



Audit Committee

Agenda and Reports

For consideration on

**Thursday, 29th September
2011**

In Committee Room 1, Town Hall, Chorley

At 2.30 pm

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21 September 2011

Dear Councillor

AUDIT COMMITTEE - THURSDAY, 29TH SEPTEMBER 2011

You are invited to attend a meeting of the Audit Committee to be held in Committee Room 1, Town Hall, Chorley on Thursday, 29th September 2011 commencing at 2.30 pm.

AGENDA

1. **Apologies for absence**

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

To confirm as a correct record the minutes of the meeting of the Audit Committee held on 30 June 2011 (enclosed).

3. **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.

4. **Annual accounts and Governance Report (Pages 5 - 82)**

The Annual Governance Report from the Audit Commission and the Annual Accounts from the Chief Executive / Section 151 Officer (enclosed).

5. **Treasury Strategies and Prudential Indicators 2011/12 to 2013/14 (Pages 83 - 88)**

To receive and consider the report of the Chief Executive and Section 151 Officer.

6. **Future of External Audit Arrangements (Pages 89 - 90)**

Enclosed is a letter to the Chief Executive from the Audit Commission. The Audit Commission will also present a verbal report.

7. **Proposed work Programme and Scales of Fees 2012/13 (Pages 91 - 100)**

To receive and consider the proposed work programme and scales of fees 2012/13 from

the Audit Commission (enclosed).

8. **Interim Internal Audit Report** (Pages 101 - 108)

Report of Head of Shared Assurance Services (enclosed).

9. **The Bribery Act 2010** (Pages 109 - 112)

To receive and consider the report of the Head of Governance / Monitoring Officer (enclosed).

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

Yours sincerely



Gary Hall
Chief Executive

Ruth Rimmington
Democratic and Member Services Officer
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Distribution

1. Agenda and reports to all Members of the Audit Committee (Councillor Anthony Gee (Chair), Councillor Julia Berry (Vice-Chair) and Councillors Marie Gray, Paul Leadbetter, Pauline Phipps, Alan Platt, Dave Rogerson and Geoffrey Russell) for attendance.
2. Agenda and reports to Gary Hall (Director of Transformation), Susan Guinness (Head of Shared Financial Services), Garry Barclay (Head of Shared Assurance Services), Andy Armstrong (Shared Financial Services Risk Manager), Chris Moister (Head of Governance), Clare Ware (Shared Financial Services Internal Audit Manager) and Ruth Rimmington (Democratic and Member Services Officer) for attendance.
3. Agenda and reports to Fiona Blatcher (Engagement Lead, Audit Commission) for attendance.

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આ માહિતીનો અનુવાદ આપની પોતાની ભાષામાં કરી શકાય છે. આ સેવા સરળતાથી મેળવવા માટે કૃપા કરી, આ નંબર પર ફોન કરો: 01257 515822 01257 515823

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:

Audit Committee**Thursday, 30 June 2011**

Present: Councillor Anthony Gee (Chair), Councillor Julia Berry (Vice-Chair) and Councillors Marie Gray, Paul Leadbetter, Pauline Phipps, Alan Platt and Geoffrey Russell

Officers Present: Gary Hall (Director of Transformation), Susan Guinness (Head of Shared Financial Services), Garry Barclay (Head of Shared Assurance Services), Chris Moister (Head of Governance), Clare Ware (Shared Financial Services Internal Audit Manager), Jan Minchinton (Principal Auditor (Chorley)) and Ruth Rimmington (Democratic and Member Services Officer)

Also in attendance: Tony Hough (Audit Manager, Audit Commission)

11.AU.16 APOLOGIES FOR ABSENCE

An apology for absence was submitted on behalf of Councillor Dave Rogerson.

11.AU.17 DECLARATIONS OF ANY INTERESTS

No Members declared an interest in respect of items on the agenda.

11.AU.18 MINUTES

The minutes of the Audit Committee held on 17 March 2011 were confirmed as a correct record for signature by the Chair.

11.AU.19 TREASURY MANAGEMENT ANNUAL REPORT

The Committee received and considered the report of the Director of Transformation updating Members on the Council's treasury management strategy. Part of the changes in the regulatory environment, concerning treasury management, was a greater onus on Members to scrutinise policy and activity.

The report updated on the prudential indicators. Borrowing had remained within limits and had been undertaken at the bottom of the interest curve. The funds for the Buckshaw Village Railway Station had not yet been required resulting in more cash in balances than anticipated.

Clarification was requested on the definition of MRP and the figures showing the incremental impact of capital investment decisions on Council Tax.

Members noted the treasury position, the positive position in relation to debtors and creditors and that Investments had gained interest of 0.65% compared to a bench mark of 0.43%.

In relation to Icelandic banks a judgement had been delivered upholding the priority status of Local Authorities, although this was still subject to further challenge in the Icelandic Supreme Court in the autumn. The book value of the investment at 31/3/11 was £1,570,000, however, the actual amount that would be received was currently expected to be £1,965,000. In response to a query officers confirmed that, technically, the Council would receive the money back with an element of interest.

RESOLVED –

1. **The report be noted**
2. **Clarification be on the definition of MRP and the figures showing the incremental impact of capital investment decisions on Council Tax.**

11.AU.20 ANNUAL GOVERNANCE STATEMENT 2011

The Head of Shared Assurance presented a report to remind the Committee of the regulatory framework requiring the Council to continuously review its system of governance and to formally publish an annual governance statement alongside its annual financial statements.

A management group consisting of the following officers was established to oversee the compilation of the statement, which included Head of Governance (Monitoring Officer), Director of Transformation (Section 151 Officer), Head of Policy and Communications, Head of Shared Assurance Services and Internal Audit Manager.

Members considered the draft annual governance statement which had been produced in accordance with guidelines issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE).

Members requested that an electronic solution be investigated to allow the submission and display of Councillors disclosures. In response to a query officers advised that the whistle blowing policy was raised as part of staff induction, but this was an area where awareness needed to be raised with staff. The policy included whistle blowing via an external body.

The governance arrangements for working with Partners were clarified and Members were advised that a monitoring report was presented to Executive Cabinet twice a year.

RESOLVED

1. **The Annual Governance Statement be formally signed off by the Leader and Chief Executive before being submitted for external audit alongside the 2010/11 financial statements.**
2. **An electronic solution be investigated to allow the submission and display of Councillors disclosures.**

11.AU.21 DRAFT CORE FINANCIAL STATEMENTS 2010/11

The Committee received a draft summary of the Core Financial Statements and key messages that would form part of the Council's year end Statutory Statement of Accounts (SOA) for 2010/11.

This was the first year these statements had been produced in compliance with the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11, which was based on International Financial Reporting Standards. This resulted in some significant changes in both the approval process and format. A member learning session had been scheduled on Monday, July 4, 2011 entitled 'understanding Local Government finance' which all Members had been invited to attend.

This Committee was not required to approve the SOA by 30 June before inspection by external auditors, but would give them final approval prior to 30 September as they have done previously.

One of the main changes in the figures was the inclusion of an accrual for outstanding holiday entitlement. It was clarified that only 3 days could be carried over and this

figure did not appear in the accounts or have an impact on Council Tax as it was 'below the line'.

The Committee considered the movement in reserves and noted that the strategy to increase reserves and working balances to £2,000,000 had been achieved. An amount of slippage was always anticipated.

Members reviewed the comprehensive income and expenditure statement and noted, firstly, the exceptional item of income of £5,580,00 which was an adjustment to the estimated pension liabilities of the Council in respect of past employment. The second major item was also pension related as the actuary had reassessed the assets and liabilities of the fund and made a net £6,100,000 reduction in liabilities. The effect of these and other pension changes was a reduction of £10,400,000 in the pension deficit.

The balance sheet position was positive in relation to short term debtors and creditors. Officers would confirm the performance indicator information in relation to these.

In response to a query officers undertook to give detail on the reclassification of two leases as finance leases.

Members were advised that the balance on the cash flow statement was taken on a set date and timing made the balance figure difficult to interpret.

Members considered the collection fund account and requested a breakdown of figures by precepting authority for the debts written off. The Committee congratulated officers on the performance for the collection of Council Tax, particularly in the current economic climate.

RESOLVED

- 1. To note the report.**
- 2. To confirm the performance indicator information in relation to short term debtors and creditors for the three categories: 10, 22 and 30 days.**
- 3. To produce a breakdown of figures by precepting authority for the debts written off.**

11.AU.22 INTERNAL AUDIT ANNUAL REPORT 2010/11

The Head of Shared Assurance Services presented the internal audit annual report 2010/11 which summarised the work undertaken by the service during the 2010/11 financial year and gave an opinion on the adequacy and effectiveness of the control environment in the Council as a whole and in individual service areas.

Members noted that the majority of reviews had been completed, although for Shared Services there had been 135 planned days with only 91.3 used.

Officers advised that the 'efficiencies' audit area had been postponed pending a new system for Value For Money conclusions being introduced. Tony Hough, Audit Commission, advised that although the Comprehensive Performance Assessment was no longer in existence the Audit Commission were still required to provide a Value For Money conclusion.

There was only one area with a control rating of 'limited' and actions had been put in place to resolve the issues raised.

In relation to Benefit fraud the Committee queried the identified overpayment figures in percentage terms in respect of benefits and noted that recovery exercises would be carried out following investigations into each case. These had been highlighted as part of the National Fraud Initiative.

Members discussed the method the target was selected for the percentage of the audit plan completed, currently 92%, and requested officers revisit this target. It was noted that the target for customer satisfaction was high (96%) considering the nature of the service.

There was an issue with the number of agreed management actions implemented and the Head of Shared Assurance advised that more information on these would be provided in future.

Members were pleased that, in the opinion of Internal Audit, the Council continued to operate within a strong control environment.

RESOLVED

- 1. To note the report.**
- 2. To present further information on the agreed management actions that had not been implemented.**
- 3. To review the target “% of audit plan completed”.**

11.AU.23 ANNUAL AUDIT FEE 2010/11

The Committee received a letter from the Audit Commission giving details of the annual audit fee for 2011/12. Tony Hough advised that the figures could be subject to further rebates.

Gary Hall advised that a letter had been sent to the Commission stating that the fees were high in the Council's opinion.

RESOLVED to note the letter from the Audit Commission giving details of the Annual Audit Fee for 2011/12.

11.AU.24 COMPLIANCE WITH INTERNAL AUDIT STANDARDS

The Head of Shared Assurance Services presented a report comprising information to enable 'those charged with governance' and 'management/section 151 officer' to provide the assurances being sought by the Audit Commission in respect of fraud and corruption as part of their audit of the Council's 2010/11 accounts.

Members noted that Internal Audit, having reviewed the specific information were satisfied that the Council's arrangements were such that positive assurances could be given in response to the Audit Commission.

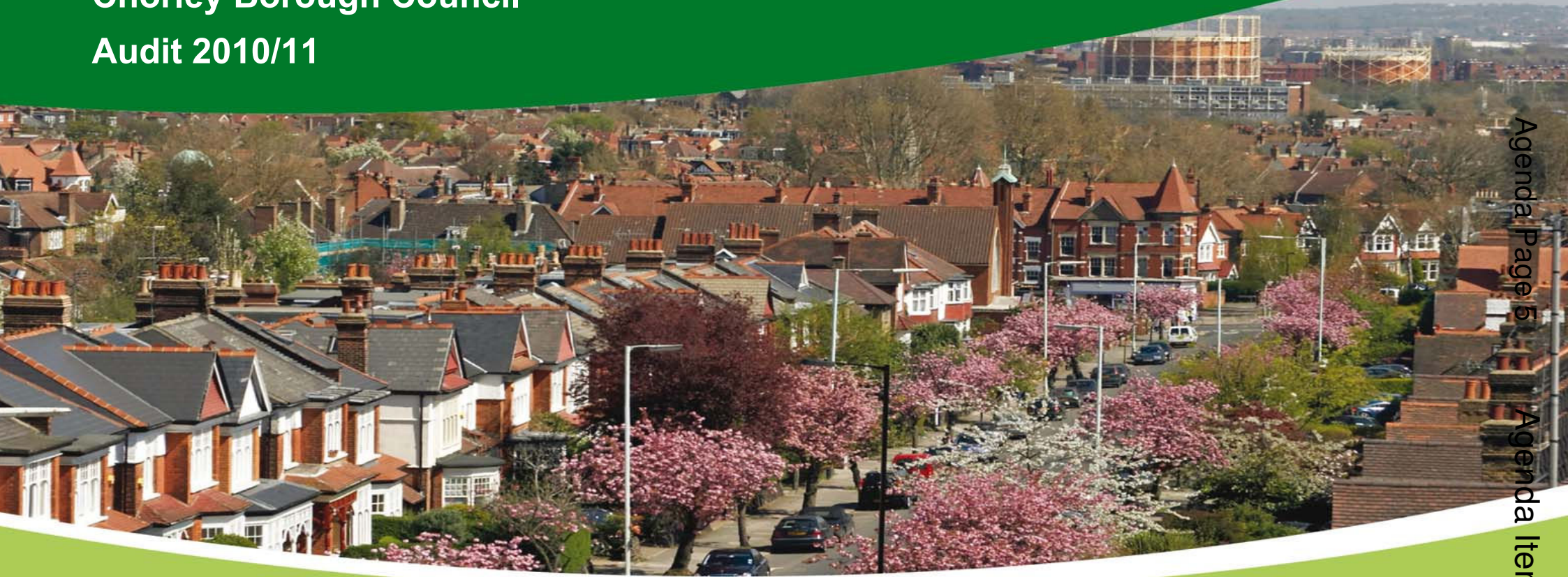
RESOLVED to request the Chairman of the Committee and Section 151 statutory chief finance officer to sign the assurance letters .

Chair

Annual governance report

Chorley Borough Council

Audit 2010/11



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Agenda Item 4



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Traffic light explanation
Red ■ Amber ◆ Green ●

Key messages

This report summarises the findings from the 2010/11 audit which is substantially complete. It includes the messages arising from my audit of your financial statements to date and the results of the work I have undertaken to assess your arrangements to secure value for money in your use of resources.

	Our findings
Unqualified audit opinion	●
Proper arrangements to secure value for money	●

Audit opinion and financial statements

My 2010/11 audit is now substantially complete and I expect to issue an unqualified opinion by 30 September 2011.

I identified only a small number of errors in the accounts which have all been adjusted. These were not of a significant nature and did not affect the underlying financial position of the council.

Value for money

I am required to assess whether the Council put in place adequate arrangements for securing economy, efficiency and effectiveness in its

use of resources. I propose to issue an unqualified conclusion in this respect.

The Council has a good track record in identifying and delivering significant savings whilst also maintaining or improving services. In 2010/11 it achieved its efficiency target resulting in savings of £1.2 million being delivered. Budget monitoring in 2011/12 shows the council is again on track to deliver further targeted efficiency savings of £1.3 million.

For the following three years the Council has estimated that it needs to save a further £2.9 million. Provisional plans are in place to meet the required savings target for 2012/13 and work is ongoing to determine how to meet required savings in future years.

A key challenge for the Council is the continued identification and delivery of further significant financial savings whilst still meeting local needs. The Council's response to the current financial climate, together with its track record, indicate that it is well placed to meet the key challenges it faces in the coming years.

Before I complete my audit

I confirm to you

My report includes only matters of governance interest that have come to my attention in performing my audit. My audit is not designed to identify all matters that might be relevant to you.

Independence

I can confirm that I have complied with the Auditing Practices Board's ethical standards for auditors, including ES 1 (revised) - Integrity, Objectivity and Independence. I can also confirm there were no relationships resulting in a threat to independence, objectivity and integrity.

The Audit Commission's Audit Practice has not undertaken any non-audit work for the Council during 2010/11.

I ask you to confirm to me

I ask the audit committee to:

- take note of the adjustments to the financial statements which are set out in this report (appendix 2); and
 - approve the letter of representation, provided alongside this report, on behalf of the Council before I issue my opinion and conclusion.
-

Financial statements

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 these statements. It is important that you consider my findings before you adopt the financial statements.

Opinion on the financial statements

My work on your financial statements is now substantially complete. Subject to satisfactory clearance of outstanding matters, I plan to issue an audit report including an unqualified opinion on the financial statements. Appendix 1 contains a copy of my draft report.

Key areas of judgement and audit risk

In planning my audit I identified specific risks and areas of judgement that I have considered as part of my audit.

Key audit risk and our findings

Key audit risk	Finding
<p>International Financial Reporting Standards.</p> <p>2010/11 saw the implementation of international financial reporting standards to local government accounts. This required careful planning to ensure an efficient transition to the new financial reporting requirements.</p>	<p>Audit work carried out on the restated financial statements under IFRS did not identify any significant issues. We have had on-going discussions with key finance staff throughout the course of the year and shared advice to aid the restatement exercise. Officers demonstrated a good understanding of the new requirements and have dealt well with the implementation of IFRS. I am satisfied that the resultant figures within the statements are materially correct.</p>

Financial statements

Errors in the financial statements

I identified only one error which affected the principal financial statements, the impact of which was to overstate both debtors and creditors by £374k. This has been adjusted for and has not affected the underlying financial position of the Council. Further detail is provided in appendix 2. Additionally a number of adjustments have been agreed following my audit to improve the presentation and clarity of disclosure notes.

Significant weaknesses in internal control

I have not identified any significant weaknesses in internal control..

Quality of your financial statements

I consider aspects of your accounting practices, accounting policies, accounting estimates and statements disclosures. The quality and accuracy of the Statement of Accounts and supporting working papers as submitted for audit were of a high standard. In the context of the significant changes to the format of the accounts and the disclosure requirements under IFRS, this is a significant achievement.

Letter of representation

Before I issue my opinion, auditing standards require me to ask you and management for written representations about your financial statements and governance arrangements. These representations are set out within the letter of representation which is included at appendix 3.

Value for money

I am required to conclude whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money conclusion.

I assess your arrangements to secure economy, efficiency and effectiveness in your use of resources against two criteria specified by the Audit Commission. My conclusion on each of the two areas is set out below.

I intend to issue an unqualified conclusion stating that the Council had proper arrangements to secure economy, efficiency and effectiveness in your use of resources.

Value for money criteria and our findings

Criterion	Findings
<p>1. Financial resilience</p> <p>The organisation has proper arrangements in place to secure financial resilience.</p> <p>Focus for 2010/11:</p> <p>The organisation has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.</p>	<ul style="list-style-type: none">■ Management and Officers understand the significant financial management challenges and risks facing the Council and are taking appropriate action to secure a stable financial position.■ The Council delivered the required level of efficiency savings in 2010/11 to achieve a balanced budget. Budget monitoring in 2011/12 show that it is on course to secure its efficiency savings target of £1.3 million.■ Medium-term financial planning and annual budgeting reflects the council's strategic objectives and priorities for the year, and over the longer term. The Council has reviewed its Medium Term Financial Strategy (MTFS) in light of the current economic climate. Its current MTFS covers the period up to 2014/15 and indicates that savings of £2.9 million are needed. Provisional plans are in place to meet the required savings target for 2012/13 and work is ongoing to determine how to meet required savings in future years.

Criterion	Findings
	<ul style="list-style-type: none"> ■ The Council operates within a level of reserves and balances (including earmarked reserves and the general fund balance), approved by members. Reserves have increased during 2010/11 in light of the significant financial pressures and risks facing the Council over the next three years. ■ The key challenge for the Council is to ensure the continued identification and delivery of significant financial savings over the next three years whilst also meeting local needs for the services it provides. Its response to the current financial climate together with its track record, indicate it is well placed to meet this challenge.
<p>2. Securing economy efficiency and effectiveness</p> <p>The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.</p> <p>Focus for 2010/11:</p> <p>The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.</p>	<ul style="list-style-type: none"> ■ The Council has strong leadership and is adopting a strategic approach to identifying cost reductions and challenging spending. It has reviewed its strategic priorities and the cost-effectiveness of its activities. It is taking a rational view of its priorities and of the short, medium and longer-term opportunities for savings. Surveys, such as PLACE, have shown increased levels of user satisfaction over recent years. ■ The Council continues to have good engagement with the local community, staff and external partners and uses this effectively to identify and consider options for addressing the specific challenges it is facing. ■ The Council's arrangements for financial strategic planning are effective and it focuses resources through its budget setting programme. It uses benchmarking against similar councils and performance information to support planning and decision making. It understands how local factors impinge on costs. ■ The Council has clear information on costs, including transaction costs and unit costs for specific services. This information is used to review and challenge value for money. The Council uses costs and performance information well in decision making and commissioning to determine opportunities for improving value for money. The Council has invested the savings secured through these reviews in its priority areas such as reducing crime and anti social behaviour. ■ The Council is continuing to extend its shared working with South Ribble Borough Council around Revenues and Benefits, and joint procurement exercises to improve the value for money delivered to both Councils of such services.

Appendix 1 – Draft audit report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHORLEY BOROUGH COUNCIL

Opinion on the Authority accounting statements

I have audited the accounting statements of Chorley Borough Council for the year ended 31 March 2011 under the Audit Commission Act 1998. The accounting statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, 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 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Director of Transformation (Chief Financial Officer) and auditor

As explained more fully in the Statement of Responsibilities, the Director of Transformation is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. My responsibility is to audit the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the accounting statements sufficient to give reasonable assurance that the accounting statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Authority; and the overall presentation of the accounting statements. I read all the information in the explanatory foreword to identify material inconsistencies with the audited accounting statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on accounting statements

In my opinion the accounting statements:

- give a true and fair view of the state of Chorley Borough Council's affairs as at 31 March 2011 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

Opinion on other matters

In my opinion, the information given in the explanatory foreword for the financial year for which the accounting statements are prepared is consistent with the accounting statements.

Matters on which I report by exception

I have nothing to report in respect of the governance statement on which I report to you if, in my opinion the governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007.

Conclusion on Authority's 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 to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Authority has made proper arrangements 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 relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

I report if significant matters have come to my attention which prevent me from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. 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.

