Audit Committee (Councillor Anthony Gee (Chair), Councillor Laura Lennox (Vice-Chair) and Councillors Alan Cain, Mike Devaney, Keith Iddon and Geoffrey Russell) for attendance.
2. Agenda and reports to Gary Hall (Director of Finance), Donna Hall (Chief Executive), Garry Barclay (Audit and Risk Manager), Andy Armstrong (Assistant Audit Manager), James Douglas (Business Improvement Manager) and Tony Uren (Democratic Services Officer) for attendance.
3. Agenda and reports to Fiona Blatcher (Audit Commission) and Tony Hough (Audit Commission) for attendance.

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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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Audit Committee**Thursday, 26 June 2008**

Present: Councillor Anthony Gee (Chair), Councillor Laura Lennox (Vice-Chair) and Councillors Mike Devaney and Keith Iddon

Officers Present: Gary Hall (Assistant Chief Executive (Business Transformation)), Garry Barclay (Audit and Risk Manager), Michael Jackson (Resources Manager), Andy Armstrong (Assistant Audit Manager), Chris Moister (Head of Legal Services) and Tony Uren (Democratic Services Officer)

Also in attendance: Fiona Blatcher (District Auditor, Audit Commission) and Tony Hough (Audit Manager, Audit Commission)

08.AU.20 APOLOGIES FOR ABSENCE

Apologies for absence from the meeting were submitted on behalf of Councillor Alan Cain and Councillor Geoffrey Russell.

08.AU.21 OFFICER INTRODUCTIONS

The Chair welcomed Fiona Blatcher who had recently been appointed by the Audit Commission to succeed Mike Thomas as the Lead Audit Officer for Chorley. Fiona was accompanied by Tony Hough, the Audit Commission's Audit Manager for Chorley.

Gary Hall also introduced Michael Jackson (Resources Manager) and Chris Moister (Head of Legal Services) who were attending their first meeting of the Audit Committee.

08.AU.22 DECLARATIONS OF ANY INTERESTS

There were no declarations of interest in any of the items on the meeting's agenda by any of the Members present.

08.AU.23 MINUTES

(a) Confirmation

RESOLVED – That the minutes of the meeting of the Audit Committee held on 19 March 2008 be confirmed as a correct record and signed by the Chair.

(b) Time of Future Meetings

The Members noted and were concerned at the fact that only two Councillors had been present at the last meeting of the Committee on 19 March. The Assistant Chief Executive (Business Transformation) highlighted the significance of the role of the Committee and the need for the participation of as many Councillors as possible in the functions and decisions of the Committee. The Members considered that an earlier commencement of future meetings would attract a greater number of Councillors.

RESOLVED – That the commencement time for the meetings of the Audit Committee scheduled to take place on 25 September 2008, 15 January and 19 March 2009 be altered from 4.30pm to 2.30pm.

08.AU.24 EXTERNAL AUDIT AND INSPECTION PLAN, 2008/9

The Audit Commission's Inspection Team for Chorley (Fiona Blatcher (Engagement Lead) and Tony Hough (Audit Manager) presented the Commission's Audit and Inspection Plan for 2008/09.

The Plan set out the audit and inspection work that the external auditors proposed to undertake during the current financial year. The Plan was based on the Audit Commission's risk-based approach to audit planning and, significantly, the issues of particular relevance as the Authority moved toward the new Comprehensive Area Assessment (CAA) regime. Ms Blatcher emphasised that 2008/09 would be the final year in which corporate assessments and programmed service inspections would be undertaken as part of the Comprehensive Performance Assessment (CPA). The Audit Commission, along with other public service inspectorates, would be implementing a Comprehensive Area Assessment as from April 2009, which would cover the whole of Lancashire (including two Unitary Authority areas) and would incorporate the performance of the key partner bodies.

The Audit Commission's work was based upon its assessment of the Authority's risks and performance. In this context, the audit plan for 2008/09 had taken account of the local risk associated with the new financial shared service arrangement with South Ribble Borough Council and planned to target work to assess the arrangements in place both jointly and individually to address any risks from the shared services arrangement.

The Members were assured that the audit planning process would continue to be monitored throughout the year and amended accordingly to include any significant new local risks that may arise.

RESOLVED – That the External Audit and Inspection Plan for 2008/09, as now presented, be approved.

08.AU.25 DATA QUALITY - UPDATE ON PROGRESS

The Committee received and considered a report of the Assistant Chief Executive (Policy and Performance) on the significant progress that had been made by the Council in respect of its data quality arrangements in order to ensure that its performance monitoring and reporting processes were robust and effective.

Processes focused around the Community and Corporate Strategies had been strengthened in response to an earlier Audit Commission survey. The processes would provide a sound basis and platform for the introduction of the new national indicators in 2008/09 to replace Best Value Performance Indicators.

The Council's data quality arrangements addressed a set of standards produced by the Audit Commission known as Key Lines of Enquiry (KLOE). The report identified the data quality KLOEs to be used by the Audit Commission to judge the Council's performance in delivering data quality, together with an update on the progress made against each KLOE over the last 12 months.

RESOLVED – That the report be noted.

08.AU.26 INTERNAL AUDIT ANNUAL REPORT FOR 2007/8

The Audit Committee received a report of the Assistant Chief Executive (Business Transformation) which (i) summarised the work undertaken by the Internal Audit Section during the 2007/08 financial year; (ii) listed the areas of internal audit work undertaken during the year, with opinions on the adequacy of control for each area; and (iii) evaluated the effectiveness of the Council's system of internal audit.

An appendix to the report set out key performance data, indicating that 17 internal audit reports, containing 75 agreed recommendations, had been produced over the past year.

On the basis of the work completed, the Internal Audit Section had concluded that the Council continued to operate within a sound control environment. An update of the Internal Audit's self-assessment also revealed that the Section continued to operate within the CIPFA Code of Practice. In addition, the report demonstrated the successful delivery of the 2007/08 internal audit programme of work and had concluded that the Council's governance and control environment remained effective and had not identified any major cause for concern.

In response to a Members' query, the Audit and Risk Manager assured the Committee that, whenever weaknesses were identified, the respective Directorate was required to notify the Internal Audit Section of the measures to be put in place in order to address the identified risks. The Committee was also assured that the outcome of actions implemented to counter identified risks was always clarified in the respective audit review report.

RESOLVED – (1) That the report be noted.

(2) That a further report be presented to the next meeting of the Audit Committee to clarify the action plan developed to mitigate the weaknesses identified in the Fraud Risk Register.

08.AU.27 ANNUAL ACCOUNTS AND GOVERNANCE STATEMENT FOR 2007/08

The Audit Committee received reports from the Assistant Chief Executive (Business Transformation) seeking (a) approval to the Financial Statement for 2007/08, which set out the draft accounts for the financial year; and (b) endorsement of the associated Annual Governance Statement.

(a) **Financial Statement for 2007/08**

The Assistant Chief Executive (Business Transformation) presented, for approval by the Committee, the financial statement containing the Council's accounts for 2007/08.

The statement revealed that, in overall terms, the financial standing of the Council remained good and identified the following key messages for the Authority:

- A General Fund underspend of £108,000 had resulted from the capitalisation of Gillibrand Link Road interest costs.
- The balances on the closed Housing Revenue Fund had been transferred to the Council's general balances.
- The end of year working balances was beyond the range identified in the Council's Financial Strategy (principally as a result of the capitalisation of interest costs). The Executive Cabinet was, however, being advised to

maintain the current level in the light of the present uncertainties on a number of budgetary factors.

- The Collection Fund overall was in deficit by £314,000, as a result of the level of grant anticipated in 2007/08 not materialising.
- The Pension Fund deficit had increased to £27.3m in 2007/08 as a result of the triennial revaluation and changes to past assumptions.
- The Council would need to examine means of maintaining an efficient cash flow at minimal cost.

The Committee members' queries related, in general, to the future capital funding arrangements; the need to introduce measures aimed at reducing energy costs; the revaluation of real estate assets; and the need to monitor closely the implications of the diminishing Pension Fund.

RESOLVED – That the Financial Statement of Accounts for the year ended 31 March 2008 be approved and signed by the Chair.

(b) **Annual Governance Statement**

The Assistant Chief Executive (Business Transformation) submitted a report which incorporated the draft Annual Governance Statement which had been produced in accordance within the prevailing CIPFA/SOLACE guidelines and the Council's regulatory framework which required the annual review of governance and internal control systems and the publication of an annual statement alongside its annual financial statement.

The Audit Committee had received a report in January 2008 which detailed the progress that had been made to address the significant governance issues disclosed in the 2006/07 Annual Governance Statement. The Assistant Chief Executive's current report confirmed that all identified issues had been rectified, with the exception of on-going work in respect of the Financial Shared Services project, business continuity planning and asset registers.

An appendix to the Statement also listed the actions that the Authority proposed to implement in order to address each of the improvement opportunities that had been identified in the updated corporate self-assessment and Directorate assessments. It was intended that the specified actions would be fed into the Business Improvement Plans of the respective Directorates.

The Members were reminded that the role of the Audit Committee was to satisfy itself that the current processes in relations to the review of the Authority's governance and internal control systems had been followed in accordance with CIPFA/SOLACE guidelines, in response to which no adverse comments were received from the Committee members.

RESOLVED – (1) That the Annual Governance Statement for 2007/08, as now presented, be approved.

(2) That the approved Statement be formally signed off by the Leader of the Council and the Chief Executive before submission for external audit as part of the 2007/08 financial statement.

Chair

Report of	Meeting	Date
Assistant Chief Executive (Business Transformation)	Audit Committee	25 September, 2008

DELIVERING EFFICIENCY AND VALUE FOR MONEY-REFLECTING BACK AND LOOKING FORWARD

PURPOSE OF REPORT

1. The purpose of the report is to;
 - Provide an update for members on Efficiency gains achieved through the 3-year, 04 Spending review period which ended on 31st March, 2008
 - Outline a strategic way forward for tackling the continuing demands for delivering efficiency and value for money under the Comprehensive Spending Review 07, which covers the 3-year period 2008-2011.

RECOMMENDATION(S) TO EXECUTIVE CABINET ON 4 SEPTEMBER 2008

2. That the successful achievement of the government £1.29 million efficiency targets set for the 04 Spending Review period and the £726,404 excess savings we are able to count towards the CSR07 period target, be noted.
3. That the strategic way forward set out in this report be approved as a platform for delivering efficiency gains and achieving value for money be approved.
4. That the efficiency target of £1.26 million be approved as a local target for the council during the CSR07 spending review period.
5. That the Executive Member for resources be nominated VFM champion.
6. That an annual update be presented to Executive Cabinet to monitor progress.

EXECUTIVE SUMMARY OF REPORT

7. The report provides a final position statement on the council's performance on achieving efficiency gains during the 04 Spending Review period 2005/2008. The council substantially exceeded the government targets set for it and is now in a favourable position to meet the challenge of the Comprehensive Spending Review 07, which covers the period 2008/2011.
8. The report suggests that although there is no requirement for the council to set a local target for efficiency gains during the CSR07 period that we would be wise to do so. Following the guidance given by the CLG and taking account of a substantial carry-forward of excess efficiency gains from the 04SR period, the target figure calculated for the CSR07 period is £1.26million.

The report outlines the key areas where the government suggests council's should focus and explains how officers intend to manage and achieve the savings targets

This agenda sets us a real challenge but will keep a concentrated focus on delivering efficiencies and improving value for money, whilst enabling us to invest in priority areas.

REASONS FOR RECOMMENDATION(S)

(If the recommendations are accepted)

- 9. To ensure Executive Cabinet is fully aware of the council’s performance against targets set for efficiency savings in the 04 Spending review period which ended 31st March, 2008
- 10. To ensure member support to the principle of setting a local efficiency gains target for the council during the CSR07 period.
- 11. To ensure members are appraised of the issues and demands presented by the continuing efficiency agenda and our strategy to achieve success

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

- 12. Unlike the 04 Spending Review, there are no individual targets set for council’s in the CSR07 spending review period unless a target is agreed as one of the Local Area Agreement targets. A target for efficiency gains is unlikely to be included in the LAA for Lancashire.
- 13. The percentage targets are set for Local Government as a whole however each authority’s performance will be monitored through the new National Indicator 179 ‘Value for Money – total net value of ongoing cash releasing value for money gains that have impacted since the start of the 2008/9 financial year. Additionally the Audit Commission Use of Resources assessment will continue to monitor performance and progress.
- 14. To ensure internal focus it is therefore considered essential that we set our own target for efficiency gains

CORPORATE PRIORITIES

- 15. This report relates to the following Strategic Objectives:

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

BACKGROUND

- 16. Chorley has made excellent progress in achieving the targets set for us by the government through the 2004 spending review. The backward looking statement for 2007/08 details our efficiency gains of £2.77 million of which £2.03 million is cashable. We are therefore considerably in excess of our £1.29 million target for the SR04 period.
- 17. These savings have been achieved through an ambitious change programme implemented across the Council over the past 3 years and this gives us an excellent platform to take the organisation forward through the next phase of transformation.
- 18. The council is now a nationally recognised performer in terms of delivering and improving value for money with the highest score of 4 achieved in both the 2006 and 2007 Use of Resources – VFM theme assessments.

19. A strategic Framework for the delivery and Improvement of VFM has guided and supported this change programme, however it is now timely to consider the new demands set by the government as part of the CSR07 and determine how we need to tackle them.

04 SPENDING REVIEW PERIOD 2005-2008

20. We have recently submitted the final statement for this period and the table below sets out across the various themes where our efficiency gains were made

	Cashable £	Non- cashable £	Total £
Efficiency Gains			
Corporate Services	791,322	46,722	838,044
Procurement	655,018	0	655,018
Productive Time	107,035	364,054	471,089
Transactions	383,718	327,189	710,907
Cultural	96,120	0	96,120
Total	2,033,213	737,965	2,771,178

21. This substantially exceeds our target of £1.29 million and is an achievement the council can be proud of. Additionally it enables us to carry forward £726,404 in cashable savings to be offset against the target calculated for the CSR07 period, which clearly relieves the burden for the coming 3 years.

THE GOVERNMENTS'S NEW EFFICIENCY REGIME

22. The Comprehensive spending review 2007 marks the next stage of the government's programme for delivering better value for money in public services. The CSR07 has 'raised the bar' to introduce a 3% per annum net cash-releasing efficiency target across the local government sector. The other major differences are that all efficiency gains must be cashable (under the 04 period cashable and non-cashable gains up to a 50-50 ratio were acceptable) the 3% target each year is now multiplicative (i.e. 3%, 6.1%, 9.3%) rather than 2.5% per annum, there is no individual target set for council's and the requirement to submit detailed annual efficiency statements has been replaced by a requirement to report their progress on achieving vfm gains through a new national indicator 179.
23. The National Improvement and Efficiency Strategy published earlier this year provides £380 million over the next 3 years to support the change programme. Its aim is to join central and local resources on value for money and improvement priorities. It will do this through Regional Improvement and Efficiency partnerships (RIEP's). The North West RIEP has now been formed with support for improvement and efficiency in the region being delivered through 5 sub-regional partnerships. Chorley is part of the Lancashire sub-region, which has been allocated funding of £1.1million in 2008/9 to support development across a variety of strategic themes including transformational government, efficiency, economic development and community empowerment and neighbourhood delivery. Similar levels of funding are anticipated in the second and third years of the partnership.
24. From April, 2009 Comprehensive Area Assessment (CAA) will replace Comprehensive Performance Assessment (CAA). This will be a significant change with the focus moving away from assessing services delivered by the council to public services delivered in an area by councils and their partners, including private and voluntary sectors. CAA will provide assurance about how well run local public services are and how effectively they use taxpayers' money so it is imperative that we continue to demonstrate that we deliver efficiency and value for money. From 2009 the Use of Resources Assessment will also form

part of the CAA. Changes to the current structure are currently out for consultation but the focus of the assessment will be broader than the current financially dominated structure with 3 themes proposed, which for district councils concentrate on the importance of sound and strategic financial management, strategic commissioning and good governance and the effective management of people.

CSRO7 – IMPLICATIONS FOR CHORLEY

- 25. As mentioned above, there is no individual requirement for each council to have an efficiency target. They will only exist as targets where they are negotiated as part of one of the 35 targets in each LAA. This is not the case in Lancashire so we must decide whether it is appropriate to set a local target for the council. My view is that we should have a target to aim for and it makes sense to set that at the same level as the government has set for the local government sector. This will help maintain our focus and determination to continue the excellent progress made over the past 3 years
- 26. The government have recognised that some, if not most, councils will want to have an efficiency gains target. Consequently they have issued ‘unofficial’ guidance on how councils might go about calculating an individual target. We have followed that advice and calculated the target for Chorley, which is summarised below;

<u>Summary</u>	<u>£</u>
Baseline	21,351,000
9.3%	1,985,643
Less c/f	(726,404)
Target	<u>1,259,239 over 3 years</u>

- 27. Clearly this will be difficult to achieve however given the progress made over the past 3 years and with delivery and improvement of VFM now at the heart of service delivery we should approach the challenge with confidence of success.

