

04 September 2013

# Governance Committee

You are invited to attend a meeting of the Governance Committee to be held in Committee Room 1, Town Hall, Chorley on Thursday, 12th September 2013 commencing at 2.30 pm.

## AGENDA

1. **Apologies for absence**

2. **Minutes (Pages 5 - 10)**

To confirm the minutes of the Governance Committee meeting held on 27 June 2013 (enclosed)

3. **Declarations of Any Interests**

Members are reminded of their responsibility to declare any pecuniary interest in respect of matters contained in this agenda.

If you have a pecuniary 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. **Strategic Risk Register Update (Pages 11 - 18)**

Report of the Chief Executive (enclosed)

5. **Annual Governance Statement (Pages 19 - 26)**

Report of the Head of Governance (enclosed)

6. **External Audit Findings Report for Year Ended 31 March 2013 (Pages 27 - 58)**

Report of External Auditor (enclosed)

7. **Statement of Accounts 2012-13 (Pages 59 - 130)**

Report of the Chief Executive (enclosed)

8. **Review of the Council's Arrangements for Securing Financial Resilience (Pages 131 - 168)**  
Report of the External Auditors (enclosed)
9. **Treasury Strategies and Prudential Indicators 2013/14 to 2015/16**  
Report of the Chief Executive (to follow)
10. **Internal Audit Interim Report as at 26th July 2013 (Pages 169 - 174)**  
Report of Head of Shared Assurance Services (enclosed)
11. **Exclusion of Press and Public**  
To consider the exclusion of the press and public for the following items of business on the ground that it involves the likely disclosure of exempt information as defined in Paragraph 7C of Part 1 of Schedule 12A to the Local Government Act 1972.
12. **Standards Cases Review**  
Report of the Monitoring Officer (to follow)
13. **Any other item(s) that the Chair decides is/are urgent**

Yours sincerely



Gary Hall  
Chief Executive

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#### **Distribution**

1. Agenda and reports to all Members of the Governance Committee (Paul Leadbetter (Chair), and Julia Berry, Graham Dunn, Anthony Gee, Marie Gray, June Molyneaux and Alan Platt for attendance.
2. Agenda and reports to Gary Hall (Chief Executive), Chris Moister (Head of Governance), Susan Guinness (Head of Shared Financial Services), Garry Barclay (Head of Shared Assurance Services), Andy Armstrong (Shared Financial Services Risk Manager) and Dianne Scambler (Democratic and Member Services Officer) for attendance.
3. Agenda and reports to Peter Ripley (Independent Member) for attendance.

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**Governance Committee****Thursday, 27 June 2013**

**Present:** Councillor Paul Leadbetter (Chair), Councillor Alison Hansford (Vice-Chair) and Councillors Julia Berry, Graham Dunn, Anthony Gee, Marie Gray, June Molyneaux and Alan Platt

**Also in attendance**

**External representatives:** Peter Ripley (Independent Member) and Gareth Winstanley (Grant Thornton UK LLP)

**Officer:** Gary Hall (Chief Executive), Michael Jackson (Principal Management Accountant), Chris Moister (Head of Governance), Gordon Whitehead (Principal Financial Accountant), Garry Barclay (Head of Shared Assurance Services), Dawn Highton (Principal Auditor) and Dianne Scambler (Democratic and Member Services Officer)

**13.G.24 APOLOGIES FOR ABSENCE**

There were no apologies for absence.

**13.G.25 MINUTES**

**RESOLVED - That subject to the following amendment the minutes of the Governance Committee meeting held on 14 March 2013 be confirmed as a correct record for signing by the Chair.**

**Councillor Alison Hansford (Vice Chair) attended the meeting.**

**13.G.26 DECLARATIONS OF ANY INTERESTS**

No declarations of interest were received.

**13.G.27 STANDARDS UPDATE – OBSERVATIONS OF THE INDEPENDENT MEMBER**

The Committee received a report of the Monitoring Officer that updated them on the views of the Independent Person with regards to recent standards complaints that had been received by the Council and the adopted procedure for processing those complaints.

There had been a number of complaints made against members for breaches of the Code of Conduct and the Independent Person having been involved in the consideration of these complaints, had written to the Monitoring Officer expressing his views on Member conduct.

It is the practice of the authority to deliver annual training for all members and additional sessions were offered to the groups which were accepted. The Monitoring Officer was confident that all councillors had received at least one session on the Code.

The Independent Person had also made some suggestions as to the treatment of complaints within the current procedure, that the Monitoring Officer considered appropriate.

Members noted that the majority of the complaints were around the use of social media and felt that members needed to be reminded that respect must be given at all times and when using all forms of communication.

The Monitoring Officer also reported that he intended to bring a report to the next meeting that would give further details as to the level and number of complaints that the Council had been receiving. The report would also give details on how the breaches, if there were found to be any had been addressed. It was felt that this would give the Committee a better understanding of the Independent Persons concerns and if there needed to be any necessary amendments made to the current procedures.

**RESOLVED – That a decision on this report be deferred to the next meeting of the Governance Committee.**

### **13.G.28 GOVERNANCE COMMITTEE UPDATE**

The Committee received a report of Grant Thornton that provided progress made in delivering their responsibilities as our external auditors.

The external audit team continued to work closely with the Council's finance team around technical issues, closedown timetable and audit requirements to minimise the likelihood of any unexpected significant accounting issues and the Members were informed that the audit of the Councils financial statements would commence in July and the criteria against which the assessment of our Value for Money (VFM) arrangements would be made.

The report included a number of challenge questions in respect of any emerging issues which the Committee may wished to consider, that resulted in assurance being sought on the management of risks relating to any outsourced IT services and the openness and transparency of our decision making. The Committee asked that if in future, it was possible to have these questions answered in advance to encourage debate at the meeting.

**RESOLVED – That the report be noted.**

### **13.G.29 COMPLIANCE WITH INTERNATIONAL AUDITING 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 assurances being sought by Grant Thornton in respect of fraud and corruption as part of the Council's 2012/13 accounts.

Given the assurances requested were similar to the evidence being collated by Internal Audit to support the Governance Statement and in the interest of transparency, it was agreed with the external auditors that responses to their letters would be provided following consideration at this meeting.

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

**RESOLVED – That the Chair of Governance Committee and Section 151 statutory chief finance officer sign the assurance letters.**

### **13.G.30 LOCAL AUDIT & ACCOUNTABILITY BILL**

The Committee received a report of the Head of Shared Assurance Services that summarised and explained the main provisions of the Local Audit and Accountability Bill as they were proposed to impact on the Council's external audit arrangements.

Members were already aware of the circumstances leading to the disestablishment of the Audit Commissions in-house practice and the appointment of private firms to provide external audit services to local public bodies.

This new Bill would enable the closure of the Audit Commission's residual functions and set out a framework that required local public bodies to appoint their own external auditors in future.

The overall sector's response to the Bill was also attached for Members information. Amongst the Local Government Association's suggestions were, actually changing the external audit service provider every five years as opposed to tendering and a continuation of the national procurement of external audit alongside local appointment.

Members noted that the Bill was the final step in a programme of reforms to local audit that would deliver estimated savings to the taxpayer of £1.2 billion over a ten year period, with around a £80,000 saving to Chorley Council.

**RESOLVED – That the report be noted.**

### **13.G.31 INTERNAL AUDIT ANNUAL REPORT 2012/13**

The Head of Shared Assurance Services presented the internal audit annual which summarised the work undertaken by the service during the 2012/13 financial year and gave an opinion on the adequacy and effectiveness of the control environment in the Council as a whole and individual service areas. The report also gave an appraisal of the Internal Audit Services performance, including an evaluation of the effectiveness of the Council's system of internal audit.

A detailed schedule of the work undertaken by the Internal Audit team had been provided and gave individual opinions on the adequacy control for each of the areas audited during the year, as the majority of the reviews received a substantial or adequate controls assurance rating, it was the Internal Audit's opinion that the Council continues to operate in a strong control environment.

Only five out of 26 reviews had been given a 'limited' rating. For each of these reviews management actions had either been implemented in full, were in progress or short implementation timescales had been agreed.

Key performance data indicated that the majority of indicators were on or above target, only two areas had varied significantly from the agreed targets and an explanation was provided for Members.

Out of the 22 audit assignments that were scheduled in 2012/13, 18 were completed. For various reasons four were either no longer needed or had been rescheduled for 2013/14.

The Committee were also informed of examples where the Internal Audit's work had added value. These included New Income Streams that would generate additional income to the Council, Lone Working arrangements that resulted in procedures to reduce risks and the use of IDEA interrogation software had resulted in a reduction of potential fraudulent claims requiring investigation.

Key achievements for the team also included retaining the ISO 9001 accreditation, examination success for two members of the Audit Team and the receipt of excellent customer feedback on work undertaken on two reviews for St Catherine's Hospice.

Members noted that the review in the Impact of the Localism Act would be delayed until the Council had a better understanding of how it would affect our services.

**RESOLVED – That the report be noted.**

**13.G.32 ANNUAL GOVERNANCE STATEMENT 2012/13**

The Head of Governance presented a report reminding 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.

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

It was explained what arrangements the Council would take in the forthcoming financial year to build and strengthen our corporate governance arrangements.

**RESOLVED – That the Annual Governance Statement be formally signed off by the Leader and Chief Executive before being submitted for external audit alongside the 2012/13 financial statements.**

**13.G.33 TREASURY MANAGEMENT ANNUAL REPORT 2012/13**

The Committee received and considered the report of the Chief Executive 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 and Treasury Indicators and reported that the return on investments totalled 1.42% which exceeded the benchmark. Details of the borrowings were given and Members were updated on the situation relating to the Icelandic investments.

It was reported that the authorised limit of £9m had been temporarily breached for three weeks at the end of the year. It had been necessary for the Council to borrow an additional 3.0m, causing borrowings to increase to £10.285m. Members noted that the breach was temporary in nature, had been planned and were satisfied that there had been no negative financial consequence as a result of this action.

The Council's Capital Expenditure as at 31 March 2013 totalled £1.827m which was a reduction from the original estimate as some schemes had been rephrased and would continue into the 2013/14 Capital Programme.

Members noted the positive treasury position. The Capital Financing Requirement had reduced and would beneficially reduce further years MRP charges due to actions taken as set out in the Council's Medium Term Financial Strategy to reduce financing costs and bridge the forecasted budget shortfall.

**RESOLVED – That the report be noted.**

**13.G.34 STATEMENT OF ACCOUNTS 2012/13**

Members received a report of the Chief Finance Officer giving them sight of the Statement of Accounts (SOA) for 2012/13 that would be signed and authorised for issue by the Chief Financial Officer at the end of June. The report also gave advice on the processes leading up to their formal submission for the approval of Members following the completion of the external inspection.

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

The Movement in Reserves Statement showed a surplus of £1.277m for the year. Reserves earmarked for specific purposes totalled £4.300m at year end and usable capital reserves had slightly increased to £3.004m. In total, Usable Reserves, available for capital and revenue purposes, totalled £9.400m.

The balance sheet and cash flow statements showed the turnover of cash and final cash position as at 31 March 2013. The Council's Treasury Management Strategy was the key document for the effective day to day management of cash resources and set out policies for the investment of surplus cash. The Council had managed, in a very difficult environment, to maintain a healthy financial position. The Medium Term Financial Strategy envisaged no relaxation of the pressures, and forecasted budget shortfalls over the next three years.

The pension fund deficit had increased to £41.0m. This figure was however an estimate being the actuary's assessment of the present value of the liabilities to be met by the fund over a long period less its current assets and anticipated future receipts.

The Council's general balance at year end was £2.060m which was in line with the Authority's Medium Term Financial Strategy that specifies they should be no lower than £2.0m.

Capital expenditure over the next three years was constrained by the resources available. Planned spend would be £7.750m. In addition the Council was working with the Health Authorities to fund the building of a health centre, by additional prudential borrowing, at an estimated cost of £6.650m, to be recovered from the Health authorities.

Creditors had been reduced by £2.600m which consisted of a reduction in the amount to the DCLG in respect of business rates (£1.300m) and council tax benefit (£0.400m) plus general creditors. The Collection Fund showed a modest surplus that was consistent with estimates and had been allowed for in the fixing of the 2013/14 Council Tax.

The Chief Executive thanked the Shared Financial Accountancy team for all their hard work in preparing the 2012/13 accounts.

The Chief Executive also advised the Committee that Gordon Whitehead (Principal Financial Accountant) was retiring and was attending his last Committee meeting.

The Chief Executive thanked Mr Whitehead for all his efforts over a number of years, adding that he had a specific skill in relation to the technical aspects of accountancy work and was a great person to work with.

The Chair and the Committee also thanked Mr Whitehead for his contribution and support to the Committee and extended best wishes for the future.

**RESOLVED - That the Report be noted.**

### **13.G.35 GOVERNANCE COMMITTEE TRAINING**

Members held a short discussion on the different elements of training need requirements that they felt were needed for Members of the Governance Committee and the Council as a whole, when considering financial information, including topics such as procurement, core funding and value for money.

It was considered that the training requirements for the Governance Committee were different to the rest of the Council and it was agreed that the Monitoring Officer would consult further with the Committee on training topics and styles.

**RESOLVED**

- 1. That a questionnaire be sent to all Members of the Governance Committee on training needs to identify a specific skills set.**
- 2. That wider financial training be provided to all Elected Members.**

Chair





Report of	Meeting	Date
Chief Executive	Governance Committee	12 September 2013

## STRATEGIC RISK UPDATE REPORT

### PURPOSE OF REPORT

1. The Strategic Risk Register (SRR) is the vehicle by which the Council aims to identify and address any potential risks to the organisation and the delivery of its functions which therefore need to be managed strategically.
2. This report provides members with an updated SRR which includes thirteen strategic risks to the Council, including actions in progress as well as new actions planned to further mitigate identified risks.