Basis of conclusion

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2010, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2011.

I planned my work in accordance with the Code of Audit Practice. Based on my risk assessment, I undertook such work as I considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2010, I am satisfied that, in all significant respects, Chorley Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2011.

Certificate

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

Fiona Blatcher
Engagement Lead
Audit Commission
2nd Floor, Aspinall House
Aspinall Close
Middlebrook
Bolton
BL6 6QQ
September 2011

Appendix 2 – Amendments to the draft financial statements

I identified the following misstatement during my audit and management have adjusted the financial statements. I bring it to your attention to aid you in fulfilling your governance responsibilities.

		Comprehensive income and expenditure statement		Balance sheet	
Adjusted misstatement	Nature of adjustment	Dr £000s	Cr £000s	Dr £000s	Cr £000s
<ul style="list-style-type: none"> Balance Sheet 	Both debtors and creditors were overstated in the original accounts in respect of an estimated debtor of £374k for civil parking enforcement from Lancashire County Council (LCC). This debtor should have been cancelled when a new debtor to reflect the actual amount agreed with LCC was raised. Instead a compensating creditor was raised for £374k.	None	None	374	(374)

Appendix 3 – Letter of representation

Fiona Blatcher
Engagement Lead
Audit Commission
2nd Floor, Aspinall House
Aspinall Close
Middlebrook
Bolton
BL6 6QQ

Chorley Borough Council - Audit for the year ended 31 March 2011

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/period ended 31 March 2011. All representations cover the Council's accounts included within the financial statements

Compliance with the statutory authorities

I have fulfilled 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 which give a true and fair view of the financial position and financial performance of the Council, for the completeness of the information provided to you, and for making accurate representations to.

Supporting records

All relevant information and access to persons within the entity has 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 financial statements.

Irregularities

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

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;
- 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; and
- the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

Law, regulations, contractual arrangements and codes of practice

I have disclosed to you all known instances of non-compliance, or suspected non-compliance with laws, regulations and codes of practice, whose effects should be considered when preparing financial statements.

Transactions and events have been carried out in accordance with law, regulation or other authority. 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.

All known actual or possible litigation and claims, whose effects should be considered when preparing the financial statements, have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

Accounting estimates including fair values

I confirm the reasonableness of the significant assumptions used in making the accounting estimates, including those measured at fair value.

Related party transactions

I confirm that I have disclosed the identity of Chorley Borough Council related parties and all the related party relationships and transactions of which I am aware. I have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirement of the framework.

Subsequent events

All events subsequent to the date of the financial statements, which would require additional adjustment or disclosure in the financial statements, have been adjusted or disclosed.

Signed on behalf of Chorley Borough Council

I confirm that the this letter has been discussed and agreed by the Council on 29 September 2011

Signed

Name

Position

Date

Appendix 4 – Glossary

Annual governance statement

A statement of internal control prepared by an audited body and published with the financial statements.

Audit closure certificate

A certificate that I have completed the audit following statutory requirements. This marks the point when I have completed my responsibilities for the audit of the period covered by the financial statements.

Audit opinion

On completion of the audit of the financial statements, I must give my opinion on the financial statements, including:

- whether they give a true and fair view of the financial position of the audited body and its spending and income for the year in question; and
- whether they have been prepared properly, following the relevant accounting rules.

Opinion

If I agree that the financial statements give a true and fair view, I issue an unqualified opinion. I issue a qualified opinion if:

- I find the statements do not give a true and fair view; or
- I cannot confirm that the statements give a true and fair view.

Materiality and significance

The Auditing Practices Board (APB) defines this concept as ‘an expression of the relative significance or importance of a particular matter for the financial statements as a whole. A matter is material if its omission would reasonably influence users of the financial statements, such as the addressees of the auditor’s report; also a misstatement is material if it would have a similar influence. Materiality may also be considered for any individual primary statement within the financial statements or of individual items included in them. We cannot define materiality mathematically, as it has both numerical and non-numerical aspects’.

The term 'materiality' applies only to the financial statements. Auditors appointed by the Commission have responsibilities and duties under statute, as well as their responsibility to give an opinion on the financial statements, which do not necessarily affect their opinion on the financial statements.

'Significance' applies to these wider responsibilities and auditors adopt a level of significance that may differ from the materiality level applied to their audit in relation to the financial statements. Significance has both qualitative and quantitative aspects.

Weaknesses in internal control

A weakness in internal control exists when:

- a control is designed, set up or used in such a way that it is unable to prevent, or detect and correct, misstatements in the financial statements quickly; or
- a control necessary to prevent, or detect and correct, misstatements in the financial statements quickly is missing.

An important weakness in internal control is a weakness, or a combination of weaknesses that, in my professional judgement, are important enough that I should report them to you.

Value for money conclusion

The auditor's conclusion on whether the audited body has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources based on criteria specified by the Audit Commission.

The Code of Audit Practice defines proper arrangements as corporate performance management and financial management arrangements that form a key part of the system of internal control. These comprise the arrangements for:

- planning finances effectively to deliver strategic priorities and secure sound financial health;
- having a sound understanding of costs and performance and achieving efficiencies in activities;
- reliable and timely financial reporting that meets the needs of internal users, stakeholders and local people;
- commissioning and buying quality services and supplies that are tailored to local needs and deliver sustainable outcomes and value for money;
- producing relevant and reliable data and information to support decision making and manage performance;
- promoting and displaying the principles and values of good governance;
- managing risks and maintaining a sound system of internal control;
- making effective use of natural resources;
- managing assets effectively to help deliver strategic priorities and service needs; and
- planning, organising and developing the workforce effectively to support the achievement of strategic priorities.

If I find that the audited body had adequate arrangements, I issue an unqualified conclusion. If I find that it did not, I issue a qualified conclusion.

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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.



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September 2011



Report of	Meeting	Date
Chief Executive/Section 151 Officer	Audit Committee	29 September 2011

STATEMENT OF ACCOUNTS 2010/11

PURPOSE OF REPORT

- To present to the Committee the audited Statement of Accounts and the Annual Governance Report of the auditor, for approval prior to the statutory deadline of 30 September 2011.

RECOMMENDATION(S)

- That the committee
 - Note the contents of the Annual Governance Report
 - Consider and approve the Statement of Accounts for 2010-11
 - Authorise the Chief Executive to sign the Letter of Representation, a draft of which is set out in the Annual Governance Report.

CORPORATE PRIORITIES

- This report relates to the following Strategic Objectives:

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

BACKGROUND

- Committee were supplied with a summary report on the accounts in June. Since then the auditor has completed his audit and his report is attached.
- The Accounts and Audit (England) Regulations 2011 require that a meeting of members should consider and approve the accounts by the 30th September 2011. The full Statement of Accounts is attached.
- Following consideration and approval by this meeting, the accounts must be signed and dated by the Chairman, recertified by the Chief Financial Officer and be published before 30 September.



AUDIT FINDINGS

- 7. The key messages are that the auditor plans to issue an unqualified opinion on the Financial Statements and, an unqualified Value for Money Conclusion. Furthermore she identified no significant weaknesses in internal control, and she has reported positively on the quality of the accounts and the supporting workings.
- 8. Only one misstatement was identified. This related to a reduction of £374k in the parking enforcement debtor. The adjustment was miscoded leading to an overstatement in both debtors and creditors. This has been adjusted in the Statements now submitted.

IMPLICATIONS OF REPORT

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

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

COMMENTS OF THE CHIEF EXECUTIVE/SECTION 151 OFFICER

- 10. The comments are contained in the body of the report.

GARY HALL
CHIEF EXECUTIVE

Background Papers			
Document	Date	File	Place of Inspection
Statement of Accounts 2010/11	21/09/2011	***	Town Hall

Report Author	Ext	Date	Doc ID
G Whitehead	5485	21/09/2011	Statement of Accounts 2010/11

Statement of Accounts 2010/2011





Foreword by the Chief Executive

INTRODUCTION

The Chief Executive, as the Section 151 Officer of the Council, has the statutory responsibility for the proper administration of the Authority's financial affairs, and is required to confirm that the Council's systems can be relied upon to produce an accurate statement of accounts.

His Statement of assurance (The Annual Governance Statement) was reported to Audit Committee on 30 June 2011.

ACCOUNTING CHANGES

This is the first year in which these statements have been produced in compliance with the new Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 known as The Code, which is based on International Financial Reporting Standards (IFRS). This has resulted in significant changes in the appearance and format of the statements and notes, but relatively few changes in the actual figures presented within them. As this is the first year of preparing the statements using IFRS the major statements show the balances re-stated as at 31 March 2009 in order to enable consistent comparisons to be made between last year (2009/10) and this year (2010/11). Until 2010/11 the Statement of Accounts would have been approved in draft by the Audit Committee by 30 June and then submitted to the External Auditor for inspection and auditing. The requirement is now that the Chief Finance Officer approves the Statement of Accounts in June and Audit Committee approves the Statement in September in completion of the external audit process.

The main IFRS changes in the figures are as follows:-

- inclusion of an accrual for holiday entitlement outstanding at 31/3/2011 in the sum of £0.125m;
- re-classification of two leases as finance leases. This has resulted in the deletion of two fixed assets and the introduction of long term debtors, but there is only a negligible impact on the revenue account.
- Government grants and other contributions towards capital expenditure (totalling £0.931m in 2010/11 and £1.461m in 2009/10) now appear directly in the Comprehensive Income and Expenditure Statement in the year of receipt. Previously these amounts were released as income as assets depreciated over a period of time.

It is important to note that these changes do not impact on the charges to council tax payers as the regulations require compensating adjustments to be made to reserves. These are detailed in the Movement in Reserves Statement and in note 7 to the accounts.

CORE FINANCIAL STATEMENTS

The core financial statements consist of the following:-

Page 8 **Statement of Responsibilities for the Statement of Accounts** – This summarises the responsibilities of the Council and the Statutory Finance Officer in relation to the Statement of Accounts.

Page 9 **Movement in Reserves Statement** – Levels of reserves, and movements therein, are indicators of the financial strength of the organisation. This statement distinguishes

usable from unusable reserves. The distinction is explained in the Balance Sheet comment below.

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

Page 10 **Comprehensive Income and Expenditure Statement** – This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices.

This statement incorporates gains and losses which would have been shown in previous years in the Statement of Total Recognised Gains and Losses. The final line in the statement, "Total Comprehensive Income", reconciles to the movements in the year in Total Reserves of the Authority, as shown in the Balance Sheet.

Page 11 **The Balance Sheet** – this shows the value of the assets and liabilities recognised by the authority. The total of these, the Net Assets, is matched by the authority's reserves, as shown in the lower part of the Balance Sheet.

Reserves are categorised into "Usable", i.e. available to fund expenditure or reduce local taxation, and "Unusable". The latter includes the Revaluation Reserve (holding unrealised gains in property values), and other reserves holding amounts arising from differences between the accounting basis used in compiling the Comprehensive Income and Expenditure Statement and statutory basis prescribed for taxation purposes.

Page 12 **Cash Flow Statement** – this shows the changes in cash and cash equivalents during the reporting period. It shows how cash and cash equivalents are generated and used by classifying cash flows into operating, investment and financing activities.

Page 13 **Notes to the Main Financial Statements** – these add to and interpret, the individual statements.

Page 55 **Collection Fund Statement** – this is an agents statement that reflects the statutory obligation for billing authorities to record transactions relating to the collection of Council Tax and Non-Domestic Rates, and their distribution to precepting authorities, the Government, and the Council itself.

FINANCIAL PERFORMANCE IN 2010/11**General Fund - Revenue Account Summary**

The Council's revenue account bears the cost of providing services and this section of the forward will include the following:

Actual Spend Compared to the Budget

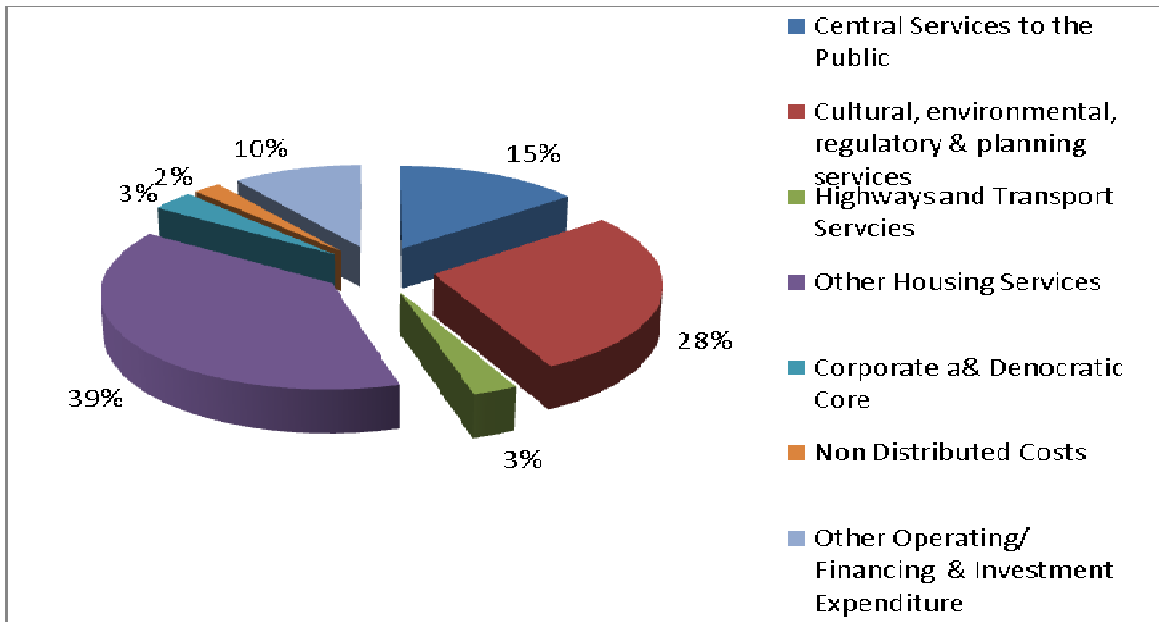
At the end of 2010/11 the Council's net expenditure was £337,000 below budget after taking into account items committed in 2011/12. This was mainly attributable to the following:-

- Savings on employee costs as a result of vacant posts and capitalisation
- Additional Department of Communities and Local Government Grant received with regard to older people and focussing on reducing the impact of fuel poverty
- Additional income received for car parking permits
- Savings achieved by reducing the volume of waste disposal, for example the chipping of green waste
- Reduced cost of external contractors by carrying out work in-house
- Budgetary savings generated by effective procurement activity

Budget Variation By Directorate	2009/10			2010/11		
	Cash Budget £'000	Actual £'000	Cash Variation £'000	Cash Budget £'000	Actual £'000	Cash Variation £'000
Chief Executive's Office	568	548	(20)	523	445	(78)
Partnerships, Planning & Policy	1,496	1,635	139	1,764	1,842	78
People & Places	6,163	6,168	5	5,988	5,751	(237)
Transformation	6,675	6,464	(211)	6,207	5,982	(225)
Directorate Expenditure	14,902	14,815	(87)	14,482	14,020	(462)
Revenue Financing of Capital Expenditure	541	347	(194)	1,447	709	(738)
Provision to Repay Debt	358	229	(129)	464	1,131	667
Interest payable & Similar Charges	263	730	467	77	213	136
Interest & Investment Income	(160)	(573)	(413)	(6)	(211)	(205)
Other Income	0	(697)	(697)	(1,460)	(1,606)	(146)
General Government Grants	(180)	(438)	(258)	(157)	(205)	(48)
Transfers to/(from) Earmarked Reserves	(569)	172	741	(278)	324	602
Transfer to/(from) General Balances	(508)	62	570	220	414	194
Chorley Council Expenditure	14,647	14,647	0	14,789	14,789	0
Parish Precepts	594	594	0	595	595	0
BUDGET REQUIREMENT	15,241	15,241	0	15,384	15,384	0
Formula Grant	(8,357)	(8,357)	0	(8,487)	(8,487)	0
Council Tax	(6,900)	(6,900)	0	(6,917)	(6,917)	0
Share of Collection Fund (Surplus)/Deficit	16	16	0	20	20	0
Total Financing	(15,241)	(15,241)	0	(15,384)	(15,384)	0

Where the Money was Spent

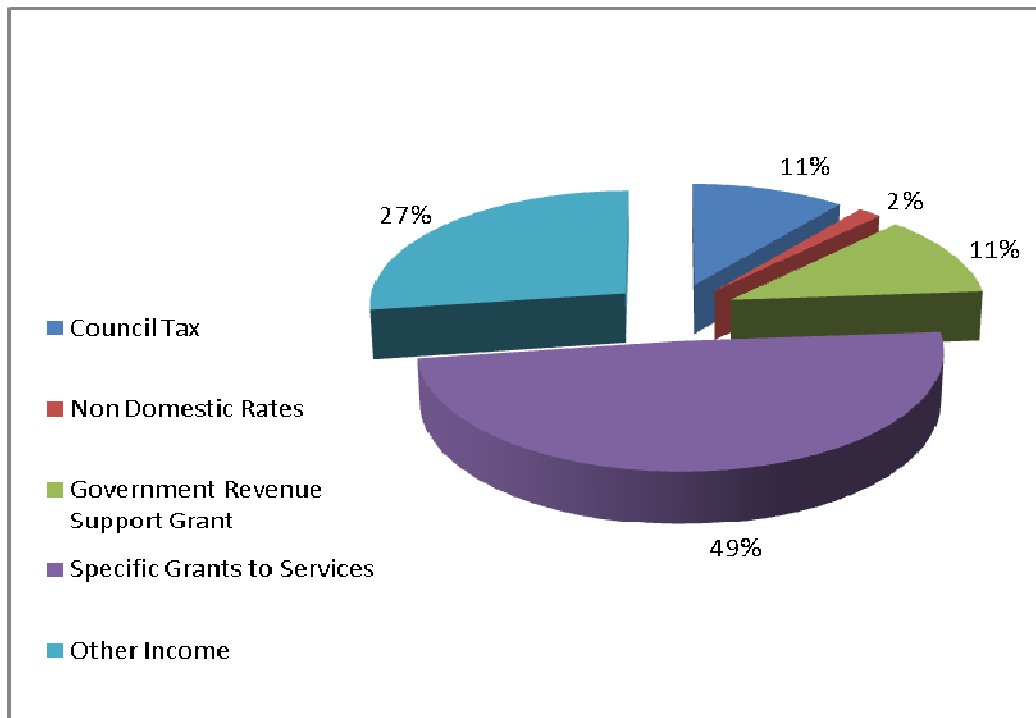
The Gross Expenditure for the Council is set out in the Comprehensive Income and Expenditure and shows the cost in year of providing services.



Where the Money Came From

The Gross Income for the Council is set out in the Comprehensive Income and Expenditure Account which funds the cost of providing services, it was received from the following sources:

- Council Tax
- Non Domestic Rates from Businesses
- Government Revenue Support Grant
- Grant Specific to Services, for example, Housing Benefits and Concessionary Travel
- Other sources of income within the Comprehensive Income and Expenditure Account



Treasury Management

The Balance Sheet and Cash Flow Statements show the turnover of cash and the final cash position as at 31 March 2011. The Council's Treasury Management Strategy 2010/11 was a key document during the year for the effective day to day management of cash resources and set out our policies with regard to investing surplus cash. The difficulties seen in the financial markets have made it essential that close regard is given to management and control of risks and therefore we have a strategy in place that limits investments to mainland British financial institutions, the UK Government and other Local Authorities in order to maximise investment income and minimise risk.

The actual average rate of return during the year was 0.65% which exceeds the benchmark (7 day LIBID rate) of 0.43%.

The Authority borrowed £8.146m during the year. This replaced recently matured debt, complied with the strategy for the year and took advantage of low interest rates. The Movement in Reserves Statement shows that the Usable Capital Grants and Contributions Reserves are £5.740m as at 31 March 2011 the vast majority of which is already committed to fund identified capital schemes.

The Council also has a deposit currently following the collapse of the Icelandic bank Landsbanki. In April the long awaited judgement of the Icelandic courts was delivered upholding the priority status of the Authority's deposit. This is still subject to further challenge so repayments are delayed until this is resolved. The book value within these statements as at 31 March 2011 is £1.57m, however, it is important to note that this value is for accounting purposes only and is not the same as the actual amount that will be repaid. Currently it is expected that £1.965m will be returned.

Capital Spend and Financing Summary

The Council's capital programme includes income and expenditure on items such as the buying or selling of land and property, building new property and the improvement of our existing property. This section of the forward will include the following:-

- Show where capital expenditure was incurred
- Explain how this expenditure was financed

Capital Expenditure in 2010/11

Service	Actual Capital Expenditure £'000
Housing grants to housing associations	508
Housing disabled and repair grants	459
Buckshaw railway station	145
Community centre works	72
IT related expenditure	728
Parks and play areas	164
Other	209
Total Capital Expenditure	2,285

Capital Financing in 2010/11

Financing	Actual Capital Financing £'000
Prudential Borrowing	62
Unrestricted Capital Receipts	37
Contributions from Revenue Budget	15
Revenue Budget VAT Shelter Income	694
External Contributions - Developers	779
External Contributions - Other	174
Government Grants – Disabled Facilities Grant	239
Government Grant – Housing Capital Grant	285
Total Capital Financing	2,285

Reserves and Balances Summary

The Authority's Medium Term Financial Strategy (MTFS) proposes that working balances are to be no lower than £2.0m given the budgetary challenges facing the Council and the level of budgetary savings required to reach a balanced budget position over the next three years. The Revenue Account underspend achieved of £0.337m together with income received in respect of Marginal Off Street Parking and budgeted contribution to reserves in 2010/2011 has resulted in a General Fund Balance exceeding the MTFS target. This has presented an opportunity for the Authority to make a prudent additional reserve in the sum of £0.300m to cover future one-off costs incurred in the process of delivering recurring and sustainable budgetary savings plans. After taking into account all of the above, the level of General Fund Balances as at 31 March 2011 will be £2.077m. This is reflected in the Movement in Reserves Statement.