THE KEY EFFICIENCY GAINS TARGET AREAS

- 28. In recent years senior management and members have played important roles in shaping and developing national and regional agendas. It is important that this policy continues as it will help us ensure we influence developments to Chorley’s advantage and secure funding to lead and drive projects initiated from the Regional and sub-regional Improvement and Efficiency partnerships. This in turn will support our drive to deliver our vfm targets.
- 29. The Government advice is that councils need to concentrate their efforts in 3 specific areas

Procurement –

- Collaborative working-shared services, shared resources, shared purchasing, shared technologies, shared delivery through effective partnerships with public, private and voluntary sectors.
- Effective procurement – competition, procurement team skills/expertise, e-procurement, incorporating the voluntary sector.

Service Transformation –

- The use of business process improvement to ensure sustained emphasis on customer focus alongside providing a high quality value for money service. Included in BPI should be an assessment of processes, systems and structures

Asset Management –

- Streamlined approach to asset management- strategic asset management and partnership working
30. We have already taken steps to see we have a platform to take us through the next phase of delivering efficiencies and value for money. Earlier this year senior management agreed a strategic themed approach to business transformation and I have set out below the strategic themes and what our approach will be using these themes against the respective government criteria listed above.

Chorley Transformation themes

Workforce Development
 Information Management
 Technology
 Procurement
 Asset Management
 Performance Management
 Customer Service Excellence

Procurement

31. A strategic procurement theme has been set up to lead the way in maximising benefits through improved procurement practice. Procurement savings have made a substantial contribution to our O4SR efficiency savings, standing at over £700k over the 3 years.
32. Arrangements for the procurement of goods and services has been significantly improved over this period and with education and training and corporate support from the procurement team we now have high standards of procurement practice in place across the Council. This has enabled us to achieve all 20 of the National Strategy milestones for District Councils.
33. Going forward our focus needs to continue to be around the strategic commissioning of services. This has worked well for us to date and through our VFM service reviews it is important that, where appropriate, options appraisal of service delivery models, is identified for consultation.
34. Our shared procurement arrangements, shortly to be implemented as part of the Shared Financial Services Partnership with South Ribble, should also provide benefits, Chorley is leading on Procurement and the merger should make it easier to maximise procurement efficiencies through joint contracting, collaborative working and using best practice across the two councils. Additionally formation of the Procurement Hub through Team Lancashire should help deliver procurement savings.
35. Shared services is very clearly the way forward and for a small council like Chorley it makes sense for us to work with partners on Team Lancashire and the Local Strategic Partnership where it makes financial and operational sense and improves the services we provide to our citizens. Additionally we should be mindful of the opportunities for generating additional income for this council by providing services and professional advice to others. We have already had considerable success in this area and further development could provide a useful income stream as well as enhancing staff skills and the council's reputation.

Service Transformation

36. Executive Cabinet have approved a 3-year programme of VFM service reviews, which commenced towards the end of last year in the Neighbourhoods directorate. The final report from the review was presented to the last executive cabinet meeting and it also helped inform the major structural review of the Neighbourhoods directorate which will realise annual savings of £70k.
37. This however is only the first stage of the transformation journey for the directorate. A business transformation plan has been produced, which over a period of 18 months will see all services re-engineered as part of the CRM implementation programme and we anticipate further opportunities to reduce costs through this process.

The review programme continues with a start in September in the council's Business directorate.

Asset Management

38. Our Asset Management Strategy and plan covering the period 2008/2010 is almost finalised. This incorporates property, land and the natural assets such as parks and open spaces that the council is responsible for managing and maintaining. The strategy will be fundamental to the council achieving its corporate objectives around equality of access, sustainability, affordable housing and health and well-being, however it will also ensure that we are utilising our asset base in the most effective manner and this is likely to deliver efficiency gains for the council.
39. A Strategic Staff Accommodation review is also underway. There has been considerable change in demand for staff accommodation in recent years and it is timely to look at future demand in the light of shared services opportunities, the need to reduce our asset base around the demands set out in the Varney report and the opportunity for staff home and mobile working. I see considerable opportunity to reduce the accommodation required for staff and this should deliver considerable efficiency savings for the council.
40. The ongoing programme of transferring community centres to community management will also continue to give us efficiency savings

Reporting and Monitoring Arrangements

41. At the highest level progress will be monitored through the 3-year period by the new National Indicator 179. This indicator in effect replaces the Annual Efficiency statements, which were in use during the 04 spending review period.

The definition of the new indicator is:

The total net value of ongoing cash releasing value for money gains that have impacted since the start of the 2008/9 financial year

42. The figure that Councils are required to report for the indicator will be the equivalent to the figure that was used in the Annual Efficiency Statements for total cumulative cashable efficiency gains achieved.

The definitions for each term used in the indicator are:

- a. **Net gains** – efficiencies should be reported net of investment and ongoing costs required for their implementation;
- b. **Ongoing gains** – if an efficiency is not sustained in full or in part in later years, then the value of the indicator must be reduced accordingly.

- c. **Cash-releasing gains** – only those efficiencies that reduce the level of resource required to achieve the same or better outputs, allowing resources to be redeployed, should be recorded; and
 - d. **Gains since the start of the 2008-09 Financial Year** – valid gains may be the result of actions taken before April 2008, but only where they impact on a Council's expenditure for the first time after 31 March 2008 (through overachievement in SR04 may also be recognised in the indicator).
43. Councils will be required to submit a figure for the VFM indicator twice in each calendar year. On the first occasion, starting from October 2008, Councils will report their *forecast* for the position at the end of the financial year. This is akin to the output of the Forward Look AES, though looking at the whole period since March 2008 rather than only the particular year in question, and will help those bodies working with Councils to identify any emerging issues early.
44. On the second occasion, starting from July 2009, Councils will report the *actual* position as at the end of the financial year that ended on the previous 31 March. This is akin to the output of the Backward Look AES. Specific deadlines for reporting on the indicator, and the method through which this will be done, are to be announced in due course.
45. Efficiency measurement will continue to be important for Councils and they will be judged on performance in this area. The Government is however seeking to reduce the reporting requirements on the basis that Councils' internal audit systems are effective in monitoring the way the organisation measures the efficiency benefits obtained from projects. In addition the Government expects that the processes for measuring efficiency will still be an area considered by external auditors appointed by the Audit Commission in the new Comprehensive Area Assessment (CAA) regime.
46. Furthermore the Government has added that *"while Councils will not be required to achieve a specific level of value for money gains, where the national indicator shows that little progress is being reported, that would be a trigger for further investigation by the local Government Office to understand the reasons why"*
47. We can conclude therefore that although the administrative burden of producing annual efficiency statements has been reduced, we will need to have a very similar preparation and evaluation process for determining efficiency statements as currently exists.

CONCLUSIONS

48. The O4 spending review period efficiency targets have been substantially surpassed but in a sense this is merely the first phase on our transformation journey.
49. The government have increased the pressure in the CSR07 period and if we follow the targets they suggest for Local Government as a whole this presents us with a £1.26 million efficiency gains target for the next 3 years.
50. It goes without saying that this will not be easy to achieve and many of the large scale corporate efficiencies have been put in place during the last 3 years, thereby reducing the availability for further savings in this area.
51. Our concentration must therefore be around ensuring services are procured by the optimum method, processes and systems are streamlined through service transformation and our assets are utilised more effectively. This should enable us to deliver on the targets and

more importantly free up resources for investment in priority areas or keeping council tax rises to the minimum.

IMPLICATIONS OF REPORT

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

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

COMMENTS OF THE CORPORATE DIRECTOR OF *****

50. ***

GARY HALL
 ASSISTANT CHIEF EXECUTIVE (BUSINESS TRANSFORMATION)

Report Author	Ext	Date	Doc ID
James Douglas	5203	22 nd July, 2008	***

Background Papers			
Document	Date	File	Place of Inspection
Value for Money in Local Government- meeting the challenge of CSR07	August 2007	***	Business Improvement team office, Union St
Measuring and Reporting value for money gains – DCLG guidance	January 2008		



Report of	Meeting	Date
Assistant Chief Executive (Business Transformation)	Audit Committee	25/9/08

INTERIM REPORT ON INTERNAL AUDIT ACTIVITIES AS AT 12th SEPTEMBER 2008

PURPOSE OF THE REPORT

- 1 To advise members of the work undertaken in respect of the Annual Internal Audit Plan during the initial five months of 2008/9 and to comment on the results.
- 2 To provide details of further reviews, investigations and other Internal Audit activities during the period.

RECOMMENDATIONS

- 3 That the Interim Report be noted.

CORPORATE PRIORITIES

- 4 This report relates to the following Strategic Objectives:

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

BACKGROUND

- 5 This is the first Interim Progress Report for the current financial year and covers the period between 1st April 2008 and 12th September 2008.
- 6 Appendix 1 to this report shows the overall progress made in relation to the 2008/9 Internal Audit Plan. The Audit Plan is firmly on course to be delivered and the remaining paragraphs summarise the main elements of the work undertaken do date.
- 7 The core purpose of Internal Audit continues to be one of independently reviewing the effectiveness of the Council's internal control system and core business processes. However a key feature of our role this year is a continuing shift towards providing more proactive advice and assistance in developing the Council's corporate governance framework.

CORPORATE GOVERNANCE

Annual Governance Statement

- 8 We facilitated the internal review of the Council's system of governance leading to the publication of the Annual Governance Statement within the 2007/8 Financial Statements.

Use of Resources

- 9 We have project managed the actions relating to internal control arising from the Audit Commission's last assessment and have contributed to the reassessment process for 2008.

Data Quality

- 10 We have assisted the Director of Policy and Performance to improve the Council's performance data quality control process as well as conducting year-end checks on specific Best Value Performance Indicators (BVPI's).
- 11 We are continuing to work closely with Policy and Performance to assist in embedding revised arrangements for the replacement of the BVPI's with a new National Indicator Set (NIS). We are also engaged in making preparations to ensure that adequate arrangements are in place for the timely selection and checking of revised data sets.

ANTI-FRAUD & CORRUPTION

National Fraud Initiative (NFI)

- 12 This exercise is organised by the Audit Commission every 2 years or so and is about comparing the information contained within the Council's computer systems with that contained within other organisations' systems. The main aim being to identify potentially fraudulent activity for further investigation.
- 13 The Internal Audit Service co-ordinate matters on behalf of the Authority and we are currently working with Directorates to collate and submit the following data to the Audit Commission:
- Benefits
 - Payroll (members & officers)
 - Creditors
 - Insurance claims
 - Concessionary travel cards
 - Market traders
 - Taxi driver license holders
 - Personal license holders
 - Residents parking permits
- 14 The Commission will later supply the Council with all the results, which are a series of reports showing data matches. (A good example of a data match is where someone appears on a council payroll system and is also a benefit claimant).
- 15 Data matches do not necessarily indicate fraud. Indeed previous experience has shown that only 1% - 2% of data matches result in proven fraud cases. The objective of data match reports however is to highlight potential fraud situations that warrant further enquiry and investigation.

- 16 We will advise the Committee of the outcome of the current exercise later in this financial year.

Fraud Risk Register

- 17 We have been working with Directors to undertake a corporate risk assessment exercise to develop an Anti-Fraud and Corruption Risk Register to identify any specific areas of weakness that may currently exist within the Council's operational activities. This includes a fraud management plan designed to target the areas of exposure identified across the Council. This is reported as a separate item on the agenda.

REVIEW OF KEY BUSINESS SYSTEMS

Framework for Partnership Working

- 18 The purpose of the audit was to conduct a detailed follow up review of the recommendations agreed following the audit in 2006/7 in order to monitor the extent to which the Framework has been embedded within the Council.
- 19 Our work focused on obtaining documentary evidence to validate the actions taken, an assessment of the applicability of the Framework to the Local Strategic Partnership (LSP) and the identification of any new developments in partnership working for potential inclusion in a revised Framework.
- 20 We found that all the agreed actions have now been implemented and appropriate systems and procedures have been established for the control and oversight of corporate partnership activity. However we noted that at individual partnership level work is still in progress to fully embed the assessment of partners' governance arrangements and establish mature joint risk registers and risk management processes.

REVIEW OF FINANCIAL SYSTEMS

Key Financial Systems

- 21 We undertook a high level review of all the Council's key financial systems in accordance with the new International Standards for Auditing (ISA). This work commenced at the end of 2007/8 and involved identifying / testing the key controls. No significant control weaknesses were identified from the review work carried out. Any minor control issues identified have now been addressed.

Stores & Stock Control

- 22 Chorley Community Housing recently announced the closure of the Bengal Street stores facility prompting the Neighbourhoods Directorate to initiate alternative arrangements. We have been working to support and advise Neighbourhoods with the establishment of alternative arrangements, a new stock control procedure and to provide training to relevant staff in their operation.
- 23 Following implementation and an initial period of operation we carried out a review to establish whether the new stores arrangements were operating effectively. We found that the new systems and procedures are working well and that all recommendations have now been successfully implemented. We are providing further support to Neighbourhoods in order to enhance arrangements by converting the current manual control systems to an electronic format with the ability to generate management information.

Budget Setting & Control

- 24 The purpose of this audit was to review the adequacy and effectiveness of the system for setting and controlling the annual revenue budget. The exercise focused on the 2008/9 budget setting process, arrangements for monitoring and the provision of information to management and members during the financial year.
- 25 We found that there is a clearly established process in place for the setting of the budget although this is not formally timetabled. Testing provided assurance that Corporate Directors and Managers are effectively engaged in budget setting and monitoring, have clear responsibility and accountability for their own budgets and sufficient access to the corporate financial system to enable them to view financial information as required.
- 26 We identified several areas where minor changes could be made to strengthen and improve the current budget setting arrangements and appropriate recommendations were made for these.

REVIEW OF KEY OPERATIONS

Parkwise

- 27 The Council participates in the Parkwise Partnership, which enforces all on and off street parking regulations within the County and undertakes the administration and processing of Penalty Charge Notices. The partnership agreement and underlying operational contracts will expire in September 2009 and an opportunity to review the present arrangements and explore alternative future service options has arisen.
- 28 We have been working closely with Neighbourhoods, Legal Services and the Accountancy Section in order to review the current contractual and operational arrangements. This has involved developing and exploring possible alternative service solutions that may be more beneficial for the Councils and continue to protect our interests.
- 29 A risk assessment and financial appraisal exercise of the various proposals and options identified has been completed and we are currently awaiting additional information from LCC regarding their proposals for the future operation of the service. Following this a report containing potential alternatives will be presented to Strategy Group for consideration.

IMPLICATIONS OF REPORT

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

GARY HALL
 ASSISTANT CHIEF EXECUTIVE
 BUSINESS TRANSFORMATION

Background Papers			
Document	Date	File	Place of Inspection
Accounts & Audit Regulations 2003	2003	TRANSFORMATION DIRECTORATE	Union Street Offices

Report Author	Ext	Date	Doc ID
Garry Barclay Andy Armstrong	5468 5465	12/09/08	250908.doc

APPENDIX 1

INTERNAL AUDIT WORK PLAN 2008/9 - SUMMARY PROGRESS REPORT

Audit Area	Qtr	Est	Actual	Balance	Status
	Due	Days	Days	(+/-)	
CORPORATE GOVERNANCE					
Corporate Policies & Procedures	ALL	20	8	12	
Governance Assurance Statements	1&4	20	9	11	
External Inspection (CPA, Use of Resources)	ALL	20	8	12	
Data Quality	ALL	45	37	8	
Governance General	ALL	5	4	1	
		110	66	44	
RISK MANAGEMENT					
Risk Management Policies & Procedures	ALL	10	2	8	
Risk Registers	ALL	15	3	12	
Health & Safety	ALL	25	10	15	
Insurance	ALL	25	10	15	
Risk Management General	ALL	5	1	4	
		80	26	54	
ANTI-FRAUD & CORRUPTION					
National Fraud Initiative (NFI)	ALL	30	28	2	
Fraud & Corruption Risk Register	ALL	20	4	16	
System Interrogations	ALL	25	1	24	
Fraud Bulletins	ALL	15	1	14	
Anti-Fraud & Corruption General	ALL	5	1	4	
		95	35	60	
REVIEW OF KEY BUSINESS SYSTEMS					
Procurement Strategy	3	20	0	20	
Framework for Partnership Working	1	20	18	2	
Civil Contingencies	2	20	3	17	
Information Governance	2&3	18	0	18	
Intranet & E-Mail Policy	3	15	0	15	
		93	21	72	
REVIEW OF FINANCIAL SYSTEMS					
Key Systems Review (ISA)	4	50	0	50	
Inventories	4	20	2	18	
Stores & Stock Control	1	20	24	-4	
Budget Setting & Control	1	15	14	1	
New E-Claims System	3	15	0	15	
		120	40	80	
REVIEW OF KEY OPERATIONS					
Election Fees	2	20	3	17	
S106 Agreements	3	15	0	15	
Car Parking	1	20	25	-5	
		55	28	27	
CONTINGENCY					
Irregularity Investigations	ALL	30	3	27	
Post Audit Reviews	ALL	25	6	19	
Unplanned Reviews	ALL	45	18	27	
Audit Committee Reporting	ALL	20	7	13	
		120	34	86	
TOTAL CHARGEABLE DAYS					
		673	250	423	

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Report of	Meeting	Date
Assistant Chief Executive (Business Transformation)	Audit Committee	25/9/08

FRAUD & CORRUPTION RISK REGISTER

PURPOSE OF REPORT

- At the last meeting of the committee members expressed an interest in a piece of work recently undertaken by Internal Audit to develop a Corporate Fraud and Corruption Risk Register. The Assistant Chief Executive suggested that members may find it helpful if this item was added to the agenda for the next committee meeting. This report is presented in order to provide members with an opportunity to gain a more in depth insight into the nature of the activity and the work completed.