### RECOMMENDATION(S)

3. That members note the strategic risks, actions in progress and actions planned to further mitigate the strategic risks as set out in Appendix 1

### EXECUTIVE SUMMARY OF REPORT

4. The Council does not exist in a vacuum and the political, economic and financial environment in which it operates is constantly changing. The SRR is therefore a live document and needs to be updated to reflect any new or emerging strategic risks facing the Council.
5. This report therefore contains the latest revision to the SRR for members' information and comment.
6. Most of the risk categories remain at the same level given the current funding situation and impact on resource with six areas identified as 'high risk'. One new risk has been added to the register to reflect the need to manage customer demand. The risk related to ICT has been down-graded following the successful implementation of new technology.

<b>Confidential report</b> Please bold as appropriate	Yes	<b>No</b>
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### CORPORATE PRIORITIES

7. This report relates to the following Strategic Objectives:

Involving residents in improving their local area and equality of access for all		A strong local economy	
Clean, safe and healthy communities		An ambitious council that does more to meet the needs of residents and the local area	X

**BACKGROUND**

8. The management of risk is clearly embedded within the Council. While the Strategic Risk Register sets out the Council’s main strategic risks there are a number of other processes that contribute to effective risk management at all levels of the organisation. These include our Business Improvement Planning process, programme and project management and Partnerships Framework. This is described in more detail in the Council’s risk management framework.

**HOW THE RISKS ARE SCORED**

9. The risks identified in the register have been scored on a 3 x 3 matrix, reflecting the likelihood of the risk occurring against the impact of it on the organisation if it did happen. The resulting score out of 9 is used to aid in prioritising the risk and the actions that are planned to mitigate them.

Likelihood of Occurrence	High	4	7	9
	Medium	2	5	8
	Low	1	3	6
		Noticeable	Significant	Critical
		Impact on Business		

- 10. Each entry within the register is scored to provide an assessment of the residual level of risk, that is the score taking into account the ‘controls in place’.
- 11. Whatever level of residual risk remains it is essential that the controls identified are appropriate, working effectively and kept under review.

**SUMMARY OF THE RISKS**

Risk No.	Description of Risk	Matrix Score	Change from Mar 2013
R1	Budget cuts in key public and third sector partners having a negative impact on local level service delivery	8 (High)	0
R2	Reduction in satisfaction with the Council	7 (High)	0
R3	Failure to sustain our performance in light of budget cuts	7 (High)	0
R4	External legislative and policy change affecting service delivery, particularly future changes as a result of Welfare Reform	7 (High)	0
R5	Lack of resources to deliver the Council’s priorities due to public sector funding cuts (Financial & Staff Capacity)	7 (High)	0
R6	Failure to react to changing service demand	7 (High)	New
R7	Failure to identify/exploit opportunities for new ways of working and alternative business models including options for income generation	5 (Medium)	0

Risk No.	Description of Risk	Matrix Score	Change from Mar 2013
R8	Reduction in staff satisfaction and morale with the Council including increase in sickness absence	5 (Medium)	0
R9	Failure to achieve desired outcomes through partnership working and deterioration in relationships	5 (Medium)	0
R10	Failure to fully realise the benefits of new technology and related impact on driving organisational change.	3 (Low)	-2
R11	Failure to build and maintain strong relationships of trust and confidence between officers and each party to promote good and open relationships between political parties	3 (Low)	0
R12	Failure of Shared Service arrangements	3 (Low)	0
R13	Incidents affecting service delivery/business continuity or even widespread damage, injury or risk to the public.	2 (Low)	0

12. Further details about each of these risks and their mitigating controls can be found within the register in Appendix one.
13. All of the risks have been re-assessed and the register indicates whether there has been a change since the register was last reviewed in March 2013 along with a narrative to show reasoning for the scoring.
14. One new risk has been added to the register, number R6, failure to react to changing service demand. This risk refers to the ability of the organisation to continue to meet changing customer demand for services in the light of reducing resources. In order to mitigate this risk, the council must monitor, manage and reduce demand by working to change customer expectations and driving down the cost of delivery to make services more sustainable. This includes delivery of transformational projects such as use of new technology, channel migration and customer self-service. A score of seven has been allocated to this risk which indicates a high likelihood of occurrence and significant impact on the business. Overall responsibility for the risk is allocated to Strategy Group with mitigating actions overseen by Policy and Communications.
15. The highest risk remains as budget cuts in key public and third sector partners given the negative impact this could potentially have on local level service delivery. The risk continues to be managed effectively with a number of actions delivered including additional funding support to a number of third sector groups and a full review of partnership working. However, the current conditions present increasing challenges for partner capacity with a resulting impact on the overall local service offer.
16. A number of other risks are also scored highly and reflect the increasing pressure to maintain performance in a challenging economic environment. These risks retain a score of seven which indicates that the likelihood of occurrence remains high although the impact on the business is not currently considered critical given the controls and mitigating actions in place.
17. Actions to reduce risk continue to be delivered successfully although any reduction is offset to a large extent by increasing pressure on resources. The risk related to implementation of new technology has again been downgraded due to significant progress of the ICT programme with several projects now delivered. All medium and low level risks remain at the same level with new actions to ensure continued mitigation of risk.

**IMPLICATIONS OF REPORT**

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

Finance		Customer Services	
Human Resources	X	Equality and Diversity	
Legal		Integrated Impact Assessment required?	N
No significant implications in this area		Policy and Communications	X

**COMMENTS OF THE STATUTORY FINANCE OFFICER**

17. There are no financial implications associated with the report.

**COMMENTS OF THE MONITORING OFFICER**

18. No comments

GARY HALL  
CHIEF EXECUTIVE

There are no background papers to this report.

Report Author	Ext	Date	Doc ID
Victoria Willett	5348	02.09.13	SRRupdate

## Appendix 1

Risk No.	Description of Risk	Risk Category	Risk Owner	Controls in Place	Matrix Score	Change from Mar 2013	Actions Planned	Action Owner	Target Action Date	Comments
R1	Budget cuts in key public and third sector partners having a negative impact on local level service delivery	Strategic (External)	SG	Existing relationships with key public sector partners. Chorley Partnership. Core funding support. Sustainable community strategy. Additional funding support for third sector groups included in 2013/14 budget.	8	0	Review of core funding  Officers and Members to lobby and influence key public sector partners through meetings (including the Chorley Partnership), working groups and responding to consultations.	GH	On going	Cuts now starting to take effect evidenced by partner performance. Further cuts anticipated with potentially significant impact.
R2	Reduction in satisfaction with the Council	Reputation (Internal)	SG	Strong customer service culture. Corporate health dashboard. Resident satisfaction survey. Refreshed marketing and engagement strategy.	7	0	Use of technology to gather data and internal communications to raise awareness across the organisation.  Campaigns and events programme including civic pride campaign.	Policy and Comms	Dec 2013	Recent resident satisfaction survey positive although risk remains the same in the light of future funding cuts. Likelihood of occurrence remains high, impact on business not currently considered critical given controls and mitigating actions.
R3	Failure to sustain our performance in light of budget cuts	Reputation (Internal)	CS	Performance management framework Regular performance monitoring. Refreshed local performance indicators	7	0	Implement individual performance management and update the performance management framework.	RH	Ongoing	Likelihood of occurrence remains high, impact on business not currently considered critical given controls and mitigating actions.
R4	External legislative and policy change affecting service delivery, particularly future changes as a result of Welfare Reform	Strategic (External)	SG	Changes are being monitored and implications for the Council reported to SG for consideration. Health & wellbeing board LDF Welfare reform manager and partnership steering group Credit Union	7	0	Planned partnership approach to change management through work with DWP, CAB and LCC.	Policy and Comms	Dec 2013	To date the impact has been manageable through a proactive approach and mitigating activity however, this continues to be a high risk given recent national policy developments.
R5	Lack of resources to deliver the Council's priorities due to public sector funding cuts (financial & staff capacity)	Financial (Internal)	SG	The Corporate Strategy Business planning process New prioritised organisational plan Strong Medium Term	7	0	Implement individual performance management and update the performance management framework.	Policy and Comms	Dec 2013	Likelihood of occurrence remains high, impact on business not currently considered critical given controls and mitigating

Risk No.	Description of Risk	Risk Category	Risk Owner	Controls in Place	Matrix Score	Change from Mar 2013	Actions Planned	Action Owner	Target Action Date	Comments
				Financial Strategy Transformation Strategy Performance Management Framework			Organisational development plan refresh. Update to Transformation Strategy Budget consultation			actions.
R6	Failure to react to changing service demand	Strategic (Internal)	SG	Use of system data and regular monitoring and reporting Volumetric data capture Self service capability via council website.	7	new	Service intelligence to inform delivery and prioritisation of activity Channel migration strategy Strategy group to focus resources where needed	RH	March 2014	New risk added to reflect need to manage customer demand and make services more sustainable by driving down cost to access.
R7	Failure to identify/exploit opportunities for new ways of working and alternative business models including options for income generation	Operational (Internal)	SG	Transformation programme Strategic partnerships framework Strong Medium Term Financial Strategy	5	0	Organisational design work including service migration programme Options and agreement on long term business model Corporate strategy refresh	CS	Nov 2013	Work is ongoing although a firm option is yet to be identified and agreed
R8	Reduction in staff satisfaction and morale with the Council including increase in sickness absence	People (Internal)	JM	OD and health and wellbeing programmes Staff survey Healthcare cash back scheme New intranet launch	5	0	Internal communications strategy Updated OD programme Development of new 'Leading Edge' Management competencies Number of specific interventions including additional management training	Policy and Comms	Dec 2013	The recent satisfaction survey shows that 87% staff are satisfied overall which is positive although remains a risk given increasing demand on staff capacity
R9	Failure to achieve desired outcomes through partnership working and deterioration in relationships	Reputation (Internal)	SG	Chorley Partnership and role of the Executive in leveraging priorities  Regular meetings with LCC lead.	5	0	Members and officers to work to manage relationships and ensure effective communication  Early Intervention work including implementation of WTWF and involvement with CCG's.	GH	Ongoing	Chorley Partnership has been re-organised to ensure strong partner relationships and future commitment.
R10	Failure to fully realise the benefits of new technology and related impact on driving	Operational (Internal & External)	AK	Regular internal communication on progress	3	-2	Further benefits realisation reviews of recently	AK	March 2014	New technology has been implemented so impact on organisation is reduced and

Risk No.	Description of Risk	Risk Category	Risk Owner	Controls in Place	Matrix Score	Change from Mar 2013	Actions Planned	Action Owner	Target Action Date	Comments
	organisational change.			Project monitoring Appropriate training for staff			implemented technology			work is underway to ensure benefits realised.
R11	Failure to build and maintain strong relationships of trust and confidence between officers and each party to promote good and open relationships between political parties	Strategic (Internal)	GH	Weekly meeting with leader All party leaders meetings New corporate strategy	3	0	Attendance at political group meetings to address key issues.	GH	As Required	Risk could have been scored higher previously given new administration although several key milestones achieved and relationship is currently strong.
R12	Failure of Shared Service arrangements	Operational (Internal)	SG	Strategic partnerships framework Effective governance arrangements	3	0		CS	March 2014	Risk stays the same due to potential impact of failure on organisation.
R13	Incidents affecting service delivery/business continuity or even widespread damage, injury or risk to the public.	Operational (External)	JC/ JM	Business Continuity Plan Emergency Plan Country wide flu pandemic plan. Multi agency fund plan	2	0				Business continuity plans tested several times in 2013 and therefore considered more rigorous.

AK – Asim Khan (Head of Customer, ICT and Transactional Services)  
 SG – Strategy Group  
 GH – Gary Hall (Chief Executive)  
 JM – Jane McDonnell (Interim Head of HR&OD)

JC – Jamie Carson (Director People and Places)  
 COS – Camilla Oakes Schofield (Head of HR&OD)  
 RH – Rebecca Huddleston (Performance Improvement Manager)  
 CS – Chris Sinnott (Head of Policy and Communications)

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**CHORLEY COUNCIL****ANNUAL GOVERNANCE STATEMENT****Scope of responsibility**

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

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

Chorley Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code is on our website. This statement explains how the Council has complied with the code and also meets the requirements of regulation 4 of the Accounts and Audit Regulations 2011 in relation to the publication of an Annual Governance Statement.

As part of Chorley Council's governance framework the Council's financial management arrangements conform with the requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government. The CFO of Chorley Council is also the Chief Executive and has direct reports from the Heads of Service of the Transformation Directorate. This combined role ensures compliance with the first 3 principles set out within the CIPFA Statement. This also contributes to compliance with the 4<sup>th</sup> principle which is also supported by a joint committee which oversees the shared financial service and a Head of Shared Financial Services who contribute to ensuring this principle is met. The CFO is a properly qualified officer holding a relevant CIPFA qualification.

**The purpose of the governance framework**

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

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

The governance framework has been in place at Chorley Council for the year ended 31 March 2013 and up to the date of approval of the annual report and statement of accounts.

**The governance framework**

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

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

- The Corporate Strategy sets out the Council's vision, priorities and strategic objectives. These are derived from the Sustainable Community Strategy, which clearly articulates a shared vision for the Borough of Chorley.
- The refreshed Corporate Strategy was subject to significant public consultation enabling the citizens and service users to inform its preparation.
- Long term outcomes and interim performance targets have been established for each strategic objective.
- The Sustainable Community Strategy and Corporate Strategy are published widely and are also available on the Council website and intranet.

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

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

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

- Service level Business Improvement Plans contain key projects that are geared towards achieving overall strategic objectives. They also contain challenging targets in respect of both performance indicators and local performance targets.
- This system is in turn supported by individual staff performance and development reviews to ensure that everyone understands their individual and service unit contribution to corporate goals.
- The Council has an in-house performance management system from which reports are produced to ensure that trends in performance can be identified and corrective action introduced if appropriate. This is supported by a robust data quality control system, which ensures the accuracy of the reported information.
- The Council have undertaken a program of staff training on data quality, and each indicator is required to have a written procedure confirming how the data is to be collated, entered and checked.
- Performance against targets is monitored at officer and member levels, by Strategy Group, Executive Cabinet, Overview & Scrutiny and the Governance Committee.

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

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

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

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

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

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

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

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

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

- The Council aims to ensure compliance with established policies, procedures, laws and regulations through a variety of mechanisms, including:

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

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

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

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

- Formal induction programmes and training & development plans are in place for both members and senior officers.
- All senior officers participate in the corporate staff appraisal scheme.
- The Council have a Member Support Working Group who contribute to identifying training needs of members, and the promotion of training events.