Pension Fund Liability

The pension fund liability is set out in detail within Note 43 of this statement. In summary the Council has a liability as at 31 March 2011 of £26.342m. This liability has been brought about as the present value of liabilities exceeds the fair value of assets. This has a substantial impact on the net worth of the authority as recorded in the Balance Sheet. That said the statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy. The deficit on the Local Government Scheme will be made good by increased contributions over the remaining working life of employees as assessed by the scheme actuary.

The Pension Fund Liability in 2010/11 has reduced from the previous year by £11.314m mainly due to the revaluation of Past Service Costs. This is as a result of the Chancellors UK Budget Statement whereby public service pensions will now be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Price Index (RPI).

Looking Ahead – The Overall Financial Position of the Authority

For a number of years local authorities have faced notable change and are now experiencing a period of significant reductions in funding and budgetary challenges. The 2010/11 Medium Term Financial Strategy (MTFS) recognised the serious risk that the 2010 Comprehensive Spending Review (CSR) posed in respect of potential budgetary shortfalls and set the Council on the path to achieve preparatory sustainable efficiency savings. Indeed the anticipated reduction in Government Grant came to fruition and the current MTFS for the period 2011/12 to 2014/15 forecasts the following budget gap:

Year	Budget Gap £'000	Cumulative £'000
2011/12*	0	0
2012/13	1,406	1,406
2013/14	1,014	2,420
2014/15	523	2,943

*£1.295 budget savings were achieved to balance the budget for 2011/12.

The Authority has a successful proven track record in identifying future financial risks and subsequent budget pressures and delivering sustainable efficiency savings to address budgetary shortfalls. In this respect the Council's MTFS will be to:

- Continue to restrain Council tax increases
- Deliver a balanced budget
- Identify savings required seeking to minimise the impact on front line service users

In order to achieve the above budget efficiencies the Council will continue to manage its budget effectively and will:

- Continue a programme of Value for Money Reviews
- Reflect the impact of the Governments Pension Review
- Review expenditure on major contract
- Review all aspects of income
- Proactively seek to restructure the debt profile by contain borrowing and minimising its financial impact

In addition to significant funding reductions the 2010 CSR limited the settlement period to a two year period. Together with the forthcoming review of Local Authority funding this has caused a degree of uncertainty with regard to medium term financial planning.

In recognition of the above financial environment and the level of sustainable efficiency savings to be achieved the Council has raised working balances to £2.077 million. By maintaining working balances this provides protection against the Council having to make reactive changes that can significantly impact on service performance.

The current economic climate may also adversely affects the ability of tax payers to pay their Council Tax bills, however the Council has successfully maintained collection rates for both household Council Tax and business Non Domestic Rates.

	2009/10	2010/11
Council Tax	98.4%	98.4%
NNDR	97.4%	97.8%

Statement of Responsibilities

This statement defines the responsibility of the Council and the Responsible Financial Officer in respect of the Authority's financial affairs.

The Council's responsibilities

The Council shall:

- Make arrangements for the proper administration of its financial affairs and secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Director of Transformation.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

The Director of Transformations Responsibilities

Is responsible for the preparation of the Authority's Statement of Accounts in accordance with proper practices as set out in the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 (the Code).

In preparing this Statement of Accounts, he has:

- Selected suitable accounting policies and applied them consistently.
- Made judgements and estimates that are reasonable and prudent.
- Complied with the local authority code.

He has also:

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

Certificate

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Authority at the 31st March 2011 and its Income and Expenditure for the year ended 31 March 2011.

Gary Hall BA CPFA

Director of Transformation

Date

Movement in Reserves Statement

This statement shows the movements in the year on the different reserves held by the Council, analysed between those that are “usable” (available to fund expenditure or reduce local taxation), and other reserves.

The line “deficit/(surplus) on provision of service” shows the true economic cost of providing the authority’s services, as detailed in the Comprehensive Income and Expenditure Statement. For the purposes of council tax setting however, a series of statutory adjustments are then made. These adjustments are shown in total below.

	General Fund £'000	Earmarked Reserves (note 8) £'000	Capital Receipts Reserve £'000	Capital Grants & Contributions £'000	Total Usable Reserves £'000	Unusable Reserves Note 24 £'000	Total Reserves £'000
Balance 31 March 2009	(1,601)	(1,319)	(680)	(5,690)	(9,290)	(5,480)	(14,770)
<u>Movement in 2009/10</u>							
Deficit on provision of service.	2,993	0	0	0	2,993	0	2,993
Other Comprehensive Income & Expenditure.	0	0	0	0	0	10,633	10,633
Total Comprehensive Income & expenditure.	2,993	0	0	0	2,993	10,633	13,626
Adjustments between accounting basis & funding basis (note 7).	(3,227)	0	680	612	(1,935)	1,935	0
Net change before transfers to/from earmarked reserves.	(234)	0	680	612	1,058	12,568	13,626
Transfers to/(from) earmarked reserves note 9	172	(172)	0	0	0	0	0
(Increase)/Decrease in year.	(62)	(172)	680	612	1,058	12,568	13,626
Balance 31 March 2010	(1,663)	(1,491)	0	(5,078)	(8,232)	7,088	(1,144)
<u>Movement in 2010/11</u>							
(Surplus) on provision of service.	(4,029)	0	0	0	(4,029)	0	(4,029)
Other Comprehensive Income & Expenditure.	0	0	0	0	0	(7,591)	(7,591)
Total Comprehensive Income & expenditure.	(4,029)	0	0	0	(4,029)	(7,591)	(11,620)
Adjustments between accounting basis & funding basis under regulation (note 7).	3,292	0	(41)	(662)	2,589	(2,589)	0
Net change before transfers to/from earmarked reserves.	(737)	0	(41)	(662)	(1,440)	(10,180)	(11,620)
Transfers to/(from) earmarked reserves note 9	323	(323)	0	0	0	0	0
(Increase)/Decrease in year.	(414)	(323)	(41)	(662)	(1,440)	(10,180)	(11,620)
Balance 31 March 2011	(2,077)	(1,814)	(41)	(5,740)	(9,672)	(3,092)	(12,764)

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices. This is not the amount to be funded from taxation, since authorities raise taxation to cover expenditure in accordance with regulations. The taxation position is shown in the Movement in Reserves Statement.

2009/10				2010/11		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
8,803	(7,028)	1,775	Central services to the public.	8,856	(7,231)	1,625
15,116	(3,984)	11,132	Cultural, environmental, regulatory & planning services.	17,003	(4,409)	12,594
2,454	(1,638)	816	Highways and transport services.	1,739	(1,609)	130
23,096	(21,075)	2,021	Other housing services.	23,476	(22,769)	707
2,345	(15)	2,330	Corporate and democratic core.	2,089	(116)	1,973
1,410	(978)	432	Non distributed costs.	1,339	(1,042)	297
			Exceptional item – past service pension liabilities (note 43d).		(5,584)	(5,584)
53,224	(34,718)	18,506	Cost of Services	54,502	(42,760)	11,742
603	(753)	(150)	Other operating expenditure (note 9).	874	(1,609)	(735)
5,077	(3,283)	1,794	Financing and investment income and expenditure (note 10).	5,384	(3,838)	1,546
0	0	0	Surplus or deficit of discontinued operations.	0	0	0
0	(17,157)	(17,157)	Taxation and non-specific grant income (note 11).	0	(16,582)	(16,582)
58,904	(55,911)	2,993	(Surplus)/deficit on provision of services.	60,760	(64,789)	(4,029)
		(29)	(Surplus)/deficit on revaluation of Property, Plant and Equipment assets.			(1,435)
		10,659	Actuarial (gains)/losses on pension assets and liabilities.			(6,156)
		3	Other gains.			0
		10,633	Other Comprehensive (Income) and Expenditure.			(7,591)
		13,626	Total Comprehensive (Income) and Expenditure.			(11,620)

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority.

It shows the net assets of the authority which are matched by the reserves held.

Reserves are reported in two categories. Usable reserves includes reserves available to provide services and other reserves which may only be used to fund capital expenditure or repay debt.

Unusable reserves fall into two categories. The first consists of the Revaluation Reserve which holds unrealised gains and losses in asset values. The second category holds amounts resulting from the "adjustments between the accounting basis and the funding basis", as shown in the Movement in Reserves Statement.

1 April 2009 £'000	31 March 2010 £'000		Notes	31 March 2011 £'000
36,136	37,571	Property, Plant & Equipment	12	36,041
1,055	1,055	Investment Property	13	1,123
509	544	Intangible Assets	14	690
0	0	Assets Held for Sale		0
8	8	Long Term Investments		8
364	357	Long Term Debtors		352
38,072	39,535	Long Term Assets		38,214
1,595	1,490	Short Term Investments		4,577
0	0	Assets Held for Sale	20	0
41	41	Inventories	16	22
6,596	7,695	Short Term Debtors	18	6,538
3,349	0	Cash and Cash Equivalents	19	5,225
11,581	9,226	Current Assets		16,362
0	(82)	Cash and Cash Equivalents		0
(2,389)	(2,780)	Short Term Borrowing		(1,101)
(4,429)	(5,275)	Short Term Creditors	21	(4,512)
0	0	Provisions		0
0	0	Liabilities in Disposal Groups		0
(6,818)	(8,137)	Current Liabilities		(5,613)
0	0	Long Term Creditors		0
0	0	Provisions		0
(2,280)	(900)	Long Term Borrowing		(7,822)
(25,522)	(37,669)	Other Long Term Liabilities		(27,291)
0	0	Donated Assets Account		0
(263)	(911)	Capital Grant Receipts in Advance		(1,086)
(28,065)	(39,480)	Long Term Liabilities		(36,199)
14,770	1,144	Net Assets		12,764
9,290	8,232	Usable Reserves	Page 9	9,672
5,480	(7,088)	Unusable Reserves	24	3,092
14,770	1,144	Total Reserves		12,764

Cash Flow Statement

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

2009/10		2010/11
£'000		£'000
(2,993)	Net surplus or (deficit) on the provision of services	4,030
1,910	Adjustments to net surplus or deficit on the provision of services for non cash movements	2,975
710	Adjustments for items included in the net surplus or deficit on the provision of service that are investing & financing activity	(4,215)
(373)	Net cash flows from Operating Activities (Note 25)	2,790
(2,618)	Investing Activities (Note 26)	(1,980)
(440)	Financing Activities (Note 27)	4,497
(3,431)	Net increase or decrease in cash and cash equivalents	5,307
3,349	Cash and cash equivalents at the beginning of the reporting period	(82)
(82)	Cash and cash equivalents at the end of the reporting period (note 19)	5,225

NOTES TO THE ACCOUNTS

1 ACCOUNTING POLICIES

General Principles

The Statement of Accounts has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 (the Code). These notes explain the policies used to ensure the Council's financial position is fairly presented.

Accruals of Income and Expenditure

The Income and Costs of the Council are accounted for in the period to which they relate, regardless of when the cash is paid or received.

Cash and Cash Equivalents

Cash consists of cash in hand and deposits repayable without penalty on notice of not more than 24 hours. Cash equivalents consists of investments which mature in less than three months. In the Cash Flow Statement cash and cash equivalents are shown net of bank overdrafts that are repayable on demand.

Longer term investments are not reclassified if the outstanding period falls below three months at the date of account.

Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with depreciation charges, revaluation and impairment losses in excess of accumulated revaluation gains, and amortisation charges in respect of intangible assets.

The Authority is not required to raise council tax to meet these charges. Instead it has to make an annual contribution from revenue towards the reduction in its overall borrowing requirement. This is achieved by means of an adjustment between the General Fund balance and the Capital Adjustment Account (in the Movement in Reserves Statement)

Contingent Assets and Liabilities

These are assets and liabilities arising from past events the existence of which will only be confirmed by future events not wholly within the Council's control. They are disclosed in notes to the accounts. See notes 44 & 45.

Exceptional Items

When items of income or expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure statement or in the notes to the accounts, depending on their significance.

Employee Benefits

Benefits payable during employment

These are charged to the Surplus or Deficit on the Provision of Service. The charge includes an accrual for any untaken leave and holiday entitlement. This accrual does not affect council tax since it is reversed by transfer from the General Fund Balance to the Accumulating Compensated Absences Account (in the Movement in Reserves Statement).

Termination benefits

These are amounts payable as a result of a decision to terminate an officer's employment before the normal retirement date or a decision by an officer to accept voluntary redundancy. The costs are recognised when the Council commits itself to terminate the employment of an officer or group of officers or makes an offer to encourage voluntary redundancy. The charge is made to the relevant service line in the Comprehensive Income and Expenditure Statement.

Post employment benefits

Employees are members of the Local Government Pension Scheme which provides defined benefits to members. Full details are given in Note 43.

Explanation of methodology

- The liabilities of the fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc. and projections of earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 5.5% (based on the indicative rate of return on high quality corporate bonds)
- The assets of the fund attributable to the Authority are included in the Balance Sheet at their fair value:
 - quoted securities – current bid price
 - unquoted securities – professional estimate
 - unitised securities – current bid price
 - property – market value
- The change in net pension liability is analysed into seven components:
 - Current service cost – the increase in liabilities as a result of years of service earned this year. This is allocated in the Comprehensive Income & Expenditure Statement to the services for which employees worked.
 - Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years. These are charged to the Comprehensive Income & Expenditure Account as part of Non Distributed Costs.
 - Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid. This is charged to Comprehensive Income & Expenditure Account within the Financing & Investment Income and Expenditure line
 - Expected return on assets – the annual investment return on the fund assets attributable to the Authority, based on an average of the expected long term return. This is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income & Expenditure Account.
 - Gains or losses on settlements and curtailments – the result of actions to relieve the Authority of liabilities, or events that reduce the expected future service or accrual of benefits of employees. These are charged to Non Distributed Costs within the comprehensive Income and Expenditure Account.
 - Actuarial gains and losses – changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions. These are debited to the Pension Reserve.
 - Contributions paid to the pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities. These are not accounted for as an expense.

Statutory provisions require the General Fund balance to be charged with the amount payable to the pension fund, not the amount calculated according to the relevant accounting standards. This is achieved by transfers between the Pensions Reserve and the General Fund to remove the actuarial debits and credits and replace them with amounts actually paid and those accrued at the year end. The negative balance on the Pension Reserve thus measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities thus arising are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme

Events after the Balance Sheet date

Where an event occurring after the Balance Sheet date provides evidence of conditions existing at the Balance Sheet date, the amounts recognised in the Statement of Accounts are adjusted. 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. The “non adjusting event”, and an estimate of the financial effect, is however disclosed in the notes to the accounts.

Financial Liabilities

Borrowings are initially measured at fair value and carried at their amortised cost. The annual charge to the Comprehensive Income & Expenditure Statement (CI&E) is based on the carrying amount multiplied by the effective rate of interest. The amount presented in the balance sheet is the outstanding principal payable plus interest accrued at 31 March.

Gains or losses on premature redemption are charged to the Comprehensive Income & Expenditure Statement unless they are the result of a restructure in which case they are added to the amortised cost and charged over the life of the modified loan. However, Regulations require discounts to be amortised over the shorter of the life of the original loan or ten years. Greater discretion applies to premia: they can be amortised over the life of the original or replacement loan, or a shorter period. A transfer is done from the General Fund Balance to the Financial Instruments Adjustment account to give effect to these regulations.

Financial Assets

Loans and receivables

These are initially measured at fair value and carried at amortised cost. The annual credit to the Financing and Investment Income line in the Comprehensive Income and expenditure Account is based on the carrying amount multiplied by the effective rate of interest. The amount presented in the balance sheet is the outstanding principal receivable plus interest accrued at 31 March.

Where assets are identified as impaired because of a likelihood from a past event that payments will not be received, the asset is written down and a charge made to the relevant service, or the Financing and Investment Income and expenditure line in the Comprehensive Income and expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Government Grants and Other Contributions

Government grants and other contributions for both revenue and capital purposes are accounted for on an accruals basis and recognised in the accounts when the conditions for their receipt have been complied with. If compliance has not been achieved, cash received is held on the Balance Sheet as a creditor.

The postings in the Comprehensive Income and Expenditure account relating to capital grants and contributions are reversed out of the General Fund balance in the Movement in Reserves Statement. If the monies have not been used they are credited to the Grants Unapplied Reserve. If they have been applied to fund capital expenditure they are credited to the Capital Adjustment Account.

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 at cost if it will bring benefits to the Council for more than one financial year. Internally generated assets are capitalised where it is demonstrable that the Council will generate future economic benefits.

The cost is amortised over the economic life to reflect the pattern of consumption, the first year of charge being that in which the expenditure is incurred. The charge is made to the relevant service line in the Comprehensive Income and Expenditure Statement.

The postings in the Comprehensive Income and Expenditure Statement are reversed from the General Fund balance in the Movement in Reserves Statement and charged to the capital Adjustment Account.

Inventories

Inventories are included in the Balance Sheet at the lower of cost and net realisable value.

Investment Properties

Investment properties are those held solely to earn rentals or for capital appreciation.

They are measured initially at cost and subsequently at fair value. They are not depreciated but are re-valued annually. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal. Gains and losses on revaluation and disposal are not permitted by statute to impact on the council tax. A reversal is therefore done between the General Fund Balance and the Capital Adjustment Account (or, in the case of sale proceeds exceeding £10,000 to the capital receipts Reserve).

Income and expenditure from investment properties are charged to the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement.

Leasing

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the asset from the lessor to the lessee. All other leases are classified as operating leases.

If the lease covers both land and buildings, then the land and building elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Authority as lessee**Finance Leases**

An assets held under a finance lease is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset is matched by a liability, being the obligation to the lessor. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are split between a finance charge, charged to the Comprehensive Income and Expenditure Statement, and the principal element, applied to write down the lease liability.

Assets held under a finance lease will be subject to depreciation and revaluation in the same way as any other asset.

Operating leases

Rentals are charged to the Comprehensive Income and Expenditure Statement as an expense of the service benefitting from the asset.

The Authority as lessor**Finance Leases**

Where the Authority grants a finance lease over an asset, it is written out of the Balance Sheet and charged to the "gain or loss on disposals" line in Other Operating Expenses in the Comprehensive Income and Expenditure Statement. The Authority's net investment in the lease is credited to the same line, matched by a Long Term Debtor in the balance Sheet.

Lease rental receipts are split between finance income (credited to the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement), and the principal element applied to write down the Long Term Debtor.

Operating leases

Where the Authority grant an operating lease over an asset it remains on the Balance Sheet, and the income is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

(See note 40).

Overheads

The Best Value Accounting Code of Practice (BVACOP) requires that all Central Support and Administrative costs, with the exception of those mentioned below, be allocated to services in proportion to the benefit received.

The exceptions are:

- The costs of Democratic Representation and Management
- A narrow range of costs defined as Corporate management
- Non Distributed costs. These consist of certain costs relating to retirement benefits (past service, curtailment and settlement costs), and costs associated with unused IT facilities and surplus assets.

Prior Period Adjustments, Changes in Accounting Policies, and Estimates and Errors

Changes in estimates are accounted for prospectively, i.e. in the current and future years affected by the change, and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practice or if the change provides more reliable or relevant information about the effect of transactions on the Council's financial performance. Where a change is made it is applied retrospectively by adjusting opening balances and comparative amounts from prior periods. (note 47)

Material errors also will require a prior period adjustment.

Property Plant and Equipment (PPE)

All expenditure on the acquisition, creation, or enhancement of fixed assets is capitalised on an accruals basis in the accounts provided it exceeds the ‘de minimis’ threshold of £5,000 and provides benefits to the Council for a period of more than one year.

Measurement

PPE is accounted for in accordance with IAS 16. As adapted for the public sector this provides that:

- Infrastructure, Community Assets, Assets under Construction, and equipment, are held at depreciated historical cost.
- All other assets are measured at fair value. In respect of specialised assets, if there is an absence of market based evidence of value, fair value will be assessed using the depreciated replacement cost approach.

Valuations are provided by qualified valuers, are on the basis recommended by CIPFA, and accord with the Statement of Asset Valuation Principles and Guidance Notes issued by the RICS. Property assets are re-valued, at a minimum, every 5 years.

A gain on revaluation is credited to the Revaluation Reserve unless it reverses a previous loss charged to the Comprehensive Income and Expenditure Statement, in which case the gain shall be credited to that account. A fall in value will be charged firstly against any balance held in the Revaluation reserve. If this is insufficient or non-existent, the charge is made to the relevant service line in the Comprehensive Income and Expenditure Statement

Depreciation

Non current assets held for sale are not depreciated.

Other property is depreciated over its useful life on a straight line basis. Depreciation is based on the closing value of assets. Components are separately depreciated if:

- The total value of the host asset (excluding land) exceeds £500k and
- The value of the component exceeds 20% of the asset value (excluding land)

Depreciation periods are as follows:

	<u>years</u>
Property (excluding components separately identified)	5-70
Property components - mechanical	25
Portable office facilities	10-15
Vehicles	3-10
IT equipment	3-5
Other equipment	5-15

Revaluation gains are also depreciated by transfer of the difference between the current valuation depreciation charge and the historic cost depreciation charge, from the Revaluation Reserve to the Capital Adjustment Account

Impairment

All assets are reviewed annually for impairment. Impairment losses are charged against revaluation gains held in the Revaluation Reserve. If these are inadequate the loss is charged to the relevant service line in the Comprehensive Income and Expenditure Statement.

If an impairment loss is subsequently reversed, the reversal, up to the amount of the original loss adjusted for depreciation, is credited to the relevant service line in the Comprehensive Income and Expenditure Statement.