RECOMMENDATION(S)

- That the report is noted.

EXECUTIVE SUMMARY OF REPORT

- This committee report summarises the attached Internal Audit Report, which explains the reasons for, background and process involved in compiling the Register.

CORPORATE PRIORITIES

- This report relates to the following Strategic Objectives:

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

BACKGROUND

- Although the Council has experienced relatively few incidents of fraud in recent years the Audit Commission is keen to ensure that all councils commit sufficient resources to this area. In their 2006 Use of Resources report the Commission recommended that the Council should “further develop proactive counter fraud and corruption work, determined by a formal risk assessment which is adequately resourced”.

- 6. Our main response to this recommendation has been to work with Directors to compile a corporate Fraud and Corruption Risk Register, which identifies specific fraud risks in individual service areas.
- 7. Although the main purpose of the exercise was to address the Audit Commissions recommendations it also enhances the CIPFA / Solace guidelines on governance in relation to probity and ethics and provides a more robust Anti Fraud and Corruption Strategy.
- 8. The attached report explains the process involved in compiling the Register and the resulting action plan, which is also attached.

IMPLICATIONS OF REPORT

- 9. The actions contained in the action plan to the report have been discussed and agreed for implementation with the relevant Corporate Directors. We will undertake a review in due course to ensure that appropriate action has been taken to mitigate the risks identified.

GARY HALL
 ASSISTANT CHIEF EXECUTIVE
 BUSINESS TRANSFORMATION

Background Papers			
Document	Date	File	Place of Inspection
Internal Audit report 14_07 – Fraud and Corruption Risk Register	2008	BT&I – Internal Audit – 14_07	Union Street

Report Author	Ext	Date	Doc ID
Andy Armstrong	5465	10/09/08	25_09_08 FCCR.doc

Chorley Council

Internal Audit Report 14_07

Fraud & Corruption Risk Register



CONTENTS

BACKGROUND

AUDIT APPROACH

IMPACT ON GOVERNANCE

MAIN CONCLUSIONS

- **OVERALL AUDIT OPINION**
- **OVERVIEW**
- **FRAUD & CORRUPTION RISK REGISTER**
- **RISKS REQUIRING FURTHER ACTION**

ACTION PLAN

BACKGROUND	
1	The Council takes the threat of fraud and corruption very seriously and has a constitutional commitment "not to tolerate fraud and corruption in the administration of its responsibilities whether from inside or outside the authority". This is underpinned by a formal Anti-Fraud & Corruption Strategy, which seeks to ensure that serious concerns are properly raised and addressed. It also sets out the Council's specific policies towards the prevention, detection, notification and investigation of fraud and corruption and summarises the responsibilities of members, managers and officers in this respect.
2	Although the Council has experienced relatively few incidents of fraud in recent years, the Audit Commission is keen to ensure that all councils commit sufficient resources to this area. In their 2006 Use of Resources report the Commission recommended that the Council should "further develop proactive counter fraud and corruption work, determined by a formal risk assessment which is adequately resourced".
3	In response to this an section of the Internal Audit Plan is now devoted to anti-fraud & corruption work. This includes: <ul style="list-style-type: none"> • Acting as the Council's local co-ordinator / contact for the National Fraud Initiative (NFI) data matching exercise; • Developing a suite of computerised interrogations of our own systems to identify any incidence of fraud or error; • Publishing regular fraud bulletins on the Loop to bring any current issues or scams to the attention of officers in order to raise their awareness of fraud.
4	Our main response to the Commission's recommendation however has been to work with Directors to compile a corporate Fraud & Corruption Risk Register, which identifies and addresses specific fraud risks in individual service areas.
5	This report explains the process involved in compiling of the Register and the resulting Action Plan, which is attached.

AUDIT APPROACH	
6	The best practice guidance set out in the CIPFA publication "Managing the Risk of Fraud" and the approach outlined in the HM Treasury Guidance for Managers "Managing Fraud Risk" were the main sources of reference to establish and categorise potential fraud risks.
7	Directors and other senior officers were interviewed to establish the extent to which the potential fraud risk could actually materialise within their spheres of operation.

IMPACT ON GOVERNANCE	
8	Although the main purpose of this exercise was to address the Audit Commission's Use of Resources recommendations, it will also enhance the Council's compliance with the CIPFA / SOLACE guidelines on governance in relation to probity and ethics.

9 Taking an internal perspective, this exercise also contributes to a more robust Anti-Fraud & Corruption Strategy.

MAIN CONCLUSIONS

10 **OVERALL AUDIT OPINION (*)**
 The Council is now required to include a statement in the annual accounts regarding the effectiveness of its overall system of governance. To facilitate this, Internal Audit reports contain an opinion as to the adequacy of the internal controls in each separate system / area reviewed. In our opinion, the number and nature of risks identified during this exercise and the totality of action required to mitigate them provide **Limited Assurance**

AUDIT OPINION RATINGS

Inadequate - the Authority cannot place sufficient reliance on the controls. Substantive control weaknesses exist.

Limited - the Authority can place only limited reliance on the controls. Significant control issues need to be resolved.

Sound - the Authority can place sufficient reliance on the controls. Only minor control weaknesses exist.

11 **OVERVIEW**
 The exercise has established that a well developed anti fraud culture is already embedded within the Council and this is reflected in the systems and procedures implemented by management. The limited controls assurance rating awarded is in acknowledgement of the fact that additional action is needed to mitigate some significant risks that remain. Implementation of the recommendations from this exercise together with other planned follow up work will build on the foundations already in place and will develop and enhance corporate resilience against fraud further.

12 We also found that many of the potential risk factors considered during discussions with Directors did not present a real threat within the Directorates concerned or there was an array of mitigations and controls in place or in progress.

FRAUD AND CORRUPTION RISK REGISTER

14 The complete results of the exercise are recorded in the Fraud & Corruption Risk Register at the Appendix to the report. The key contents of the Register are explained as follows:

Fraud Category - the generic types of fraud risk set out in the prevailing guidance

Area of Risk - the detailed, potential fraud risks within each category

Mitigation / Controls - the measures already in place within the Council to reduce the likelihood and / or impact of the potential fraud risks

Risk Rating - taking the existing mitigation / controls into account, whether the level of risk remains high, medium or low (using the corporate risk matrix)

The remaining columns were only completed in respect of high / medium risks as no further action was considered necessary in respect of low risks

Exposures Identified - the potential impact on the Council's operations should the risks materialise

Recommendations - the action that should be taken to address the high / medium risks identified

Existing Action Planning Vehicles - where the high / medium risks identified are already being addressed by current projects, audit action plans or other actions in progress

Recommendation Number - where risks remain of high or medium exposure and no form of action is currently in progress to address them. These have been transposed to the attached Action Plan

RISKS REQUIRING FURTHER ACTION

15 117 potential fraud risks were identified in the Council's operations, 92 of which were discounted because they present very low levels of risk, the existing controls are adequate or they are already being addressed by projects or other actions in progress.

16 However 23 risks remain of medium or high exposure where further action is required to address them. These are a mix of corporate and directorate specific issues and are captured in the Action Plan below, together with recommendations, which will be discussed with the managers concerned. The remaining risks are summarised and prioritised as follows:

Corporate ICT related risks - including the safety of data during transit and mobile working, the use of internet and e-mail, the unauthorised use of data, official publications and intellectual property rights.

Funds and grants - the control and administration of a “basket” of separate internal bank accounts and grants provided to external organisations where the value involved may be low but reputational risk is high.

Employment and staffing matters - ranging from corporate arrangements for the vetting or termination of staff to the administration of individual incentive schemes such as car loans and recruitment expenses.

Control and use of corporate assets – weaknesses relating to the recording of assets within Directorates together with an issue relating to the authority for the disposal of land.

Control over vehicles and fuel – specific issues relating mainly to the control of fuel and petrol issues and the disposal of vehicles and plant at the Bengal Street Depot.

Collection of miscellaneous income – relating to the collection of several discreet streams of income but most notably the corporate arrangements for the recovery of charges for the private use of telephones and printing.

ACTION PLAN

Rec No	Risk Reg No	Area of Risk	Priority	Action Agreed	Responsible Officer	Date
		Corporate ICT related risks				
1	44	Theft of ICT equipment and supplies	2	ICT stockroom – A stock control register will be implemented together with procedures for booking materials in and out and regular stock takes. General - An inventory of all IT equipment located within each room will be introduced and signed off by each respective Director.	Corporate Director of ICT Corporate Director of ICT	Sept/08 July 08
2	53	Unauthorised access/use of information and records due to - uncontrolled movement of unencrypted data	1 2	A Home working Policy incorporating suitable standards and guidance will be developed and implemented as part of the development of the Home Working project. It is expected that the technology provided to Members will be reviewed as part of Scrutiny work for this year. The Council have adopted thin client technology to improve information security and it will be the preferred technology for elected Members. Encrypted USB sticks have been issued to each Directorate for official use by relevant staff.	Corporate Directors of ICT & Human Resources Corporate Director of ICT Corporate Director of ICT	Dec 08 12/08 (subject to Scrutiny work) Complete 05/08
3	83	Theft or misuse of official documents, publications or intellectual property rights due to weak document control arrangements/standard	2 2	Corporate Director (ICT) will amend the Security Policy to include a section containing advice and guidance for staff about document security and "classification" Advice and guidance on this issue will be included in	Corporate Director of ICT Corporate	July 08 Complete

			the ICT element of induction sessions for staff	Director of ICT	May 08
4	98/99	lack of monitoring information and unrestricted access leading to undisclosed/inappropriate private internet or excessive/inappropriate private e-mail use during office hours	<p>1 The Internet and e-mail acceptable use policy will be revised and reissued.</p> <p>1 The recently implemented Mailmeter service provides automated monthly reports to Directors on email usage including those sending or receiving the greatest number of emails and attachments sent and received. Directors also have access to run ad-hoc queries.</p>	<p>Corporate Director of ICT</p> <p>Corporate Director of ICT</p>	<p>12/08</p> <p>Complete 05/08</p>
5	100	Authorised staff may undertake the unauthorised export of official data/information	<p>2 The Mailmeter service allows Directors to scrutinise the size and nature of attachments sent and received</p> <p>1 The new Microsoft contract includes software to provide 'Rights Management'. This information protection technology works with RMS-enabled applications to safeguard digital information from unauthorised use - both online and offline, inside and outside of the firewall. The product will be evaluated and recommendations to configure it appropriately developed and implemented</p>	<p>Corporate Director of ICT</p> <p>Corporate Director of ICT</p>	<p>Complete 05/08</p> <p>03/09</p>
		Funds and grants			
6	58	Theft/misappropriation from the Mayors Charity Bank Accounts due to poor control arrangements	<p>2 Implement an annual independent reconciliation of income and expenditure</p> <p>2 Develop and issue procedural guidance notes to the Mayors Secretary regarding the control of income.</p>	<p>Assistant Chief Executive (BT&I)</p> <p>Corp Director (Governance)</p>	<p>Commene'g with the 08/09 Civic year</p>
7	71/74	Act as the "accountable body" for National Lottery funded projects and partnership activity therefore liable in the event of third party fraud or misappropriation	<p>2 Funding activities relate mainly to projects operated under the LSP. This area is currently subject to an Internal Audit Review and suitable specific advice and guidance on controls will be provided on completion.</p>	<p>Assistant Chief Executive (P&P)</p>	<p>July 08</p>

			2	The basis for running such projects has now changed and Partner Organisations now assume “accountable body” status for the expenditure relating to their project activity. Additional controls (see item 9 below) are also in place.	Corporate Director (People)	Complete 04/08
8	59	Theft/misappropriation from the Elections Bank Accounts(4) - European - Parliamentary - County - Municipal	2	An additional authorised signature will be established and arrangements will be amended to require two independent signatures on each cheque issued.	Corporate Director (Governance)	August 08
			2	Control and reconciliation arrangements will be revised to incorporate independent reconciliation by an individual not involved in the issue of payments.	Corporate Director (Governance)	August 08
			1	An Internal Audit review of Election Fees is planned for 08/09 (Q2) and specific recommendations will be made at the time.	Internal Audit/Corporate Director (Governance)	August 08
9	75	Misappropriation/unauthorised use of funds by applicants obtained as grants due to a lack of confirmation of expenditure in accordance with the grant application	2	Approved grant applications will be monitored to obtain assurance of compliance with the application requirements by obtaining documentary evidence of expenditure or by inspection.	Corporate Director (People)	Complete 04/08
10	76	Unauthorised use of funds obtained as small value conservation grants due to a lack of confirmation of expenditure in accordance with the grant application	2	No grants are currently available however a standard form of agreement will be implemented and inspection to confirm completion carried out for each grant approved when funding is restored.	Corporate Director (Business)	When grant funding is restored.
		Employment and staffing matters				
11	43	Deception - breach of conditions of the car loan scheme due to a lack of the inspection of drivers documentation	2	Implement an annual check on documentation V5/Insurance/Driving Licence to confirm compliance with the scheme conditions.	Assistant Chief Executive (BT&I)	Annually from June 08

12	86	Submission of fraudulent claims under the "Scheme for Financial Incentives To Recruitment"	2	The responsibility for ownership of the scheme will be clarified - the scheme and documentation will be revised and updated and the payment medium clarified	Corporate Director of Human Resources	May 08
13	113	Inadequate vetting of temporary or agency staff and contractors	2	Corporate arrangements will be reviewed with a view to centralising arrangements and improving overall control and cost effectiveness. The Recruitment and Selection Policy is currently under review and suitable advice and guidance to managers about the risks relating to the employment of agency/contractor and associated standard of background validation required will be incorporated.	Corporate Director of Human Resources Corporate Director of Human Resources	July 08 July 08
14	114	Malicious/unauthorised/illegal activity due to the lack of a clear exit strategy to address disgruntled members of staff/leavers	2	Employment Policies and arrangements should be reviewed to include a formal exit strategy to be adopted when the circumstances arise.	Corporate Director of Human Resources	July 08
15	38	Collusion or misappropriation from weak control over the ad hoc selection, engagement and payment of Coaches, entertainers and artistes	2 2	When authorising orders/invoices management will undertake occasional spot checks on payments that drill down in to the selection and justification for payments. A validated "select list" will be established and operated for each type of activity.	Corporate Director (People) Corporate Director (People)	May 08 Complete 04/08
16	79	Control and use of corporate assets Sale of land transactions completed under seal by the Director of Corporate Governance where client instructions do not contain reference to the authority for disposal	2	Where necessary Legal Services staff will require a client officer to provide clear evidence of the authority for disposal as part of the "client instructions" to Legal Services.	Corporate Director (Governance)	Complete 05/08

			2	Property Services management procedures under the Liberata Partnership are to be revised as part of the review of the Constitution.	Corporate Director (Governance)	July 08
17	63/64	Theft or misappropriation from "the Astley Hall collection" by internal or external source	1	Implement a comprehensive "artefacts database" in compliance with Museums Society standards and recommended software.	Corporate Director (People)	To be in place by January 2009
			1	Undertake a "rolling program" of stock reconciliation against the artefacts database which includes independent verification.		
			2	The issues will be set as Performance objectives for the Curator and consideration given to the resource implications.		
18	41	Misappropriation/loss of equipment due to obsolete Asset Registers	2	Each Directorate will revise and update the asset register to ensure it is comprehensive and up to date.	All Directors	July 08
		Control over vehicles and fuel				
19	66/67	Theft of diesel fuel issued from Bengal Street Depot or petrol issued from Bungalow Service Station a/c due to poor control and reconciliation.	1	Operational arrangements have now changed and are under review. A formal agreement/procedures incorporating effective control arrangements will be implemented as part of the Depot Management Action Plan.	Corporate Director (N'hoods)	06/08
20	68	Obtaining a pecuniary advantage from the disposal of obsolete vehicles, plant and equipment	2	A "Vehicle and Plant Disposal Policy" and procedures will be developed and implemented under the VFM Action Plan	Corporate Director (N'hoods)	06/08

21	60	Theft of fuel obtained for Mayoral cars	2	<p>Monthly reconciliation of fuel issues and verification of mpg for the car to be carried out as part of payment authorisation routine.</p> <p>The vehicle details will be included in the control arrangements to be implemented as part of the Depot Management Action Plan at 19 above .</p>	<p>Corporate Director (Governance)</p> <p>Corporate Director (N'hoods)</p>	<p>Complete 04/08</p> <p>06/08</p>
		Collection of miscellaneous income				
22	2	Non payment of private phone call (landline & mobile)/printing charges due to lack of effective collection mechanisms	1	<p>Effective telephone monitoring reports are available in the new telephone system to be implemented in June. It has been agreed that monitoring will be carried out on an annual basis.</p> <p>An annual monitoring exercise will take place, the existence of monitoring will be highlighted during training sessions for the implementation of the new system and will be subject of a Team Brief item.</p> <p>The Employee Code of Conduct will be amended to provide guidance for staff.</p>	<p>Corporate Director of ICT</p> <p>Corporate Director of ICT</p> <p>Corporate Director of ICT/ Corporate Director of Human Resources</p>	<p>June 08</p> <p>June 08</p> <p>June 08</p>
23	7	Lack of clarity about arrangements for the collection of Income from sales of Ordnance Survey Maps.	2	<p>As part of the processing of the monthly invoice from "Stansfields" (Map Supplier) the numbers of plans produced by the system will be reconciled to the numbers downloaded and the income received monthly - and discrepancies will be investigated.</p>	<p>Corporate Director of ICT</p>	<p>June 08</p>

<p>PRIORITY 1</p>	<p>Agreed actions that are considered essential as they impact significantly on the Council's system of governance and internal control and may influence external inspection outcomes. A lack of timely implementation will be reported to the Audit Committee.</p>
<p>PRIORITY 2</p>	<p>Agreed actions that will significantly improve the level of control and will be monitored by Internal Audit. A lack of timely implementation may be reported to the Audit Committee.</p>

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Report of	Meeting	Date
Assistant Chief Executive (Business Transformation)	Audit Committee	25 September 2008

REPORT ON RESUBMISSION OF THE ACCOUNTS 2007/08

PURPOSE OF REPORT

1. To update members of the impact on the Council's financial position as a result of amendments made to the accounts during the audit and to comment on the recommendations made in the Annual Governance Report.