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

- Strategies are in place in respect of communications, marketing and consultation.

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

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

**Review of effectiveness**

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

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

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

- A management group consisting of the following officers has been established to oversee the compilation of the Annual Governance Statement:
  - Chief Executive (S151 Officer)
  - Head of Governance (Monitoring Officer)
  - Head of Policy & Communications
  - Head of Human Resources & Organisational Development
  - Head of Shared Assurance Services
  - Internal Audit Manager
- The group has conducted a detailed corporate level review of the Council's system of governance in accordance with the guidance provided by CIPFA / SOLACE.

### ***Service Level Review***

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

### ***Monitoring Officer***

- As the Council's Monitoring Officer, the Head of Governance has a duty to monitor and review the operation of the Constitution to ensure its aims and principles are given full effect. The Monitoring Officer will report and recommend to Council any proposed amendment to the Constitution, which falls outside the Monitoring Officers delegated powers, for adoption.

### ***Scrutiny Committee***

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

### ***Governance Committee***

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

### ***Standards Sub-Committee***

- The Council has appointed a Standards Sub-Committee of the Governance Committee whose terms of reference comply with the prevailing national guidance on standards and codes of conduct for members.

### ***Internal Audit***

- Internal Audit is responsible for monitoring the quality and effectiveness of the system of governance and internal control. A risk-based Internal Audit Plan is produced each financial year. The reporting process for Internal Audit requires a report of each audit to be submitted to the relevant Service. The report includes recommendations for improvements that are included within a Management Action Plan and require agreement or rejection by service managers. The process includes follow-up reviews of agreed recommendations to ensure that they are acted upon.
- The Internal Audit Annual Report contains a statement / judgement on overall levels of internal control (a view based on the relative significance of the systems reviewed during the year, in the context of the totality of the control environment).
- The Annual Report in itself is a tool not just for reporting on internal control but improving them.
- The Internal Audit Team is subject to on-going inspection by the Council's external auditors, who place reliance on the work carried out by them.

### ***External Audit***

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

We have been advised on the implications of the result of the review of the effectiveness of the governance framework and system of internal control by the Authority, the executive, Governance Committee, Overview and Scrutiny Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

### **Significant governance issues**

The Council will take the following steps in the forthcoming financial year to build and strengthen our corporate governance arrangements:

- To undertake a review of competencies and staff values
- To develop the current level/programme of financial training packages for Budget Holders (& members) to include use of systems, process improvement and financial management techniques.
- Further work to be done on members up skilling and training on financial matters (to mirror the training provided to Budget Holders)
- To assess the training needs of Governance Committee members and compile a training plan
- To undertake a review of local service indicators

- To embed the Risk Management Framework at service level
- Update DR plan to reflect new operating arrangements.
- Review ICT administration arrangements to protect access to systems and assets
- To review how embedded the Council's document retention guidelines are within services
- To review and update the Joint Procurement Strategy (JPS) in preparation for its renewal in 2014
- To raise awareness of probity policies and guidance amongst staff
- Ensure consistent standards for productivity are achieved following a review of the base line position and data
- Review customer feedback mechanisms to ensure the scores are supported by evidence and are consistent with customer surveys
- Review the consistency and compliance with the Equality Scheme. To ensure that the scores given by Service Managers are adequately supported by evidence of compliance.

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

**Cllr. A. Bradley**  
Leader of the Council

**G Hall**  
Chief Executive & Section 151 Officer

**C Moister**  
Head of Governance & Monitoring Officer

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# The Audit Findings for Chorley Borough Council

Year ended 31 March 2013

September 2013

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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify.

We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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# Section 1: Executive summary

**01. Executive summary**

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

# Executive summary

## Purpose of this report

This report highlights the key matters arising from our audit of Chorley Borough Council's ('the Council') financial statements for the year ended 31 March 2013. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing 260 (ISA).

Under the Audit Commission's Code of Audit Practice we are required to report whether, in our opinion, the Council's financial statements present a true and fair view of the financial position, its expenditure and income for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting. We are also required to reach a formal conclusion on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (the Value for Money conclusion).

## Introduction

In the conduct of our audit we have not had to alter or change our planned audit approach, which we communicated to you in our Audit Plan, which was presented to the March Governance Committee.

Our audit is now substantially complete although we are finalising our work in the following areas:

- review of the final version of the financial statements

- obtaining and reviewing the final management letter of representation
- Whole of Government Accounts
- awaiting responses to a small number of outstanding queries.

We received draft financial statements and accompanying working papers at the start of our audit, in accordance with the agreed timetable.

## Key issues arising from our audit

### Financial statements opinion

We anticipate providing an unqualified opinion on the financial statements.

The Council has made one material amendment to the financial statements. During 2012/13 the Council reviewed its provision of £1.75m to meet pension fund liabilities relating to staff transferred to Chorley Community Housing Ltd arising from the housing stock transfer. The Council decided that it was more appropriate to treat this provision now as a reserve. The change in classification was originally treated as a 2012/13 transaction but officers have agreed to amend the accounts to show this as a prior year adjustment. (See page 13 for further detail). There is no impact on the Council's overall reported financial position.

We have also made a number of adjustments to improve the clarity of the presentation of the financial statements.

Further details are set out in section 2 of this report.

## Value for money conclusion

We are pleased to report that, based on our review of the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources, we propose to give an unqualified VFM conclusion.

The Council successfully delivered its efficiency target of £0.98m in 2012/13 and has agreed a budget plan for 2013-14 to 2015-16 which incorporates revisions arising from the latest local government settlement. The Plan identified a requirement for £1.6m of savings. Further work is required to meet the budget gap and to provide greater certainty of the financial position for 2014-15 and onwards, however, the Council has made a good start in identifying those areas which can contribute towards funding the shortfall.

Further detail of our work on Value for Money is set out in section 3 of this report.

## Whole of Government Accounts (WGA)

We will complete our work in respect of the Whole of Government Accounts in accordance with the national timetable.

## Controls

### Roles and responsibilities

The Council's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the Council.

## Findings

Our work has not identified any significant control weaknesses which we wish to highlight for your attention.

Further details are provided within section 2 of this report.

## The way forward

Matters arising from the financial statements audit and review of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources have been discussed with the Head of Finance and the Chief Executive.

The Council is faced with the continuing challenge of finding further savings which will become increasingly difficult. It will be essential therefore to ensure that its savings plans are clearly communicated, link to specific policy decisions, and that the impact on service levels and quality is clearly identified and monitored.

## Acknowledgment

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

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## Section 2: Audit findings

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05. Communication of audit matters

# Audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work. We set out on the following pages the work we have performed and findings arising from our work in respect of the audit risks we identified in our audit plan, presented to the Governance Committee on 14<sup>th</sup> March 2013. We also set out the adjustments to the financial statements from our audit work and our findings in respect of internal controls.

## **Changes to Audit Plan**

We have not made any changes to our Audit Plan as previously communicated to you.

## **Audit opinion**

We anticipate that we will provide the Council with an unmodified opinion. Our draft audit opinion is set out in Appendix A.



# Audit findings against significant risks

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA 315).

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
1.	<p><b>Improper revenue recognition</b></p> <p>Under ISA 240 there is a presumed risk that revenue may be misstated due to improper recognition</p>	<ul style="list-style-type: none"> <li>• Review of revenue recognition policies</li> <li>• Testing of material revenue streams</li> </ul>	<p>Our audit work has not identified any issues in respect of revenue recognition.</p>
2.	<p><b>Management override of controls</b></p> <p>Under ISA 240 there is a presumed risk of management over-ride of controls</p>	<ul style="list-style-type: none"> <li>• Identification of controls in place to prevent management over-ride</li> <li>• Review of accounting estimates, judgments and decisions made by management</li> <li>• Testing of journal entries</li> <li>• Review of unusual significant transactions</li> </ul>	<p>Our audit work has not identified any evidence of management override of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgments.</p>

# Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<b>Operating expenses</b>	Operating expenses understated	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>documented our understanding of processes and key controls over the transaction cycle</li> <li>undertaken walkthrough of the key controls to assess the whether those controls are designed effectively</li> <li>controls testing</li> <li>sample tested operating expenses.</li> </ul>	Our audit work has not identified any significant issues in relation to the risk identified.
<b>Operating expenses</b>	Creditors understated or not recorded in the correct period	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>documented our understanding of processes and key controls over the transaction cycle</li> <li>controls testing</li> <li>sample tested operating expenses.</li> </ul>	Our audit work has not identified any significant issues in relation to the risk identified.
<b>Employee remuneration</b>	Remuneration expenses not correct	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>documented our understanding of processes and key controls over the transaction cycle</li> <li>sample testing of payroll expenditure</li> <li>predictive analytical review to compare actual staff costs to our estimate.</li> </ul>	Our audit work has not identified any significant issues in relation to the risk identified.

# Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<p><b>Welfare expenditure</b></p>	<p>Welfare benefits improperly computed</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>• documented our understanding of processes and key controls over the transaction cycle</li> <li>• undertaken walkthrough of the key controls to assess whether those controls are designed effectively</li> <li>• early work as part of the certification of the housing and council tax benefits subsidy grant claim.</li> </ul>	<p>Our audit work has not identified any significant issues in relation to the risk identified</p>

# Accounting policies, estimates & judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Council's financial statements.

Accounting area	Summary of policy	Comments	Assessment
<b>Revenue recognition</b>	Accounting Policies Note 1 states that the income is accounted for in the period to which it relates regardless of when the cash is received.	The recognition of revenue by the Council is in line with recognised accounting guidance and in line with CIPFA's recommended approach.	●
<b>Judgements and estimates</b>	Key estimates and judgements include: <ul style="list-style-type: none"> <li>– useful life of capital equipment</li> <li>– pension fund valuations and settlements</li> <li>– revaluations</li> <li>– impairments</li> <li>– provisions</li> </ul>	The judgements and estimates included within the financial statements have been based on a sound rationale. The judgements and estimates are supported where necessary by advice given by professional experts including Liberata UK Limited and Mercers who provide assurance around the asset lives and the pension fund respectively.	●
<b>Other accounting policies</b>	We have reviewed the Council's other accounting policies against the requirements of the CIPFA Code and accounting standards.	Our review of accounting policies has not highlighted any significant issues which we wish to bring to your attention.	●

## Assessment

- Marginal accounting policy which could potentially attract attention from regulators
- Accounting policy appropriate but scope for improved disclosure
- Accounting policy appropriate and disclosures sufficient

# Adjusted misstatements

A number of adjustments to the draft financial statements have been identified during the audit process. We are required to report all misstatements to those charged with governance, whether or not the financial statements have been adjusted by management. The table below summarises the adjustments arising from the audit which have been processed by management.

## Impact of adjusted misstatements

All adjusted misstatements are set out below along with the impact on the key statements and the reported financial position.

Detail	Comprehensive Income and Expenditure Account £000	Movement in Reserves Statement Transfers to/from Earmarked Reserves £000	Balance Sheet Long Term Liabilities £000	Balance Sheet Usable Reserves £000	Impact on total net expenditure £000
<b>Pension Fund Liability</b>					
During 2012/13 the Council reviewed its provision of £1.75m to meet pension fund liabilities relating to staff transferred to Chorley Community Housing Ltd arising from the housing stock transfer. The Council decided that it was more appropriate to treat this as a reserve. The change in accounting treatment was originally treated as a 2012/13 transaction. Officers have agreed that the change should be treated as a prior year adjustment and this has been reflected in the updated financial statements. The restatement has also affected the cash flow statement and notes 4,8,9,23 and 29.					
2011/12 Adjustments	-1,750	+1,750	-1,750	+1,750	Nil
2012/13 Adjustments	-1,750	+1,750	Nil	Nil	Nil

## Misclassifications & disclosure changes

A small number of presentational and disclosure changes have been made to the financial statements to improve clarity, compliance with CIPFA's Code of Practice on Local Authority Accounting and to correct referencing inconsistencies. Amendments were made to notes 3,12,16,21,23, 36, 41 and 50.

The Annual Governance Statement has been amended to reflect:

- the fact that the authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010)
- the findings of Internal Audit's annual report and in particular commentary around any limited assurance ratings given by Internal Audit.

## Unadjusted misstatements

The table below provides details of adjustments identified during the audit but which have not been made within the final set of financial statements. The Governance Committee is required to approve management's proposed treatment of all items recorded within the table below:

Detail	Comprehensive Income and Expenditure Account £'000	Balance Sheet £'000	Reason for not adjusting
<p>1 Property, Plant and Equipment</p> <p>A sample review of capital expenditure established that expenditure had been incorrectly allocated on the asset register. Expenditure incurred at Clayton Green Leisure Centre and Brinscall Baths totalling £228,000 was incorrectly allocated to All Seasons Leisure Centre. There is an impact on the depreciation and revaluation calculations affecting these assets. We are satisfied that the impact of this mis-classification does not have a material impact on the accounts, and it does not affect the overall financial position for the year.</p>	Not Material	£228,000	There is no material impact on the financial statements in 2012/13 and the Council has requested that they work through the changes and correct this in 2013/14.
<p>2 Short term Creditors</p> <p>The creditors balance includes £493,000 in respect of "commuted sums", provided under Section 106 agreements for the maintenance of assets used by the Council (e.g. public open spaces and community centres) These largely consist of balances brought forward from the previous year, with only minor movements in 2012-13. These balances are incorrectly classified as they are not short term creditors relating to periods of less than twelve months.</p>	None	£493,000	This is merely a classification error within the Council's liabilities. There is no material impact on the financial statements in 2012/13. The Council has requested that they work through the changes and correct this in 2013/14.

## Internal controls

The purpose of an audit is to express an opinion on the financial statements.

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Our work has not identified any significant control weaknesses which we wish to highlight for your attention.



# Other communication requirements

We set out below details of other matters which we are required by auditing standards to communicate to those charged with governance.