Disposal and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through continuing use, it is reclassified as an Asset Held for Sale. The asset is re-valued immediately and carried at the lower of this amount and fair value less costs to sell. If assets subsequently fail to meet the criteria to be classified as Assets Held for Sale, they revert to their Non Current Asset classification, and are re-valued at their original value adjusted for any depreciation, impairment or revaluation that would have applied.

On disposal the carrying amount of an asset is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts exceeding £10,000 from disposal are credited to the same line. Any revaluation gains accumulated in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Capital Charges and Council Tax

The postings in the Comprehensive Income and Expenditure Statement in respect of depreciation, impairment, disposals and revaluation are reversed in the Movement in Reserves Statement to avoid impacting on council tax. Capital Receipts exceeding £10,000 are reversed to the Capital Receipts Reserve. Other reversals are to the Capital Adjustment Account

Provisions

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing is uncertain. Provisions are charged to the appropriate revenue account. Expenditure, when incurred, is charged directly to the provision.

Reserves

Reserves are created by appropriating amounts from the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from the reserve is incurred, it is charged to the relevant service in the Comprehensive Income and Expenditure Statement, and the reserve is appropriated back into the General Fund Balance through the Movement in Reserves Statement.

Revenue Expenditure Funded From Capital Under Statute

Expenditure incurred during the year that may be capitalised under statutory provision but does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement.

If the Authority has determined to use capital resources to meet the cost (as opposed to funding from revenue), a transfer is done in the Movement in Reserves Statement, from the General Fund Balance to the Capital Adjustment Account so that there is no impact on the council tax.

Value Added Tax

VAT is included in the accounts only to the extent that it is irrecoverable.

2 ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED

Financial Reporting Standard 30 relates to Heritage Assets (i.e. assets held principally for their contribution to knowledge and culture). This standard will not apply to Local Authority accounts until 2011/12.

The assets held by the Authority that come within this classification consist of Astley Hall, its contents and surrounding parkland. These were gifted to the Authority. They are held in the balance sheet at 31 March 2011 at a nominal value only.

3 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

As recommended by the Local Authority Accounting Panel in its bulletin LAAP82 Update 4 of May 2011, the Council has assumed that its investment in Landsbanki will retain priority status and, consequentially that 95% will be recovered. The risk is quantified in note 46.

The Authority has reviewed the arrangements under which 20 vehicles are provided under operating leases and 23 embedded in the contract for the provision of the refuse service. It does not consider that any meet the definition of a finance lease.

4 ASSUMPTIONS ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The Statement of Accounts contains figures estimated on the basis of historical experience, current trends and other relevant factors. The following table notes items for which there is a significant risk of material future adjustment:

Item	Uncertainty	Effect if actual results differ
Pensions liability	The estimated liabilities depend on a number of complex judgements. These include future retirement ages, mortality rates, salary increases, returns on investments and discount rates. A firm of consulting actuaries is engaged to provide advice on these assumptions. The wider review of the pension arrangements for Local Authority employees currently under consideration adds to the uncertainty.	The accounts show a pension liability of £27m. The effect of changes in the assumptions are: - additional year of life £2.2m - 0.1% salary inflation £0.4m - 0.1% on discount rate (£1.5m) Every 3 years the fund is comprehensively revalued which leads to increases in the Council's contributions. These will rise by 1.5% over the next three years.
Debtors	The most significant debtor issue for the Council is its responsibility for collecting £75m in business rates and council tax. It is however acting solely as agent of the government (for business rates) and mainly as agent (for major preceptors) for council tax. The major recovery risk resulting from shortfalls in collection falls to these bodies. Note 18 shows sundry debtors total £2.5m. The main risk concerns housing benefit debts totalling £0.8m. These are largely recovered against ongoing benefit, but a provision of 15% has been made. The total bad debt provision is £0.3m. The current economic climate heightens the risk that this could be exceeded.	An increase in the provision for housing benefit debts to 25% would cost an additional £80k. Debts over six months old, for which no provision has been made, total £50k.

5 MATERIAL ITEMS OF INCOME AND EXPENSE

All material items have been disclosed in the statement or in the notes to the accounts.

6 EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was authorised for issue by the Chief Financial Officer on 21 September 2011. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2011, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

No events, occurring after 31 March 2011, and which would materially affect the Council's financial position, have been identified.

7 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

The surplus or deficit on the provision of service is subject to adjustment in order to calculate the amount to be met from taxation. This statement details those adjustments and agrees to the Movement in Reserves Statement.

	2010/11			
	General Fund Balance £'000	Capital Receipts Account £,000	Capital Grants £'000	Unusable Reserves £'000
Adjustments involving the Capital Adjustment Account (CAA)				
Reversal of debits and credits to the Comprehensive Income and Expenditure account (CI&E)				
Charges for depreciation of non current assets	(1,573)			1,573
Charges for impairment of non current assets	(1,764)			1,764
Revaluation losses on Property, Plant and Equipment				
Movements in the market value of Investment Property	68			(68)
Amortisation of intangible assets	(175)			175
Capital grants and contributions applied				
Revenue expenditure funded from capital under statute	(1,241)		1,208	33
Non-current assets charged to CI&E on disposal	(350)			350
Insertion of items not posted to CI&E				
Statutory and voluntary provision for the repayment of debt	1,131			(1,131)
Capital expenditure charged against the General Fund Balance	709			(709)
Adjustments involving Capital Grants Unapplied				
Capital grants and contributions unapplied credited to CI&E	2,139		(2,139)	
Grants applied to fund capital expenditure transferred to CAA			269	(269)
Adjustments involving the Capital Receipts Reserve				
Capital receipts credited to CI&E on non current asset disposals	77	(77)		
Capital receipts used to finance new capital expenditure		36		(36)
Capital receipts credited to CI&E to finance the payment to the Government's capital receipt pool	(2)	2		
Transfer from Deferred Capital Receipts		(2)		2
Adjustments involving Financial Instruments Adjustment A/c				
Difference between finance costs in CI&E and those chargeable in accordance with statutory regulation				
Adjustments involving the Pensions Reserve				
Reversal of pension charges made in CI&E	2,577			(2,577)
Employer's contributions and payments made to pensioners	1,646			(1,646)

Adjustments involving the Collection Fund Adjustment A/c Difference between credit to CI&E and precepted amount	62			(62)
Adjustments involving the Accumulated Absences A/c Difference between remuneration charged to CI&E and that chargeable per statutory requirement	(12)			12
TOTAL ADJUSTMENTS	3,292	(41)	(662)	(2,589)

2009/10 Comparative figures	2009/10			
	General Fund £'000	Capital Receipts £,000	Capital Grants £'000	Unusable Reserves £'000
Adjustments involving the Capital Adjustment Account (CAA)				
<u>Reversal of debits and credits to CI&E</u>				
Charges for depreciation of non current assets	(1,074)			1,074
Charges for impairment of non current assets	(256)			256
Revaluation losses on Property, Plant and Equipment	0			0
Movements in the market value of Investment Property	0			0
Amortisation of intangible assets	(148)			148
Revenue expenditure funded from capital under statute	(2,749)		1,497	1,252
Non-current assets charged to CI&E on disposal	0			0
<u>Insertion of items not posted to the CI&E</u>				
Statutory & voluntary provision for the repayment of debt	229			(229)
Capital expenditure charged against the General Fund Balance	347			(347)
Adjustments primarily involving Capital Grants Unapplied				
Capital grants and contributions unapplied credited to CI&E	1,461		(1,461)	
Grants applied to fund capital expenditure transferred to CAA			576	(576)
Adjustments primarily involving the Capital Receipts Reserve				
Capital receipts credited to CI&E on non current asset disposals	55	(55)		
Capital receipts used to finance new capital expenditure		732		(732)
Capital receipts credited to CI&E to finance the payment to the Government's capital receipt pool	(8)	8		
Transfer from Deferred Capital Receipts		(1)		1
Transfer from Capital Adj Account re mortgage repayments		(4)		4
Adjustments involving Financial Instruments Adjustment A/c				
Difference between finance costs in CI&E and those chargeable in accordance with statutory regulation	405			(405)
Adjustments involving the Pensions Reserve				
Reversal of pension charges made in the CI&E	(3,978)			3,978
Employer's contributions and payments made to pensioners	2,489			(2,489)
Adjustments involving the Collection Fund Adjustment A/c				
Difference between credit to CI&E and precepted amount	15			(15)
Adjustments involving the Accumulated Absences A/c				
Difference between remuneration charged to the CI&E and that chargeable per statutory requirement	(15)			15
TOTAL ADJUSTMENTS	(3,227)	680	612	1,935

8 TRANSFERS TO/FROM EARMARKED RESERVES

	Balance		Transfers		Balance		Balance	
	1 April				31 March		31 March	
	2009		Out	(In)	2010	Out	(In)	2011
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Chief Executive	(14)	14	(13)	(13)	13	(19)	(19)	(19)
Partnerships, Planning & Policy Directorate	(214)	114	(432)	(532)	257	(267)	(542)	(542)
People and Places Directorate	(172)	16	(52)	(208)	72	(128)	(264)	(264)
Transformation Directorate	(86)	39	(143)	(190)	113	(190)	(267)	(267)
VAT Shelter Income unapplied	(476)	254	(176)	(398)	398	(347)	(347)	(347)
Service and efficiency improvements	(357)	207	0	(150)	75	(300)	(375)	(375)
Total	(1,319)	644	(816)	(1,491)	928	(1,251)	(1,814)	(1,814)

9 OTHER OPERATING EXPENDITURE

2009/10		2010/11
£'000		£'000
594	Parish council precepts	595
8	Payments to the Government's Capital Receipt Pool	1
(44)	(Gains)/losses on disposal of non current assets	274
(11)	Capital receipts from the sale of previously transferred housing stock	0
(389)	VAT shelter receipts	(1,587)
(308)	Net VAT recoveries from HM Revenues and Customs	(18)
(150)	Total	(735)

10 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2009/10		2010/11
£'000		£'000
326	Interest payable and similar charges	213
2,065	Pensions interest cost net of expected return on pension assets	1,612
(597)	Interest receivable and similar income	(211)
0	Income and Expenditure in relation to investment properties and changes in their fair value	(68)
0	Other investment income	0
1,794	Total	1,546

11 TAXATION AND NON SPECIFIC GRANT INCOMES

2009/10		2010/11
£'000		£'000
(6,899)	Council Tax income	(6,959)
(6,790)	Non Domestic Rates	(7,411)
(2,006)	Non ringfenced Government Grants	(1,281)
(1,462)	Capital grants and contributions	(931)
(17,157)	Total	(16,582)

12 PROPERTY PLANT AND EQUIPMENT

	Other land & Buildings £'000	Vehicles & Plant etc. £'000	Infra- structure £'000	Community Assets £'000	Surplus Assets £'000	Total £'000
Cost or valuation						
At 1 April 2010	29,792	5,035	459	4,523	2,345	42,154
Additions	225	477		22		724
Revaluations recognised in Revaluation Reserve (RR)	1,161					1,161
Revaluations recognised in CI&E	(57)			(1,165)		(1,222)
De-recognition - disposals					(350)	(350)
De-recognition - other						
Assets reclassified	(2)			2		0
Other movements						
At 31 March 2011	31,119	5,512	459	3,382	1,995	42,467
Depreciation and Impairment						
At 1 April 2010	(1,897)	(2,322)	(36)	(329)		(4,584)
Depreciation charge	(609)	(788)	(54)	(122)	(0)	(1,573)
Depreciation written out of RR	331					331
Depreciation written out of CI&E				184		184
Impairment losses recognised in RR	(57)					(57)
Impairment losses recognised in CI&E	(727)					(727)
De-recognition - disposals						
De-recognition - other						
Other movements						
At 31 March 2011	(2,959)	(3,110)	(90)	(267)	(0)	(6,426)
Net Book Value						
At 31 March 2010	27,895	2,713	423	4,195	2,345	37,571
At 31 March 2011	28,160	2,402	369	3,115	1,995	36,041

Comparative Movements in 2009/10	Other land & Buildings £'000	Vehicles & Plant etc. £'000	Infra- Structure £'000	Community Assets £'000	Surplus Assets £'000	Total £'000
Cost or valuation						
At 1 April 2009	29,235	3,575	309	4,225	2,558	39,902
Additions	632	1,460	150	476	19	2,737
Revaluations recognised in Revaluation Reserve (RR)	58			32	(228)	(138)
Revaluations recognised in CI&E	(341)			(2)	(4)	(347)
De-recognition - disposals						0
De-recognition - other						0
Assets reclassified	208			(208)		0
Other movements						0
At 31 March 2010	29,792	5,035	459	4,523	2,345	42,154
Depreciation and Impairment						
At 1 April 2009	(1,608)	(1,961)	(8)	(189)	0	(3,766)
Depreciation charge	(563)	(361)	(28)	(123)	0	(1,075)
Depreciation written out of RR	166	0	0	1	0	167
Depreciation written out of CI&E	91	0	0	0	0	91
Impairment losses recognised in RR	0	0	0	0	0	0
Impairment losses recognised in CI&E	0	0	0	0	0	0
De-recognition - disposals	0	0	0	0	0	0
De-recognition - other	0	0	0	0	0	0
Assets reclassified	17	0	0	(17)	0	0
Other movements	0	0	0	0	0	0
At 31 March 2010	(1,897)	(2,322)	(36)	(328)	0	(4,583)

Fixed Assets Valuations

During 2010/11 the valuations were carried out by Liberata UK Limited. The basis of valuation is set out in the Statement of Accounting Policies.

	Other land & Buildings £'000	Vehicles & Plant etc. £'000	Infra- structure £'000	Community Assets £'000	Surplus Assets £'000	Total £'000
Carried at historical cost	99	5512	459	3156	0	9,226
Valued at fair value as at:						
31 March 2011	8,454	0	0	1	0	8,455
31 March 2010	3,656	0	0	218	281	4,155
31 March 2009	4,910	0	0	0	753	5,663
31 March 2008	13,887	0	0	7	961	14,855
31 March 2007	113	0	0	0	0	113
Total cost or valuation	31,119	5,512	459	3,382	1,995	42,467

Capital Commitments

The Authority does not have any significant capital projects in construction. It has however committed £3m of its usable capital reserves to the Buckshaw Station contract let by the County Council

13 INVESTMENT PROPERTIES

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or its right to receipt of income or the proceeds of disposal.

The assets are comprehensively re-valued every five years, and annually reviewed for any indications that changes in yields or void levels warrant a review of fair values. The following table summarises the movement in the fair value of these properties over the past years.

	2010/11 £'000	2009/10 £'000
Fair value at the start of the year	1,055	1,055
Net gain from revaluation	68	0
Value at year end	1,123	1,055

14 INTANGIBLE ASSETS

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Authority. The following periods have been used in amortising the Authority's significant intangible assets.

Asset Description	Amortisation Period
e-planning software	5 years
Website	3 years
Thin client implementation	7 years
Core financial management information system	5 years

Amortisation is on a straight line basis. In 2010/11 the amortisation charge of £175k was charged principally to Customer Services £36k, ICT Services £52k, Housing Benefits £25k, Planning £32k and Shared Financial Services £17k. These cost centres are absorbed as overheads across all services. It is not possible therefore to simply indicate the amount charged to each heading in the Comprehensive Income and Expenditure Account.

The movements on Intangible Asset balances during the year are as follows:-

	2010/11 £'000	2009/10 £'000
<u>Balance at the start of the year</u>		
Gross carrying amount	1,865	2,170
Accumulated amortisation	(1,321)	(1,661)
Net carrying amount at year start	544	509
<u>Movements in the year</u>		
Additions in year	321	182
Disposal in year	(105)	(487)
Amortisation in year	(175)	(147)
Amortisation in respect of disposals	105	487
Net carrying amount at the year end	690	544

There are no significant contractual commitments, and no individual intangible assets the amortisation of which is materially significant to the Council.

15 FINANCIAL INSTRUMENTS

15a Categories of Financial Instrument

The following categories of Financial Instruments are carried in the Balance Sheet:

	Long Term			Current		
	31 March 2011 £'000	31 March 2010 £'000	31 March 2009 £'000	31 March 2011 £'000	31 March 2010 £'000	31 March 2009 £'000
	<u>Investments</u>					
Loans and receivables	8	8	8	4,577	1,490	1,595
<u>Debtors</u>						
Loans and receivables	352	357	364	6,913	7,695	6,596
<u>Borrowings</u>						
Financial liabilities at amortised cost	(7,822)	(900)	(2,280)	(1,101)	(2,780)	(2,389)
<u>Other Long Term Liabilities</u>						
Finance lease liabilities	0	0	0	0	0	0
Capital grant receipt in adv.	(1,086)	(911)	(263)	0	0	0
<u>Creditors</u>						
Financial liabilities carried at contract amount	0	0	0	(4,887)	(5,275)	(4,429)

There has been no reclassification of assets and no pledges of collateral have been made in the periods reported in these statements.

15b Income, Expense, Gains and Losses

The amounts charged in the Comprehensive Income and Expenditure Account are as follows:-

	2010/11			2009/10		
	Financial Liabilities at Amortised Cost £'000	Financial Assets Loans & Receivables £'000	Total £'000	Financial Liabilities at Amortised Cost £'000	Financial Assets Loans & Receivables £'000	Total £'000
Interest expenses	206	0	206	137	0	137
impairment	0	7	7	0	189	189
	206	7	213	137	189	326
Interest income	0	(127)	(127)	0	(490)	(490)
Interest income accrued on impaired assets	0	(84)	(84)	0	(84)	(84)
Total income	0	(211)	(211)	0	(574)	(574)
Net (gain)/loss for the year			2			(248)

15c Fair Values of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables, and long term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:-

- any borrowings or investments are discounted at the rates applying to equivalent transactions at the Balance Sheet date.
- where an instrument will mature in the next twelve months, carrying amount is assumed to approximate to fair value
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values of long term financial assets and liabilities are as follows:-

	31 March 2011		31 March 2010		31 March 2009	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Financial liabilities						
Long term borrowing	(8,923)	(8,947)	(3,680)	(3,758)	(4,669)	(4,845)
Deferred liabilities	(14)	(14)	(13)	(13)	(14)	(14)
Total	(8,937)	(8,961)	(3,693)	(3,771)	(4,683)	(4,859)

	31 March 2011		31 March 2010		31 March 2009	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Financial assets						
Long term investments	8	8	8	8	8	8
long term debtors	352	427	357	424	364	431
Total	360	435	365	432	372	439

16 INVENTORIES

	2010/11 £'000	2009/10 £'000
Balance at 1 April	41	41
Purchases	125	119
Issued in year	(143)	(119)
Written off in year	(1)	0
Balance at year end	22	41

17 CONSTRUCTION CONTRACTS

The Council is not involved as a contractor in any construction contracts

18 DEBTORS

	31 March 2011 £'000	31 March 2010 £'000	31 March 2009 £'000
Central government bodies	1,959	1,878	1,193
Other local authorities	2,382	3,423	253
NHS bodies	0	0	0
Public corporations and trading funds	0	0	0
Other entities and individuals	2,499	2,967	5,918
	6,840	8,268	7,364
Less provision for bad debts	(302)	(573)	(768)
Net carrying amount at the year end	6,538	7,695	6,596

19 CASH AND CASH EQUIVALENTS

The balance of Cash and Cash Equivalents is made up of the following elements:-

	31 March 2011 £'000	31 March 2010 £'000	31 March 2009 £'000
Cash held by the Authority	0	0	0
Bank current and call accounts	5,225	(82)	3,349
Short term deposits	0	0	0
Total cash and cash equivalents	5,225	(82)	3,349

20 ASSETS HELD FOR SALE

	Current		Non Current	
	2010/11 £'000	2009/10 £'000	2010/11 £'000	2009/10 £'000
Balance outstanding at the start of the year	0	0	0	0
Assets sold	0	0	0	0
Transfers from non-current to current	0	0	0	0
Balance outstanding at year end	0	0	0	0

21 CREDITORS

	31 March 2011 £'000	31 March 2010 £'000	31 March 2009 £'000
Central government bodies	976	1,757	742
Other local authorities	1,070	2,017	818
NHS bodies	13		
Public corporations and trading funds			
Other entities and individuals	2,453	1,501	2,869
Net carrying amount at the year end	4,512	5,275	4,429

22 PROVISIONS

There are no provisions at 31/3/2010 nor at 31/3/2011.

23 USABLE RESERVES

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement.

24 UNUSABLE RESERVES

	31 March 2011 £'000	31 March 2010 £'000	31 March 2009 £'000
Revaluation Reserve	(3,867)	(2,740)	(2,779)
Capital Adjustment Account	(26,301)	(27,675)	(28,457)
Financial Instruments Adjustment Account	0	0	405
Deferred Capital Receipts Reserve	(302)	(304)	(308)
Pensions Reserve	27,277	37,656	25,508
Collection Fund Adjustment Account	(24)	38	53
Accumulated Absences Account	125	113	98
Total unusable reserves at year end	(3,092)	7,088	(5,480)

24a Revaluation Reserve

The Revaluation Reserve holds the gains arising from increases in the valuation of Property, Plant and Equipment. The balance is reduced by any subsequent reductions in value, by impairment, by depreciation, and by disposal.

The Reserve holds only gains accumulated since 1 April 2007. Gains prior to that date were consolidated in the Capital Adjustment Account.

	2010/11 £'000	2009/10 £'000
Balance at 1 April	(2,740)	(2,779)
Upward revaluation of assets	(1,435)	(29)
Difference between fair value and historic cost depreciation	123	68
Accumulated gains on assets de-recognised	185	0
Balance at 31 March	(3,867)	(2,740)

24b Capital Adjustment Account

This account contains the following:-

- Sums set aside to finance capital expenditure
- Accumulated gains and losses on Investment Properties
- Revaluation gains on Property, Plant and Equipment accumulating prior to 1 April 2007
- The difference between the charges required by accounting practice for the amortisation of assets (depreciation and impairment) and the de-recognition of assets, and the capital charges required by statute.