RECOMMENDATION(S)

2. That the report be noted and the accounts re-approved.

EXECUTIVE SUMMARY OF REPORT

3. This report sets out the amendments to the accounts following completion of the statutory audit. The report explains in detail the amendments to be made and the impact they have on the Councils overall financial position.

REASONS FOR RECOMMENDATION(S)

(If the recommendations are accepted)

4. To ensure the statutory timetable for completion of the accounts is met the majority of the amendment required or presentational and were this is not the case an explanation is given. The items that require adjustment are in relation to asset valuations and inflate their valuation. Overall there is no impact on the Councils income or expenditure position.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

5. None.

CORPORATE PRIORITIES

6. This report relates to the following Strategic Objectives:

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

BACKGROUND

7. In June 2008 I submitted reports to the Audit Committee outlining the Council’s financial position following the production of the statutory accounts for 2007/08. The report stated that all the numbers were subject to Audit and I would report back to the Committee on any changes that were required to the accounts following the Audit. The amendments and the internal control issues are highlighted in the Annual Governance Report which is included on the Agenda.

IMPLICATIONS OF CHANGES ON THE ACCOUNTS

8. The issues identified during the audit can be classified in two ways, either items that require changing to meet the statement of recommended practice (SORP), but have no financial impact beyond being presentational and others which affect in real terms the figures presented in the Accounts. In relation to the first type of amendment, the following items fall into this classification.

Comments	£000
Preserved right to buy income shown on the wrong line in the income and expenditure account	1,144
Transfer of King Street asset, shown in the wrong line in the balance sheet	0,314
Information incorrectly included/excluded in notes in the accounts	
Note 46 Statutory debts	1,571
Note 44 Cash flow note	8,008
Capitalised redundancy costs that should not have flowed through the income and expenditure account	0,499
A non adjusting post balance sheet event should have been included as a note to the Accounts. It is now included at note 47	

In terms of the second kind of adjustment which affects the figures are not predominantly presentational the following adjustments have been made.

Comments	£000
Depreciation not written out of balance sheet resulting in assets being overvalued	0,602
Revaluation of Union Street asset not included in accounts	0,325

In other words, the Council’s asset base of £33.8m shown in the balance sheet had been undervalued by £0.927 or 2.7%.

In addition some further amendments have been made to prior year figures as referred to in table 2 paragraph 15 of the Auditor’s Governance Report. The Auditor has concluded that the adjustments do not help the reader if they compare the accounts with the previous year’s figures. My view was contrary to this in that the restated figures help the reader and that substance over form was as important as compliance with the SORP. In order to aid members to understand the changes that have been made a summary is provided at Appendix A of this report. The Auditor has concluded none of the item or material to the account in nature.

INTERNAL COUNCIL ISSUES

- 9. Throughout the report the Audit has highlighted a number of internal control weaknesses that would assist the Council in improving the quality of the accounts. I cannot disagree with the issues raised, but feel I should point out that improvements have been made during the production of the 2007/08 accounts and I believe this is reflected in the small number of mainly classification errors that have occurred.

As always we look to improve the way we do things and I accept all the recommendations made, some of which are to ensure we prepare for further changes to the statutory accounting guidance.

I feel however it is appropriate to comment on R6 of Appendix D which refers to ensuring the building control account breaks even. Members will be interested to note that this is not a major issue and a small deficit of £0.052m has been reported over the 3 year period against a turnover of £0.845m. Only small adjustments are required to achieve this breakeven position, on the assumption that income targets can be maintained. Income is currently at risk in terms of both the competition in the sector and the fact that the “credit crunch” could result in less development in the borough. The position will need to be kept under constant review.

IMPLICATIONS OF REPORT

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

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

GARY HALL
 ASSISTANT CHIEF EXECUTIVE (BUSINESS TRANSFORMATION)

There are no background papers to this report.

Report Author	Ext	Date	Doc ID

POST AUDIT CHANGES - FINANCIAL STATEMENT 07/08

SoA Page No.	SoA Statement/Note	Description	Amounts Changes		From 2006/07		From 2007/08	
			£'000	£'000	£'000	£'000	£'000	£'000
Contents, 4, 18 to 24, 67 and 68	The Annual Governance Statement had been incorrectly headed and referred to as the Governance Assurance Statement. This has been changed		N/A					
16	acc pol 18	Note numbers changed	N/A					
17	Accounting policies	new notes inserted	N/A					
25 and 35	I&E and Note 14	Preserved RTB totalling 1143799.49 should not have been included in the 'Gains or losses on the sale of fixed assets' line of the I & E Account. These should have been shown on a separate line named 'Other Income'. This item has a corresponding reversal in Note 14 which also had to be separated out. This has now been done.	I & E Account & Note 14 Gains or losses on sale of fixed assets			-1,220.00		-76.00
25, 26, 27, 35	I&E, SMGFB, STRGL, Note 14	An adjustment for FRS 17 entries of (499) had been previously posted to the STRGL to reduce 8900 actuarial loss to 8401. Clarification on treatment has resulted in this adjustment now being posted to the I & E Account to NDC and being reversed out on in Note 14 on the 'Employers contributions to Lancashire Pension Fund and retirement benefits payable direct to pensioners' line changing this from 1138 to 1637	Other Income I & E Non distributed costs			0.00 1,151.00		-1,144.00 652.00
27	STRGL	In order to accommodate the previous years comparator for the collection fund balance, which was brought in this year after clarification on treatment, The (surplus)/deficit arising on revaluation of fixed assets figure published in the 06/07 accounts was adjusted from 10,018 to 9,813 and then the collection fund balance line of 205 was added. This was incorrect and the collection fund balance is now to be shown as 0 with the (Surplus)/deficit arising on revaluation of fixed assets put back to 10,018 as published in 06/07	Note 14 Employers contrib to Lancs Pension Fund & retirement benefits payable direct to pensioners STRGL (Surplus)/deficit arising on revaluation of fixed assets			1,138.00 -3,925.00		1,637.00 -4,771.00
28, 36, 38, 44, 45	Balance sheet, & notes 15 (FA), 17, (dep), 32 (Rev res)	write off depreciation on revalued assets (All Seasons & others). Revaluation of Union St	(Surplus)/deficit for the year on the Collection Fund I&E Other Land and Buildings	205.00	0.00		205.00	26,380.00
29	CFS	Purchase of fixed assets and capital grants received both changed by £109k due to late reclassification of debtors/receipts in advance	Note 15 Appropriations Revaluations Cash Flow Statement Purchase of fixed assets and other capital cash payments Capital grants received				567.00 3,322.00 -8,142.00	253.00 4,482.00 -8,033.00
30	note 3	typing error value of Veolia contract	N/A					1,489.00
30	note 3	Typing error	Typo error from 2,577 to 2,557					

33	note 11	change in remuneration band of 1 officer, as a result of exclusion of expenses	2007/08 figures adjusted remuneration band 70k-80k from 1 to 2 and 80k-90k from 3 to 2									
33	note 9	Members of the LAA identified in the note	N/A									
36	note 15 (FA)	King St correct analysis of changes to show as appropriation	Note 15 Appropriations						567.00			253.00
46	note 36	Contingent asset & liability note updated to provide more information on uncertainty	N/A									
46	note 32(d)	2006/7 errors in Fixed asset valuations dealt with as footnote to note 32(d) rather than as a prior year adjustment	N/A									
45	notes 32(b) & 32(d)	Opening balance date changed from 31 March to 1 April as both revaluation reserve and capital adjustment account only created on 1 April	N/A									
53	note 40	06/07 figures headed restated, deferred charges grossed up, LSVT capital receipt typo corrected and change in debtors adjusted	Note 40 Rec of Surplus or deficit to net cash flow from operating activities Deferred charges written off LSVT capital receipt applied Increase/(decrease) in debtors Deferred charges	-1,243.00 2,713.00 623.00 4,100.00	-5,944.00 2,173.00 1,163.00 8,801.00	4,701.00 540.00 -540.00 -4,701.00						
55	note 44	NNDR Receipt from Pool and Revenue Support Grant added	Note 44 Analysis of Government Grants Revenue activities	20,112.00	27,855.00	-7,743.00			20,923.00			28,931.00
56	note 46	exclude NNDR and council tax debtors from credit risk note	Note 46 Nature and Extent of risks arising from financial instruments. Line Rates & Taxpayers deleted changing totals						7,953.00			6,382.00
57	note 47	New note for post balance sheet events added and date of authorisation issued changed to note number 48	N/A									
57	note 47	Added Veolia contract details	N/A									
58	HRA I&E account	housing subsidy identified as receipt to agree to note 5	HRA I&E Account Supervision & management Negative or (positive) housing revenue account subsidy						55.00			62.00
									0.00			-7.00

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Chorley Council

FINANCIAL STATEMENT

Year Ended March 31, 2008



FINANCIAL STATEMENT
YEAR ENDED 31 MARCH 2008

CHAIR OF AUDIT COMMITTEE

Councillor A Gee

LEADER OF THE COUNCIL

Councillor P Goldsworthy

ASSISTANT CHIEF EXECUTIVE
(BUSINESS TRANSFORMATION AND IMPROVEMENT)

Gary Hall BA CPFA



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auditor's report to chorley borough council

The coat of arms of Chorley Borough Council, featuring a shield with a crown on top, a banner at the bottom with the motto 'BE AWARE', and various heraldic symbols within the shield.

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explanatory foreword



1. INTRODUCTION BY THE CHIEF FINANCE OFFICER

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

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

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

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

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

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

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

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

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

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

Housing Revenue Account: The Council disposed of its housing stock in March 2007. The Housing Revenue Account records residual expenditure and income occurring in 2007/08. The account was closed on 31 March 2008.

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

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

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

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

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

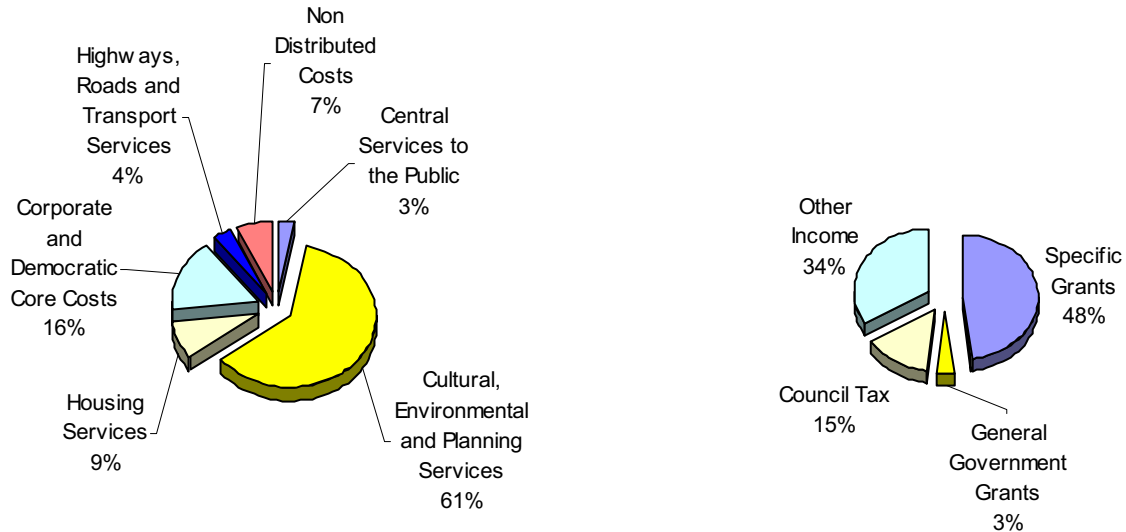
explanatory foreword



2. INCOME AND EXPENDITURE 2007/08

The Council spends money on a variety of services. Set out in Figure 1 below is a summary of the main areas on which money has been spent during the year and how it's paid for.

Figure 1. Revenue Expenditure & Funding



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

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

explanatory foreword



3. CAPITAL SPENDING AND FINANCING 2007/08

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

Key areas of expenditure included sums spent on:

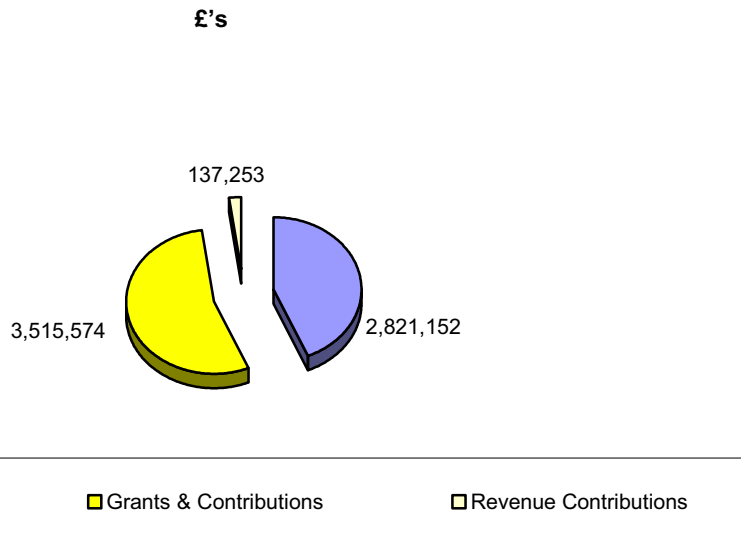
- Cost associated with making the Council more efficient
- Investing in regeneration projects
- Environmental improvements
- Leisure and play facilities

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

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

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

Figure 3. Sources of Finance for Capital Spending



4. OVERALL THE FINANCIAL POSITION OF THE AUTHORITY REMAINS POSITIVE

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

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

explanatory foreword



5. PENSIONS FUND

The Pension Fund actuarial valuation was completed during the financial year 2006/07. The FRS17 deficiency is shown in the statement of total recognised gains and losses. The excess of the accrued pension liabilities assessed on a prescribed basis, compared with the market value of assets at a single point in time (i.e. 31 March 2008) is shown in the balance sheet at £27.3m. It represents an actuarially calculated figure for accounting purposes. Whilst successive year on year FRS17 figures can normally be expected to give a general indication of how the finances of the fund are progressing, only if the actual assumptions come to fruition will the true picture be known. The outcome from the fund valuation is that there is an underlying deficit and as such the employer's contribution rate will rise incrementally over the next three years to redress the deficit. An increase in the contribution rate has already been budgeted for in 2008/09 and thereafter, the increase being as shown in the following table:

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

6. FUTURE DEVELOPMENTS AND SPENDING

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

- Prosperity
- People
- Place
- Performance

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

Our commitment to making Chorley a better place to live will mean that key improvements will be made In 2008/09. We plan to spend £9.188m on capital schemes comprising:

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

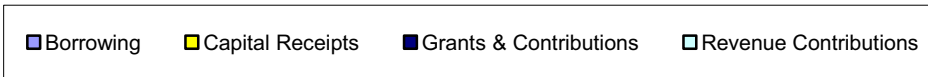
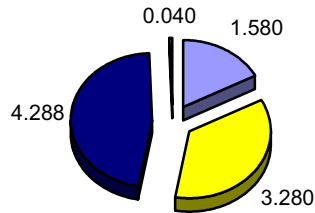
In order to pay for the investment programme the resources to be used will come from a variety of sources. A summary of those sources is shown in the Figure below

explanatory foreword



Figure 4. Future Capital Resources

£'000s



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

7. CONTINUING REVENUE SUPPORT IN KEY AREAS

The Council continues to invest in its key priority areas. In 2008/09 additional revenue was identified for investing in neighbourhoods and the promotion of the town. We will continue to review whether the Council's scarce resources are allocated properly as we refresh the Council's plans annually. The potential for growth remains limited and efforts will be made to redirect money away from non-priority areas into those considered a priority. However, the Council will endeavour to increase the resources available to it by :

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

8. FURTHER INFORMATION

Further information about this statement of accounts is available from:

Assistant Chief Executive (Business Transformation and Improvement), Town Hall, Market Street, Chorley, Lancashire, PR7 1DP

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

explanatory foreword



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

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

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

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

statement of responsibilities



STATEMENT OF RESPONSIBILITIES

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

The Authority's Responsibilities

The Authority is required:

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

Executive Leader – Councillor Peter Goldsworthy

Date:

The Chief Finance Officer's Responsibilities

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

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

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

I have also:

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

This Statement of Accounts presents fairly the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2008.