	Issue	Commentary
1.	<b>Matters in relation to fraud</b>	<ul style="list-style-type: none"> <li>We have previously discussed the risk of fraud with the Governance Committee. We have not been made aware of any incidents in the period and no issues have been identified during the course of our audit procedures.</li> </ul>
2.	<b>Matters in relation to laws and regulations</b>	<ul style="list-style-type: none"> <li>We are not aware of any significant incidences of non-compliance with relevant laws and regulations.</li> </ul>
3.	<b>Written representations</b>	<ul style="list-style-type: none"> <li>A standard letter of representation has been requested from the Council.</li> <li>There is nothing contained within the letter that prevents us from issuing our financial statements opinion.</li> </ul>
4.	<b>Disclosures</b>	<ul style="list-style-type: none"> <li>Management have amended the financial statements narrative notes in response to all our suggestions and recommendations, with the exception of the issues identified on page 15.</li> </ul>
5.	<b>Matters in relation to related parties</b>	<ul style="list-style-type: none"> <li>We are not aware of any related party transactions which have not been disclosed.</li> </ul>
6.	<b>Going concern</b>	<ul style="list-style-type: none"> <li>Our work has not identified any reason to challenge the Council's decision to prepare the financial statements on a going concern basis.</li> </ul>

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## Section 3: Value for Money

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05. Communication of audit matters

# Value for Money

## Value for Money conclusion

The Code of Audit Practice 2010 (the Code) describes the Council's responsibilities to put in place proper arrangements to:

- secure economy, efficiency and effectiveness in its use of resources
- ensure proper stewardship and governance
- review regularly the adequacy and effectiveness of these arrangements.

We are required to give our VFM conclusion based on the following two criteria specified by the Audit Commission which support our reporting responsibilities under the Code.

- **The Council has proper arrangements in place for securing financial resilience.** The Council 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.
- **The Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness.** The Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

## Key findings

### Securing financial resilience

We have undertaken a review which considered the Council's arrangements against the following three expected characteristics of proper arrangements as defined by the Audit Commission:

- Financial governance;
- Financial planning; and

- Financial control

Overall, our work highlighted that the Council's current arrangements for securing financial resilience are good. The Council, along with all other authorities, is faced with the continuing challenge of finding further savings which will become increasingly difficult. The need for robust governance and financial planning and management in local government is greater than ever. Chorley is well placed in this respect but will need to continue to keep this under review to ensure it can continue to respond effectively. Our separate Financial Resilience report provides further detail on the Council's arrangements.

### Challenging economy, efficiency and effectiveness

We have reviewed whether the Council has prioritised its resources to take account of the tighter constraints it is required to operate within.

The Council has adopted a corporate approach to identifying savings. Chorley continues to achieve savings through improved processes, negotiations with contractors and having an excellent understanding of its costs. Performance monitoring shows that the Council has achieved its target efficiency savings for 2012/13 without having a detrimental impact on performance. The recent residents survey showed an increase in the percentage of residents who feel that the Council provides value for money.

## Overall VFM conclusion

On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2013.

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## Section 4: Fees, non audit services and independence

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# Fees, non audit services and independence

We confirm below our final fees charged for the audit.

## Fees

	Per Audit plan £	Actual fees £
Council audit	59,440	59,440
Grant certification	12,350	12,350
<b>Total audit fees</b>	<b>71,790</b>	<b>71,790</b>

## Fees for other services

Service	Fees £
None	Nil

## Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.

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## Section 5: Communication of audit matters

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

# Communication of audit matters to those charged with governance

International Standard on Auditing (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

The Audit Plan outlined our audit strategy and plan to deliver the audit, while this Audit Findings report presents the key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

## Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission ([www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)).

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged Details of safeguards applied to threats to independence	✓	✓
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Compliance with laws and regulations		✓
Expected auditor's report		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

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# Appendices



# Appendix A: Audit opinion

**We anticipate we will provide the Council with an unmodified audit report**

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

### Opinion on the Authority financial statements

We have audited the financial statements of Chorley Borough Council for the year ended 31 March 2013 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

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. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of the Chief Financial Officer and auditor

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us 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 financial statements sufficient to give reasonable assurance that the financial 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 Chief Financial Officer; and the overall presentation of the financial statements

In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Chorley Borough Council as at 31 March 2013 and of its expenditure and income 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 2012/13.

### Opinion on other matters

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

### Matters on which we report by exception

We report to you if :

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

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

**Respective responsibilities of the Authority and the auditor**

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.

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves 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 us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

**Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources**

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in November 2012, 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 us to consider under the Code of Audit Practice in satisfying ourselves 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 2013.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we 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 our work, having regard to the guidance on the specified criteria published by the Audit Commission in November 2012, we are 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 ended 31 March 2013.

**Certificate**

We certify that we have completed the audit of the financial statements 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  
Associate Director  
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Grant Thornton UK LLP,  
4 Hardman Square,  
Spinningfields,  
Manchester M3 3EB

September 2013

## Appendix B: Overview of audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work.

### Changes to Audit Plan

We have not had to change our Audit Plan as previously communicated to you at the March Governance Committee.

Account	Transaction cycle	Material misstatement risk?	Description of risk	Change to the audit plan	Audit findings
Cost of services - operating expenses	Operating expenses	None	Operating expenses understated	No	None
Cost of services – employee remuneration	Employee remuneration	None	Remuneration expenses not correct	No	Disclosure note change
Costs of services – Housing & council tax benefit	Welfare expenditure	None	Welfare benefits improperly computed	No	None
Cost of services – other revenues (fees & charges)	Other revenues	None		No	None
(Gains)/ Loss on disposal of non current assets	Property, Plant and Equipment	None		No	None
Precepts and Levies	Council Tax	None		No	None
Interest payable and similar charges	Borrowings	None		No	None
Pension Interest cost	Employee Remuneration	None		No	None
Interest & investment income	Investments	None		No	None

Account	Transaction cycle	Material misstatement risk?	Description of risk	Change to the audit plan	Audit findings
Return on Pension assets	Employee remuneration	None		No	None
Investment properties: Income expenditure, valuation, changes & gain on disposal	Property, Plant & Equipment	None		No	None
Income from council tax	Council Tax	None		No	None
NNDR Distribution	NNDR	None		No	None
Revenue support grant and other Government grants	Grant Income	None		No	None
Capital grants & Contributions (including those received in advance)	Property, Plant & Equipment	None		No	None
(Surplus)/ Deficit on revaluation of non current assets	Property, Plant & Equipment	None		No	None
Actuarial (gains)/ Losses on pension fund assets & liabilities	Employee remuneration	None		No	None
Other comprehensive (gains)/ Losses	Revenue/ Operating expenses	None		No	None

Account	Transaction cycle	Material misstatement risk?	Description of risk	Change to the audit plan	Audit findings
Property, Plant & Equipment	Property, Plant & Equipment	Other	PPE activity not valid	No	Unadjusted non-material misstatement due to incorrect posting of capital expenditure within the asset register
Property, Plant & Equipment	Property, Plant & Equipment	Other	Revaluation measurements not correct	No	None
Heritage assets & Investment property	Property, Plant & Equipment	None		No	None
Intangible assets	Intangible assets	None		No	None
Investments (long & short term)	Investments	None		No	None
Debtors (long & short term)	Revenue	None		No	None
Assets held for sale	Property, Plant & Equipment	None		No	None
Borrowing (long & short term)	Debt	None		No	None
Creditors (long & Short term)	Operating Expenses	Other	Creditors understated or not recorded in the correct period	No	Unadjusted non material misstatement regarding commuted sums

Account	Transaction cycle	Material misstatement risk?	Description of risk	Change to the audit plan	Audit findings
Provisions (long & short term)	Provision	None		No	Potential pension liability issue
Pension liability	Employee remuneration	None		No	None
Reserves	Equity	None		No	None



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Report of	Meeting	Date
Chief Executive	Governance Committee	12 September 2013

## STATEMENT OF ACCOUNTS 2012-13

### PURPOSE OF REPORT

1. To present for approval, by the statutory deadline of 30 September 2013, the audited Statement of Accounts for 2012/13.

### RECOMMENDATION(S)

2. That the Committee should approve the audited Statement of Accounts for 2012/13 (Appendix A).
3. That the Committee should authorise the Chief Executive to sign the Letter of Representation (Appendix B).

### EXECUTIVE SUMMARY OF REPORT

4. Approval of the audited Statement of Accounts and publication by 30 September 2013 is a requirement of the Accounts and Audit (England) Regulations 2011. The approved and signed Statement would be published on the Council's web site.
5. Figures in 2011/12 and 2012/13 have been restated so that £1.75m is shown as being transferred into an Earmarked Reserve rather than a Long Term Provision as at 31 March 2012, instead of at 31 March 2013.
6. The Appointed Auditor intends to issue an unqualified audit opinion of the Statement of Accounts; an unqualified Value For Money conclusion; and indicates that there are no significant weaknesses in internal controls to highlight. The adjusted misstatement in respect of the £1.75m Earmarked Reserve is said to have had no impact on the overall reported financial position. Two unadjusted misstatements will be corrected in 2013/14, because they have no material impact in 2012/13.

<b>Confidential report</b> Please bold as appropriate	Yes	<b>No</b>
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**CORPORATE PRIORITIES**

7. This report relates to the following Strategic Objectives:

Involving residents in improving their local area and equality of access for all		A strong local economy	
Clean, safe and healthy communities		An ambitious council that does more to meet the needs of residents and the local area	

**BACKGROUND**

8. The unaudited Statement of Accounts 2012/13 was presented to the Governance Committee meeting of 27 June 2013. Since then the audit has been completed, and the Appointed Auditor’s Audit Findings Report is presented as a separate report on this agenda.
9. The Accounts and Audit (England) Regulations 2011 require that the statement should be approved by a meeting of members by 30 September 2013. The full statement for 2012/13 is attached as Appendix A.
10. Following consideration and approval by this Committee, the Chair should sign and date the Statement, which should also be re-certified by the Chief Finance Officer (Chief Executive), and be published by 30 September 2013. The Statement of Accounts will be published on the Chorley Council web site, [www.chorley.gov.uk](http://www.chorley.gov.uk).
11. The Chief Executive, as Chief Finance Officer, should also sign the Letter of Representation attached as Appendix B. This is referred to in the report from Grant Thornton.

**CHANGES IN AUDITED STATEMENT OF ACCOUNTS**

12. There have been a number of changes to the audited Statement of Accounts for 2012/13 compared to the unaudited Statement presented on 27 June 2013.
13. The only material change is in respect of the £1.75m received from Chorley Community Housing in 2011/12 for the purpose of paying the pension fund. In 2011/12, the sum of £1.75m was transferred into a Long Term Provision account, with the intention that any payments to the pension fund in a future year would be charged to the provision. As explained in my report presented on 27 June 2013, during 2012/13 the transfer to the provision was reversed back to the Comprehensive Income and Expenditure Account (CI&EA); and then the sum was transferred into an Earmarked Reserve instead. Future payments to the pension fund would be charged to the CI&EA and matched by a transfer from the Earmarked Reserve. Though the auditor agrees that the £1.75m should be held in an Earmarked Reserve, this should have been the treatment of the transaction in the 2011/12 accounts. This means that 2011/12 comparative figures have been restated, and that the movement from Long Term Provision to Earmarked Reserve in 2012/13 is no longer required.
14. The following changes in respect of this are included in the audited Statement:
  - **Foreword by the Chief Finance Officer** – in the Reserves and Balances Summary, the technical deficit for the Income and Expenditure account has increased from £0.299m to £2.049m. Rather than there being a £1.482m transfer to Earmarked Reserves, there is now a net transfer from Earmarked Reserves of

£0.268m. Neither of these changes affects the total usable reserves of £2.060m (General Balance) and £4.309m (Earmarked Reserves).

- **Movement in Reserves Statement** – the restated balance as at 31 March 2012 included the £1.75m within Earmarked Reserves. The transfer has been excluded from the movements during 2012/13.
- **Comprehensive Income and Expenditure Statement** – the transfer to the Provision in 2011/12 and reversal in 2012/13 has been excluded from the Gross Expenditure total for Other Operating Expenditure.
- **Balance Sheet** – the restated figures as at 31 March 2012 include the £1.75m in Usable Reserves rather than the Long Term Provision. The effect has been to increase Net Assets to £6.591m. No changes were required to 31 March 2013 figures.
- **Cash Flow Statement** – the figures for the net deficit on provision of services have changed for both years, as have the adjustments to the deficit for non-cash movements. Cash and cash equivalents at the end of each period have not changed.
- **Note 4: Critical Judgements in Applying Accounting Policies** – explains the change and points readers to those parts of the Statement that have restated 2011/12 figures.
- **Note 8: Transfers/to from Earmarked Reserves** – the £1.75m transfer to the Earmarked Reserve for reduction of the pension liability has been moved from 2012/13 to 2011/12. The total held in Earmarked Reserves as at 31 March 2013 has not changed.
- **Note 9: Other Operating Expenditure** – the transfer to the pension liability provision in 2011/12 and reversal in 2012/13 are no longer required in this note.
- **Note 23: Provisions** - the transfer to the pension liability provision in 2011/12 and reversal in 2012/13 are no longer required in this note.
- **Note 29: Amounts Reported for Resource Allocation Decisions (Segments)** – this note has been amended to reflect the changes to the Comprehensive Income and Expenditure Statement.

15. Note 36: Officers Remuneration has been amended to include an accrued payment that was included where appropriate in all other statements, but which had been omitted from the note.
16. The audited Statement also includes a small number of amendments to correct typographical errors and rounding differences. A number of adjustments were made, with audit agreement, to improve the clarity of the presentation of the financial statements.

## AUDIT FINDINGS

17. The Audit Findings report by the Appointed Auditor (Grant Thornton) includes a draft audit opinion. This indicates that the Council will be provided with an unmodified audit report which is, in other words, an unqualified opinion. In addition, Grant Thornton propose to give an unqualified Value For Money conclusion. Furthermore work on testing of internal controls has not satisfied any significant weaknesses that the Appointed Auditor wishes to highlight for the Council's attention.
18. In respect of the adjusted misstatement of the £1.75m sum received from Chorley Community Housing, Grant Thornton confirm that there is no impact on the Council's overall reported financial position.
19. There were two unadjusted misstatements in 2012/13. Capital expenditure in respect of Clayton Green Sports Centre and Brinscall Baths was incorrectly attributed to the All Seasons Leisure Centre, which meant that depreciation and revaluation figures in 2012/13

were incorrect. As there is no material impact on the financial statements in 2012/13, I have agreed that the corrections will be made during 2013/14. In addition, commuted sums for the maintenance of assets adopted by the Council under Section 106 agreements have been included in the balance sheet figure for Short Term Creditors. Such sums should be in the Long Term Creditors total, but the correction will be made in 2013/14 because there is no material impact in 2012/13.