	2010/11 £'000	2009/10 £'000
Balance at 1 April	(27,675)	(28,457)
<u>Adjustments between accounting and regulatory funding bases (see note 7)</u>		
<i>Items relating to capital charges</i>		
Charges for depreciation of non current assets	1,573	1,074
Charges for impairment of non current assets	1,764	256
Amortisation of intangible assets	175	148
Revenue expenditure funded from capital under statute	1,241	2,749
Net cost assets disposed of	350	0
<i>Movements in the market value of Investment Properties</i>	(68)	0
<i>Capital financing applied in the year</i>		
Capital receipts used to finance new capital expenditure	(36)	(732)
Capital expenditure charged to the General Fund Balance	(709)	(347)
Statutory & voluntary provision for the repayment of debt	(1,131)	(229)
Grants used in the year to fund capital expenditure	(1,477)	(2,073)
<i>Adjustments with the Revaluation Reserve (see note 24a)</i>		
Accumulated gains on assets de-recognised	(185)	
Difference between fair value and historic cost depreciation	(123)	(68)
<i>Adjustment with Capital Receipts Reserve</i>		4
Balance at 31 March	(26,301)	(27,675)

24c Financial Instruments Adjustment Account

This account contains postings arising from the difference between the requirements of accounting practice and statute in respect of certain financial instruments.

	2010/11 £'000	2009/10 £'000
Balance at 1 April	0	405
Impairment charges, deferred in 2008/9, charged against the General Fund Balance	0	(405)
Balance at 31 March	0	0

24d Deferred Capital Receipts Reserve

This account shows the sums recognised on the disposal of non-current assets but for which cash settlement has yet to take place.

	2010/11 £'000	2009/10 £'000
Balance at 1 April	(304)	(308)
Transfer to Capital Receipts Reserve on receipt of cash	2	1
Transfer to Comprehensive Income & Expenditure	0	3
Balance at 31 March	(302)	(304)

24e Pensions Reserve

This account contains postings arising from the difference between the requirements of accounting practice and statute in respect of pensions.

The costs of benefits are charged to the Comprehensive Income and Expenditure Account when they are earned rather than when they are paid. Statutory arrangements however require that benefits be financed only when the Authority makes contributions to the pension fund. The debit balance on the Pension Reserve therefore shows that benefits earned by employees exceeds the payments made by the authority to fund them.

Statutory arrangements require that adequate funding will ultimately be set aside.

	2010/11 £'000	2009/10 £'000
Balance at 1 April	37,656	25,508
Actuarial(gains)/ losses on pension assets and liabilities	(6,156)	10,659
Reversal of charges posted to the Comprehensive Income & Expenditure Account	(2,577)	3,978
Employers contributions and direct payments to pensioners payable in the year	(1,646)	(2,489)
Balance at 31 March	27,277	37,656

24f Collection Fund Adjustment Account

Council tax income is recognised in the Comprehensive Income and Expenditure as it becomes due from individual payers of the charge. Statute requires however that the Council recognises the estimated amount determined when the council tax charge for the year was fixed. The difference is shown in this account.

	2010/11 £'000	2009/10 £'000
Balance at 1 April	38	53
Amount by which council tax income credited to the Comprehensive Income & Expenditure account exceeded the amount required by statute	(62)	(15)
Balance at 31 March	(24)	38

24g Accumulated Absences Account

The cost of compensated absences (e.g. leave entitlement) not taken by employees during the year of account, is charged to the Comprehensive Income and Expenditure Account. Statutory arrangements require however that the impact on the General Fund Balance is neutralised by transfers to or from this account.

	2010/11 £'000	2009/10 £'000
Balance at 1 April	113	98
Transfer from the General Fund Balance	12	15
Balance at 31 March	125	113

25 CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:-

	2010/11 £'000	2009/10 £'000
Interest received	538	62
Interest paid	(167)	(349)
Net	371	(287)

26 CASH FLOW STATEMENT – INVESTING ACTIVITIES

The following items have been included within investing activities in the cash flow statement

	2010/11 £'000	2009/10 £'000
Purchase of property, plant & equipment, investment property and intangible assets.	(1,882)	(5,073)
Purchase of short and long term investments.	(5,000)	(21,009)
Proceeds from the sale of assets.	78	56
Proceeds from short and long term investments.	2,000	21,014
Other receipts relating to investing activity (government grants).	2,824	2,394
Total investing activities	(1,980)	(2,618)

27 CASH FLOW STATEMENT – FINANCING ACTIVITIES

The following have been included within financing activities in the cash flow statement

	2010/11 £'000	2009/10 £'000
Cash receipts from short and long term borrowing	8,146	1,400
Cash paid to reduce lease liabilities	0	0
Repayments of borrowings	(2,942)	(2,367)
Change in indebtedness relating to NNDR(due from Government) and Council Tax (due from Precepting authorities)	(707)	527
Total financing activities	4,497	(440)

28 AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS (SEGMENTS)

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Best Value Accounting Code of Practice. However decisions about resource allocation are taken by the Authority on the basis of budget reports analysed across directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- They exclude capital charges (depreciation, impairment and revaluation losses)
- Retirement benefits are included on the basis of cash flows rather than current service costs
- Expenditure on some support services is budgeted for centrally

The income and expenditure of the Authority's principal directorates recorded in the budget reports for the year is as follows:-

Directorate Income and Expenditure 2010/11	Chief Executive £'000	Partnerships Planning & Policy £'000	People and Places £'000	Transformation £'000	Total £'000
Fees, charges & other service income	(71)	(2,340)	(2,819)	(2,078)	(7,308)
Government grants		(118)	(109)	(858)	(1,085)
Total Income	(71)	(2,458)	(2,928)	(2,936)	(8,393)
Employee expenses	444	2,856	3,829	4,785	11,914
Other service expenses	72	1,428	5,019	3,066	9,585
Total Expenditure	516	4,284	8,848	7,851	21,499
Net Expenditure	445	1,826	5,920	4,915	13,106
Directorate Income and Expenditure 2009/10	Chief Executive £'000	Partnerships Planning & Policy £'000	People and Places £'000	Transformation £'000	Total £'000
Fees, charges & other service income	(14)	(1,826)	(3,240)	(1,870)	(6,950)
Government grants		(381)	(217)	(918)	(1,516)
Total Income	(14)	(2,207)	(3,457)	(2,788)	(8,466)
Employee expenses	492	2,737	3,722	5,035	11,986
Other service expenses	70	953	5,904	2,987	9,914
Total Expenditure	562	3,690	9,626	8,022	21,900
Net Expenditure	548	1,483	6,169	5,234	13,434

Reconciliation of Directorate Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	2010/11 £'000	2009/10 £'000
Net expenditure in the Directorate Analysis	13,106	13,434
Net expenditure of services and support services not included in the Analysis Note (a)	889	1,208
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis Note (b)	(2,253)	3,864
	11,742	18,506
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	0	0
Cost of Services in Comprehensive Income and Expenditure Statement	11,742	18,506

Notes

- (a) Though all cash income and expenditure budgets are monitored throughout the year, some budgets are excluded from the monitoring of directorate totals. In 2010/11, the expenditure and income reported separately included payments to the pension fund in respect of past service, concessionary fares, council tax and housing benefits, and an adjustment in respect of decriminalised parking income.
- (b) Non-cash budgets are excluded from monitoring of income and expenditure. These include budgets that do not affect the cost to the council tax payer, in particular depreciation, amortisation and impairment of fixed and intangible assets, accrual of employee benefits, and technical pensions accounting entries.

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to a subjective analysis of the surplus or deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2010/11	Directorate Analysis	Services and Support Services not in Analysis	Amounts not reported to management for decision making	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges & other service income	(7,308)	(179)	(659)	(15,071)	(23,217)	(1,609)	(24,826)
Interest and Investment Income			(5,584)		(5,584)	(3,838)	(9,422)
Income from council tax					0	(6,959)	(6,959)
Government grants and contributions	(1,085)	(28,627)	(524)		(30,236)	(9,623)	(39,859)
Total Income	(8,393)	(28,806)	(6,767)	(15,071)	(59,037)	(22,029)	(81,066)
Employee expenses	11,914	256	(239)		11,931		11,931
Other service expenses	9,585	29,439	1,241		40,265	12	40,277
Support Service recharges				15,071	15,071		15,071
Depreciation, amortisation & impairment			3,512		3,512		3,512
Interest Payments					0	5,376	5,376
Precepts & Levies					0	595	595
Payments to Housing Capital Receipts Pool					0	1	1
Gain or Loss on Disposal of Fixed Assets					0	274	274
Total Expenditure	21,499	29,695	4,514	15,071	70,779	6,258	77,037
Surplus or deficit on the provision of services	13,106	889	(2,253)	0	11,742	(15,771)	(4,029)

2009/10	Directorate Analysis	Services and Support Services not in Analysis	Amounts not reported to management for decision making	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges & other service income	(6,950)	(20)	20	(15,912)	(22,862)	(708)	(23,570)
Interest and Investment Income					0	(3,283)	(3,283)
Income from council tax					0	(6,899)	(6,899)
Government grants and contributions	(1,516)	(26,404)	152		(27,768)	(10,258)	(38,026)
Total Income	(8,466)	(26,424)	172)	(15,912)	(50,630)	(21,148)	(71,778)
Employee expenses	11,986	222	589		12,797		12,797
Other service expenses	9,914	27,410	1,620		38,944		38,944
Support Service recharges				15,912	15,912		15,912
Depreciation, amortisation & impairment			1,483		1,483		1,483
Interest Payments					0	5,077	5,077
Precepts & Levies					0	594	594
Payments to Housing Capital Receipts Pool					0	8	8
Gain or Loss on Disposal of Fixed Assets					0	(44)	(44)
Total Expenditure	21,900	27,632	3,692	15,912	69,136	5,635	74,771
Surplus or deficit on the provision of services	13,434	1,208	3,864	0	18,506	(15,513)	2,993

29 ACQUIRED AND DISCONTINUED OPERATIONS

There were no operations acquired or discontinued during the year.

30 TRADING OPERATIONS

The Authority has no Trading Operations.

31 AGENCY SERVICES

The Council acts as agent for central government in the collection of national non domestic rates, and as agent for major preceptors in the collection of council tax. Further details are given in the notes to the Collection Fund.

32 ROAD CHARGING SCHEMES UNDER THE TRANSPORT ACT 2000

Not applicable

33 POOLED BUDGETS

The Council has no material pooled budget arrangements

34 MEMBERS ALLOWANCES

The Council paid the following amounts to its members during the year.

	2010/11 £'000	2009/10 £'000
Allowances	294	286
Expenses	7	6
Total	301	292

35 OFFICERS REMUNERATION

The Council is required under Regulation 7, paragraph (2), of the Accounts and Audit Regulations 2003 to disclose the remuneration of all employees of the Authority in excess of £50,000. Regulation 4 of the Accounts and Audit (Amendment N0.2) Regulations 2009 extends this and introduces a new legal requirement to increase transparency and accountability in Local Government for reporting remuneration for senior employees.

Remuneration band	2010/2011 Number of employees	2009/2010 Number of employees
£50,000 - £54,999	4	3
£55,000 - £59,999	-	2
£60,000 - £64,999	1	-
£65,000 - £69,999	-	-
£70,000 - £74,999	-	1
£75,000 - £79,999	-	1
£80,000 - £84,999	-	-
£85,000 - £89,999	-	1
£90,000 - £94,999	-	-
£95,000 - £99,999	3	-
£100,000 - £104,999	-	-
£105,000 - £109,999	-	-
£110,000 - £114,999	-	-
£115,000 - £119,999	-	-
£120,000 - £124,999	-	-
£125,000 - £129,999	-	-
£130,000 - £134,999	1	-
£135,000 - £139,999	-	1

The following tables set out the remuneration disclosures for Senior Officers whose salary is equal to or more than £50,000 during the 2009/2010 and 2010/2011 financial years.

Post Title	Salary	Expense Allowances	Benefits In kind	Compensation for loss of office	Total Remuneration (excluding Pension Contributions)	Pension Contribution	Total Remuneration (including pension contributions)
2010/2011 Remuneration	£	£	£	£	£	£	£
Chief Executive	123,212	11,628			134,840	23,164	158,004
Director of Partnerships, Planning and Policy	90,000	6,011			96,011	16,920	112,931
Director of Transformation	90,000	4,963	285		95,248	16,920	112,168
Director of People and Places	90,000	5,201			95,201	16,920	112,121
Head of Leisure and Neighbourhoods	30,409	1,330		33,723	65,462	5,700	71,162
Corporate Director (Business)	30,169	2,961		30,402	63,532	5,672	69,203
Head of Streetscene	34,965	3,283		24,239	62,487	6,556	69,043
Head of Shared Financial Services	54,687	6,169	285		61,141	10,264	71,405
Head of Planning	51,888	3,259			55,147	9,721	64,868
Head of Governance	48,490	6,466			54,956	9,116	64,072
Head of Customer, ICT and Transactional Services	49,893	4,265			54,158	9,315	63,473
Head of Health, Environment and Neighbourhoods	49,080	2,338			51,418	9,163	60,581
Head of Housing	45,312	6,030			51,342	8,502	59,844

Post Title	Salary	Expense Allowances	Benefits In kind	Compensation for loss of office	Total Remuneration (excluding Pension Contributions)	Pension Contribution	Total Remuneration (including pension contributions)
2009/2010 Remuneration	£	£	£	£	£	£	£
Chief Executive	123,212	12,000	-	-	135,212	21,932	157,144
Corporate Director (Governance)	69,835	7,607	-	31,577	109,019	12,431	121,450
Assistant Chief Executive (Business Transformation and Improvement)	81,997	7,071	275	-	89,343	14,595	103,938
Assistant Chief Executive (Policy and Performance)	81,997	6,738	-	-	88,735	14,595	103,330
Corporate Director (ICT and Information Management)	67,174	9,472	-	12,225	85,871	10,511	96,382
Corporate Director (Human Resources)	53,617	5,438	-	26,794	85,849	9,544	95,393
Corporate Director (People)	73,760	5,812	-	-	79,572	13,129	92,701
Corporate Director (Business)	67,458	6,007	-	-	73,465	12,007	85,472
Revenues and Benefits Manager	44,999	4,034	-	22,236	71,269	8,010	79,279
Head of Shared Financial Services	53,093	5,811	275	-	59,179	9,451	68,630
Corporate Director (Neighborhoods)	51,936	5,003	-	-	56,939	9,103	66,042
Service manager – Environment	48,226	4,507	-	-	52,733	8,553	61,286
Planning Policy Manager	50,646	1,952	-	-	52,598	9,015	61,613
Legal Services Manager	44,756	6,225	-	-	50,981	7,966	58,947

The employees listed in the table above also make contributions of between 7.2% and 7.5% to the pension fund.

In 2010/11 the Chief Executive provided services for both the Authority and Wyre Borough Council. The Chief Executive is employed by this Authority but 50% of the costs are recharged to Wyre. The Head of Shared Financial Services is part of the Shared Financial and Assurance Services Partnership - 50% of the costs are recharged to South Ribble Council

36 EXTERNAL AUDIT COSTS

The Authority has incurred the following costs relating to external audit

	2010/11 £'000	2009/10 £'000
Fees for statutory inspection and audit	97	119
Fees for the certification of grant claims and returns	22	21
Total	119	140

37 GRANT INCOME

The Authority credited the following grants, contributions and donations to the Comprehensive Income and expenditure Statement

	2010/11 £'000	2009/10 £'000
<u>Credited to Taxation and Non Specific</u>		
National non domestic rates	(7,411)	(6,790)
Revenue support grant	(1,076)	(1,567)
Other revenue grants	(205)	(439)
Capital Grants – Regional Housing Pot	(80)	(645)
Capital Contributions - Section 106 Planning	(727)	0
Capital Other grants and contributions	(124)	(493)
Capital lottery grant	0	(324)
Total	(9,623)	(10,258)
<u>Credited to Services</u>		
Grants – benefits related	(28,116)	(26,250)
Grants – Homelessness	(51)	(144)
Grants – Concessionary fares	(734)	(282)
Grants – other	(675)	(556)
Contribution – County Council reimbursement	(842)	(817)
Contributions – other	(1,273)	(782)
Total	(31,691)	(28,831)

38 RELATED PARTIES

In accordance with FRS8, the financial statements must disclose material transactions with related parties, to draw attention to the possible extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the council.

- **Central Government**

Central government has effective control over the general operations of the council as it provides the statutory framework within which the Authority operates and the majority of its funding in the form of grants. Details of government grants received is given in note 37.

- **Members of the Council**

Members have direct control over the council's financial and operating policies. Elected members are required to complete a Notice of Registerable Interests and notify the council of any changes within 28 days. Declarations of interests in items relating to the personal interest of partners, relatives or friends, are also recorded in the minutes of the meeting and the member will leave the meeting. Declarations are open to public inspection.

Note 34 refers to the allowances paid to members. The amounts paid to individual members are reported on the Council's web site.

- **Officers**

If appropriate, Directors of the Council complete a voluntary declaration of transactions involving related parties. The returns showed that in respect of the declarations made during the year to 31 March 2010 there were no material transactions.

- **Other Local Authorities and Precepting Bodies**

Details of Precepts in relation to the Lancashire Police Authority, Combined Fire Authority and Lancashire County Council are shown in the Collection Fund.

- **Pension Fund**

Details of payments to the Local Government Pension Scheme are set out in note 43 of the Financial Statements.

- **Chorley Community Housing Ltd (CCH)**

In 2006/07 the Council's housing stock was transferred to CCH. Pursuant to that transfer CCH purchased services valued at £0.161m from the Council (2009/10 £0.160m). There was no income from CCH in respect of the proportion of the receipts from the preserved right to buy sales of dwellings to former Chorley council tenants (2009/10 £0.011m). The Council received income totalling £1.587m (2009/10 £0.389m) from CCH under a VAT sharing agreement (see also note 44 Contingent Assets).

- **Partnerships, Companies and Trusts**

- Financial & Assurance Shared Services Partnership – In January 2009 this partnership was established under an Administrative Collaboration Agreement entered into by South Ribble and Chorley Borough Councils. This provides for the provision of accountancy, exchequer, treasury management, procurement and assurance services across the administrative areas of the two Councils.

A Shared Services Joint Committee has been established to discharge the Chorley and South Ribble Councils' functions of providing the services detailed in the Shared Services Agreement.

In 2010/11 gross expenditure of £2.178m (2009/10 £2.052m) was incurred on the shared services which was fully funded by recharges of £1.091m (2009/10 £1.017m) to South Ribble Borough Council and £1.087m (2009/10 £1.035m) to Chorley Borough Council.

- Active Nation – are contracted as agents of the Council to manage indoor sports and leisure facilities. In 2010/11 payments totalled £0.414m (2009/10 £0.588m), and income was £0.019m (2009/10 nil).

- In the following cases the Council made grants and payments for services that were significant relative to the size of the recipient organisation:

	2010/11 £'000	2009/10 £'000
South Ribble Business Venture Ltd /Business Venture Group	259	71
Lancashire Economic Partnership	7	21
Groundwork Lancashire West and Wigan	0	43
The Arts Partnership	19	18
Chorley, South Ribble & District Citizen Advice Bureau	85	106
Chorley and South Ribble Shop Mobility	10	10
North West Local Authorities Employers' Organisation	4	7
Chorley & South Ribble CVS	4	8
Total grants and payments	388	284

39 CAPITAL EXPENDITURE AND FINANCING

The total capital expenditure in the year is shown below, together with the resources that have been used to finance it.

The statement incorporates details of the movements in the Capital Financing Requirement. This is a measure of the capital expenditure historically incurred by the Authority that has yet to be financed. This will be discharged by future charges to the revenue account.

	2010/11 £'000	2009/10 £'000
Opening Capital Financing Requirement	9,672	7,386
Capital investment		
Property, Plant and Equipment	724	2,737
Intangible Assets	321	182
Revenue Expenditure Funded from Capital under Statute	1,241	2,749
Sources of finance		
Capital Receipts	(36)	(732)
Government Grants and Other Contributions	(1,477)	(2,074)
Sums set aside from revenue		
Revenue Financing	(709)	(347)
Minimum Revenue provision - statutory	(412)	(229)
Minimum Revenue provision - voluntary	(719)	0
Closing Capital Financing Requirement	8,605	9,672
Explanation of movements in year		
Increase in prudential borrowing	62	2,515
Provision made for debt repayment	(1,131)	(229)
Increase/(Decrease) in Capital Financing Requirement	(1,069)	2,286

40 LEASES**40a Authority as lessee**Finance leases

The Council has no finance leases

Operating leases

The Authority operates plant and vehicles, office equipment under operating leases. There are also lease arrangements embedded in the refuse contract. The future minimum payments, and sub lease minimum receipts, are as follows:

	31 March 2011		31 March 2010		31 March 2009	
	Payments £'000	Receipts £'000	Payments £'000	Receipts £'000	Payments £'000	Receipts £'000
Not later than 1 year	647	(43)	640	(43)	676	(43)
Later than 1 yr, not later than 5	2,265	(170)	2,246	(170)	2,345	(170)
Later than 5 years	1,353	(595)	1,793	(552)	2,334	(595)
Minimum lease payments	4,265	(808)	4,679	(765)	5,355	(808)

The operating lease rentals charged in the Comprehensive Income and expenditure statement during the year were as follows:

	2010/11 £'000	2009/10 £'000
Minimum lease payments	396	401
Contingent rents	0	0
Sub-lease payments receivable	(43)	(43)
Total payable rentals	353	358

40b Authority as lessorFinance leases

The Council has leased two properties, each for periods of 125 years.