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

Date:

accounting policies



1. INTRODUCTION

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

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

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

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

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

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

2. RESERVES AND PROVISIONS

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

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

Provisions are required for any liabilities of uncertain timing or amount that have been incurred. They are required to be recognised when the Council has a present obligation as a result of a past event; it is probable that a transfer of economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. If these conditions are not met, no provision is recognised. Provisions are charged to the appropriate revenue account. When payments for expenditure are incurred to which the provision relates they are charged direct to the provision. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

accounting policies



3. TANGIBLE FIXED ASSETS

All expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis in the accounts. Expenditure on tangible fixed assets is capitalised, provided that assets yield benefits to the Council, and the services it provides, for a period of more than one year. This excludes expenditure on routine repairs and maintenance of fixed assets, which is charged direct to service revenue accounts.

Expenditure that would be capitalised includes the following:

- the acquisition, reclamation, enhancement or laying out of land;
- the acquisition, construction, preparation, enhancement or replacement of roads, buildings and other structures, including insulation works and disabled adaptations;
- the acquisition, installation or replacement of movable or immovable plant, machinery, vehicles, apparatus or vessels;

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

Tangible fixed assets are valued on the basis recommended by CIPFA, and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by The Royal Institution of Chartered Surveyors (RICS), by a qualified valuer. Tangible fixed assets are classified into the groupings required by the Code of Practice on Local Authority Accounting, Statement of Recommended Practice. They are included in the Balance Sheet on the following basis:

- land, operational properties and other operational assets are included at the lower of net current replacement cost and net realisable value.
- non-operational assets, including investment properties and assets that are surplus to requirements, are included at the lower of net current replacement cost and net realisable value. In the case of investment properties, this is normally open market value.
- infrastructure assets and community assets are included in the balance sheet at historical cost.

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

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

Depreciation is provided for on all tangible fixed assets with a finite useful life (determined at the time of acquisition or revaluation), calculated using the straight-line method. Where the asset comprises two or more major components with substantially different useful economic lives, each component is accounted for separately for depreciation purposes and depreciated over its individual useful life. (See Note 17 to the Core Financial Statements.)

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

accounting policies



4. DEFERRED CHARGES

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

(See Note 19 to the Core Financial Statements.)

5. INTANGIBLE ASSETS

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Council (e.g. software licences) is capitalised when it will bring benefits to the Council for more than one financial year. The balance is amortised to the relevant service revenue account over the economic life of the investment to reflect the pattern of consumption of benefits. An amount equal to the amortisation charges for the use of intangible assets included in revenue accounts is credited to the Reconciling Items for the Statement of Movement on the General Fund Balance.

(See Note 14 to the Core Financial Statements.)

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

(See Note 18 to the Core Financial Statements.)

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

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

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

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

7. GRANTS

Revenue grants are accounted for in the year in which they arise and are credited to the relevant service in the Income and Expenditure Account. Grants made to finance the general activities of the Council or to compensate for a loss of income are credited to the revenue account of the period in respect of which they are payable.

Where the acquisition or enhancement of a fixed asset is financed wholly or in part by a Government grant or other contribution, the amount of the grant or contribution is credited to the Government Grants – Deferred account. (See Note 30 to the Core Financial Statement.) This is subsequently written off to the Reconciling Items for the Statement of Movement on the General Fund Balance over the useful life of the asset to match the depreciation of the asset to which it relates. (See Note 14 to the Core Financial Statement.)

Government grants or other contributions are accounted for on an accruals basis and recognised in the accounting statements when the conditions for their receipt have been complied with and there is reasonable assurance that the grant or contribution will be received.

accounting policies



8. INTEREST

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

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

9. LEASING

The Council may acquire items under leasing arrangements that fall within the following categories

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

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

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

10. ACCRUALS OF REVENUE AND CAPITAL INCOME AND EXPENDITURE

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

Provision has been made on an actual or estimated basis for all debtors and creditors as at 31 March 2008 with the exception of various items where the charges from one year to the next are not material, i.e. gas, electricity and telephone charges.

See Note 26 to the Core Financial Statements.

11. VALUE ADDED TAX

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

12. STOCKS AND STORES

Some stores held by the Council are shown in the accounts at estimated current replacement value. All other stocks are shown at cost price. (See Note 25 to the Core Financial Statements.) This is a departure from the SSAP9, which requires that stocks be valued at the lower of cost and net realisable value. The potential impact on the accounts is that stocks could be overstated in the statements, although investigation of the impact has shown that any overstatement would not be material in the accounts.

13. CENTRAL SUPPORT SERVICE AND ADMINISTRATIVE EXPENSES

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

- Corporate and Democratic core costs
- Non distributed costs

accounting policies



14. PENSION COSTS

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

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

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

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

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

15. INVESTMENTS/INTEREST IN COMPANIES

Investments in companies and marketable securities are carried at cost less provision, where appropriate, for loss in value. Long-term investments are identified separately on the face of the balance sheet. (See Note 23 to the Core Financial Statements.) Dividend income from investments would be recognised when the Council had the right to receive the dividend.

Where the Council invests in companies, and has a controlling interest, group accounts should be produced. The Council has previously had such interests but in 2007/08 had no interest in any company that undertook any trading activity during the period.

16. CONTINGENT ASSETS

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

See Note 36 to the Core Financial Statements.

17. CONTINGENT LIABILITIES

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

See Note 36 to the Core Financial Statements.

accounting policies



18. EVENTS AFTER THE BALANCE SHEET DATE

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

Where an event that occurs after the balance sheet date is indicative of conditions that arose after the balance sheet date, the amounts recognised in the Statement of Accounts are not adjusted. However, there would be a disclosure for each material category of 'non-adjusting' event after the balance sheet date to indicate the nature of the effect and an estimate of the financial effect, or a statement that such an estimate cannot be made reliably. (See note 47 to the Core Financial Statements)

Events after the balance sheet date are reflected up to the date when the Statement of Accounts is authorised for issue (see note 48 to the Core Financial Statements).

19. GOVERNMENT GRANTS AND CONTRIBUTIONS (REVENUE)

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

20. MINIMUM REVENUE PROVISION

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

See Note 14 to the Core Financial Statements.

21. PRIOR PERIOD ADJUSTMENTS AND CHANGES IN ACCOUNTING POLICIES

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

22. FINANCIAL INSTRUMENTS

Financial Liabilities

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

Any gains or losses on the repurchase or early settlement of borrowing are charged to the Income & Expenditure account. However where repurchase has taken place as part of a restructure the premium or discount is added to the amortised cost and charged over the life of the new or modified loan. Where premiums and discounts have been charged directly to the Income and Expenditure Account regulations permit the impact on the General Fund Balance to be spread over future years. This is achieved by transfer to/from the Financial Instruments Adjustment Account. No such gains or losses arose in 2007/08.

accounting policies



Financial Assets

These are classified into two types:

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

23 DISCONTINUED OPERATIONS

Income and expenditure directly related to discontinued operations is shown separately on the face of the Income and Expenditure Account under the heading of Discontinued Operations. Any liabilities in respect of these operations is disclosed separately in the notes to the Balance Sheet

See note 1 to the Core Financial Statements

24 LOCAL AREA AGREEMENT GRANT

A Local Area Agreement is a three year agreement between the Government Office and a Local Strategic Partnership, representing authorities and other public, private, voluntary and community interests for the area. The LAA sets out the priorities for a local area in defined areas of activity. Under the LAA many central government grants received by authorities are pooled and paid as LAA Grant to the upper tier local authority which acts as the accountable body for the LAA.

Grant allocations from the Accountable Body to the Council are accounted for on an accruals basis, and are apportioned between the services funded by the grant.

See note 9 to the Core Financial Statements

25 CHANGES IN ACCOUNTING POLICIES

The Code of Practice on Local Authority Accounting in the UK – A Statement of Recommended Practice (SORP), is proper accounting practice under section 21 of the Local Government Act 2003, for all local authorities. In recent years the Accounting Standards Board (ASB) has required the SORP to become compliant with UK generally accepted accounting practice (UK GAAP). This has resulted in the 2007 SORP introducing fundamental changes to the accounting for fixed assets.

In these accounts it has resulted in the creation of a true Revaluation Reserve and a Capital Adjustment Account. The latter account shows the difference between the capital charges made in the accounts in compliance with UK GAAP, and those required of authorities by statute.

The other significant change introduced by the SORP is in accounting for Financial Instruments. These changes are explained in fuller detail elsewhere in this statement.

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1. Scope of Responsibility

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

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions and which includes arrangements for the management of risk.

The Council has approved and adopted a Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Good Governance in Local Government*. A copy of the Code is on our website at www.chorley.gov.uk under "Council & Democracy" or can be obtained from Andrew Docherty, Corporate Director of Governance, Town Hall, Chorley, PR7 1DP. This statement explains how Chorley Council has complied with the Code and also meets the requirements of regulation 4(2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) Regulations 2006 in relation to the publication of a statement on internal control.

2. The Purpose of the Governance Framework

The governance framework comprises the systems and processes, the culture and values by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

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

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

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3. The Governance Framework

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

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

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

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

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

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

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

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

- The Council's Constitution sets out how the Council operates, how decisions are made and the procedures that are followed to ensure that these are efficient, transparent and accountable to local people.
- Policy and decision-making is facilitated through the Executive Cabinet supported by a framework of Statutory and Overview & Scrutiny Committees.
- The Constitution also sets out the situations where senior officers of the Council can make decisions under delegated authority
- The Council publishes a Forward Plan containing details of key decisions to be made by the Council, its committees and chief officers under their delegated powers (and has specified what is significant expenditure in terms of the definition of a key decision).

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

- The Council's Constitution contains formal Codes of Conduct that articulate the standards of ethical behaviour that are expected from members and officers. These incorporate procedures for the disclosure of pecuniary interests and offers of gifts and hospitality.
- Both members and officers have been extensively briefed on personal conduct and disclosure requirements.
- An automated system has been established on the Council's intranet for officer disclosures.

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

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

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

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

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

- The Council aims to ensure compliance with established policies, procedures, laws and regulations through a variety of mechanisms, including:
 - Monitoring Officer;
 - Section 151 Officer;
 - Internal Audit;
 - External Audit;
 - Performance management system.
- The Council has designated the Corporate Director of Governance as Monitoring Officer, who plays a key role in ensuring compliance. After consulting with the Chief Executive, the Monitoring Officer will report to the full Council if he/she considers that any proposal, decision or omission would give rise to unlawfulness or maladministration. Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered.
- The standard committee reporting procedure and template now requires the monitoring officer to consider legality and compliance in respect of all decisions made by members.

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

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

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

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

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

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

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

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

4. Review of Effectiveness

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

The following paragraphs describe the processes that has been applied in maintaining and reviewing the effectiveness of the Council's governance framework:

Corporate Level Review

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

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

The group have conducted a detailed corporate level review of the Council's system of governance in accordance with the guidance provided by CIPFA / SOLACE.

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Directorate Level Review

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

Monitoring Officer

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

Scrutiny Committee

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

Audit Committee

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

Standards Sub-Committee

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

Internal Audit

Internal Audit is responsible for monitoring the quality and effectiveness of the system of governance and internal control. A risk-based Internal Audit Plan is produced each financial year. The reporting process for Internal Audit requires a report of each audit to be submitted to the relevant Directorate. The report includes recommendations for improvements that are included within a Management Action Plan and require agreement or rejection by service managers. The process includes follow-up reviews of agreed recommendations to ensure that they are acted upon.

The Internal Audit Annual Report contains a statement / judgement on overall levels of internal control (a view based on the relative significance of the systems reviewed during the year, in the context of the totality of the control environment).

The Internal Audit Section is subject to regular inspection by the Council's external auditors, who place reliance on the work carried out by them.

External Audit

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

5. Significant Governance Issues

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

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

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

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

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

Cllr P Goldsworthy
Leader of the Council

D Hall
Chief Executive

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

A Docherty
Corporate Director
of Governance
(Monitoring Officer)

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INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2008

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

Restated 2006/07 Net Expenditure £'000	DESCRIPTION OF SERVICE	2007/08 Gross Expenditure £'000	2007/08 Gross Income £'000	2007/08 Net Expenditure £'000	Note
681	Central services to the public	6,572	(6,017)	555	
12,134	Cultural, environmental and planning services	14,257	(3,435)	10,822	
372	Highways, roads and transport services	1,884	(1,249)	635	
3,567	Housing services	16,988	(15,445)	1,543	
3,078	Corporate and democratic core costs	2,987	(97)	2,890	
(545)	Non distributed costs	927	(275)	652	
19,287	TOTAL CONTINUING OPERATIONS	43,615	(26,518)	17,097	
48,958	Discontinued operations	55	(1)	54	
48,958	TOTAL DISCONTINUED OPERATIONS	55	(1)	54	
68,245	NET COST OF SERVICES	43,670	(26,519)	17,151	
(2,247)	Gains or losses on the sale of fixed assets			(76)	
535	Precepts paid to Parish Councils			550	
(84)	Net costs on trading undertakings			74	4
131	Interest payable and similar charges			7	
1,180	Contribution to housing pooled capital receipts			11	32(e)
226	Net loss on repurchase or early settlement of borrowing			0	
(13)	Interest and investment income			(525)	
371	Pensions interest cost & expected return on pensions asset			274	
0	Other income			(1,144)	38
68,344	NET OPERATING EXPENDITURE			16,322	
	Sources of Finance				
(1,534)	General government grants			(1,506)	
(6,445)	Non-Domestic Rates redistribution			(6,857)	
(6,544)	Precept demanded from Collection Fund			(6,608)	
53,821	NET (SURPLUS)/DEFICIT FOR THE YEAR			1,351	

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THE STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCE

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

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

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

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

2006/07 £'000		2007/08 £'000	Note
53,821	(Surplus)/deficit for the year	1,351	
(53,590)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the Fund for the year	(1,672)	14
231	(INCREASE)/DECREASE IN GENERAL FUND BALANCE FOR THE YEAR	(321)	
84	In-year transfer to earmarked reserves	100	
0	Housing Revenue Account balance transferred in	(896)	
(1,084)	General Fund balance brought forward	(769)	
(769)	BALANCE ON FUND CARRIED FORWARD	(1,886)	32(f)

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STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

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

2006/07 £'000		2007/08 £'000	Notes
53,821	(Surplus)/deficit for the year on the Income and Expenditure Account	1,351	
10,018	(Surplus)/deficit arising on revaluation of fixed assets	(4,771)	
(4,185)	Actuarial (gains)/losses on pension fund assets and liabilities	8,900	
0	(Surplus)/deficit for the year on the Collection Fund	485	32(h)
0	Deferred capital receipts, discharged in the year, treated as de minimis revenue receipts	3	
59,654	TOTAL RECOGNISED (GAINS)/LOSSES FOR THE YEAR	5,968	

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THE BALANCE SHEET AS AT 31 MARCH 2008