**IMPLICATIONS OF REPORT**

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

Finance	✓	Customer Services	
Human Resources		Equality and Diversity	
Legal		Integrated Impact Assessment required?	
No significant implications in this area		Policy and Communications	

**COMMENTS OF THE STATUTORY FINANCE OFFICER**

21. All relevant comments are included within the report.

**COMMENTS OF THE MONITORING OFFICER**

22. Approval and publication of the Statement of Accounts by 30 September 2013 is required in order to comply with the Accounts and Audit (England) Regulations 2011.

GARY HALL  
CHIEF EXECUTIVE

There are no background papers to this report.

Report Author	Ext	Date	Doc ID
Michael Jackson	5490	2/9/13	Statement of Accounts Report 2012-13 Gov Ctte 12-9-13.docx

# Statement of Accounts 2012/2013



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

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## Foreword by the Chief Finance Officer

### INTRODUCTION

As the Chief Executive and Chief Finance Officer of the Council, I have the statutory responsibility for the proper administration of the Authority's financial affairs, and am required to confirm that the Council's systems can be relied upon to produce an accurate statement of accounts.

The required statement of assurance (The Annual Governance Statement) was reported to Governance Committee on 27 June 2013

This Statement of Accounts has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 (The Code), which is based on International Financial Reporting Standards, and the Service Reporting Code of Practice for Local Authorities (SERCOP).

### ACCOUNTING CHANGES

There are no significant changes in the accounting standards in 2012/13.

### 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.

- 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 57     **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 2012/13**

**Reporting Cycle**

The Council’s 2012/13 revenue budget, capital programme, Medium Term Financial Strategy (MTFS), and Treasury Strategy were approved by the Council on 28 February 2012. Thereafter, monitoring and reports were submitted at quarterly intervals to the Executive Cabinet. The reports are available on the Council’s web site

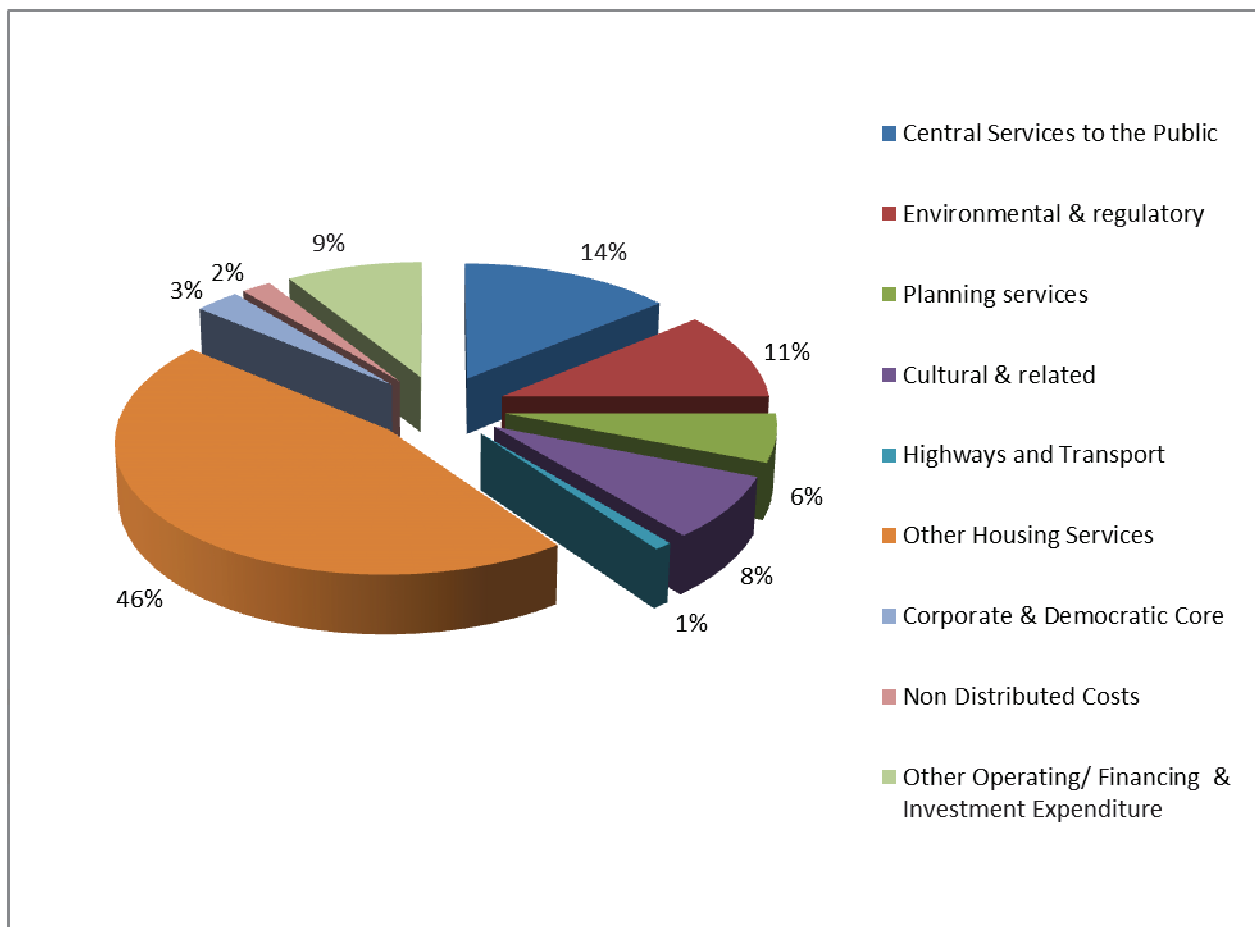
The twin themes of the revenue reports were to firstly, forecast the anticipated out-turn against the budget, and secondly, to monitor progress in achieving planned budgetary efficiencies. With regard to the Capital Programme, progress on individual schemes are reporting plus and any changes to capital resources.

**Actual Spend Compared to the Budget**

There were no significant differences between the reported budget out-turn and actual expenditure in the year, and the General Fund Balance at 31 March 2013 of £2.060m (page 9) compares to a budgeted position of £2.069m. Further comment on the reserves position is made below.

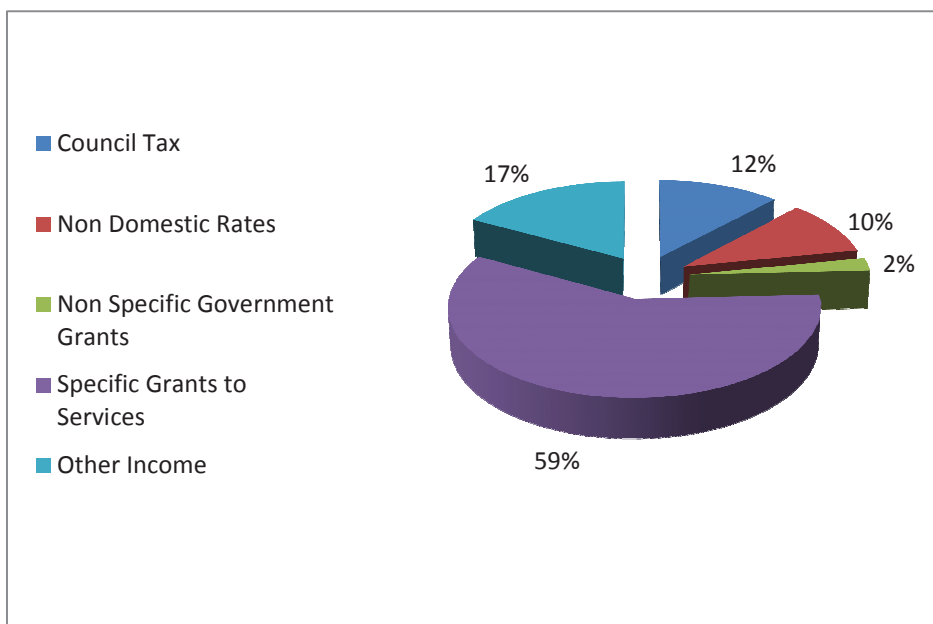
**Where the money was spent**

The Gross Expenditure for the Council is detailed in the Comprehensive Income and Expenditure Statement. In 2012/13 it consisted of:



**Where the money came from**

The Gross Income for the Council is disclosed in the Comprehensive Income and Expenditure Statement. It consisted of:



**Treasury Management**

The treasury operations of the Council are conducted in accordance with its annual Treasury Strategy. This document identifies the investment and borrowing policies of the Council over a three year period, specifying, amongst other things, the criteria for investment counterparties, the maximum duration, and amount, of investments, and the need for borrowings.

Treasury operations are of a modest nature. The key facts for 2012/13 were

- Investments are of a short term nature, the maximum period being one year.
- During the year investments peaked at £23m, averaged £17.6m per day, and, with cash, amounted to £10.8m at year end. The return on investments was 1.42%.
- External borrowing fell during the year from £7.9m to £7.3m. The major part of this borrowing matures in two years' time.
- In determining council tax charges authorities have to make a specific provision for the financing of capital expenditure (this replaces a charge for depreciation). The outstanding amount for which provision has to be made is known as the Capital Financing Requirement (CFR). During the year the CFR increased from £8.1m to £8.5m (Note 40 gives details). This will generate a charge to Council tax in future years.

Note 47 to the Statement gives more details of treasury operations, and the management of risk. It also reports on the on-going recovery of impaired debt in Icelandic banks

**Capital Spend and Financing Summary**

The Council incurs capital expenditure on its own buildings and equipment, and it is also permitted to use capital resources to finance expenditure on grants for capital works by others, for instance for disabled adaptations by home owners.

The following tables details the areas of expenditure and sources of finance in 2012/13:

<b>Capital expenditure in 2012/13</b>	<b>Actual Capital Expenditure £'000</b>
Site assembly Chorley town centre	476
Housing disabled and repair grants	378
Leisure centre works	288
IT related expenditure	55
Parks and play areas	66
Other	564
<b>Total Capital Expenditure</b>	<b>1,827</b>

<b>Capital financing in 2012/13</b>	<b>Actual Capital Financing £'000</b>
Prudential Borrowing	990
Capital Receipts	124
Contributions from Revenue Budget	185
Revenue Budget VAT Shelter Income	119
External Contributions - Developers	(73)
External Contributions - Other	119
Government Grants – Disabled Facilities Grant	277
Government Grant – Housing Capital Grant	86
<b>Total Capital Financing</b>	<b>1,827</b>

The Balance Sheet includes unused grants and contributions totalling £3.004m which can only be used for capital purposes.

**Reserves and Balances Summary**

The Authority's Medium Term Financial Strategy (MTFS) specifies that the general balance should be no lower than £2.0m. At the start of the year it totalled £2.265m. In addition there were reserves totalling £2.827m earmarked for specific projects. The changes in the year are as follows:-

- The Income and Expenditure account incurred a deficit of £2.049m. However for the purposes of fixing the charge to council tax payers, charges totalling a net £1.576m, as detailed in note 7, were transferred to the Unusable Reserves.
- Further net transfers from Earmarked Reserves to the General Balance of £0.268m were also made.

The combination of these factors resulted in the General Balance being £2.060m, and Earmarked Reserves £4.309m, as presented in the Movement in Reserves Statement on page 9. The purposes for which the Earmarked Reserves are held are given in Note 8.

### **Pension Fund Liability**

The pension fund deficit has increased from £34.0m to £41.0m. This figure is very much an estimate being the actuary's assessment of the present value of the liabilities to be met by the fund over a long period less its current assets and anticipated future receipts. Note 44c also shows that the deficit, year on year, is volatile. Nevertheless the trend is upwards, and the increase this year has happened despite the strong rise in equity values which resulted in gains exceeding those expected, this being more than offset by the effect of a decline in the rate used to discount those future liabilities. Changes in the pension fund were announced in 2011/12 that should restrict future liabilities, but these will not affect past liabilities.

The statutory provisions require that the deficit be made good by increased contributions over the remaining working life of employees. These contributions are reviewed every three years as part of the comprehensive actuarial review of the pension fund. The next review will become effective in 2014 and was flagged in the Medium Term Financial Strategy as being a factor that had the potential to significantly affect the budget forecasts in future years.

### **Looking Ahead – The Overall Financial Position of the Authority**

The Council has managed, in a very difficult environment, to maintain a healthy financial position. The Medium Term Financial Strategy envisages no relaxing of the pressures, and forecasts the following budget shortfalls over the next three years.

<b>Year</b>	<b>Budget Gap/(Surplus) £'000</b>	<b>Cumulative £'000</b>
<b>2013/14</b>	(495)	(495)
<b>2014/15</b>	1,441	946
<b>2015/16</b>	644	1,590

The main threats to these forecasts are perceived to be:-

- The impact of the triennial pension review from 2014/15.
- Uncertainties about the impact of the new business rates retention and council tax support regimes which commenced on 1 April 2013. Under the old systems the risks of change and volatility in cost and income rested with the DCLG. The new regime has transferred a significant element of risk to the Council.
- Government funding uncertainty resulting from the shortened settlement periods (two years instead of four years).

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

- Increase productivity.
- Review expenditure on contracts.
- Review non employee related base budget heads.
- Review all income streams to ensure full cost recovery is being achieved and all possible revenue streams are being structured in the most appropriate way.
- Seek to increase income yield from Investment Properties as part of the rationalisation of administration buildings, and reduce property running costs.
- Consider when it should apply the £1.750m Pension Fund Liability earmarked reserve in order to achieve the maximum benefit to the revenue budget.

Capital expenditure over the next three years is constrained by the resources available. Planned spend is £7.750m. In addition the Council is working with the Health Authorities to fund a health centre, by additional prudential borrowing, at an estimated cost of £6.650m. Any costs incurred by the Council are planned to be recovered from the Health Authorities.