In the following table the gross investment in the leases is reconciled to the present value of the minimum lease payments:

	31 March 2011 £'000	31 March 2010 £'000	31 March 2009 £'000
Finance lease debtor (present value of minimum lease payments)	289	289	289
Unearned finance income	2,355	2,379	2,403
Gross investment in the lease	2,644	2,668	2,692

The gross investment in the lease and the minimum lease payments will be received over the following periods:-

	Gross investment in the lease			Minimum lease payments		
	31 March 2011 £'000	31 March 2010 £'000	31 March 2009 £'000	31 March 2011 £'000	31 March 2010 £'000	31 March 2009 £'000
Not later than 1 year	24	24	24	24	24	24
Later than 1 yr, not later than 5	95	95	95	95	95	95
Later than 5 years	2,525	2,549	2,573	2,549	2,549	2,573
Total	2,644	2,668	2,692	2,668	2,668	2,692

No allowance for uncollectible amounts is deemed necessary. The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2010/11 £14k contingent rents were receivable by the Authority (2009/10 £6k).

Operating leases

The Council lets 27 offices, industrial units and sites. The future minimum lease payments receivable are:

	31 March 2011 £'000	31 March 2010 £'000	31 March 2009 £'000
Not later than one year	330	350	304
Later than one year and not later than five years	920	1,083	984
Later than five years	9,205	9,373	9,573
Total receivable rentals	10,455	10,806	10,861

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2010/11 £3k contingent rents were receivable by the Authority (£3k 2009/10).

41 IMPAIRMENT LOSSES

The impairment losses recognised during the years are as follows. All losses were within the "Other Land & Building" class of asset. These losses appear also in the analysis of movements in Property plant and equipment (Note 12).

	2010/11 £'000	2009/10 £'000
Impairment loss recognised in cost of services	727	0
Impairment losses reversed in cost of services	0	0
Impairment losses taken to the Revaluation Reserve	57	0
Total impairment losses	784	0

Material individual impairments	Amount	Directorate	Valuation	Basis
Duxbury Park Golf Course & buildings	£0.63m	People & Places	Value in use	Income stream

42 TERMINATION BENEFITS

The Authority terminated the contracts of a number of employees in 2010/11 incurring liabilities of £0.500 million (£1.177 million in 2009/10). Of the total in 2010/11, £0.064 million was in respect of Shared Financial Services and was shared with South Ribble Borough Council. Termination payments made to Directors, Heads of Service and other senior managers in 2009/10 and 2010/11 are shown in note 35 as 'compensation for loss of office'.

43 DEFINED BENEFIT PENSION SCHEME

As part of the terms and conditions of employment of its officers and other employees, the Authority offers retirement benefits through the Local Government Pension Scheme. This scheme is administered by Lancashire County Council and is a funded, defined benefit scheme, meaning that the authority and employees pay contributions calculated at a level intended to balance the pension liabilities with investment assets.

43a Transactions relating to retirement benefits

The Council recognises the cost of retirement benefits in the revenue account in the Cost of Services, when they are earned by employees, rather than when the benefits are actually paid as pensions. However, the charge required to be made against council tax is based on the cash payable to the fund during the year. An adjustment is therefore made to the General Fund via the Movement in Reserves Statement. The following table shows the transactions made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in reserves Statement during the year:

	2010/11 £'000	2009/10 £'000
<u>Comprehensive Income & Expenditure Statement</u>		
Cost of Services		
current service cost	1,395	885
Past service cost	(5,584)	24
Settlement and curtailment	0	1,004
Financing and investment Income and Expenditure		
Interest costs	5,222	4,751
Expected return on scheme assets	(3,610)	(2,686)
Total post employment benefit charged to the (Surplus)/Deficit on the Provision of Service	(2,577)	3,978
<u>Other post employment benefit charged to the Comprehensive Income & Expenditure Statement</u>		
Actuarial gains and losses	(6,156)	10,659
Total post employment benefit charged to the Comprehensive Income & expenditure Statement	(8,733)	14,637
<u>Movement in Reserves Statement</u>		
Reversal of net charges made to the (Surplus)/Deficit on the Provision of Services	2,577	(3,978)
Actual amount charged against the General Fund balance for pensions in the year	1,646	2,489

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2011 is £26.342m.

43b Assets and liabilities in relation to retirement benefits

Reconciliation of present value of the scheme liabilities

	Scheme Liabilities	
	Local Government Pension Scheme	
	2010/11 £'000	2009/10 £'000
1 April	(93,804)	(67,700)
Current service cost	(1,395)	(885)
Interest cost	(5,222)	(4,751)
Contributions by scheme participants	(500)	(524)
Actuarial gains and (losses)	4,088	(21,904)
Benefits paid	2,995	2,988
Curtailement	0	(1,004)
Past service costs	5,584	(24)
31 March	(88,254)	(93,804)

Reconciliation of fair value of the scheme assets

	Scheme Assets	
	Local Government Pension Scheme	
	2010/11 £'000	2009/10 £'000
1 April	56,148	42,192
Expected return on plan assets	3,610	2,686
Actuarial gains & (losses)	2,068	11,245
Employer contributions	2,581	2,489
Contributions by scheme participants	500	524
Benefits paid	(2,995)	(2,988)
31 March	61,912	56,148

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return experienced in the respective markets.

The actual gain on scheme assets in the year was £4,535 (2009/10 gain £13.931m),

43c Scheme history

	2006/07 As restated £'000	2007/08 As restated £'000	2008/09 £'000	2009/10 £'000	2010/11 £'000
Present value of liabilities	(75,587)	(80,435)	(67,700)	(93,804)	(88,254)
Fair value of assets	57,747	52,993	42,192	56,148	61,912
Surplus/(deficit) in the scheme	(17,840)	(27,442)	(25,508)	(37,656)	(26,342)

The actuarial deficit of £26.342m at 31 March 2011 differs from that shown in the Balance Sheet of £27.277m. This is the result of a difference of £0.935m between the actual contributions charged on an accruals basis in the accounts, and the estimated cash figure used by the actuary. The actuaries statement will be corrected in 2011/12.

The liabilities show the underlying commitments that the authority has in the long term to pay post employment (retirement) benefits. The total liability of £26.3m has a substantial impact on the net worth of the authority as recorded in the balance sheet.

Statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy. The deficit on the Local Government Scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2012 is £1,720.

43d Basis for estimating assets and liabilities

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

The main assumptions used in their calculations have been as follows:-

	Local Government Pension Scheme	
	2010/11	2009/10
Long term expected rate of return on assets in the scheme		
Equity investments	7.5%	7.5%
Government bonds	4.4%	4.5%
Other bonds	5.1%	5.2%
Property	6.5%	6.5%
Cash/liquidity	0.5%	0.5%
Other	7.5%	7.5%
Mortality assumptions		
Longevity at 65 for current pensioners		
Men	21.60	21.20
Women	24.20	24.10
Longevity at 65 for future pensioners		
Men	23.00	22.20
Women	25.80	25.00
Rate of inflation (RPI)	3.40%	3.30%
Rate of inflation (CPI)	2.90%	2.80%
Rate of increase in salaries	4.90%	5.05%

Rate of increase in pensions	2.90%	3.30%
Rate for discounting scheme liabilities	5.50%	5.60%
Take up option to convert pension into lump sum	50%	50%

Exceptional Accounting Item In the UK budget statement on 22 June 2010 the Chancellor announced that with effect from 1 April 2010 public service pensions would be uprated in line with the Consumer Prices Index (CPI) rather than the retail prices index (RPI).

This has the effect of reducing the Authority's liabilities at 31 March 2011 by £5.647m, and has been recognised as a past service gain since it is considered a change in benefit entitlement. There is no impact on the General Fund.

43e Analysis of scheme assets

	Proportion of Total Assets 31/03/2011 %	Proportion of Total Assets 31/03/2010 %	Proportion of Total Assets 31/03/2009 %
Equity investments	64.0	66.0	61.2
Government Bonds	7.0	7.0	7.8
Other Bonds	14.0	12.0	12.3
Property	8.0	5.0	7.4
Cash/liquidity	1.0	4.0	4.9
Other assets	6.0	6.0	6.4
Total	100.0	100.0	100.0

43f History of experience gains and losses

The actuarial gains identified as movements on the Pensions Reserve in 2010/11 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March in each year.

	2006/07 As restated %	2007/08 As restated %	2008/09 %	2009/10 %	2010/11 %
Experience gains and (losses) on assets	(0.7)	(14.0)	(34.2)	20.0	3.3
Experience gains and (losses) on liabilities	0	3.9	0	0	4.7

43g Prepaid or accrued pension contributions

An amount of £0.15m is included in the creditors section of the Balance Sheet. This represents accrued pension contributions as at 31 March 2011. These were paid to the Lancashire County Pension Fund in April 2011.

44 CONTINGENT LIABILITIES

During 1992/93 Municipal Mutual Insurance Ltd (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 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. At 31 March 2011 there are 14 years of the liability period outstanding.

Under the terms of the Voluntary Stock Transfer Agreement dated 26 March 2007 a number of employees transferred to Chorley Community Housing. The pension liability of between £1m and £2m in respect of these employees remains with the Council, but this liability is matched by the VAT Shelter receipts, described in note 45, currently retained by CCH.

45 CONTINGENT ASSETS

The Council has claimed an amount of £1.03m from HM Revenue and Customs in relation to Value Added Tax charged on car parking for previous financial years. A further claim for £0.327m is to be submitted in 2011/12. The claim is subject to a judicial review which will determine its validity. There is no indication as to when this will be finally resolved.

The Council has also submitted a claim to HMRC regarding VAT overpaid over many years, mainly at its leisure centres. This has been settled save for claims for compound interest, which could total £400k.

Under the terms of the Voluntary Stock Transfer Agreement dated 26 March 2007, the Council is entitled to receive a further sum, estimated at £3.4 million from Chorley Community Housing. This sum is in addition to the balance retained by CCH in respect of the pension liability referred to in note 44. It becomes payable if CCH is successful in reclaiming VAT on the qualifying works (i.e. those works it plans to do to the transferred houses over a period of roughly ten years). The cumulative total received to 31 March 2011 was £2.626 million. There is no reason at the moment to believe that the works will not be done, nor that the further 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 eleven years to run. The amount will depend on the numbers sold and cannot be predicted.

46 NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Key risks

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

- Credit risk – that other parties might fail to pay amounts due to the Council.
- Liquidity risk – that the Authority might not have liquid funds available to make payments when due.
- Market risk – the possibility of financial loss arising from movements in interest rates.

Overall procedures for managing risk

In managing investment risk the Council works within the legal framework set out in the Local Government Act 2003 and associated regulations. This requires compliance with the CIPFA Code of Practice, the Prudential Code, and investment guidance issued through the Act. A key requirement is that the council should annually consider its Treasury Management Strategy which incorporates the following:-

Prudential indicators specifying

- Maximum and minimum exposure to fixed and variable rates;
- Limits on the maturity structure of the debt portfolio;
- Limits on total borrowing.

An Investment Strategy specifying

- The use that should be made of credit ratings and other indicators to determine the financial standing of counterparties;
- The use of sovereign ratings to limit investments to specific countries;
- The maximum amounts that might be deposited with any institution;
- The lengths of time for which deposits can be made.

Credit risk

This exists in relation to debtors, and investments made as a result of the Council's treasury operations. The following table analyses relevant investments and debtors as at the date of account

Investments	Amount at 31 March £'000	Default risk %	Exposure to default £'000
Impaired bank deposit at carrying value	1,570	53	830
Other long term deposits with banks and financial institutions	3,007		0
Sundry Debtors (see separate analysis)	2,350	9.5	224
	6,927		1,054

Impaired Bank Loan

The impaired bank deposit was made with the following Icelandic bank which went into liquidation in October 2008:

Bank	Date Invested	Maturity Date	Amount	Interest Rate	Carrying amount 31/03/2011	Impairment Suffered
Landsbanki	09/09/2008	09/12/2008	£2m	5.81%	£1,570,845	£766,689

Interest continues to accrue on the carrying amounts at the original interest rates.

The banks affairs are being wound up under Icelandic law. In a test case, brought by other creditors, the Icelandic District Court ruled in April 2011 that wholesale deposits by, amongst other parties, UK Local Authorities have priority status. That decision is subject to an appeal to the Icelandic Supreme Court expected to be heard later this year. The impairment loss assumes priority status is retained. If it is not an additional impairment of up to £830k could be suffered.

Other Bank Loans

The Council's Investment Strategy restricts investments to a narrow range of counterparties. There is no reason to assume a risk of impairment.

Sundry Debtors

The sundry debtors (as in note 18) are analysed in the following table (the analysis excludes arrears of council tax):-

	£'000
Not yet past due date	1,056
Up to three months past due date	279
Three to six months past due date	19
Six months to one year past due date	232
Beyond one year	764
	2,350

No collateral is held as security.

Liquidity risk

The authority has ready access to borrowing from the Public Works Loan Board and the money markets. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. The Council manages its liquidity position through the risk management procedures outlined above as well as through cash flow management procedures required by the Council. The maturity analysis of its borrowing is as follows:

	31 March 2011 £'000	31 March 2010 £'000
Less than 1 year	1,101	2,780
Between 1 and 2 years	550	700
Between 2 and 5 years	6,049	200
More than 5 years	1,223	0
Total	8,923	3,680

Market risk

Interest rate risk – The Council has limited exposure to interest rate movements on its borrowings and investments. Borrowings and short term investments are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings and investments do not impact on the Income and Expenditure Account or the Statement of Total Recognised Gains and Losses. To mitigate risk the Treasury Strategy reviews interest rate forecasts and fixes prudential indicators for fixed and variable interest rate exposure.

If all interest rates had been 1% higher (with all other variables held constant) the financial effect would have been

	£'000
Gain - Increase in interest payable on variable rate borrowings	0
Gain - Increase in interest receivable on variable rate investments	(116)
Gain - Impact on Income and Expenditure Account	(116)
Loss - Decrease in fair value of fixed rate investments (no impact on Statement of Total Recognised Gains and Losses)	0
Gain - Decrease in fair value of fixed rate borrowing (no impact in I&E Account or STRGL)	(316)

Price risk – The Council has no exposure to this risk, having no available for sale assets.

47 Restatement changes to meet International Financial Reporting Standards

This table summarises the changes made in the accounts as at 1/4/2009 and 1/4/2010

BALANCE SHEET

Category	Original 31/03/2009 £'000	Reason for Change	Change £'000	Restated 31/03/2009 £'000
Operational	32,184	Reclassify from non-op	4,282	
		Treated as disposal by finance lease	(330)	
Property Plant & Equipment				36,136
Non Operational	5,337	Reclassify as PP&E	(4,282)	
Investment Property				1,055
Long Term Debtor	75	Finance lease disposal	289	364
Short term Investments	5,009	Reclassify as cash & cash equivalent	(3,414)	1,595
Cash & Cash Equivalent	(65)	Reclassify from Short Term Investments	3,414	3,349
Creditors	(4,594)	Leave accrual	(98)	
		To Capital Grant Receipts in Advance	263	(4,429)
Capital Grant Receipts in Advance	0	From Creditors	(263)	(263)
Government Grants Deferred	(3,254)	Write off to Capital Adjustment Account	3,254	0
Unusable Reserves				
Accumulated Absences	0	Leave accrual	98	98
Capital Adjustment Account	(25,533)	From Government Grants Deferred	(3,254)	
		Finance Lease disposal	330	(28,457)
Deferred Capital Receipts	(19)	Finance lease disposal	(289)	(308)

Original Category	Original 31/03/2010 £'000	Reason for Change	Change £'000	Restated 31/03/2010 £'000
Operational	33,964	Reclassify from non-op	3,933	
		Treated as disposal by finance lease	(326)	
Property Plant & Equipment				37,571
Non Operational	4,988	Reclassify as PP&E	(3,933)	
Investment Property				1,055
Long Term Debtor	68	Finance lease disposal	289	357
Short term Investments	1,896	Reclassify as cash & cash equivalent	(406)	1,490
Cash & Cash Equivalent	(488)	Reclassify from Short Term Investments	406	(82)
Creditors	(6,073)	Leave accrual	(113)	
		To Capital Grant Receipts in Advance	911	(5,275)
Capital Grant Receipts in Advance	0	From creditors	(911)	(911)
Government Grants Deferred	(3,516)	Write off to Capital Adjustment Account	3,516	0
Unusable Reserves				
Accumulated Absences	0	Leave accrual	113	113
Capital Adjustment Account	(24,485)	From Government Grants Deferred	(3,516)	
		Finance lease disposal	326	(27,675)
Deferred Capital Receipts	(15)	Finance lease disposal	(289)	(304)

INCOME AND EXPENDITURE ACCOUNT

	£'000
Original 2009/10 deficit	2,631
Net change finance lease disposal	(4)
Net change in holiday accrual	15
Net change in capital grants credited to the account	36
Delete amortisation of Government Grants Deferred	315
Comprehensive Income and Expenditure Statement Surplus on Provision of Service	2,993

Collection Fund

The Collection Fund (England) is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers, and distribution to local authorities and the Government, of council tax and non-domestic rates

2009/10 £'000		2010/11	
		£'000	£'000
	Income		
46,883	Income from Council Tax		47,578
6,244	Transfers from General Fund		
(1)	Council Tax Benefits	6,482	
	Transitional Relief	0	
6,243			6,482
22,681	Income Collectable from Business Ratepayers		20,956
75,807			75,016
	Expenditure		
	Precepts and Demands		
38,900	Lancashire County Council	39,017	
6,900	Chorley Borough Council	6,917	
4,987	Lancashire Police Authority	5,149	
2,191	Lancashire Combined Fire Authority	2,241	
52,978			53,324
	Distribution of Collection Fund Surplus/(Deficit)		
(91)	Lancashire County Council	(113)	
(16)	Chorley Borough Council	(20)	
(12)	Lancashire Police Authority	(15)	
(5)	Combined Fire Authority	(6)	
(124)			(154)
0	Adjustment to previous years Community Charge		0
	Business rates		
22,556	Payment to National Pool	20,826	
125	Cost of Collection Allowance	130	
22,681			20,956
	Bad and doubtful debts/appeals		
123	Write offs	97	
34	Provisions	315	
157			412
75,692			74,538
115	Surplus/(deficit) for the year		478
0	Surplus/(deficit) at 1 April		0
(15)	Transfer to/from Collection Fund Adjustment Account		(62)
(100)	Net transfer to Major Precept Debtor		(416)
0	Surplus/(deficit) at 31 March		0

ACCOUNTING FOR COUNCIL TAX

The amount of Council Tax to be credited to the Comprehensive Income and Expenditure Statement for both billing authorities and major preceptors, is their share of the accrued income. However, statute requires that the amount to be credited to the General Fund should be the authority's precept or demand for the year plus its share of the previous years Collection Fund surplus or deficit. The difference between this regulatory charge and the accrued income is taken to the Collection Fund Adjustment Account, as revealed in the Movement in Reserves Statement.

Since the collection of Council tax is an agency arrangement, debtor and creditor balances belong proportionately to the billing authority and the major preceptors. This results in a debtor/creditor position between the billing authority and each major preceptor.

COUNCIL TAX DETAILS OF CHARGE

For the purpose of calculating Council Tax residential properties are classified into eight valuation bands. Each valuation band is proportionate to the central Band D property. This enables calculation of the total tax base. The Council Tax Base for 2010/11 was calculated as follows:

Band	Dwellings	Total Equivalent dwellings	Proportion of Band D Charge	Band D Equivalent
A (disabled)	19	17.25	5:9	9.60
A	14,299	11,866.50	6:9	7,911.00
B	10,204	9,015.00	7:9	7,011.70
C	8,585	7,791.00	8:9	6,925.30
D	5,827	5,398.50	9:9	5,398.50
E	4,185	3,925.25	11:9	4,797.50
F	1,682	1,588.50	13:9	2,294.50
G	735	691.50	15:9	1,152.50
H	62	43.50	18:9	87.00
Total	45,598	40,337.00		35,587.60
Less adjustments for anticipated changes to the base and losses on collection				(383.10)
Band D Equivalent Number of Properties				35,204.50

Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by the precepting authorities for the forthcoming year and dividing this by the council tax base. This results in a basic Band D charge (excluding Parish Precepts) of £1,478.21 for 2010/11 and £1,472.78 for 2009/10). The other valuation bands are proportionate to this.

SIGNIFICANT PRECEPTORS

The authorities who make a significant precept on the Collection Fund are:

	2010/11 £000	2009/10 £000
Lancashire County Council	39,017	38,900
Lancashire Police Authority	5,149	4,987
Lancashire Combined Fire Authority	2,241	2,190

ACCOUNTING FOR BUSINESS RATES

With effect from 2009/10 accounting arrangements for NNDR have reflected the fact that it is in substance an agency arrangement, the Council being the agent of the Government in the collection of the charge. Consequently:

1. NNDR income does not belong to the billing authority and is not included in its I&E account.
2. NNDR debtor and creditor balances with taxpayers are not recognised in the authority's balance sheet.
3. Cash collected belongs to the Government and any amounts over or under paid are recognised in the balance sheet as a Government debtor or creditor.

NNDR DETAILS OF CHARGE

Business Rates are organised on a national basis. In 2005/2006 the Government introduced a Small Business Rate Relief Scheme. This results in there being two multipliers – one for small businesses at 48.1p in 2009/10 and one for larger businesses at 48.5p. The Council is responsible for collecting rates due from the ratepayers in its areas but pays the proceeds into a Business Rates pool administered by the Government. The Government redistributes the sums paid into the pool back to local authorities' General Funds on the basis of a fixed amount per head of population.

The Business Rates income, after reliefs and provisions, was £29.6 million for 2010/11 (£29.6million for 2009/10).

The rateable value for the Council's area at the end of the financial year 2010/11 was £65.96million (£69.79 million in 2009/10).



Report of	Meeting	Date
Chief Executive and Section 151 Officer	Audit Committee	29 September 2011

TREASURY STRATEGIES AND PRUDENTIAL INDICATORS 2011/12 TO 2013/14

PURPOSE OF REPORT

- To review the Treasury and Investment Strategies approved by the Council on March 1 2011, and to report on performance in the first half of the year and compliance with prudential indicators. This report will go to Council on 15 November 2011.