Restated 31/03/07 £'000		£'000	31/03/08 £'000	Notes
560	Intangible assets		538	18
928	Operational assets			
21,624	- Council dwellings	0		
1,536	- Other land and buildings	26,380		
0	- Vehicles, plant, furniture & equipment	1,550		
1,301	- Infrastructure	151		
	- Community assets	2,626		
2,637	Non-operational assets			
1,712	- Investment properties	2,348		
	- Surplus assets held for disposal	1,622		
29,738	Tangible fixed assets		34,677	15
0	Deferred charges		0	19
58	Long-term investments		58	23
248	Long-term debtors		247	24
30,604	Total long-term assets		35,520	
87	Stocks and work in progress	67		25
6,252	Debtors	7,794		26
3,526	Investments	10,363		33
852	Cash and bank	575		
10,717	Total current assets	18,799		
0	Short-term borrowing	(2,367)		33
(9,274)	Creditors	(6,386)		26
(9,274)	Total current liabilities	(8,753)		
32,047	Total assets less current liabilities		45,566	
0	Long-term borrowing	(4,633)		27
(12)	Deferred liabilities	(12)		29
0	Provisions	0		28
(1,435)	Government grants-deferred account	(2,229)		30
(2,829)	Unapplied grants and contributions	(7,280)		31
(17,724)	Liability related to defined benefit pension scheme	(27,334)		39
(22,000)			(41,488)	
10,047	TOTAL ASSETS LESS LIABILITIES		4,078	20
0	Financed by:			
23,535	Revaluation reserve		1,316	32b
1,419	Capital adjustment account		26,326	32d
26	Capital receipts reserve		1,070	32e
(17,724)	Deferred capital receipts		22	24
1,654	Pensions reserve		(27,334)	39
966	General Fund balance		2,992	32f
171	Housing Revenue Account balance		0	32g
	Earmarked reserves		(314)	32h
10,047	TOTAL NET WORTH		4,078	32

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CASH FLOW STATEMENT FOR YEAR ENDED 31 MARCH 2008

2006/07 £'000	Revenue Activities	2007/08 £'000	Notes
	Cash Outflows		
(12,669)	Cash paid to and on behalf of employees	(9,902)	
(18,577)	Other operating cash payments	(13,867)	
(9,596)	Housing benefit paid out	(14,573)	
(19,424)	National non-domestic rate payments to national pool	(19,975)	
(41,308)	Precepts paid	(43,916)	
(1,117)	Payments to the Capital Receipts Pool	(11)	
	Cash Inflows		
3,495	Rents (after rebates)	0	
43,122	Council tax receipts	45,179	
6,445	National non-domestic rate receipts from national pool	6,857	
20,104	Non-domestic rate receipts	20,724	
1,298	Revenue support grant	1,151	
13,478	Department for Work and Pensions (DWP) grants for benefits	13,786	44
6,659	Other government grants	7,137	44
8,624	Cash received for goods and services	4,734	
1,190	Other revenue cash receipts	1,685	
<u>1,724</u>	Net Cash Inflow/(Outflow) From Operating Activities	<u>(991)</u>	40
	Return on Investments and Servicing of Finance		
	Cash Outflows		
(226)	Interest paid	(458)	
0	Interest element of finance lease rental payments	0	
	Cash Inflows		
69	Interest received	430	
<u>(157)</u>		<u>(28)</u>	
	Capital Activities		
	Cash Outflows		
(11,565)	Purchase of fixed assets and other capital cash payments	(8,033)	
	Cash Inflows		
5,879	Sale of fixed assets	1,340	
1,004	Capital grants received	1,489	44
12,561	Other capital cash receipts	5,783	
<u>7,879</u>		<u>579</u>	
<u>9,446</u>	Net cash Inflow/(Outflow) Before Financing	<u>(440)</u>	
	Management of Liquid Resources		
(1,852)	Net decrease/(increase) in short-term deposits	(6,837)	43
	Financing		
	Cash Outflows		
(7,500)	Repayments of amounts borrowed	0	
0	Capital element of finance lease rental payments	0	
	Cash Inflows		
0	New loans raised	7,000	
0	New short-term loans	0	
<u>(9,352)</u>	Net Cash Inflow/(Outflow) from Financing	<u>163</u>	
<u>94</u>	Net Increase/(Decrease) in Cash	<u>(277)</u>	

notes to the core financial statements



1. DISCONTINUED OPERATIONS

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

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

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

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

The main purpose of this reconciliation is to explain the effect on the 2006/07 Net Expenditure comparative figures in the Income and Expenditure Account of reclassifying Council Housing as a Discontinued Operation. (See Note 1 above.) In addition, there are two minor adjustments in respect of Interest Payable and Similar Charges, and Trading Operations.

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

In 2008/09 the Council is committed to making payments estimated at £2.557 million under a contract with Veolia Environmental Services (UK) Limited (formerly Cleanaway Limited) for the collection of refuse and recyclable waste from the authority's residents. The actual level of payments will depend upon the volumes collected and Veolia's performance in providing the service. This contract expires at the end of 2008/09. A new contract has been awarded to Veolia for ten years from 2009/10, at an estimated cost of £28.75 million

notes to the core financial statements



CLS Chorley manage four indoor leisure facilities on behalf of the Council. The Council is committed to making contract payments estimated to total £0.347 million in 2008/09. The contract expires at the end of 2011 for one of the leisure facilities and continues until 2020 for the other three. See also Note 12 to the Core Financial Statements.

The Council is committed to making estimated payments of £0.280 million in 2008/09 for the Council's insurance portfolio under a contract with Zurich Municipal. The actual payments will vary according to changes in staffing levels, numbers of buildings, etc. The contract expires at the end of 2008/09.

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

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

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

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

4. TRADING OPERATIONS

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

notes to the core financial statements



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

Section 137 of the Local Government Act 1972, as amended, empowers local authorities to make contributions to certain charitable funds, not-for-profit bodies providing a public service in the United Kingdom and mayoral appeals. The Council made no contributions pursuant to this power in 2007/08 (2006/07 restated - nil).

6. EXPENDITURE ON PUBLICITY

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

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

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

7. BUILDING REGULATIONS CONTROL SERVICES

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

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

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

8. LOCAL AUTHORITIES (GOODS AND SERVICES) ACT 1970

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

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

notes to the core financial statements



9. LOCAL AREA AGREEMENT (LAA)

The Lancashire Partnership consists of:

Lancashire County Council, the 12 Lancashire Districts & strategic partnerships, Lancashire Partnership, Lancashire Police Authority, Lancashire Fire & Rescue, Lancashire Constabulary, Strategic Health Authority and 12 primary care trusts, Business Link Lancashire, Connexions, east Lancashire Chamber of Commerce, Elevate, Environment agency, Job Centre Plus Lancashire, Lancashire Drug Action Team, Lancashire Economic partnership, Lancashire probation Service, Lancashire VCS Consortium, Learning & Skills Council Lancashire, and the N W Development Agency.

The members of the Partnership have signed a Local Area Agreement which identifies areas where improvement in local performance is required, and the action to be taken. The LAA covers a three-year period, of which 2007/08 was the first year.

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

10. MEMBERS' ALLOWANCES

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

11. OFFICERS' REMUNERATION

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

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

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

12. RELATED PARTY TRANSACTIONS

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

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

Other local authorities.

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

notes to the core financial statements



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

Members & Chief Officers

The Council's Standing Orders require Members who believe they have an interest in a matter to be discussed at a Council or Committee meeting to declare that interest and, in general, to withdraw from the meeting while the particular matter is being discussed. It is considered that transactions involving Members and officers with related parties are not material.

Other related parties

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

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

13. DISCLOSURE OF AUDIT COSTS

The sums due from Chorley Borough Council to the Audit Commission for works carried out relating to the year of account 2007/08 were:-

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

notes to the core financial statements



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

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

2006/07 £'000		2007/08 £'000
	Amounts to be included in the Income and Expenditure Account but required by statute to be excluded when determining the movement on the Fund balance for the year	
(280)	Amortisation of intangible assets	(228)
(58,917)	Depreciation and impairment of fixed assets	(1,725)
215	Government grants deferred amortisation	523
(2,858)	Write down of deferred charges to be financed from capital resources	(928)
2,247	Gains or losses on the sale of fixed assets	76
(2,173)	LSVT capital receipt applied	0
8,593	LSVT capital grant applied	0
(1,290)	Net charges made for retirement benefits as per FRS 17	(2,347)
0	Other Income	1,144
(54,463)		(3,485)
	Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the movement on the Fund balance for the year	
197	Minimum revenue provision for capital financing	0
108	Capital expenditure charged-in year to revenue	137
(1,180)	Transfer from usable capital receipts to meet payments to the housing capital receipts pool	(11)
1,418	Employers contributions to Lancashire Pension Fund and retirement benefits payable direct to pensioners	1,637
543		1,763
	Transfers to or from the General Fund Balance that are required to be taken into account when determining the movement on the General Fund balance for the year	
373	Housing Revenue Account balance	(70)
0	Voluntary revenue provision for capital financing	0
(43)	Net transfers to and from earmarked reserves	120
330		50
(53,590)	NET ADDITIONAL AMOUNT TO BE CREDITED OR DEBITED TO THE FUND BALANCE FOR THE YEAR	(1,672)

notes to the core financial statements



15. SUMMARY OF CAPITAL EXPENDITURE AND FIXED ASSET DISPOSALS

Movement on Fixed Assets

	Council Dwellings £'000	Operational Assets			Community Assets £'000	Non-Operational Assets £'000	Total Fixed Assets £'000
		Other Land and Buildings £'000	Vehicles, Equipment, Plant, etc £'000	Infra-structure £'000			
Certified valuation 31 March 2007	963	23,074	2,757	0	1,445	4,349	32,588
Accumulated depreciation and impairment	(35)	(1,450)	(1,221)	0	(144)	0	(2,850)
Net book value at 31 March 2007	928	21,624	1,536	0	1,301	4,349	29,738
<i>Movement in 2007/08</i>							
Additions/expenditure in year	0	1,266	383	151	1,339	0	3,139
Appropriations	(903)	253	0	0	0	650	0
Disposals	0	(328)	0	0	0	(933)	(1,261)
Revaluations	(25)	4,482	32	0	0	313	4,802
Depreciation for year	0	(499)	(401)	0	(14)	0	(914)
Impairment	0	(418)	0	0	0	(409)	(827)
Net book value at 31 March 2008	0	26,380	1,550	151	2,626	3,970	34,677

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

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

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

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

notes to the core financial statements



Capital Expenditure and Financing

The capital expenditure for the year was financed as follows:

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

a) See Note 18 below.

b) See Note 19 below.

16. TANGIBLE FIXED ASSETS ANALYSIS

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

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

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

notes to the core financial statements



17. FIXED ASSET VALUATION

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

	Council Dwellings £'000	Other Land and Buildings £'000	Vehicles, Plant, etc £'000	Infrastructure £'000	Community Assets £'000	Non- Operational Assets £000	Total £'000
Valued at historic cost	0	34	3,172	151	1,560	0	4,917
Valued at current value:							
Current year	0	14,210	0	0	0	1,676	15,886
2006/07	0	1,347	0	0	0	112	1,459
2005/06	0	8,949	0	0	1,224	2,182	12,355
2004/05	0	1,774	0	0	0	0	1,774
2003/04	0	1,122	0	0	0	0	1,122
Total	0	27,436	3,172	151	2,784	3,970	37,513

Depreciation of fixed assets is calculated by the straight-line method, using estimates of the remaining useful lives of the assets provided by the Council's property services contractor, Liberata UK Limited. The total depreciation charge fell from £2.311m in 2006/07 to £0.914m in 2007/08 as a result of the disposal of the housing stock.

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

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

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

The cumulative amount of provisions for depreciation is as follows:

	Balance as at 31 March 2007 £'000	Depreciation for the Year £'000	Revaluations and Appropriations £'000	Disposals in the year £'000	Balance as at 31 March 2008 £'000
Council Dwellings	35	0	(35)	0	0
Other land and buildings	1,450	499	(566)	(50)	1,333
Vehicles, Plant, Furniture and Equipment	1,221	401	0	0	1,622
Infrastructure	0	0	0	0	0
Community assets	144	14	0	0	158
Non-operational assets	0	0	32	(32)	0
Total Depreciation	2,850	914	(569)	(82)	3,113

notes to the core financial statements



18. INTANGIBLE ASSETS

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

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

19. DEFERRED CHARGES

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

20. NET ASSETS EMPLOYED

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

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

notes to the core financial statements



21. FINANCE AND OPERATING LEASES – DISCLOSURE BY LESSEES

Lease rental payments (the Council as lessee)

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

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

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

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

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

22. FINANCE AND OPERATING LEASES – DISCLOSURE BY LESSORS

Lease rental income (the Council as lessor)

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

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

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

notes to the core financial statements



23. LONG TERM INVESTMENTS

Long-term investments at 31 March are as follows:

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

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

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

24. LONG TERM DEBTORS

The analysis of outstanding long term debtors is:

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

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

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

25. VALUATION OF STOCKS

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

notes to the core financial statements



26. REVENUE AND CAPITAL ACCRUALS

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

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

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

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

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

28. PROVISIONS

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

notes to the core financial statements



29. DEFERRED LIABILITIES

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

30. DEFERRED GOVERNMENT GRANTS AND CONTRIBUTIONS

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

2006/07 £'000		2007/08 £'000
1,399	Balance at 1 April	1,435
251	Add; grants and contributions applied in year	1,339
(215)	Less: Transfer to Reconciling Items for the Statement of Movement on the General Fund Balance (a)	(523)
	Transfer to the Housing Revenue Account	(22)
1,435	Balance at 31 March	2,229

(a) See Note 14 to the Core Financial Statements

31. UNAPPLIED GRANTS AND CONTRIBUTIONS

This consists largely of Section 106 receipts (i.e. monies paid to the Council by developers as a result of the grant of planning permission where works are required to be carried out or new facilities provided as a result of that permission). The sums are restricted to being spent by the Council only in accordance with the agreements concluded with the developers. The section 106 receipts held by the Council are analysed in the following table.

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

Additional section 106 monies were received for the maintenance of facilities provided by developers, such as public open space, play areas and community centres. These contributions are treated as "receipts in advance" within creditors (Note 26 above) and are released to revenue to fund the maintenance expenditure over a number of years.

notes to the core financial statements



32. RESERVES

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

Reserve	Purpose of Reserve	Balance at 31 March 2007 £'000	Net Movement in year £'000	Balance at 31 March 2008 £'000	Further Detail of Movements
Fixed Asset Restatement Account	Store of gains on revaluation of fixed assets	39,267	(39,267)	0	(a) below
Revaluation Reserve	Store of gains on revaluation of fixed assets not yet realised through sales	0	1,316	1,316	(b) below
Capital Financing Account	Store of capital resources set aside to meet past expenditure	(15,732)	15,732	0	(c) below
Capital Adjustment Account	Store of capital resources set aside to meet past expenditure	0	26,326	26,326	(d) below
Capital Receipts Reserve	Proceeds of fixed asset sales available to meet future capital investment	1,419	(349)	1,070	(e) below
Deferred Capital Receipts	The agreed capital income still to be received relating to the disposal of fixed assets	26	(4)	22	Note 24 to the Core Financial Statements
Pensions Reserve	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet	(17,724)	(9,610)	(27,334)	Notes 38 and 39 to Core Financial Statements
General Fund	Resources available to meet future running costs for non-housing services	1,654	1,338	2,992	(f) below
Housing Revenue Account	Resources available to meet future running costs for Council houses	966	(966)	0	(g) below and HRA Statement
Earmarked reserves		171	(485)	(314)	(h) below
Total		10,047	(5,969)	4,078	

notes to the core financial statements



(a) Fixed Asset Restatement Account

2006/07 £'000		2007/08 £'000
53,938	Balance as at 1 April	39,267
(10,018)	Revaluation of fixed assets in year	
(4,653)	Disposal of fixed assets in year	
	Transfer to Capital Adjustment Account	(39,267)
39,267	Balance at 31 March	0

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

(b) Revaluation Reserve

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

	2007/08 £'000
Balance as at 1 April 2007	0
Revaluation of fixed assets in year	1,415
Revaluation written off following disposal of asset	(99)
Balance at 31 March 2008	1,316

(c) Capital Financing Account

2006/07 £'000		2007/08 £'000
32,871	Balance at 1 April	(15,732)
3,643	Capital Financing - Capital receipts	
1,568	- Revenue	
(60,728)	Minimum Revenue Provision (less depreciation provision and impairment)	
8,594	Application of Overhanging Debt Grant following LSVT	
321	Repayment of Debt	
	<u>Less:</u>	
(8,801)	Write down of deferred charges	
(4)	Write down of deferred debtors	
6,804	Write down of deferred liabilities	
	Transfer to Capital Adjustment account	15,732
(15,732)	Balance at 31 March	0

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

notes to the core financial statements



(d) Capital Adjustment Account

This account replaces the former Capital Financing Account.