**Income Recovery**

Note 19 analyses debtors by type, and note 47 further analyses the risk of default by debtors included within financial instrument.

The following table shows the in-year collection rates of local taxes, and that successful recovery action continues to maintain rates from year to year.

	2010/11	2011/12	2012/13
<b>Council Tax</b>	98.4%	98.3%	98.2%
<b>NDR</b>	97.8%	97.2%	97.1%

## 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 Chief Finance Officer.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

### The Chief Finance Officer's Responsibilities

The Chief Finance Officer is responsible for preparing 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 2012/13 (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 31 March 2013 and its Income and Expenditure for the year ended 31 March 2013.

Gary Hall BA CPFA  
Chief Finance Officer  
Date 12 September 2013

I confirm that these Statements of Account were approved by Governance Committee on 12 September 2013.

Councillor Paul Leadbetter  
Chair, Governance Committee



## 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 25 £'000	Total Reserves £'000
<b>Balance 31 March 2011</b>	(2,077)	(1,814)	(41)	(5,740)	(9,672)	(4,675)	(14,347)
<b><u>Movement in 2011/12</u></b>							
Deficit on provision of service.	1,365	0	0	0	1,365	0	1,365
Other Comprehensive Income & Expenditure.	0	0	0	0	0	6,391	6,391
<b>Total Comprehensive Income &amp; expenditure.</b>	<b>1,365</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,365</b>	<b>6,391</b>	<b>7,756</b>
Adjustments between accounting basis & funding basis under regulation (note 7).	(4,316)	0	41	3,048	(1,227)	1,227	0
<b>Net change before transfers to/from earmarked reserves.</b>	<b>(2,951)</b>	<b>0</b>	<b>41</b>	<b>3,048</b>	<b>138</b>	<b>7,618</b>	<b>7,756</b>
Transfers to/(from) earmarked reserves note 8	2,763	(2,763)	0	0	0	0	0
<b>(Increase)/Decrease in year.</b>	<b>(188)</b>	<b>(2,763)</b>	<b>41</b>	<b>3,048</b>	<b>138</b>	<b>7,618</b>	<b>7,756</b>
<b>Restated Balance 31 March 2012</b>	<b>(2,265)</b>	<b>(4,577)</b>	<b>0</b>	<b>(2,692)</b>	<b>(9,534)</b>	<b>2,943</b>	<b>(6,591)</b>
<b><u>Movement in 2012/13</u></b>							
Deficit on provision of service.	2,049	0	0	0	2,049	0	2,049
Other Comprehensive Income & Expenditure.	0	0	0	0	0	5,647	5,647
<b>Total Comprehensive Income &amp; expenditure.</b>	<b>2,049</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,049</b>	<b>5,647</b>	<b>7,696</b>
Adjustments between accounting basis & funding basis under regulation (note 7).	(1,576)	0	0	(312)	(1,888)	1,888	0
<b>Net change before transfers to/from earmarked reserves.</b>	<b>473</b>	<b>0</b>	<b>0</b>	<b>(312)</b>	<b>161</b>	<b>7,535</b>	<b>7,696</b>
Transfers to/(from) earmarked reserves note 8	(268)	268	0	0	0	0	0
<b>(Increase)/Decrease in year.</b>	<b>205</b>	<b>268</b>	<b>0</b>	<b>(312)</b>	<b>161</b>	<b>7,535</b>	<b>7,696</b>
<b>Balance 31 March 2013</b>	<b>(2,060)</b>	<b>(4,309)</b>	<b>0</b>	<b>(3,004)</b>	<b>(9,373)</b>	<b>10,478</b>	<b>1,105</b>

### 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.

2011/12 Restated				2012/13		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
8,851	(7,355)	1,496	Central services to the public.	8,793	(7,443)	1,350
6,482	(1,492)	4,990	Environment & regulatory services	6,756	(1,524)	5,232
3,702	(2,160)	1,542	Planning services	3,635	(1,800)	1,835
4,759	(479)	4,280	Cultural & related services	4,940	(432)	4,508
3,300	(997)	2,303	Highways and transport services.	522	(940)	(418)
26,084	(26,009)	75	Other housing services.	28,087	(27,516)	571
2,096	(103)	1,993	Corporate and democratic core.	2,077	(56)	2,021
1,095	(838)	257	Non-distributed costs.	932	(693)	239
<b>56,369</b>	<b>(39,433)</b>	<b>16,936</b>	<b>Cost of Services</b>	<b>55,742</b>	<b>(40,404)</b>	<b>15,338</b>
594	(2,274)	(1,680)	Other operating expenditure (note 9).	670	(124)	546
5,020	(4,261)	759	Financing and investment income and expenditure (note 10).	4,764	(3,855)	909
0	(14,650)	(14,650)	Taxation and non-specific grant income (note 11).	0	(14,744)	(14,744)
<b>61,983</b>	<b>(60,618)</b>	<b>1,365</b>	<b>(Surplus)/deficit on provision of services.</b>	<b>61,176</b>	<b>(59,127)</b>	<b>2,049</b>
		196	(Surplus)/deficit on revaluation of Property, Plant and Equipment assets.			(511)
		6,195	Actuarial (gains)/losses on pension assets and liabilities.			6,158
		<b>6,391</b>	<b>Other Comprehensive (Income) and Expenditure.</b>			<b>5,647</b>
		<b>7,756</b>	<b>Total Comprehensive (Income) and Expenditure.</b>			<b>7,696</b>

Comparative figures for 2011/12 have been restated to exclude the payment into a Long Term Provision of £1.75m. The transaction is now reflected in the Movement in Reserves Statement on page 9 as a transfer into an Earmarked Reserve. See also Notes 8 and 23.

## 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.

Restated 31 March 2012 £'000		Notes	31 March 2013 £'000
34,507	Property, Plant & Equipment	12	34,502
1,667	Heritage Assets	13	1,667
1,152	Investment Property	14	1,205
582	Intangible Assets	15	451
8	Long Term Investments		0
354	Long Term Debtors		348
<b>38,270</b>	<b>Long Term Assets</b>		<b>38,173</b>
9,119	Short Term Investments		10,919
0	Assets Held for Sale	21	0
26	Inventories	17	13
3,999	Short Term Debtors	19	2,388
3,869	Cash and Cash Equivalents	20	3,168
<b>17,013</b>	<b>Current Assets</b>		<b>16,488</b>
0	Bank Overdraft		(3,265)
(598)	Short Term Borrowing		(396)
(5,885)	Short Term Creditors	22	(3,271)
(15)	Provisions	23	(15)
<b>(6,498)</b>	<b>Current Liabilities</b>		<b>(6,947)</b>
0	Long Term Creditors		0
(7,272)	Long Term Borrowing		(6,923)
(33,959)	Other Long Term Liabilities - pensions	44	(41,033)
(14)	Other Long Term Liabilities - other		(14)
(949)	Grant Receipts in Advance – Capital	38	(849)
0	Grant Receipts in Advance - Revenue		0
<b>(42,194)</b>	<b>Long Term Liabilities</b>		<b>(48,819)</b>
<b>6,591</b>	<b>Net Assets</b>		<b>(1,105)</b>
9,534	Usable Reserves	Page 9	9,373
(2,943)	Unusable Reserves	25	(10,478)
<b>6,591</b>	<b>Total Reserves</b>		<b>(1,105)</b>

The Balance Sheet as at 31/3/12 has been restated because £1.75m disclosed in 2011/12 as a Long Term Provision has been reclassified as an Earmarked Reserve. The sum is within Usable Reserves as at 31/3/12.

The unaudited accounts were issued on 27/6/2013, and the audited accounts were authorised for issue on 12/9/13.

**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.

<b>Restated 2011/12 £'000</b>		<b>2012/13 £'000</b>
(1,365)	Net surplus or (deficit) on the provision of services	(2,049)
2,140	Adjustments to net surplus or deficit on the provision of services for non cash movements	3,505
(821)	Adjustments for items included in the net surplus or deficit on the provision of service that are investing & financing activity	(927)
(46)	Net cash flows from Operating Activities	529
(4,332)	Investing Activities (Note 27)	(2,803)
3,022	Financing Activities (Note 28)	1,573
(1,356)	Net increase or (decrease) in cash and cash equivalents	(701)
5,225	Cash and cash equivalents at the beginning of the reporting period	3,869
<b>3,869</b>	<b>Cash and cash equivalents at the end of the reporting period (note 20)</b>	<b>3,168</b>

Comparative figures for 2011/12 have been adjusted because Comprehensive Income and Expenditure Statement figures for that year have been restated.

## 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 2012/13 (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 45 & 46.

#### 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 44. An explanation of the methodology is provided below:-

- 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 4.9% (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 Reporting Period**

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.

**Heritage Assets**

Heritage assets are assets held principally for their contribution to culture and knowledge. The Council has the following assets which meet this definition. Note 49 gives details of the heritage assets held, and their treatment in this statement

**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 asset 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 41).

**Non Current Assets Held for Sale**

Accounting treatment is detailed in Property Plant & Equipment – Disposals and Non Current Assets Held for Sale

**Overheads**

The Service Reporting Code of Practice (SERCOP) 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.

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 and shown within current assets. 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; lesser receipts are included as service income in cost of services. 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**

Changes in the following accounting standards have not been included in this statement:

- IAS 1 presentation of Financial Statements (other comprehensive income)
- IFRS 7 Financial Instruments: Disclosures (transfer of financial assets).
- IAS 12 Income Taxes (deferred tax)
- IAS19 Employee Benefits
- IFRS 13 Fair Value Measurement

None of these standards is expected to have a material impact on the Council’s finances.

**3 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 accounts show the pension liability has increased to £41m. The liability value is calculated using assumed factors. The effect of changes in these assumptions therefore affects the liability, the changes this year are: (1) additional year of life - £2.2m (2) 0.1% salary inflation - £1.9m (3) 0.1% on discount rate - (£1.9m) Every 3 years the fund is comprehensively re-valued which leads to increases (or decreases if applicable) in the Council’s contributions. These are anticipated to rise by 0.5% in the next year.
Debtors	The most significant debtor issue for the Council is its responsibility for collecting £82m 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 19 shows non-public sector debtors of £2.4m. This includes housing benefit debts totalling £0.96m. Of this sum, a significant amount is expected to be recovered from on-going benefit, but changes in HB administration may affect this. The provision for impairment has therefore been increased to 43%. The total bad debt provision is £0.4m.	Any increase in impairments will be a charge to the revenue account.

Asset valuations	Note 12 shows that fixed assets valued at £31m are carried at either fair value or depreciated replacement cost value. The valuations have been carried out by qualified valuers in accordance with RICS Guidance	The values are only estimates and thus could over or understate the actual values realisable if sale actually occurred.
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**4 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES**

In 2011/12 a judgement was made that a sum of £1.75m, received from Chorley Community Housing (CCH) under the 2007 stock transfer contract, should be treated as a Long Term Provision. The income received from CCH related to the pension liabilities of staff transferred from Chorley Council as at March 2007. However, because that liability was fully discharged by the transfer of pension fund assets, the accounting treatment in 2011/12 was incorrect. Comparative figures for 2011/12 have been restated, so that the £1.75m is held in an Earmarked Reserve for the purpose of reducing the Council’s pension liability. The sum would be paid to the pension fund at the best time to reduce future annual pension charges.

Restated 2011/12 figures are presented in the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, and Notes 8, 9, 23 and 29.

**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 REPORTING PERIOD**

The Statement of Accounts was authorised for issue by the Chief Finance Officer on 27 June 2013. Subsequent events are not reflected in the financial statements or in the notes.

As at 31 March 2013 there were a significant number of unresolved appeals against Business Rate valuations. Up to that date any reduction would have been the liability of the Government for whom the Council acted in an agency capacity. From 1 April 2013, however, under the arrangements for Business Rates Retention the Council becomes liable for 40% of these unresolved appeals (Other shares are Central Government 50%, Lancashire County Council 9% and Fire Service 1%). These accounts include nothing in respect of this liability, and until the appeal is decided it is impossible to value it with any certainty. However, for the purposes of preparing the 2013/14 budget, a cost to the Council of £0.400m was assumed.

## 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.

In the following statement:

- **The General Fund Balance** is the statutory fund into which all receipts are paid and from which all liabilities are met. Statutory rules require different treatment of some items, than is provided for by accounting regulations. The resulting adjustments are detailed below.
- **The Capital Receipts Reserve** holds the proceeds from the disposal of land or other assets. Statute requires that these can only be used to fund new capital expenditure or to be set aside to finance historical capital expenditure.
- **Capital Grants Unapplied** These are grants and contributions received towards capital projects which are unencumbered by any repayment conditions. There may be restrictions as to the capital expenditure against which they can be applied.