RECOMMENDATION(S)

- Audit Committee is asked
 - To note the report, and
 - Note that the maximum period for deposits with institutions other than the nationalised banks is currently restricted to 3 months.

EXECUTIVE SUMMARY OF REPORT

- This report includes investment activity to 5 September 2011. It advises that, on average, the Council had surplus cash balances of £18.2m on which it received a return of 1.13% during the first five months of 2011/12.
In response to the turbulence in the financial markets the Council’s Treasury Advisor, Sector, has recommended restricting deposit periods to three months for all institutions excepting the part nationalised banks.
It confirms compliance with the prudential indicators specified in the Treasury Strategy

REASONS FOR RECOMMENDATION(S)

(If the recommendations are accepted)

- The Code of Practice for Treasury Management specifies that Councils should review their treasury strategy and activity half yearly. This report meets that requirement.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

- None

CORPORATE PRIORITIES

- This report relates to the following Strategic Objectives:

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



INTEREST RATE FORECAST

- 7 The following table shows the interest rate forecast of the Council's treasury advisors, Sector.

	Now %	Dec 2011 %	Mar 2012 %	June 2012 %	Sep 2012 %	Mar 2013 %	June 2013 %	Dec 2013 %	Mar 2014 %
Base rate	0.50	0.50	0.50	0.50	0.75	1.25	1.50	2.50	3.00
5 yr PWLB	2.45	2.70	2.90	3.00	3.10	3.40	3.60	4.00	4.10
10 yr PWLB	3.75	4.00	4.10	4.30	4.40	4.60	4.70	4.90	5.00
25 yr PWLB	4.90	5.00	5.10	5.10	5.10	5.20	5.30	5.40	5.50
50 yr PWLB	4.95	5.00	5.10	5.10	5.10	5.20	5.30	5.40	5.50

Comparison with the forecast of six months ago, when the Treasury Strategy was drafted, shows that the timing of the first increase in base rate has slipped nine months. It also shows that rates now at 5 and 10 years have fallen by 0.75%. All these factors indicate the concerns about economic factors at home and abroad.

REVIEW OF THE TREASURY STRATEGY:

- 8 The Treasury Management and Investment Strategy for 2010/11 was approved by Council on 2 March 2011. It defined the Council's investment priorities as being:

- Security of Capital
- Liquidity

The Council also aims to achieve the optimum return (yield) on investments commensurate with the proper levels of security and liquidity.

- 9 The strategy fixed limits on the amounts that could be invested with individual institutions, and the length of investment, based on each institutions credit ratings, credit alerts, and credit default spreads. These limits are detailed in appendix B.
- 10 Consideration has been given, in light of the turbulence, uncertainty and fear in financial markets, as to whether any changes in the list or the limits are required, and the advice of our Treasury Advisors has been sought. They have replied that:

"Sector sees no imminent concerns with any of the institutions, durations and limits that are currently set out in your Treasury Strategy. Sector would suggest keeping investments short dated (no longer than 3 months), but with regard to the rates offered by Bank of Scotland and Lloyds for longer periods (up to 12 months) would make an exception as the likelihood of these institutions coming under any significant threat is highly unlikely due to the fact that they are part nationalised.

In the current economic climate Sector also suggest placing investments with Money Market Funds --- since they offer diversification amongst a range of different asset classes and counterparties"

The implications of this guidance is that Santander and Nationwide, which would have a time limit of 6 months based on the normal credit assessment, have been reduced to a three months. Barclays time limit based on the normal credit assessment is only three months, so no reduction is necessary.

All existing investments meet the restricted limits.

TREASURY ACTIVITY

11 Investment activity in the half year is summarised in the following table:

	Average Daily investment. £'000	Earnings to 22/8/2011 £	Average Rate %
DMO	308	334	0.25
Other fixed term deposits	4,772	37,745	1.83
Call accounts	7,532	24,672	0.76
Money Market Fund	401	1,018	0.59
	13,013	63,769	1.13

The above table excludes the Icelandic investment. In paragraph 9 details of the ongoing legal action is shown. Until the legal position is resolved, for reasons of prudence, interest receipts accruing are being excluded from budget forecasts.

A full list of investments currently held is shown at Appendix A.

The interest earning benchmark is the LIBID 7 day rate. This was 0.48% as at 05/9/2011. The authority has outperformed the benchmark.

12 The following table compares the budgets for interest receivable against the latest projection. It will be seen that the net cost is forecast to fall by £19k.

	Budget for year £'000	Actual to 05/9/2011 £'000	Forecast for year £'000
Interest paid	201	45	204
Interest earned			
On current investments	(106)	(64)	(128)
On Icelandic loans	0	0	0
Net cost/(surplus)	95	(19)	76

ICELANDIC LOAN

13 The Council has a single deposit of £2m in the failed Icelandic bank, Landsbanki. The Icelandic courts have previously upheld the Council's status as a priority creditor, but an appeal against that judgement will be heard by the Icelandic Supreme Court on September 14 and 15, with a decision to be announced within the following month.

BORROWING:

14 The Treasury Strategy commented as follows on borrowing

"The Council's cash resources are expected to be virtually eliminated by 31 March 2012 and thereafter there will increasingly be times when it may need to borrow. There are two borrowing strategies:

- The modest borrowings anticipated in later years could probably be avoided for most of the year by taking advantage of seasonal revenue cash flows (i.e. the Council usually receives its income in the first ten months thus creating a cash surplus which unwinds in the last two months of the year). Temporary borrowing would be taken if and when there was a shortfall. This may offer the cheapest short term solution.

- Alternatively longer term, more strategic borrowings will be considered in light of anticipated movements in interest rates”
- 15 Borrowing costs have fallen as a result of the “flight to quality” in financial markets. Despite this it is still felt to be advantageous to avoid borrowing long term monies, relying instead on the seasonal cash surpluses that the Council enjoys for ten months of the year. If and when there was a cash shortfall cheaper temporary borrowing would be taken.

PRUDENTIAL INDICATORS:

- 16 It is a statutory duty for the Council to determine and keep under review the “Affordable Borrowing Limits” which were reported in the approved Treasury Management Statement.

The following table shows the approved limits and the current position:

Prudential Indicator	March 2011 Indicator	Actual
	£'000	£'000
Capital Financing Requirement (CFR) March 2011	9,224	5,917
Gross borrowing (actual as at 31/3/11)	8,872	8,872
Investments (note 1) (actual as at 5/9/11)	(6,193)	(15,464)
Net borrowing/(investments) actual at 5/9/11	2,679	(6,592)
Authorised limit for external debt (note 2)	9,013	9,013
Operational boundary for external debt (note 2)	8,885	8,885
Limit of fixed interest rates (based on net debt)	10,000	10,000
Limit of variable interest rates (based on net debt)	100% on inv cash	100%
Principal sums invested for periods exceeding 364 days	0	0
Maturity structure of borrowing limits		
Under 12 months	Max 50%	10%
12 months to 2 years	Max 50%	6%
2 years to 5 years	Max 100%	72%
5 years to 10 years	Max 50%	12%
10 years and above	0	0

Note 1 - The prudential indicators assumed investments, excluding outstanding Icelandic loans, of £6.193m at March 2011 falling to £0.400m at March 2012. The actual value at March 2011 was £9.2m and is currently £15.5m. This is expected to fall significantly by year end.

Note 2 – The figures shown for both the operational boundary and the authorised limit are at 31/3/11. There is no need to change these and actual are within these limits.

Note 3 – The limits on fixed rate rate debt is unchanged at £10m. Actual debt is below this figure

IMPLICATIONS OF REPORT

17. This report affects the following areas. The relevant Directors’ comments are attached:

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

COMMENTS OF THE STATUTORY FINANCE OFFICER

13. This report meets statutory requirements. Its statistical content is consistent with the assumptions made in the revenue and capital budgets. The criteria it recommends will direct the Council's treasury operations in 2011/12.

GARY HALL
CHIEF EXECUTIVE AND SECTION 151 OFFICER

Document	Inspection
Financial Strategy/Budget and Council Tax 2011/12 Treasury Management in the Public Services: Code of Practice CIPFA Prudential Code for Capital Finance in Local Authorities	Town Hall

Report Author	Ext	Date	Doc ID
G Whitehead	5485	9/9/2011	Treasury Strategy

Appendix A**List of investments as at September 5th 2011**

Counterparty	Type	Amount £'000	Rate %	Date	Maturity
Bank of Scotland	Term deposit	2,000	2.05	14/2/11	13/2/12
Bank of Scotland	Term deposit	1,000	2.05	04/3/11	02/3/12
North Tyneside MBC	Term deposit	2,000	1.45	19/4/11	17/4/12
National Westminster	Call account	3,000	0.80		
Santander	Call account	3,000	0.75		
Lancashire County Council	Call account	3,000	0.70		

**Current list of Financial Institutions and Investment Criteria
(Council 1 March 2011)**

Appendix B

Category	Institutions	Sector colour code	Sovereign rating	Max period	Limit per Institution
Sovereign or Sovereign "type"	DMADF			6 months	No limit
	Local Authority			1 year	£3m
	UK Govt backed Money market funds			n/a instant access	£3m
UK Nationalised Institutions	None (N Rock deposits no longer guaranteed)				
Institutions guaranteed by other governments	None (Irish Banks are guaranteed but have been removed from the list)				
UK Partly nationalised institutions; with access to the Credit Guarantee Scheme	RBS group (inc Nat West)	Blue	AAA stable from all 3 agencies	1 year	£3m per group
	Lloyds Group (inc HBoS & Lloyds)	Blue		1 year	£3m per group
Independent UK Institutions with access to the Credit Guarantee Scheme	HSBC	Orange	AAA stable from all 3 agencies	1 year	£2m
	Santander UK Barclays, Nationwide	Moves between red and green		6-3 months	£2m
Money Market Funds	Standard Life Global liquidity MM Fund	Aaa/MR1+		instant access	£3m
Deposit/Call Accounts	Santander, Bank of Scotland, Nat West Lancs CC			Call accounts with instant access	£3m less value of term deposits

Note - Under the Credit Guarantee Scheme certain "eligible institutions" have access to liquidity from HM Treasury if required.

Note – Deposits with any one institution shall not exceed £3m



Dear Mr Hall

Future of Local Audit

The Department for Communities and Local Government (DCLG) has been considering the options for transferring the audit work of the Audit Commission's in-house audit practice to the private sector. Ministers have now decided the best value for money should be achieved by outsourcing the work through a procurement exercise. Sir Bob Kerslake, Permanent Secretary at DCLG, has written to the chief executives of all local authorities to advise them of the decision.

I am writing to tell you about the timetable for this procurement and what it means for your auditor appointment.

Procurement exercise

DCLG has asked the Commission to seek bids for the work currently undertaken by the in-house audit practice. New contracts will be awarded for three or five years, commencing from the audit of the accounts for 2012/13. We aim to issue a Contract Notice in the Official Journal of the European Union in early September 2011.

The Commission will award contracts in spring 2012 to allow new auditor appointments to be in place by 1 September 2012.

Auditor appointment

Your current auditor, from the in-house audit practice, is appointed to audit the accounts for the 2011/12 financial year. The procurement does not affect this appointment.

As we will not be awarding contracts until spring 2012 we will not be able to appoint your auditor for 2012/13 until after the start of that financial year. Because an auditor needs to be in place at the start of the financial year, we will need to make an interim auditor appointment to cover the period from 1 April 2012 to 31 August 2012.

To minimise disruption, we are proposing to extend your current auditor's appointment to deal with any issues that may arise during that period. This 'interim' auditor's role will be limited to keeping a 'watching brief'. Any costs incurred by interim auditors will be paid by the Commission. We will write to you again to formally consult you on the interim appointment by the end of this year.

Following the procurement exercise we will be appointing a new auditor, to audit the 2012/13 and future years' accounts, with effect from 1 September 2012. We will consult you on this appointment following the award of contracts in spring 2012.

I recognise these arrangements may raise questions but I have tried to anticipate these by setting out the position in the table below:

Period	Auditor Appointment	Comments
From 1 April 2011	Current auditor (in-house audit practice)	<ul style="list-style-type: none"> • No change for audit of 2011/12 accounts.
1 April 2011 to 31 August 2012	Current auditor (in-house audit practice)	<ul style="list-style-type: none"> • Interim appointment for 2012/13: no change - subject to consultation by end of 2011. • Role will be to keep a 'watching brief' only and any costs incurred by auditors will be paid by the Commission.
From 1 September 2012	New auditor (private firm)	<ul style="list-style-type: none"> • Change of auditor (to a private firm) - subject to consultation following award of contracts in spring 2012. • Auditor will audit the 2012/13 accounts (opinion on the financial statements and the annual VFM conclusion). • Full year's scale fee payable by audited body. • Auditor responsible for audit of future year's accounts.

If you want to clarify any of the points in this letter or ask other questions about the content of this letter, please email: auditor-appointments@audit-commission.gov.uk or contact Andrew Davies or Marcine Waterman on 0844 798 2447.

Yours sincerely

Eugene Sullivan
Chief Executive, Audit Commission

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If you prefer for Audit Commission emails to be sent to someone else within your organisation, or if you no longer wish to receive this newsletter, please let us know by emailing a-commission@audit-commission.gov.uk.

Proposed work programme and scales of fees 2012/13

Local government and community safety

September 2011

The Audit Commission is a public corporation set up in 1983 to protect the public purse.

The Commission appoints auditors to councils, NHS bodies (excluding NHS Foundation trusts), police authorities and other local public services in England, and oversees their work. The auditors we appoint are either Audit Commission employees (our in-house Audit Practice) or one of the private audit firms. Our Audit Practice also audits NHS foundation trusts under separate arrangements.

We also help public bodies manage the financial challenges they face by providing authoritative, unbiased, evidence-based analysis and advice.

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Introduction

- 1 This document sets out the work the Audit Commission plans to undertake in the local government and community safety sectors during 2012/13, with the associated [scales of audit fees](#).
- 2 Separate documents [cover the Commission's work in the NHS and at small bodies](#) subject to the limited assurance regime.

Background

- 3 On 28 July 2011, the Audit Commission announced that it had agreed to transfer the work of its in-house audit practice to the private sector, by outsourcing through a procurement exercise. This follows the Department for Communities and Local Government (DCLG) announcement in August 2010 of the intention to disband the Commission.
- 4 DCLG has asked the Commission to seek bids for the work currently undertaken by the in-house audit practice. DCLG has written to local authorities setting out its decision, and the Home Office has written to police authorities in similar terms. The Commission wrote to audited bodies on 3 August 2011 to set out the implications for auditor appointments.
- 5 The procurement timetable is for new auditor appointments to be in place by 1 September 2012. New contracts will start from the audit of the accounts for 2012/13, and are expected to run for three or five years. The length of the contracts will be determined during the procurement, in discussion with DCLG, on the basis of the potential trade-off between value for money and the benefits of the proposed new audit arrangements for local public bodies.
- 6 The Commission is expected to reduce significantly in size by the end of 2012/13 as a consequence of the outsourcing. Prior to primary legislation to introduce a new local audit framework, the Commission will remain to oversee the contracts and make auditor appointments.

2012/13 fees

- 7 The Commission reduced fees by between 5 and 20 per cent in 2011/12, and made one-off rebates of between 1.5 and 3.5 per cent. These reductions were part of a three-year programme, begun before the announcement of the abolition of the Commission, to deliver cost cuts of £70 million (30 per cent) in audit fees.
- 8 For 2012/13, the Commission proposes reducing audit fees for audited bodies by 10 per cent from the published 2011/12 scale fees, reflecting the Commission's continued reduction in costs.

9 The information on proposed fees set out in this consultation document should support audited bodies' planning for 2012/13.

10 The costs of procuring audit services under its contracts with suppliers will be met by the Commission from the statutory audit fees that are determined by, and payable to, the Commission. We hope the procurement exercise will realise further reductions in the cost of audit, which we can pass on to audited bodies in the form of even lower fees. We will therefore publish the final work programme and scales of fees for 2012/13 in April 2012, when the exercise to outsource the work of the in-house audit practice has been completed.

Fees beyond 2012/13

11 When we publish the final 2012/13 work programme and scales of fees in April 2012, we will also set out our proposals for audit fees beyond 2012/13.

Responding to this consultation

12 We welcome comments from stakeholders on the proposals contained in this document. Please send comments by email to workandfeesconsultation@audit-commission.gov.uk or to Marcine Waterman, Director of Audit Policy and Regulation, at the following address by **Monday 24 October 2011**:

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

Proposed work programme for 2012/13

Audit

13 Auditors tailor their work to reflect local circumstances and their assessment of audit risk. They do this by assessing the significant financial and operational risks facing the body, and the arrangements it has put in place to manage those risks.

14 Under the *Code of Audit Practice* (the Code), the Commission may specify additional audit work which supplements the local risk-based approach to planning the audit. For 2012/13, the Commission will specify work on Whole of Government Accounts (WGA).

15 HM Treasury's Alignment project, to improve financial reporting to Parliament, may affect the process and timetable for preparing the 2012/13 accounts at probation trusts. We will continue to work with the Ministry of Justice and the National Offender Management Service on the possible implications. We will advise probation trusts if there are implications for fees arising from the implementation of the Alignment project.

Late and qualified accounts

16 In 2012/13, the Commission will again publish a national summary naming those bodies whose accounts or value for money (VFM) conclusion have been qualified, or whose audited accounts have not been published by 30 September 2013.

17 The report will cover local authorities, fire and rescue authorities, local police bodies, probation trusts and other local government bodies. We will also publish separate reports covering internal drainage boards and parish councils.

Auditors' local value for money work

18 Under the Audit Commission Act 1998, auditors must satisfy themselves about an audited body's arrangements to secure economy, efficiency and effectiveness in its use of resources (the value for money conclusion).

19 Auditors of single-tier, county and district councils and fire and rescue authorities will continue to apply a risk-based approach to their local value for money (VFM) work, giving a conclusion on the arrangements in place. The approach is based on two criteria, specified by the Commission:

- securing financial resilience; and
- prioritising resources within tighter budgets.

20 The Commission will confirm the approach to local VFM work for 2012/13 at police bodies once the provisions set out in the Police Reform and Social Responsibility Bill are finalised. The Bill abolishes police authorities and creates two new statutory bodies in each police area. The timetable for implementation of the Bill's provisions is expected to be confirmed in September 2011.

21 Auditors of larger national parks authorities, waste disposal authorities, integrated transport authorities, passenger transport executives, joint committees, other miscellaneous local government bodies and probation trusts will continue to apply a light-touch approach to their local VFM work. The approach is based primarily on review of the annual governance statement or statement on internal control, and any other specific work the auditor considers necessary.

22 A VFM conclusion is not required for audited bodies with annual income or expenditure of less than £6.5 million. This is in line with the changes to the Accounts and Audit (England) Regulations 2011, which raised the threshold defining smaller relevant bodies to £6.5 million.

23 Our website provides more details on how these [VFM approaches](#) apply to different bodies within our regime.

Certification work

24 As well as their work under the Code, appointed auditors, as agents of the Commission, certify grant claims and returns.

25 In 2012/13, we will not ask auditors to certify individual claims and returns below £125,000. The threshold below which auditors will undertake only limited tests will remain at £500,000. Above this threshold, certification work takes account of the authority's overall control environment for preparing the claim or return.

Assessment and inspection work

26 Following the end of Comprehensive Area Assessment in May 2010, there is no longer any programme of mandatory inspection work. We do not envisage carrying out any inspections in 2012/13, unless specifically directed to do so.

National reports

27 The Commission will publish a small number of national reports on the results of audit, analysis and related work, under its statutory powers. Details of [the Commission's programme of national reports](#) are on our website.

Proposed scales of fees for 2012/13

Scales of audit fees for local government, police, probation and fire and rescue bodies

28 We have reflected the cost of the work programme in the proposed scales of fees for 2012/13. The fees are based on the 2011/12 scale fee, reduced by 10 per cent.

29 [The proposed scale fee for each individual audited body](#) is available on our website.

30 Fees for new police bodies, expected to be created in May 2012, will be estimated following confirmation of the accounting and audit requirements for the bodies. We will consult separately on the scale fees for the new police bodies in May 2012.

31 The Commission has the power to determine the fee above or below the scale fee, where it considers that substantially more or less work was required than envisaged by the scale fee. The scale fees are based on the expectation that audited bodies are able to provide the auditor with complete and materially accurate financial statements, with supporting working papers, within agreed timeframes.

32 As the 2012/13 scale fees are based on the scale fee for 2011/12, they continue to reflect the auditor's assessment of audit risk and complexity. We would only expect variations from the scale fee to occur in 2012/13 where these factors are significantly different from those identified and reflected in the 2011/12 fee.

33 The Commission can approve proposed variations to the scale fee, to reflect changes in circumstances, before or at the completion of the 2012/13 audit.

34 The Commission will obtain final fee information from appointed auditors, and explanations for any proposed variations from the scale fee. The Commission will consider the reasonableness of the explanations provided by auditors before determining the fee.

35 The Commission will charge fees for considering objections, from the point at which auditors accept an objection as valid, or any special investigations, such as those arising from disclosures under the Public Interest Disclosure Act 1998, as a variation to the scale fee.

Pension fund audits

36 Table 1 sets out the scales of fees for the pension fund audits in 2012/13.

Table 1: Pension fund proposed scales of audit fees

Local government pension funds	Fixed element (£)	Plus a percentage of 2010/11 net audited assets
Multi-employer funds	30,000	0.00050
Single employer funds	31,500	n/a

Source: Audit Commission

Certification work

37 The Audit Commission Act requires the Commission to charge fees for certification work that cover the full cost of the work. We set a schedule of hourly rates for different levels of staff. In practice, auditors may propose a composite sum for certification work.