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

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

After closure and audit of the 2006/07 accounts a significant understatement of the value of the All Seasons Leisure Centre, and other minor valuation errors, were identified. These have been corrected in this account, as successor to the Fixed Asset Restatement Account.

(e) Capital Receipts Reserve

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

notes to the core financial statements



(f) General Fund

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

(g) Housing Revenue Account

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

(h) Other Reserves

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

33. FINANCIAL INSTRUMENTS – BORROWINGS AND INVESTMENTS

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

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

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

notes to the core financial statements



34. COMPARISON OF CARRYING AMOUNT AND FAIR VALUE

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

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

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

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

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

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

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

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

36. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent Asset

The Council has claimed an amount of £636,000 from HM Revenue and Customs in relation to Value Added Tax charged on car parking in previous financial years. Recent case law indicates that this money should have been retained rather than being paid to Customs. However the ruling is subject to a judicial review, which will determine the validity of the claim. Additionally, since the discovery of this potential overpayment the Council has been withholding VAT in relation to car park income pending the outcome of the judicial review. A creditor of £301,250 is therefore included in the balance sheet which may not be settled if the review's ruling was found to be in favour of the Council. A resolution to the case is expected sometime during the 2008/09 financial year.

Under the terms of the Voluntary Stock Transfer Agreement dated 26th March 2007, the Council is entitled to receive a further sum, estimated at £3.4m, from Chorley Community Housing. This sum will only be payable if the Association are successful in reclaiming VAT on the qualifying works (i.e. those works it intends to do the houses transferred over a period of roughly ten years). There is no reason at the moment to believe that the works will not be done, nor that the VAT reclaim will be contested by HMRC.

The Council is also entitled to a share of the proceeds from the sale of dwellings transferred to the Association. This agreement has a further fourteen years to run. The amount will depend upon the numbers sold and cannot be predicted.

notes to the core financial statements



Contingent Liabilities

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

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

37. TRUST FUNDS

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

	Balance at 1 April 2007	Revaluation of Investments	Income	Expenditure	Balance at 31 March 2008
	£'000	£'000	£'000	£'000	£'000
HT Parke's Baths Fund <i>(Maintenance of Brinscall Baths)</i>	2	0	0	0	2
William Cocker Charity <i>(Provision of recreation grounds in Chorley)</i>	3	0	0	0	3
WB Park's Charity <i>(Extension of Infectious Diseases Hospital, Withnell)</i>	2	0	0	0	2
Proceeds of Sale of Former Free Library <i>(General benefit of Chorley Borough residents)</i>	97	0	4	(5)	96
Edward McKnight Memorial Fund <i>(Educational lectures in memory of E McKnight)</i>	5	0	0	0	5
Mayor of Chorley's Charity Accounts <i>(Fundraising for various charitable purposes)</i>	0	0	0	0	0
Total Trust Funds	109	0	4	(5)	108

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

38. RETIREMENT BENEFITS

Participation in the Scheme

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

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

notes to the core financial statements



Transactions Relating to Retirement Benefits

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

Local Government Pension Scheme

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

Statement of Movement in General Fund Balance

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

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

39. PENSIONS

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

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

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

The deficit on the Local Government Scheme can be made good by increased contribution over the remaining working life of employees, as assessed by the scheme actuary.

notes to the core financial statements



Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The County Council Fund liabilities have been assessed by Mercers, an independent firm of actuaries, estimates for the County Council Fund being based on the latest full valuation of the scheme as at 31 March 2007.

The main assumptions used in their calculations have been:

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

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

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

Prepaid or Accrued Pensions Contributions

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

notes to the core financial statements



Actuarial Gains and Losses

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

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

notes to the core financial statements



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

Restated 2006/07 £'000		2007/08	
		£'000	£'000
	Surplus/(deficit) for the year		
(53,821)	Income & Expenditure Account	(1,850)	
(205)	Collection Fund	(485)	
<u>(54,026)</u>			<u>(2,335)</u>
	Non-cash transactions:		
58,917	Depreciation & impairment	1,975	
(5,944)	Deferred charges written off	(2,196)	
(215)	Government grants deferred	(545)	
(127)	Pension Fund adjustment	1,209	
2,173	LSVT capital receipt applied	0	
(8,593)	LSVT capital grant applied	0	
<u>46,211</u>			<u>443</u>
	Items on an accrual basis		
1,863	Increase/(decrease) in creditors	(837)	
1,163	(Increase)/decrease in debtors	344	
284	(Increase)/decrease in stock	7	
<u>3,310</u>			<u>(486)</u>
	Items in another classification		
(325)	Servicing of finance	(518)	
8,801	Deferred charges	3,124	
(2,247)	Gains or losses on the disposal of fixed assets	(1,219)	
<u>6,229</u>			<u>1,387</u>
<u>1,724</u>	Net cash inflow/(outflow) from operating activities		<u>(991)</u>

The Cash Flow Statement for the year ended 31 March 2008 has been prepared using the Chartered Institute of Public Finance and Accountancy's 'Cash Flow Toolkit', which uses a different methodology than previously employed. As a result, the comparative figures for 2006/07, including those disclosed in notes 40 to 44, may differ from those published in the Financial Statement 2006/07. However, the Net Increase in Cash for 2006/07 remains unchanged.

notes to the core financial statements



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

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

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

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

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

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

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

notes to the core financial statements



44. ANALYSIS OF GOVERNMENT GRANTS

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

Restated 2006/07 £'000		2007/08 £'000
1,124	Capital activities	1,598
27,855	Revenue activities	28,931
0	European grants	0
28,979	Total government grants	30,529

ii) Analysis of revenue government grants

2006/07 £'000		2007/08 £'000
19,672	Community service	20,181
3	Environmental health	52
0	Sports development	60
45	Waste management	42
6,445	NNDR receipt from pool	6,857
1,298	Revenue Support Grant	1,151
392	Other government grants	588
27,855	Total revenue government grants received	28,931

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

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

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

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

notes to the core financial statements



46. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

Credit risk

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

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

The more likely risk of default exists in respect of debtors. As per note 26 these total £8.453m of which £0.5m is payments in advance and £1.571m is due for rates and local taxes. The remainder consists of:

	Total £'000	Debts raised in 2007/08 £'000	Debts raised in earlier years £'000
Government and Local Authorities	1,421	1,421	0
Developers contributions	1,463	1,463	0
Housing associations and banks	1,486	1,486	0
Housing benefit overpayments	838	174	664
Sundry debtors	1,174	991	183
	6,382	5,535	847

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

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

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

Liquidity risk

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

Market Risk

This consists of:

- **Interest Rate risk**

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

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

notes to the core financial statements



- **Price risk**

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

47. NON ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

A ten year contract commencing in April 2009 has been awarded to Veolia Environmental Services (UK) Limited for the collection of refuse and recyclable waste from the authority's residents. The actual level of payments will depend upon the volumes collected and the contractor's performance in providing the service. The estimated total cost of the contract over the ten years is £28.75million.

48. DATE OF AUTHORISATION FOR ISSUE

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

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

Date:

housing revenue account



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

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

2006/07 £'000	DESCRIPTION OF SERVICE	2007/08 £'000	2007/08 £'000	Note
	Income			
(6,990)	Dwelling rents	0		
(84)	Non-dwelling rents	0		
(201)	Charges for services and facilities	0		
(337)	Contributions towards expenditure	0		
(7,612)	Total income		0	
	Expenditure			
1,854	Repairs and maintenance	15		
2,318	Supervision and management	62		
19	Rents, rates, taxes and other charges	0		
1,274	Negative or (positive) housing revenue account subsidy	(7)		5
59,855	Depreciation and impairment of fixed assets	0		10
12	Debt management costs	0		
(40)	Increase/(decrease) in bad debt provision	0		
	Sums directed by the Secretary of State	0		
0	Rent rebates, transfer to the General Fund	0		
15	Amortisation of intangible assets	(16)		
65,307	Total expenditure		54	
57,695	Net cost of HRA services per Authority Income and Expenditure Account		54	
20	HRA services share of Corporate and Democratic Core		0	
(155)	HRA share of other amounts included in the whole authority Net		0	
	Cost of services but not allocated to specific services			
(8,769)	Exceptional item – receipt of overhanging debt grant		0	
48,791	Net cost of HRA services		54	
0	Gain/loss on the disposal of fixed assets		0	
112	Interest payable and similar charges		0	
227	Amortisation of premiums and discounts		0	
(38)	Interest and Investment Income		0	
62	Pensions interest cost & expected return on pensions asset		0	
49,154	(Surplus) or deficit for the year on HRA services		54	

housing revenue account



THE STATEMENT OF MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE

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

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

notes to the housing

revenue account



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

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

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

2. VACANT POSSESSION VALUE – PROPERTY

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

3. EXPLANATION OF VACANT POSSESSION VALUE

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

4. EXCEPTIONAL ITEMS

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

notes to the housing

revenue account



5. HRA SUBSIDY FOR THE FINANCIAL YEAR

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

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

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

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

notes to the housing

revenue account



7. MOVEMENTS ON THE MAJOR REPAIRS RESERVE

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

8. CAPITAL EXPENDITURE ON LAND, HOUSES AND OTHER PROPERTY

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

9. CAPITAL RECEIPTS FROM DISPOSALS

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

10. CHARGE FOR DEPRECIATION

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

collection fund



THE COLLECTION FUND REVENUE ACCOUNT FOR YEAR ENDED 31 MARCH 2008

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

notes to the collection fund



1. GENERAL

These accounts contain the transactions of the Collection Fund. Section 89 of The Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992) requires the Council to maintain a separate fund for the collection and distribution of amounts due in respect of Council Tax and National Non-Domestic Rates (NNDR). There is no requirement for a separate Collection Fund Balance Sheet. Instead Collection Fund balances are consolidated into the Balance Sheet.

2. INCOME FROM NATIONAL NON-DOMESTIC RATES

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

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

3. COUNCIL TAX BASE

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

The Council set a band D Council Tax of £1,381.29 (2006/07 £1,316.33). This was calculated by dividing the total of the Council's net expenditure to be met from the Council Tax and the precepts of Lancashire County Council, Lancashire Police Authority and Lancashire Combined Fire Authority by the Council Tax base. The Council Tax base is the number of band D equivalent properties in the Council's area. It represents the amount of income that would be raised by a Council Tax levy of £1.00 at band D. The Council Tax base has been calculated as follows:

BAND	RATIO TO BAND D	TOTAL NO OF PROPERTIES	TOTAL EQUIVALENT NO AFTER DISCOUNTS	BAND D EQUIVALENTS
A	6/9	13,936	11,647.50	7,762.9
B	7/9	9,969	8,858.00	6,889.6
C	8/9	8,424	7,703.75	6,847.8
D	1	5,678	5,259.75	5,259.8
E	11/9	4,202	3,966.75	4,848.3
F	13/9	1,675	1,587.50	2,293.1
G	15/9	722	679.75	1,132.9
H	18/9	61	44.50	89.0
		44,667	39,747.50	35,123.4
Less adjustments for anticipated changes to the base and losses on collection				158.4
Band D Equivalent Number of Properties				34,965.0

notes to the collection fund



4. BAND D COUNCIL TAX

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

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

*The Chorley Borough Council demand on the Collection Fund excludes parish precepts of £549,835 (2006/07 £535,399) and excludes special expenses of £693,576 (2006/07 £689,586).

5. DISTRIBUTION OF ESTIMATED COLLECTION FUND SURPLUS

Each January the Council estimates what the Collection Fund balance will be on 31 March. If there is an estimated surplus on 31 March, it has to be shared between the Council and the major precepting authorities during the following financial year. Chorley Borough Council estimated there would be a Collection Fund surplus of £433,610 at 31 March 2007, which was distributed in 2007/08 as follows:

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

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



ACCOUNTING STANDARDS BOARD (ASB)

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

ACCRUALS

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

AUDITOR'S OPINION

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

ANNUAL GOVERNANCE STATEMENT

See STATEMENT ON INTERNAL CONTROL.

BALANCE SHEET

The combined fund balance sheets of the Council.

BUDGET

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

CAPITAL EXPENDITURE

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

CAPITAL RECEIPTS

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

CAPITAL RECEIPTS UNAPPLIED

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

CHIEF FINANCE OFFICER

In England and Wales the Chief Finance Officer is colloquially known as the 'S151 officer', as the relevant provisions are contained in section 151 of the Local Government Act 1972. Section 151 requires every local authority to 'make



arrangements for the proper administration of their financial affairs' and give one of their officers responsibility for this. That officer has specific duties under other statutes, including issuing a preventative report if there is, or is likely to be, unlawful expenditure or an unbalanced budget, and reporting to the authority at budget-setting time on the robustness of estimates made and the adequacy of the financial reserves. Under the Prudential Code, the Chief Finance Officer has responsibility for ensuring that the authority is given information on all 'matters required to be taken into account' when making decisions on capital investment. Chorley Borough Council's Chief Finance Officer is the Assistant Chief Executive (Business Transformation).

COLLECTION FUND

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

COMMUNITY ASSETS

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

CONTINGENT ASSET

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

CONTINGENT LIABILITY

A contingent liability is either:

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

COST OF MANAGEMENT AND ADMINISTRATION

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

CREDITOR

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

CURRENT COSTS ACCOUNTING (CCA)

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

DEBT REDEMPTION

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



glossary

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.

DEFERRED CHARGES

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

DEPRECIATION

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

FINANCIAL REPORTING STANDARD (FRS) 17

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

FIXED ASSETS

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

GENERAL FUND

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

HOUSING REVENUE ACCOUNT (HRA)

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

INFRASTRUCTURE ASSETS

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

INTANGIBLE ASSETS

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

LARGE SCALE VOLUNTARY TRANSFER

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

glossary



LEASING

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

LOANS OUTSTANDING

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

MINIMUM REVENUE PROVISION (MRP)

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

NATIONAL NON-DOMESTIC RATES (NNDR)

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

NET BOOK VALUE

The amount at which fixed assets are included in the balance sheet, i.e., 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.



glossary

RESERVE

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

REVENUE ACCOUNT

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

S151 OFFICER

The colloquial name for the Chief Finance Officer.

STATEMENT ON INTERNAL CONTROL (SIC)

Regulation 4(2) of The Accounts and Audit Regulations 2003 requires English authorities to 'conduct a review at least once in a year of the effectiveness of its system of internal control' and include a statement on internal control with any statement of accounts. The statement should relate to the system of internal control as it applied during the financial year for the accounts that it accompanies.

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

STATEMENT OF RECOMMENDED PRACTICE (SORP)

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

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

STATEMENT OF STANDARD ACCOUNTING PRACTICE (SSAP) 9

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

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Annual Governance Report

Chorley Borough Council

Audit 2007/08

September 2008



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Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
 - any third party.
-

Summary

Summary

Purpose

- 1 This report summarises the findings from our 2007/08 audit, which is substantially complete. It identifies the key issues that you should consider before we issue our opinion on your 2007/08 accounts, our value for money conclusion and certificate of conclusion of the audit.
- 2 This report includes a copy of the letter of representation received from management. In accordance with International Standards on Auditing (UK&I) 580 only management need to sign the letter off but those charged with governance must acknowledge their collective responsibility for the compilation of the financial statements and arguably this would include considering the adequacy of the letter of representation.
- 3 This report includes only matters of governance interest that have come to our attention in performing our audit. Our audit is not designed to identify all matters that might be relevant to you

Financial statements

- 4 The arrangements for production of your financial statements have been good. The draft financial statements were produced in time for the June 2008 Audit Committee. The working papers to support the financial statements have been generally of a good standard.
- 5 We expect to issue an unqualified opinion on the financial statements by 30 September 2008.

Value for money

- 6 We have assessed your corporate arrangements for securing economy, efficiency and effectiveness in the use of your resources against 12 criteria specified by the Commission. We have concluded your arrangements are adequate and propose issuing an unqualified conclusion on the Council's value for money arrangements.

Next steps

- 7 We ask the Audit Committee to:
 - consider the matters raised in the report before approving the financial statements;
 - approve the representation letter on behalf of the Council before we issue our opinion, conclusion and certificate.

Financial statements and Annual Governance Statement

- 8 The Council’s financial statements and Annual Governance Statement are important means by which the Council accounts for its stewardship of public funds. As Council members you have final responsibility for the financial statements and Annual Governance Statement. It is therefore important that you consider our findings before you adopt the financial statements and the Annual Governance Statement.
- 9 In planning our audit we identified specific risks and areas of judgement that we have focused on during our audit. We report to you the findings of our work in those areas.
- 10 In addition, auditing standards require us to report to you:
 - the draft representation letter which we are asking management and you to sign;
 - our views about the Council’s accounting practices and financial reporting;
 - errors in the financial statements;
 - any expected modification to our report;
 - weaknesses in internal control; and
 - certain other matters.

Key areas of judgement and audit risk

- 11 In planning our audit we identified key areas of judgement and audit risk that we have considered as part of our audit. Our findings are set out in Table 1.