	2012/13			
	General Fund Balance £'000	Capital Receipts Account £'000	Capital Grants Unapplied £'000	Unusable Reserves £'000
<b><u>Adjustments involving the Capital Adjustment Account</u></b>				
<u>Reversal of debits and credits to the Comprehensive Income and Expenditure account (CI&amp;E)</u>				
Charges for depreciation of non current assets	(1,405)			1,405
Charges for impairment of non current assets	(521)			521
Revaluation losses on Property, Plant and Equipment	0			0
Movements in the market value of Investment Property	53			(53)
Amortisation of intangible assets	(153)			153
Revenue expenditure funded from capital under statute	(295)			295
Capital grants funding REFFCUS	411			(411)
Capital grants received & used to fund capital in year	71			(71)
Non-current assets charged to CI&E on disposal	(102)			102
<u>Insertion of items not posted to CI&amp;E</u>				
Statutory and voluntary provision for the repayment of debt	591			(591)
Capital expenditure charged to the General Fund Balance	304			(304)
<b><u>Adjustments involving Capital Grants Unapplied</u></b>				
Capital grants and contributions unapplied credited to CI&E	240		(240)	
Grants applied to fund capital expenditure transferred to CAA			(72)	72
<b><u>Adjustments involving the Capital Receipts Reserve</u></b>				
Capital receipts from the disposal of non current assets	19	(19)		
Preserved Right To Buy receipts	104	(104)		
Capital receipts used to finance new capital expenditure		123		(123)
Capital receipts credited to CI&E to meet the pooling liability	(1)	1		
Transfer from Deferred Capital Receipts	(6)	(1)		7
<b><u>Adjustments involving Financial Instruments Adj. A/c</u></b>				
Difference between finance costs in CI&E and those chargeable in accordance with statutory regulation				
<b><u>Adjustments involving the Pensions Reserve</u></b>				
Reversal of pension charges made in CI&E	(2,492)			2,492
Employer's contributions and payments made to pensioners	1,577			(1,577)
<b><u>Adjustments involving the Collection Fund Adj. A/c</u></b>				
Difference between credit to CI&E and precepted amount	8			(8)
<b><u>Adjustments involving the Accumulated Absences A/c</u></b>				
Difference between remuneration charged to CI&E and that chargeable per statutory requirement	21			(21)
<b>TOTAL ADJUSTMENTS</b>	<b>(1,576)</b>	<b>0</b>	<b>(312)</b>	<b>1,888</b>

2011/12 Comparative figures	2011/12			
	General Fund £'000	Capital Receipts £,000	Capital Grants £'000	Unusable Reserves £'000
<b><u>Adjustments involving the Capital Adjustment Account (CAA)</u></b>				
<u>Reversal of debits and credits to CI&amp;E</u>				
Charges for depreciation of non current assets	(1,531)			1,531
Charges for impairment of non current assets	(265)			265
Revaluation losses on Property, Plant and Equipment	0			0
Movements in the market value of Investment Property	29			(29)
Amortisation of intangible assets	(185)			185
Revenue expenditure funded from capital under statute	(3,561)			3,561
Capital grants funding REFFCUS	500		3,007	(3,507)
Capital grants received & used to fund capital in year	106			(106)
Non-current assets charged to CI&E on disposal	(176)			176
<u>Insertion of items not posted to the CI&amp;E</u>				
Statutory & voluntary provision for the repayment of debt	586	150		(736)
Capital expenditure charged to the General Fund Balance	393			(393)
<b><u>Adjustments involving Capital Grants Unapplied</u></b>				
Capital grants and contributions unapplied credited to CI&E	44		(44)	
Grants applied to fund capital expenditure transferred to CAA			85	(85)
<b><u>Adjustments involving the Capital Receipts Reserve</u></b>				
Capital receipts from the disposal of non current assets	153	(153)		
Preserved Right to Buy receipts	19	(19)		
Capital receipts used to finance new capital expenditure		63		(63)
Capital receipts credited to CI&E to meet the pooling liability	(1)	(1)		2
<b><u>Adjustments involving Financial Instruments Adj. A/c</u></b>				
Difference between finance costs in CI&E and those chargeable in accordance with statutory regulation	0			0
<b><u>Adjustments involving the Pensions Reserve</u></b>				
Reversal of pension charges made in the CI&E	(2,138)			2,138
Employer's contributions and payments made to pensioners	1,651			(1,651)
<b><u>Adjustments involving the Collection Fund Adj. A/c</u></b>				
Difference between credit to CI&E and precepted amount	61			(61)
<b><u>Adjustments involving the Accumulated Absences A/c</u></b>				
Difference between remuneration charged to the CI&E and that chargeable per statutory requirement	0			0
<b>TOTAL ADJUSTMENTS</b>	<b>(4,315)</b>	<b>40</b>	<b>3,048</b>	<b>1,227</b>

**8 TRANSFERS TO/FROM EARMARKED RESERVES**

The movements in reserves during the year were as follows

	Balance	Restated		Balance	Transfers		Balance
	1 April	Out	(In)	31 March	Out	(In)	31 March
	2011	£'000	£'000	2012	£'000	£'000	2013
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Rephasing of planned expenditure	(401)	401	(491)	(491)	489	(519)	(521)
Grants reserved for specific expend.	(122)	15	(514)	(621)	5	0	(616)
Financing of capital expenditure	(398)	347	(307)	(358)	139	(77)	(296)
Planning purposes including appeals	(124)	48	(273)	(349)	124	0	(225)
Restructuring of services	(300)	223	0	(77)	54	0	(23)
Reduce Pension Fund Liability	0	0	(1,750)	(1,750)	0	0	(1,750)
Non-recurring projects	(244)	155	0	(89)	89	(115)	(115)
Town Centre investment	0	0	(232)	(232)	120	(310)	(422)
Apprenticeships for young people	0	0	(110)	(110)	31	0	(79)
Maintenance of Council buildings	(68)	68	(60)	(60)	60	(126)	(126)
Other	(157)	66	(349)	(440)	318	(14)	(136)
<b>Total</b>	<b>(1,814)</b>	<b>1,323</b>	<b>(4,086)</b>	<b>(4,577)</b>	<b>1,429</b>	<b>(1,161)</b>	<b>(4,309)</b>

**9 OTHER OPERATING EXPENDITURE**

Restated		2012/13
2011/12		2012/13
£'000		£'000
589	Parish council precepts	567
1	Payments to the Government's Capital Receipt Pool	1
23	(Gains)/losses on disposal of non current assets	102
(19)	Capital receipts from the sale of previously transferred housing stock	(104)
0	Other capital receipts	(20)
(2,274)	VAT shelter receipts	0
<b>(1,680)</b>	<b>Total</b>	<b>546</b>

**10 FINANCING AND INVESTMENT INCOME AND EXPENDITURE**

2011/12		2012/13
£'000		£'000
205	Interest payable and similar charges	178
862	Pensions interest cost net of expected return on pension assets	1,188
(279)	Interest receivable and similar income	(404)
(29)	Income and Expenditure in relation to investment properties and changes in their fair value	(53)
<b>759</b>	<b>Total</b>	<b>909</b>

**11 TAXATION AND NON SPECIFIC GRANT INCOMES**

2011/12		2012/13
£'000		£'000
(7,063)	Council Tax income	(7,016)
(5,149)	Non Domestic Rates	(5,928)
(2,125)	Non ring-fenced Government Grants	(1,408)
(313)	Capital grants and contributions	(393)
<b>(14,650)</b>	<b>Total</b>	<b>(14,745)</b>



## 12 PROPERTY PLANT AND EQUIPMENT

	Other land & Buildings £'000	Vehicles & Plant etc. £'000	Infra- structure £'000	Community Assets £'000	Surplus Assets £'000	Total £'000
<b><u>Cost or valuation</u></b>						
<b>At 1 April 2012</b>	<b>31,130</b>	<b>5,873</b>	<b>453</b>	<b>3,335</b>	<b>1,995</b>	<b>42,786</b>
Additions	1,295	210	6			1,511
Revaluations recognised in Revaluation Reserve (RR)	307			18	86	411
Revaluations recognised in CI&E	(3,042)				(69)	(3,111)
De-recognition - disposals						
De-recognition - other	(102)	(1,417)				(1,519)
Assets reclassified						
Other movements						
<b>At 31 March 2013</b>	<b>29,588</b>	<b>4,666</b>	<b>459</b>	<b>3,353</b>	<b>2,012</b>	<b>40,078</b>
<b><u>Depreciation and Impairment</u></b>						
<b>At 1 April 2012</b>	<b>(3,903)</b>	<b>(3,842)</b>	<b>(144)</b>	<b>(390)</b>	<b>0</b>	<b>(8,279)</b>
Depreciation charge	(551)	(676)	(54)	(124)		(1,405)
Depreciation written out of RR	101					101
Depreciation written out of CI&E						
Impairment losses recognised in RR						
Impairment losses recognised in CI&E	2,590					2,590
De-recognition - disposals						
De-recognition - other		1,417				1,417
Assets reclassified						
Other movements						
<b>At 31 March 2013</b>	<b>(1,763)</b>	<b>(3,101)</b>	<b>(198)</b>	<b>(514)</b>		<b>(5,576)</b>
<b><u>Net Book Value</u></b>						
<b>At 31 March 2012</b>	<b>27,227</b>	<b>2,031</b>	<b>309</b>	<b>2,945</b>	<b>1,995</b>	<b>34,507</b>
<b>At 31 March 2013</b>	<b>27,825</b>	<b>1,565</b>	<b>261</b>	<b>2,839</b>	<b>2,012</b>	<b>34,502</b>

Comparative Movements in 2011/12	Other land & Buildings £'000	Vehicles & Plant etc. £'000	Infra- Structure £'000	Community Assets £'000	Surplus Assets £'000	Total £'000
<b><u>Cost or valuation</u></b>						
<b>At 1 April 2011</b>	<b>31,119</b>	<b>5,512</b>	<b>459</b>	<b>3,298</b>	<b>1,995</b>	<b>42,383</b>
Additions	327	361	(6)	37	0	719
Revaluations recognised in Revaluation Reserve (RR)						
Revaluations recognised in CI&E	(140)					(140)
De-recognition - disposals	(176)					(176)
De-recognition - other						
Assets reclassified						
Other movements						
<b>At 31 March 2012</b>	<b>31,130</b>	<b>5,873</b>	<b>453</b>	<b>3,335</b>	<b>1,995</b>	<b>42,786</b>
<b><u>Depreciation and Impairment</u></b>						
<b>At 1 April 2011</b>	<b>(2,959)</b>	<b>(3,110)</b>	<b>(90)</b>	<b>(267)</b>	<b>0</b>	<b>(6,426)</b>
Depreciation charge	(622)	(732)	(54)	(123)		(1,531)
Depreciation written out of RR						
Depreciation written out of CI&E	2					2
Impairment losses recognised in RR	(197)					(197)
Impairment losses recognised in CI&E	(127)					(127)
De-recognition - disposals						
De-recognition - other						
Assets reclassified						
Other movements						
<b>At 31 March 2012</b>	<b>(3,903)</b>	<b>(3,842)</b>	<b>(144)</b>	<b>(390)</b>	<b>0</b>	<b>(8,279)</b>

### Fixed Assets Valuations

During 2012/13 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
<b>Carried at historical cost</b>	<b>1,068</b>	<b>4,584</b>	<b>459</b>	<b>3,109</b>	<b>0</b>	<b>9,220</b>
Valued at fair value as at:						
31 March 2013	12,892	0	0	25	1,190	<b>14,107</b>
31 March 2012	273	0	0	0	0	<b>273</b>
31 March 2011	7,130	0	0	1	0	<b>7,131</b>
31 March 2010	3,491	82	0	218	76	<b>3,867</b>
31 March 2009	4,734	0	0	0	746	<b>5,480</b>
<b>Total cost or valuation</b>	<b>29,588</b>	<b>4,666</b>	<b>459</b>	<b>3,353</b>	<b>2,012</b>	<b>40,078</b>

### Capital Commitments

The Authority does not have any significant capital projects in construction.

## 13 HERITAGE ASSETS

Cost or Valuation	2011/12	2012/13
As at 1 April	1,667	1,667
Revaluations	0	0
Depreciation	0	0
<b>As at 31 March</b>	<b>1,667</b>	<b>1,667</b>

Note 49 gives details of the types of assets and the basis of valuation.

## 14 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.

	2011/12 £'000	2012/13 £'000
Fair value at the start of the year	1,123	1,152
Net gain from revaluation	29	53
<b>Value at year end</b>	<b>1,152</b>	<b>1,205</b>

**15 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 2012/13 the amortisation charge of £153k was charged principally to Customer Services £39k, ICT Services £57k, Housing Benefits £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:-

	2011/12 £'000	2012/13 £'000
<b><u>Balance at the start of the year</u></b>		
Gross carrying amount	2,081	2,158
Accumulated amortisation	(1,391)	(1,576)
<b>Net carrying amount at year start</b>	<b>690</b>	<b>582</b>
<b><u>Movements in the year</u></b>		
Additions in year	77	22
Disposal in year	0	(651)
Amortisation in year	(185)	(153)
Amortisation in respect of disposals	0	651
<b>Net carrying amount at the year end</b>	<b>582</b>	<b>451</b>

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

**16 FINANCIAL INSTRUMENTS****16a Categories of Financial Instrument**

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

	Long-term		Current	
	31 March 2012 £'000	31 March 2013 £'000	31 March 2012 £'000	31 March 2013 £'000
	<u>Investments</u>			
Loans and receivables	8	0	9,119	10,919
<u>Debtors</u>				
Loans and receivables (note 19)	354	348	3,251	1,588
<u>Borrowings</u>				
Financial liabilities at amortised cost	(7,272)	(6,923)	(598)	(396)
<u>Other Long Term Liabilities</u>				
Finance lease liabilities	0	0	0	0
Capital grant receipt in adv.	(949)	(849)	0	0
<u>Creditors</u>				
Financial liabilities carried at contract amount (note 22)	0	0	(2,944)	(1,931)

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

**16b Income, Expense, Gains and Losses**

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

	2011/12			2012/13		
	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	205	0	205	178	0	178
Impairment	0	0	0	0	(85)	(85)
	<b>205</b>	<b>0</b>	<b>205</b>	<b>178</b>	<b>(85)</b>	<b>93</b>
Interest income	0	(188)	(188)		(273)	(273)
Interest income accrued on impaired assets	0	(91)	(91)		(47)	(47)
<b>Total income</b>	<b>0</b>	<b>(279)</b>	<b>(279)</b>		<b>(320)</b>	<b>(320)</b>
<b>Net (gain)/loss for the year</b>			<b>(74)</b>			<b>(227)</b>

**16c 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 calculated are as follows:

	31 March 2012		31 March 2013	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Financial liabilities				
Borrowings	(7,870)	(8,304)	(7,319)	(7,693)
Deferred liabilities	(14)	(14)	(14)	(14)
<b>Total</b>	<b>(7,884)</b>	<b>(8,318)</b>	<b>(7,333)</b>	<b>(7,707)</b>

Interest rates on borrowing from the Public Works Loan Board vary between 1.93% and 2.40%.

	31 March 2012		31 March 2013	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Financial assets				
Loans and receivables	8	8	0	0
Long term debtors	354	418	348	421
<b>Total</b>	<b>362</b>	<b>426</b>	<b>348</b>	<b>421</b>

**17 INVENTORIES**

	2011/12 £'000	2012/13 £'000
Balance at 1 April	22	26
Purchases	176	215
Issued in year	(172)	(228)
Written off in year	0	0
<b>Balance at year end</b>	<b>26</b>	<b>13</b>

**18 CONSTRUCTION CONTRACTS**

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

**19 DEBTORS**

	31 March 2012	31 March 2013
	£'000	£'000
Central government bodies	53	121
Other local authorities	575	515
NHS bodies	0	4
Public corporations and trading funds	0	0
Other entities and individuals	3,754	2,412
	4,382	3,052
Less provision for bad debts	(383)	(664)
<b>Net carrying amount at the year end</b>	<b>3,999</b>	<b>2,388</b>

The bad debt provision has been made against debtors classified as "other entities and individuals".