38 We are not proposing to uplift for inflation the hourly rates for certification in 2012/13.

39 Table 2 sets out the hourly rates for certification work in 2012/13.

Table 2: Hourly rates for certifying claims and returns

Staff grade	Maximum £ per hour		
	Standard	SE England	London
Partner/district auditor	325	345	380
Senior manager/manager	180	195	210
Senior auditor	115	125	135
Other staff	85	95	105

Source: Audit Commission

Inspection fees for local government bodies

40 We do not plan to undertake any inspections in 2012/13. Any risk-based inspections we are specifically directed to undertake will be charged on the basis of the fees previously set for 2010/11. This was the last year in which we undertook a planned programme of inspections. The [2010/11 fees](#) are available on our website.

Value added tax

41 All the 2012/13 fee scales exclude value added tax (VAT), which will be charged at the prevailing rate of 20 per cent on all work done.

Next steps

42 Under section 7 of the Act, the Commission has a statutory duty to prescribe scales of fees for the audit of accounts. Before prescribing scales of fees, the Commission is required to consult relevant representative organisations.

43 We welcome comments from stakeholders on the proposals contained in this document. Please send comments by email to workandfeesconsultation@audit-commission.gov.uk or to Marcine Waterman, Director of Audit Policy and Regulation, at the following address by **Monday 24 October 2011**:

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

44 The Commission Board will approve the final 2012/13 work programme and scales of fees for publication in April 2012, following completion of the exercise to outsource the work of the Commission's in-house audit practice.

45 If you have comments or complaints about the way this consultation has been conducted, these should be sent by email to complaints@audit-commission.gov.uk or by post to Robert Mauler, Public Enquiries Manager, at the following address:

Audit Commission
Westward House
Lime Kiln Close
Stoke Gifford
Bristol
BS34 8SR



Report of	Meeting	Date
Head of Shared Assurance Services	Audit Committee	29/09/11

INTERIM INTERNAL AUDIT REPORT AS AT 31ST JULY 2011

PURPOSES OF REPORT

1. To advise members of the work undertaken in respect of the Internal Audit Plans for Chorley and Shared Services during the initial four months of 2011/12 and to comment on the outcomes;
2. To give an appraisal of the Internal Audit Service's performance to date;
3. To inform members of any significant management actions which are outstanding together with any underlying reasons;
4. To inform members of any general developments involving or impacting upon the work of the Internal Audit Service.

RECOMMENDATIONS

5. That the report be noted and to consider the significant management action outstanding at Appendix 3.

CORPORATE PRIORITIES

6. This report relates to the following strategic objectives:

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

BACKGROUND

7. This is the first progress report for the current financial year and covers the period between 1st April 2011 and 31st July 2011.

INTERNAL AUDIT PLANS

8. **Appendix 1** provides a “snapshot” of the overall progress made in relation to the 2011/12 Internal Audit Plan, indicating which audits have been completed, those that are in progress and those that have yet to start. Appendix 1 also shows the time planned and actually spent on individual audits.
9. Members will note that at this stage, the Internal Audit plan is on target to be achieved. Members will also note that all reviews completed to date have either been given a substantial or adequate assurance rating.
10. Members may recall that it was reported at the last Audit Committee that some work was carried forward or deferred into the first quarter of 2011/12. The Shared Services work is now complete. In respect of the Chorley Borough Council plan, 3 pieces of work were carried over: the Home Improvement Agency Audit is now complete; the Information Security Framework is at draft report stage; further work was requested by the Chief Executive in respect of the Asset Management review which is also nearing completion.
11. The table below provides a brief summary of the audit work completed during the period together with any control issues identified.

Audit Area	Control Rating	Comments
Shared Services		
Main Accounting	Adequate	Management actions were agreed to improve the virement process and to ensure sign off of budgets and year end reports.
Capital	Substantial	No key control issues identified
Cash and Bank	Adequate	Management actions were agreed to improve: the control of receipt books; unidentified income management and to implement an improved income management system at Cotswold House.
Creditors	Substantial	No key control issued identified
Payroll	Substantial	No key control issues identified
Chorley		
Land Charges	Adequate	Management actions were agreed to improve processes to verify receipt of BACS payments and improve procedural guidance.
Health and Safety	Adequate	Management actions were agreed to update information on the Loop, improve recording of actions taken and ensuring that the Health and Safety Partnership follows the Framework for Partnership working.

Audit Area	Control Rating	Comments
Estates	Adequate	Management actions were agreed for the documentation held by Liberata to be improved, for a void property inspection regime to be introduced and for communication to be improved between legal, finance, exchequer and Liberata by introducing regular meetings.
Licensing	Adequate	Management actions were agreed that adequate training should be provided by the System Provider, Civica, to appoint an internal Systems Administrator and that data cleansing should take place to ensure quality of data on the CBC web-site.
Home Improvement Agency	Substantial	No key control issued identified.
Planning Application	N/A	Checks were undertaken to verify that the correct processes and procedures had been followed when considering a planning application from a member of staff.

INTERNAL AUDIT PERFORMANCE

12. **Appendix 2** provides information on Internal Audit performance as at the end of July 2011.
13. The majority of the performance measures are on or around target however, there are 3 areas where performance appears to be below target and these require further explanation, as follows:
14. **% of agreed management actions implemented.** An actual outturn of 68% Shared Services (SS) and 41% (CBC) against a target of 100%. Members may recall that a new monitoring process for ensuring Management Actions are implemented has recently been introduced by Internal Audit. Management Actions are now monitored 3 times a year as opposed to on an ongoing basis. This transitional period has caused the percentage achieved figure to be lower: however this figure should rise over the course of the year as the new system becomes embedded. In the case of Chorley another mitigating reason for the figures is a vacant Head of Service post which delayed implementation of management actions. Revised dates have been agreed with the newly appointed Head of Service.
15. **% of agreed management actions implemented on time** shows an actual outturn of 35% (SS) and 27% (CBC) against a target of 100%. Again this is partly due to the change to the follow-up system and in the case of Shared Services this was due to the delayed implementation of the new financial system.
16. **% overall customer satisfaction rating.** An actual out-turn of 77% (SS) against a target of 90% was achieved. All the completed surveys have been analysed and whilst the out-turn is below target, no underlying trends or concerns have been identified.

OUTSTANDING MANAGEMENT ACTIONS

17. Part of the Audit Committee's remit is to consider any significant agreed management actions which have not been implemented within a reasonable time scale following the agreed deadline.
18. **Appendix 3** provides details of an outstanding management action. This action has exceeded the original agreed implementation date and agreed revised date. The schedule also contains any reasons or mitigating circumstances for the delay.

GENERAL DEVELOPMENTS

19. **Examination Success.** One member of the Internal Audit Team was successful in her recent Institute of Internal Audit examinations and has now achieved the Diploma in Internal Audit Practice.

IMPLICATIONS OF THE REPORT

20. The matters raised in the report are cross cutting and impact upon individual services and the Council as a whole.

GARRY BARCLAY
HEAD OF SHARED ASSURANCE SERVICES

APPENDIX 1

INTERNAL AUDIT PLANS 2011/12

AUDIT AREA	PLAN (Days)	ACT (Days)	BAL (Days)	CONTROL RATING	COMMENTS
SHARED SERVICES					
FINANCE					
Main Accounting System	20	0.1	19.9		Process mapping in progress
Creditors	20	4.9	15.1		Process mapping in progress
Payroll	20	2.1	17.9		Process mapping in progress
Treasury Management	15	1.0	14.0		Process mapping in progress
Cash & Bank / Cheque Control	20	3.7	16.3		Process mapping in progress
Travel & Subsistence	15		15.0		To commence Q2
REVENUES & BENEFITS					
Council Tax	15	0	15		To commence Q3/4
National Non Domestic Rates	15	0	15		To commence Q3/4
Housing & Council Tax Benefits	20	0	15		To commence Q3/4
Debtors	20	0	15		To commence Q3/4
ASSURANCE					
Emergency Plan & Business Continuity	20	7.8	12.2		In progress
GENERAL					
Residual Work from 2010/11	20	32.8	-12.8		
Main Accounting CBC		7.7		Adequate	Complete.
Capital CBC		6.5		Substantial	Complete.
Cash and Bank CBC		1.7		Adequate	Complete.
Creditors CBC		10.6		Substantial	Complete.
Payroll CBC		6.3		Substantial	Complete.
Post Audit Reviews	15	3.2	11.8		On-going
Unplanned Reviews / Contingency	10	0	10.0		No requests received
TOTAL	245	57.3	187.7		
CHORLEY					
CORPORATE AREAS					
Annual Governance Statement	15	7.4	7.6	N/A	On-going
Anti-Fraud & Corruption / Awareness	15	5.8	9.2	N/A	On-going
National Fraud Initiative (NFI)	30	9.9	20.1	N/A	On-going
System Interrogations	10	0.0	10.0		To commence Q3
PARTNERSHIPS, PLANNING & POLICY					
Policy					
Performance M'ment / Pls / Data Quality	15	0.4	14.6		To commence end of Q2
Planning					
Building Control	10	8.9	1.1	Adequate	On-going
Land Charges	10	9.6	0.4	Adequate	Complete
TRANSFORMATION					
Human Resources					
Health & Safety	10	10.8	-0.8	Adequate	Complete
ICT					
Government Connect (penetration testing)	15	0.0	15		To commence Q3.
Property					
Estates	15	18.1	-3.1	Adequate	Complete
Maintenance / Inspection Regimes	20	0.0	20		To commence Q3

AUDIT AREA	PLAN (Days)	ACT (Days)	BAL (Days)	CONTROL RATING	COMMENTS
PEOPLE & PLACES					
Licensing (Taxi, Alcohol, Premises)	15	15.9	-0.9	Adequate	Complete.
Car Parks	10	0.0	10		To commence Q2
Indoor / Outdoor Leisure Contract	10	0.0	10		To commence Q2
Astley Hall	15	9.2	5.8		In progress
Transport / Neighbourhood Assets	20	0.0	20		To commence Q4
GENERAL AREAS					
Irregularities (Contingency)	20	4.2	15.8		On-going
Planning Application		4.2		N/A	Complete.
Post Audit Reviews	15	4.8	10.2		On-going
Residual Work from 2010/11	25	34.5	-9.5		
Home Improvement Agency		8.6		Substantial	Complete
Asset Management		14.4		Adequate	On-going
ICT Information Security Framework		11.5			In progress
Unplanned Reviews (Contingency)	20	0.9	19.1		On-going
Governance Committee	20	5.1	14.9		On-going
TOTAL	335	147.7	187.3		

KEY TO CONTROL RATINGS

Substantial	The Authority can place sufficient reliance on the controls. Only minor control weaknesses exist.
Adequate	The Authority can place only partial reliance on the controls. Some control issues need to be resolved.
Limited	The Authority cannot place sufficient reliance on the controls. Substantive control weaknesses exist.

NOTE

The above control ratings relate only to the point in time when the final audit report was issued. They represent a historic rather than a current judgement as managers are charged with implementing corrective action plans to address the control issues raised. This is in turn supported by a programme of follow-up reviews by the Internal Audit Service.

INTERNAL AUDIT PERFORMANCE INDICATORS AS AT 31ST JULY 2011

	Indicator	Audit Plan	Target 2011/12	Target to Date	Actual to Date	Comments
1	% of planned time used	SS	100%	20%	23%	Target exceeded.
		CBC	100%	40%	44%	Target exceeded.
2	% audit plan completed	SS	92%	20%	20%	On target.
		CBC	92%	29%	29%	On target.
3	% management actions agreed	SS	97%	97%	100%	Target exceeded.
		CBC	97%	97%	95%	1 management action not agreed.
4	% of agreed management actions implemented.	SS	100%	100%	68%	17 out of 25 agreed management actions implemented 7 revised dates agreed, 1 SRBC action reported to Governance Committee.
		CBC	100%	100%	41%	15 out of 37 management actions implemented 21 revised dates agreed. 1 management action not implemented included in Appendix 3.
5	Of the agreed management actions implemented – % implemented on time	SS	100%	100%	35%	6 out of 17 management actions implemented on time.
		CBC	100%	100%	27%	4 out of 15 management actions implemented on time.
6	% overall customer satisfaction rating (assignment level)	SS	90%	90%	77%	Based on 4 satisfaction surveys returned.
		CBC	90%	90%	92%	Based on 3 satisfaction surveys returned.

SS = Shared Services

CBC = Chorley

SCHEDULE OF OUTSTANDING MANAGEMENT ACTIONS AS AT 31ST JULY 2011

Audit Title	Rec No.	Agreed Action	Agreed Date	Reasons for Non-Implementation	Revised Implementation Date
Chorley					
Driving Licenses and Insurance.	6	Democratic Services should check annually that Members who use their vehicles for business have a valid driving licence, relevant business cover on their personal insurance policies and a valid MOT certificate.	Original date Jan-11. Revised date June-11.	There have been ongoing issues in enforcing this Management Action with Elected Members and therefore it has not been implemented in its entirety. The agreement with audit is now that a letter will be sent reminding members of their responsibility to have a valid driving licence and MOT certificate (where required) and to check with their insurance company that they have adequate business insurance in order to undertake council business using their car. The responsibility lies with them and checks will not take place although the claim form will require them to sign up to this in making a claim. There will be an annual reminder letter to Members, and also this information will be included in the new Members induction information. This information will indicate that this does not apply just to those Members making a claim, but to all those who use their car to attend meetings, meeting constituents etc. Letter sent and claim form amended 10 th August 2011.	

Report of	Meeting	Date
Head of Governance / Monitoring Officer	Audit Committee	29 September 2011

THE BRIBERY ACT 2010

PURPOSE OF REPORT

1. To advise members of the impact and requirements of the Bribery Act 2010.

RECOMMENDATION(S)

2. To note the content of the report.

EXECUTIVE SUMMARY OF REPORT

3. The Bribery Act 2010 came into force on 1 July 2011. It's purpose is to simplify the law concerning bribery and to enable the Courts to deal with corruption more effectively.
4. The Act confirms what conduct will be treated as unlawful both in providing and receiving a bribe. It also creates 2 new specific offences, the first of bribing a foreign official and the second a failure by a commercial organisation to prevent bribery
5. It is the offence of failure of a commercial organisation to prevent bribery which is of relevance to this authority. The Act also provides for a defence to this offence. In order to avail themselves of the defence the organisation should demonstrate adherence to 6 principles:-
 - a. Proportionality; the acts taken to prevent bribery needs to be proportionate to the size of the business and the risk of bribery taking place.
 - b. Top Level Commitment; create an environment which does not tolerate bribery.
 - c. Risk Assessment; demonstrate consideration of potential bribery risks.
 - d. Due Diligence; know who you are dealing with.
 - e. Communication; communicating your policies and procedures to staff.
 - f. Monitoring and Review;
6. Chorley BC have a number of policies and procedures and codes of practice which enable the authority to claim the benefit of the defence.
7. As a result it is not envisaged that the Council are required to have a separate policy to address the requirements of the Bribery Act 2010.

REASONS FOR RECOMMENDATION(S)

(If the recommendations are accepted)

8. The Bribery Act imposes new responsibilities on commercial organisations to prevent bribery being undertaken by employees or associated persons. The Council's existing policies, procedures and codes of practice satisfy the principles which if complied with provide a defence to any prosecution.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

9. None

CORPORATE PRIORITIES

10. This report relates to the following Strategic Objectives:

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

BACKGROUND

11. The Bribery Act 2010 was enacted on 8 April that year, but its terms came into force on 1 July 2011. The Act modernises existing anti-corruption laws. It creates general offences of bribing another person and in turn of being bribed. For each, the Act provides examples or “Cases” of how the offences can be committed. There is no need for the bribe to be paid only that it has been offered or the improper performance has been undertaken in expectation of an offer. Neither is the recipient required to have improperly performed the relevant function, only that the inappropriate agreement has been reached.
12. The Act also provides for the particular offence of bribing a foreign public official. This is unlikely to have any relevance to this Authority and is not considered in any detail.
13. The offences mentioned above are personal to the individuals involved. They can not be committed by an organisation. However, another individual usually more senior in the organisation can be prosecuted for colluding in the offence where it is committed with their knowledge.
14. Section 7 of the Act introduces an offence of failure by a commercial organisation to prevent bribery. Bribery in this context includes the offences within the Act to the benefit of the organisation.
15. It is arguable that Local Authorities do not fit comfortably within the definitions of commercial organisations as provided by the Act. However, there are 2 very good reasons why these issues should be addressed:-
 - a. Section 3 of the Act specifically refers to a relevant function, ie a function that can be influenced by a bribe, as being a function of a public nature. It is conceivable that guidance will be issued to ensure that Council’s are subject to this legislation; and
 - b. It is good practice to ensure that the Council have a culture that makes it clear that bribery is not acceptable and by following the principles set down by the Act and guidance, this type of behaviour will be discouraged.
16. The Act does provide for a defence to the corporate offence of failing to prevent bribery. The organisation is required to demonstrate that they have adequate procedures designed to prevent associated persons from undertaking such conduct. The Ministry of Justice has issued guidance confirming 6 Principles which would demonstrate such compliance.

PRINCIPLE 1: PROPORTIONATE PROCEDURES

17. The guidance states that the organisations procedures should be proportionate to the bribery risks it faces. They should also be clear, practical, accessible, effectively implemented and enforced.
18. In order to assess whether the Council has proportionate procedures in place it is necessary to assess the areas of risk (risk assessments themselves will be dealt with below). There are 2 significant areas of business which may be influenced by third parties:-

- a. Firstly, decisions of the Council as discharged by members;
 - b. Secondly, decisions of officers particularly as regards contracting with third parties.
19. To address risks around decisions made by members the Council has the following policies and procedures:-
- a. The Code of Conduct for Councillors; upon taking office all Councillors are required to sign up to the provisions of the Code. In addition, Councillors at Chorley Council have adopted the 10 General Principles of Public Life. Councillors agree to act with Honesty and Integrity, Accountability, Openness and confirm their Duty to Uphold the Law. Although the Code is self-regulatory in that Councillors are responsible for their own conduct, failure to comply with it can lead to reporting of Members and investigation by the Standards Committee. It is a requirement of the Code that members should declare and register all gifts or hospitality received over the value of £25.00.
 - b. Article 11 of Chorley Council's Constitution; provides for the principles in which members should make a decision generally and has specific provisions for full council and the executive.
 - c. Decisions by Full Council; Councillors are often asked to make decisions in principle about Council business rather than to decide specific issues. The Council's Constitution requires such decisions to be made on a simple majority and would require a number of members to have been bribed or influenced to affect any decision.
 - d. Decisions by the Executive Cabinet; Such decisions are to be made within the framework of the Councils Strategic Policy and Budget. Decisions are based upon reports received which contain relevant information to assist members. Decisions made are publicised (subject to reporting provisions) and are capable of challenge generally by Judicial Review. Overview and Scrutiny Committee review decisions of the Executive and can recommend reconsideration of the decision.
 - e. Decisions by Executive Members; Executive Member Decisions must be made in writing and comments of the Council's section 151 Officer and Monitoring Officer are required. They will generally be made on the recommendation of an Officer and can only be made on issues prescribed within the constitution. Subject to reporting restrictions all Executive Member Decisions are publicised and can be called in and reviewed by the Overview and Scrutiny Committee.
20. Officers can make decisions on behalf of the Council only in so far as they are allowed under the scheme of delegation or in accordance with parameters set by Council or the Executive. Contract awards must be in accordance with the Council Contract Procedure Rules or for higher value contracts the European Procurement Regulations may operate. The procedure for award must be transparent, and for anything other than the lowest value of contract can only be awarded by Member Decision.
21. The Council also has an Anti-Fraud and Corruption Strategy that deals provides a structure for both Members and Officers to work within. Further as part of that strategy there is a Whistle-blowing Policy.
22. Parties who are partner organisations of the Council or contractors are also now required to comply with the Council's Whistle-blowing Policy of have their own equivalent policy.

PRINCIPLE 2: TOP-LEVEL COMMITMENT

23. It is a requirement that those at the top of the organisation foster a culture of integrity where bribery is unacceptable. Chorley Council take the issue of corruption very seriously. The Council have implemented an Anti-Fraud and Corruption Strategy which sets out the Councils position on fraud and corruption and their approach to any allegations. The policy is made available to staff through the Need to Know section of the Loop.

PRINCIPLE 3: RISK ASSESSMENT

24. Commercial organisations are required to assess the nature and extent of its exposure to potential internal and external risks of bribery. The Council have a system of audit and undertake a general risk assessment in relation to its strategic objectives.

PRINCIPLE 4: DUE DILLIGENCE

25. The Council are expected to assess persons who will be discharging council functions in order to mitigate identified bribery risks. This has to be approached in a proportionate manner and it is unlikely that this requirement will be onerous for the Council to discharge.

PRINCIPLE 5: COMMUNICATION AND TRAINING

26. This goes to the embedding of corporate policies and procedures within the organisation. The Council are currently reviewing the training programme for the authority (this was confirmed at a previous meeting). The recent staff survey demonstrated good officer awareness of the existence and location of the Whistle-blowing Policy although not necessarily of its content. This is an area that needs some attention in order to comply with the Principle, however, it should be stressed that there is so little opportunity for individuals to be involved in bribery that this risk is minimal.

PRINCIPLE 6: MONITORING AND REVIEW

27. All Council policies are regularly reviewed as is the Council's Constitution. There is a programme of review and the impact of national guidance, policy changes or legislation are assessed and where necessary implemented. This is evidenced by the version control system adopted.

CONCLUSION

28. It is not envisaged that Chorley Council will be required to undertake significant works to be compliant with the Bribery Act 2010. The policies, strategies, procedures and codes of practice adopted by the Council limit significantly the risk of bribery taking place by a person associated with the Authority. The Council could promote through training the existence and content of the policies in place and this will be addressed.

IMPLICATIONS OF REPORT

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

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

30. The comments are contained within the report.

CHRIS MOISTER
 HEAD OF GOVERNANCE / MONITORING OFFICER

There are no background papers to this report.

Report Author	Ext	Date	Doc ID
Chris Moister	5160		