Table 1 Key areas of judgement and audit risk

Issue or risk	Finding
Issues around the Large Scale Voluntary Transfer of the housing stock in March 2007	No significant risks have arisen
Changes to the SORP for 2007	The draft accounts did not fully reflect the changes in the 2007 SORP and some amendments were required.
Potential accounting adjustments in preparation of the move to International Financial Reporting Standards in 2008/09.	The application of International Financial Reporting Standards (IFRS) to local government has been delayed.

Financial statements and Annual Governance Statement

Recommendations	
R1	Improve training and quality assurance procedures to ensure that the draft accounts presented for audit fully reflect the current SORP.
R2	Ensure that the Council invests sufficient resources to ensure that it is able to correctly apply IFRS from the relevant date

Draft representation letter

12 Before we issue our opinion, auditing standards require us to obtain from you and management, written representations that:

- you acknowledge your collective responsibility for preparing financial statements in accordance with the applicable financial reporting framework;
- you have approved the financial statements;
- you acknowledge your responsibility for the design and implementation of internal controls to prevent and detect fraud and error;
- you have told me the results of your assessment of the risk that the financial statements might be materially misstated because of fraud;
- you have told me any actual or suspected fraud by management, employees with significant roles in internal control or others (where the fraud could have a material impact on the financial statements);
- you have told me of any allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, regulators or others;
- you have told me about all known actual or possible non-compliance with laws and regulations whose effects should be considered when preparing financial statements;
- you have assessed the reasonableness of significant assumptions, including whether they appropriately reflect management's intent and ability to carry out specific courses of action on behalf of the Council where relevant to the fair value measurements or disclosures;
- you are satisfied that all related parties requiring disclosure in the financial statements have been disclosed and that the disclosure is adequate;
- you are satisfied that the individual or collective impact of errors we have identified, but that you have not corrected, is not material; and
- cover areas where other sufficient appropriate evidence cannot reasonably be expected to exist, for example the completeness of the disclosure of contingent liabilities.

13 Appendix 1 contains the draft of the letter of representation we seek from you.

Accounting policies and financial reporting

- 14 We consider the qualitative aspects of your financial reporting. These cover:
- appropriateness of accounting policies (including non-compliance with the Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice);
 - timing of transactions;
 - appropriateness of accounting estimates and judgements, including consistency of assumptions and degree of prudence;
 - potential effect of material risks and exposures, for example, litigation, disclosed in financial statements;
 - any issues casting doubt on the ability to remain as a going concern;
 - the extent to which the financial statements are affected by usual transactions;
 - apparent misstatements in other information published with the financial statements;
 - material inconsistencies between the financial statements and other information published with the financial statements;
 - the balance and clarity of information contained in the financial report; and
 - the accessibility of the financial statements and other documents published with financial statements.
- 15 Table 2 contains the issues we want to raise with you.

Table 2 Accounting Practice and Financial reporting

Issue or risk	Finding
With the objective of further improving the clarity in the presentation of the Accounts some of the comparative analysis for 2006/07 has been amended from the figures in the 2006/07 audited accounts.	Whilst these adjustments are not material it does not help the reader's understanding of the accounts if the comparatives do not agree with the previous years accounts

Recommendation
R3 In future years, ensure that the comparatives in the accounts agree to the previous years audited accounts.

Financial statements and Annual Governance Statement

Errors in the financial statements

- 16 We identified a small number of errors in the financial statements (other than those of a trivial nature) and reported these to management.
- 17 Management has agreed to adjust the financial statements for the errors identified in Appendix 2. However, because these are above our trivial level of £88,000 we are reporting these amendments to you. They are set out in Appendix 2 with an action plan of issues the Council needs to address at Appendix 4. The amendments do not impact on the Council's overall financial position.
- 18 We have not identified any errors (other than those of a trivial nature and those relating to adjustment to some comparative figures) that management has declined to correct where we have asked them to do so.

The audit report

- 19 We plan to issue an unmodified report including an unqualified opinion on the financial statements. Appendix 3 contains a copy of our draft report.

Material weaknesses in internal control

- 20 We have identified weaknesses in the design or operation of an internal control that might result in a material error in your financial statements which has not been reported to you. These weaknesses are set out in Table 3.

Table 3 Weaknesses in internal control

Issue or risk	Finding
Fixed assets are controlled through a series of spreadsheet and the accounting entries in the statement of accounts are derived from these spreadsheets.	From 2008/09 these spreadsheets will be unable to provide the more detailed asset data Council's will require in order to produce their accounts.
Currently the Related Party disclosure note is compiled without reference to the disclosures in the Members and Officers register of interest.	This means there is a danger that the Related Party note is not complete.

Recommendations
R4 Introduce an asset register system so that Chorley has sufficient information on its assets to prepare SoRP compliant accounts.
R5 Ensure that the Members and Officers registers are reviewed as part of the process of compiling the Related Party disclosure note.

21 We have not provided a comprehensive statement of all weaknesses which may exist in internal control, nor of all improvements which may be made. We have reported only those matters which have come to our attention because of the audit procedures we have performed.

Other matters

22 We have identified the following matters that we require you to consider.

Table 4 Other matters

Issue or risk	Finding
Chorley failed to comply with its statutory duty that it should breakeven on its building control account over a three year period.	Whilst the amounts involved are not material it is important that Chorley takes appropriate action to ensue that it complies with its statutory duties in the future.

Recommendation
R6 Ensure that Chorley complies with its statutory duty to breakeven on its building control account over a three year period in future.

Value for money

- 23** We are required to conclude whether the Council put in place adequate corporate arrangements for securing economy, efficiency and effectiveness in its use of resources. We assess your arrangements against 12 criteria specified by the Commission. Our conclusion is informed by our work on Use of Resources, a scored judgement reported to the Audit Commission.
- 24** We have assessed the arrangements of the Council as adequate in all 12 areas and we therefore propose to issue an unqualified conclusion.

Formal audit powers

25 We have:

- a power to issue a public interest report. We do so where we believe this is necessary to draw a matter to your attention, or to that of the public;
- a power to apply to court for a declaration that an item in the Council's accounts is contrary to law;
- a power to issue an advisory notice. An advisory notice requires the Council to meet and consider the notice before:
 - making a decision that might give rise to unlawful expenditure; or
 - taking an unlawful course of action that would give rise to a loss; or
 - making unlawful entry in the accounts; and
- a power to seek judicial review of a decision of the Council.

26 We have not and do not propose to exercise these powers in relation to 2007/08 audit.

Independence

Independence

- 27** The Code of Audit Practice and the APB's Ethical Standards with which auditors must comply require that auditors act, and are seen to act, with integrity, objectivity and independence.
- 28** We confirm that we comply with the APB's Ethical Standards, that we are independent and that our objectivity is not compromised.
- 29** We communicate to you:
- any relationships between us and the Council, its members and senior management that might affect our objectivity and independence and any safeguards put in place;
 - total fees charged to you for audit and non-audit services; and
 - our arrangements to ensure independence and objectivity.

Relationships with the Council

- 30** We have identified no relationships that might affect objectivity and independence.

Audit fees

31 We reported our fee proposals as part of the Audit Plan for 2007/08. The table below reports the outturn fee against that plan.

Table 5 Audit fees

	Plan 2007/08	Actual 2007/08
Financial statements and Annual Governance Statement	44,600	44,600
Use of Resources	43,700	43,700
Data Quality	13,500	13,500
Whole of Government accounts	2,300	2,300
Total Audit Fees	104,100	104,100
Inspection fee	5,900	5,900
Total Audit and Inspection fee	110,000	110,000
Certification of claims and returns	24,000 (estimate)	24,000 (estimate)

32 The analysis above shows that we expect to contain our audit fee within the totals you have already agreed.

Audit fees**Our arrangements to ensure independence and objectivity**

33 We have comprehensive procedures to ensure independence and objectivity. These are outlined in Table 6.

Table 6 Arrangements to ensure independence and objectivity

Area	Arrangements
Independence policies	<p>Our policies and procedures ensure that professional staff or an immediate family member:</p> <ul style="list-style-type: none"> ● do not hold a financial interest in any of our audit clients; ● may not work on assignments if they have a financial interest in the client or a party to the transaction or if they have a beneficial interest in a trust holding a financial position in the client; and ● may not enter into business relationships with UK audit clients or their affiliates. <p>Our procedures also cover the following topics and can be provided to you on request:</p> <ul style="list-style-type: none"> ● the general requirement to carry out work independently and objectively; ● safeguarding against potential conflicts of interest; ● acceptance of additional (non-audit) work; ● rotation of key staff; ● other links with audited bodies; ● secondments; ● membership of audited bodies; ● employment by audited bodies; ● political activity; and ● gifts and hospitality.
Code of Conduct	<p>The Code of Conduct forms part of the terms and conditions of all Audit Commission employees. The Code of Conduct states that staff have to comply with ethical guidance issued by their relevant professional bodies.</p>
Confidentiality	<p>All staff are required to sign an annual undertaking of confidentiality as a condition of employment.</p>

Appendix 1 – Draft letter of representation

Mr T M Watkinson
District Auditor
Audit Commission
2nd Floor
Aspinall House
Aspinall Way
Middlebrook
Bolton
BL6 6QQ

Chorley Borough Council - Audit for the year ended 31 March 2008

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other officers of Chorley Borough Council, the following representations given to you in connection with your audit of the Council's financial statements for the year ended 31 March 2008.

Compliance with the statutory authorities

I acknowledge my responsibility under the relevant statutory authorities for preparing the financial statements in accordance with the Code of Practice for Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice which present fairly the financial position and financial performance of the Council and for making accurate representations to you.

Supporting records

All the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the Council have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all Council and Committee meetings, have been made available to you.

Irregularities

I acknowledge my responsibility for the design and implementation of internal control systems to prevent and detect fraud or error.

I am not aware of any:

- irregularities involving management or employees who have significant roles in the system of internal accounting control;
- irregularities involving other employees that could have a material effect on the financial statements; or

Appendix 1 – Draft letter of representation

- communications from regulatory agencies concerning non-compliance with, or deficiencies on, financial reporting practices which could have a material effect on the financial statements.

I also confirm that I have disclosed:

- my knowledge of fraud, or suspected fraud, involving either management, employees who have significant roles in internal control or others where fraud could have a material effect on the financial statements; and
- my knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

Law, regulations, contractual arrangements and codes of practice

I am not aware of any instances of non-compliance with laws, regulations and codes of practice, likely to have a significant effect on the finances or operations of the Council. The Council has complied with all aspects of contractual arrangements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

Fair Values

I confirm the reasonableness of the significant assumptions within the financial statements. I confirm:

- the appropriateness of the measurement method;
- the basis used by management to overcome the presumption under the financial reporting framework;
- the completeness and appropriateness under the financial reporting framework; and
- if subsequent events require adjustment to the fair value measurement.

Assets

The following have been properly recorded and, where appropriate, adequately disclosed in the financial statements:

- losses arising from sale & purchase commitments;
- agreements & options to buy back assets previously sold; and
- assets pledged as collateral.

Compensating arrangements

There are no formal or informal compensating balancing arrangements with any of our cash and investment accounts.

Contingent liabilities

There are no other contingent liabilities, other than those that have been properly recorded and disclosed in the financial statements. In particular:

- there is no significant pending or threatened litigation, other than those already disclosed in the financial statements; and
- there are no material commitments or contractual issues, other than those already disclosed in the financial statements; and
- no financial guarantees have been given to third parties.

Related party transactions

I confirm the completeness of the information disclosed regarding the identification of related parties.

The identity of, and balances and transactions with, related parties have been properly recorded and where appropriate, adequately disclosed in the financial statements

Post balance sheet events

Since the date of approval of the financial statements by the Audit Committee, no additional significant post balance sheet events that have occurred which would require additional adjustment or disclosure in the financial statements.

Specific representations:

There are no other material amounts relating to unfunded liabilities, curtailments or settlements of past service costs relating to pension provision other than those which have been properly recorded and disclosed in the financial statements.

Signed on behalf of Chorley Borough Council

I confirm that this letter has been discussed and agreed by the Audit Committee on 25 September 2008.

Signed

Name

Position

Date

Appendix 2 – Audit issues

Appendix 2 – Audit issues

Table 7 Audit issues

Issue	Amendment
Adjusted errors	
Preserved Right to Buy Receipts of £1,144,000 have been incorrectly shown in the Income and Expenditure Account as a gain on the disposal of fixed assets instead of as Other Income.	Show Preserved Right to Buy Receipts of £1,144,000 as Other Income in the Income and Expenditure Account.
Accumulative depreciation of £569,000 on revalued assets has not been not been written out.	Write £569,000 out of the Accumulative Depreciation Account in respect of assets that have been revalued.
The transfer of the King Street Offices of £314,000 from Other Land and Buildings to Non Operational assets as been incorrectly analysed in Note 15 as a Revaluation instead of an Appropriation.	Include the transfer of the King Street Offices of £314,000 from Other Land and Buildings to Non Operational assets in Appropriations in the analysis in Note 15.
The Union Street Site was revalued during the year by £325,000 but this was not reflected in the Balance Sheet.	Increase the value of the Union Street site by £325,000 and amend the Accounts accordingly.
Capitalised redundancy costs of £499,000 had not been reversed out of the Income and Expenditure Account as required by FRS 17.	Remove £499,000 of redundancy costs from the Income and Expenditure account because the Council has received a Capitalisation Directive.
The accounts submitted for audit did not fully comply with the 2007 SoRP in that items relating to Council Tax and NNDR arrears were included in Note 46.	Remove items relating to statutory debts of £1,571,000 from note 46 comply with the 2007 SoRP.

Issue	Amendment
Adjusted errors	
<p>Veolia Environmental Services. At the meeting of the Executive Cabinet on 26 June 2008, a decision was made to award the long term contract for the collection for refuse and recyclable waste to Veolia Environmental Services.</p>	<p>Give details of the contract for the collection for refuse and recyclable waste awarded to Veolia Environmental Services in June 2008 in the 2007/08 Accounts</p>
<p>Revenue Support grant and NNDR redistribution were omitted from Note 44</p>	<p>Include Revenue Support grant and NNDR redistribution in Note 44</p>

Recommendation

R7 Amend the accounts for the corrections listed in Appendix 2.

Appendix 3 – Audit report

Independent auditor's report to the Members of Chorley Borough Council

Opinion on the financial statements

I have audited the accounting statements and related notes of Chorley Borough Council for the year ended 31 March 2008 under the Audit Commission Act 1998. The Authority's accounting statements comprise the Income and Expenditure Account, the Statement of the Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Chorley Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Responsible Financial Officer and auditor

The Responsible Financial Officer's responsibilities for preparing the financial statements in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007 are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the Authority accounting statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Authority and its income and expenditure for the year;

I review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures

I read other information published with the Authority accounting statements, and consider whether it is consistent with the audited Authority accounting statements. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the accounting statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Authority accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the Authority accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the Authority's accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the Authority's accounting statements and related notes.

Opinion

In my opinion the Authority's financial statements present fairly, in accordance with relevant legal and regulatory requirements and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2007, the financial position of the Authority as at 31 March 2008 and its income and expenditure for the year then ended.

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources**Authority's Responsibilities**

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance and regularly to review the adequacy and effectiveness of these arrangements.

Auditor's Responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Appendix 3 – Audit report**Conclusion**

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for principal local authorities specified by the Audit Commission and published in December 2006, I am satisfied that, in all significant respects, Chorley Borough Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2008.

Best Value Performance Plan

We issued our statutory report on the audit of the Council's best value performance plan for the financial year 2006/07 in December 2007. We did not identify any matters to be reported to the Council and did not make any recommendations on procedures in relation to the plan.

Certificate

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Tim Watkinson
District Auditor
2nd Floor Aspinall House
Aspinall Close
Middlebrook
Bolton
BL66QQ
September 2008

Appendix 4 – Action plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
5	R1 Improve training and quality assurance procedures to ensure that the draft accounts presented for audit fully reflect the current SORP.					
5	R2 Ensure that the Council invests sufficient resources to ensure that it is able to correctly apply IFRS from the relevant date.					
6	R3 In future years, ensure that the comparatives in the accounts agree to the previous years audited accounts.					
7	R4 Introduce an asset register system so that Chorley has sufficient information on its assets to prepare SoRP compliant accounts.					
7	R5 Ensure that the Members and Officers registers are reviewed as part of the process of compiling the Related Party disclosure note.					
8	R6 Ensure that Chorley complies with its statutory duty to breakeven on its building control account over a three year period in future.					
18	R7 Amend the accounts for the corrections listed in Appendix 2.					

The Audit Commission

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, covering the £180 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

Copies of this report

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For further information on the work of the Commission please contact:

Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ

Tel: 020 7828 1212 Fax: 020 7976 6187 Textphone (minicom): 020 7630 0421

www.audit-commission.gov.uk

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