**20 CASH AND CASH EQUIVALENTS**

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

	31 March 2012	31 March 2013
	£'000	£'000
Cash held by the Authority	0	164
Bank current and call accounts	3,869	994
Short term deposits		2,010
<b>Total cash and cash equivalents</b>	<b>3,869</b>	<b>3,168</b>

**21 ASSETS HELD FOR SALE**

No assets met the criteria necessary to be classified as held for sale, at either 31/3/12 or 31/3/13.

**22 CREDITORS**

	31 March 2012	31 March 2013
	£'000	£'000
Central government bodies	(2,376)	(605)
Other local authorities	(1,487)	(663)
NHS bodies	(1)	0
Public corporations and trading funds	0	0
Other entities and individuals	(2,021)	(2,003)
<b>Net carrying amount at the year end</b>	<b>(5,885)</b>	<b>(3,271)</b>

**23 PROVISIONS**

During 2012/13 the following provisions have been made:

	<b>Restated 2011/12 £'000</b>	<b>2012/13 £'000</b>
Balance at beginning of year	0	(15)
Provision made in year Municipal Mutual Insurance	(15)	0
<b>Net carrying amount at the year end</b>	<b>(15)</b>	<b>(15)</b>

Comparative figures for 2011/12 have been restated because £1.75m has been reclassified as an Earmarked Reserve rather than a Long Term Provision.

**24 USABLE RESERVES**

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement (page 9).

**25 UNUSABLE RESERVES**

	<b>31 March 2012 £'000</b>	<b>31 March 2013 £'000</b>
Revaluation Reserve	(5,131)	(5,591)
Capital Adjustment Account	(25,625)	(24,681)
Financial Instruments Adjustment Account	0	0
Deferred Capital Receipts Reserve	(300)	(293)
Pensions Reserve	33,959	41,032
Collection Fund Adjustment Account	(85)	(93)
Accumulated Absences Account	125	104
<b>Total unusable reserves at year end</b>	<b>2,943</b>	<b>10,478</b>

**25a 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.

	<b>2011/12 £'000</b>	<b>2012/13 £'000</b>
<b>Balance at 1 April</b>	<b>(5,450)</b>	<b>(5,131)</b>
Upward revaluation of assets	0	(512)
Difference between fair value and historic cost depreciation	123	52
Downward revaluation and impairment not charged to the Comprehensive Income & Expenditure Account	196	0
<b>Balance at 31 March</b>	<b>(5,131)</b>	<b>(5,591)</b>

**25b 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.

	2011/12 £'000	2012/13 £'000
<b>Balance at 1 April</b>	<b>(26,301)</b>	<b>(25,625)</b>
<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	1,531	1,405
Charges for impairment of non current assets	265	521
Amortisation of intangible assets	185	153
Revenue expenditure funded from capital under statute	3,560	295
Net cost assets disposed of	176	102
<i>Movements in the market value of Investment Properties</i>	(29)	(53)
<i>Capital financing applied in the year</i>		
Capital receipts used to finance new capital expenditure	(63)	(123)
Capital expenditure charged to the General Fund Balance	(393)	(304)
Statutory & voluntary provision for the repayment of debt	(736)	(591)
Grants used in the year to fund capital expenditure	(3,698)	(409)
<i>Adjustments with the Revaluation Reserve (see note 25a)</i>		
Accumulated gains on assets de-recognised	0	0
Difference between fair value and historic cost depreciation	(122)	(52)
<i>Adjustment with Capital Receipts Reserve</i>		
<b>Balance at 31 March</b>	<b>(25,625)</b>	<b>(24,681)</b>

**25c 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. At both year ends there were no such differences



**25d Deferred Capital Receipts Reserve**

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

	2011/12 £'000	2012/13 £'000
<b>Balance at 1 April</b>	<b>(302)</b>	<b>(300)</b>
Transfer to Capital Receipts Reserve on receipt of cash	1	1
Transfer to Comprehensive Income & Expenditure	1	6
<b>Balance at 31 March</b>	<b>(300)</b>	<b>(293)</b>

**25e 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 exceed the payments made by the authority to fund them.

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

	2011/12 £'000	2012/13 £'000
<b>Balance at 1 April</b>	<b>27,277</b>	<b>33,959</b>
Actuarial (gains)/ losses on pension assets and liabilities	6,195	6,158
Reversal of charges posted to the Comprehensive Income & Expenditure Account	2,138	2,492
Employers contributions and direct payments to pensioners payable in the year	(1,651)	(1,577)
<b>Balance at 31 March</b>	<b>33,959</b>	<b>41,032</b>

**25f 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.

	2011/12 £'000	2012/13 £'000
<b>Balance at 1 April</b>	<b>(24)</b>	<b>(85)</b>
Amount by which council tax income credited to the Comprehensive Income & Expenditure account exceeded the amount required by statute	(61)	(8)
<b>Balance at 31 March</b>	<b>(85)</b>	<b>(93)</b>

**25g 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.

	2011/12 £'000	2012/13 £'000
<b>Balance at 1 April</b>	<b>125</b>	<b>125</b>
Transfer (to)/from the General Fund Balance	0	(21)
<b>Balance at 31 March</b>	<b>125</b>	<b>104</b>

**26 CASH FLOW STATEMENT – OPERATING ACTIVITIES**

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

	2011/12 £'000	2012/13 £'000
Interest received	319	238
Interest paid	(183)	(131)
<b>Net</b>	<b>136</b>	<b>107</b>

**27 CASH FLOW STATEMENT – INVESTING ACTIVITIES**

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

	2011/12 £'000	2012/13 £'000
Purchase of property, plant & equipment, investment property and intangible assets.	(454)	(2,019)
Purchase of short and long term investments.	(4,583)	(10,000)
Proceeds from the sale of assets.	197	160
Proceeds from short and long term investments.	0	8,374
Other payments for investing activities	(5)	0
Other receipts relating to investing activity (government grants).	513	682
<b>Total investing activities</b>	<b>(4,332)</b>	<b>(2,803)</b>

**28 CASH FLOW STATEMENT – FINANCING ACTIVITIES**

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

	2011/12 £'000	2012/13 £'000
Cash receipts from short and long term borrowing	0	3,265
Cash paid to reduce lease liabilities	0	0
Repayments of borrowings	(1,049)	(552)
Change in indebtedness relating to NNDR(due from Government) and Council Tax (due from Precepting authorities)	4,071	(1,140)
<b>Total financing activities</b>	<b>3,022</b>	<b>1,573</b>

**29 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 Service Expenditure Reporting 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:-

<b>Directorate Income and Expenditure 2011/12</b>	<b>Chief Executive £'000</b>	<b>Partnerships Planning &amp; Policy £'000</b>	<b>People and Places £'000</b>	<b>Total £'000</b>
Fees, charges & other service income	(1,880)	(2,343)	(2,998)	(7,221)
Government grants	(703)	(32)	(4)	(739)
<b>Total Income</b>	<b>(2,583)</b>	<b>(2,375)</b>	<b>(3,002)</b>	<b>(7,960)</b>
Employee expenses	5,139	2,340	3,346	10,825
Other service expenses	3,258	1,100	5,338	9,696
<b>Total Expenditure</b>	<b>8,397</b>	<b>3,440</b>	<b>8,684</b>	<b>20,521</b>
<b>Net Expenditure</b>	<b>5,814</b>	<b>1,065</b>	<b>5,682</b>	<b>12,561</b>
<b>Directorate Income and Expenditure 2012/13</b>	<b>Chief Executive £'000</b>	<b>Partnerships Planning &amp; Policy £'000</b>	<b>People and Places £'000</b>	<b>Total £'000</b>
Fees, charges & other service income	(1,888)	(1,805)	(2,915)	(6,608)
Government grants	(729)	(10)	0	(739)
<b>Total Income</b>	<b>(2,617)</b>	<b>(1,815)</b>	<b>(2,915)</b>	<b>(7,347)</b>
Employee expenses	4,984	2,239	3,447	10,670
Other service expenses	3,504	833	5,720	10,057
<b>Total Expenditure</b>	<b>8,488</b>	<b>3,072</b>	<b>9,167</b>	<b>20,727</b>
<b>Net Expenditure</b>	<b>5,871</b>	<b>1,257</b>	<b>6,252</b>	<b>13,380</b>

### 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.

	2011/12 £'000	2012/13 £'000
Net expenditure in the Directorate Analysis	12,562	13,380
Net expenditure of services and support services not included in the Analysis (Note a)	212	288
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis Note (Note b)	4,162	1,670
	<b>16,936</b>	<b>15,338</b>
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	0	0
<b>Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>16,936</b>	<b>15,338</b>

#### 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 2012/13, the expenditure and income reported separately included payments to the pension fund in respect of past service, and council tax and housing benefits.
- (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.

2012/13	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	(6,608)	(713)	(47)	(15,937)	(23,305)	(124)	(23,429)
Interest and Investment Income						(3,855)	(3,855)
Income from council tax						(7,015)	(7,015)
Government grants and contributions	(739)	(31,934)	(363)		(33,036)	(7,729)	(40,765)
<b>Total Income</b>	<b>(7,347)</b>	<b>(32,647)</b>	<b>(410)</b>	<b>(15,937)</b>	<b>(56,341)</b>	<b>(18,723)</b>	<b>(75,064)</b>
Employee expenses	10,670	232	(294)		10,608		10,608
Other service expenses	10,057	32,703	295		43,055		43,055
Support Service recharges				15,937	15,937		15,937
Depreciation, amortisation & impairment			2,079		2,079		2,079
Interest Payments						4,764	4,764
Precepts & Levies						567	567
Payments to Housing Capital Receipts Pool						1	1
Gain or Loss on Disposal of Fixed Assets						102	102
<b>Total Expenditure</b>	<b>20,727</b>	<b>32,935</b>	<b>2,080</b>	<b>15,937</b>	<b>71,679</b>	<b>5,434</b>	<b>77,113</b>
<b>Surplus or deficit on the provision of services</b>	<b>13,380</b>	<b>288</b>	<b>1,670</b>	<b>0</b>	<b>15,338</b>	<b>(13,289)</b>	<b>2,049</b>

Restated 2011/12	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	(7,221)	(662)	(45)	(13,864)	(21,792)	(2,293)	(24,085)
Interest and Investment Income					0	(4,257)	(4,257)
Income from council tax					0	(7,063)	(7,063)
Government grants and contributions	(739)	(29,807)	(959)		(31,505)	(7,587)	(39,092)
<b>Total Income</b>	<b>(7,960)</b>	<b>(30,469)</b>	<b>(1,004)</b>	<b>(13,864)</b>	<b>(53,297)</b>	<b>(21,200)</b>	<b>(74,497)</b>
Employee expenses	10,825	219	(375)		10,669		10,669
Other service expenses	9,696	30,462	3,561		43,719		43,719
Support Service recharges				13,864	13,864		13,864
Depreciation, amortisation & impairment			1,981		1,981		1,981
Interest Payments					0	5,016	5,016
Precepts & Levies					0	589	589
Payments to Housing Capital Receipts Pool					0	1	1
Gain or Loss on Disposal of Fixed Assets					0	23	23
<b>Total Expenditure</b>	<b>20,521</b>	<b>30,681</b>	<b>5,167</b>	<b>13,864</b>	<b>70,233</b>	<b>5,629</b>	<b>75,862</b>
<b>Surplus or deficit on the provision of services</b>	<b>12,561</b>	<b>212</b>	<b>4,163</b>	<b>0</b>	<b>16,936</b>	<b>(15,571)</b>	<b>1,365</b>

Comparative figures for 2011/12 have been adjusted because Comprehensive Income and Expenditure Statement figures for that year have been restated. See Note 4.

**30 ACQUIRED AND DISCONTINUED OPERATIONS**

There were no operations acquired or discontinued during the year.

**31 TRADING OPERATIONS**

The Authority has no Trading Operations.

**32 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.

**33 ROAD CHARGING SCHEMES UNDER THE TRANSPORT ACT 2000**

Not applicable.

**34 POOLED BUDGETS**

The Council has no material pooled budget arrangements.

**35 MEMBERS ALLOWANCES**

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

	2011/12 £'000	2012/13 £'000
Allowances	291	289
Expenses	8	4
<b>Total</b>	<b>299</b>	<b>293</b>

### 36 OFFICERS REMUNERATION

Remuneration of Senior Employees was as follows:

SENIOR EMPLOYEES Post Title	Year	Salary £'000	Expense Allowances £'000	Benefits In kind £'000	Compensation for loss of office £'000	Total Remuneration (excl. Pension Contributions) £'000	Pension Contribution £'000	Total Remuneration (including pension contributions) £'000
Chief Executive (note 1) 01/04/2011 – 07/08/2011 08/08/2011 – 31/03/2012	2012/13	103	6			109	21	130
	2011/12	44	3			47	8	55
	2011/12	67	4			71	13	84
Director of Partnerships, Planning and Policy	2012/13	90	8			98	17	115
	2011/12	90	6			96	17	113
Director of Transformation (note 1)	2012/13							
	2011/12	32	2			34	6	40
Director of People and Places (note 2)	2012/13	114	4			118	17	135
	2011/12	90	6			96	17	113
Head of Shared Financial Services	2012/13	57	4			61	11	72
	2011/12	56	6			62	11	73
Head of Governance	2012/13	49	3			52	10	62
	2011/12	50	4			54	10	64
Head of Customer, ICT and Transactional Services	2012/13	50	4			54	10	64
	2011/12	50	4			54	9	63
Head of Human Resources & OD (note 3)	2012/13	Salary below reporting threshold						
	2011/12	29	6			35	6	41
Head of Policy and Communications	2012/13	47	4			51	9	60
	2011/12	47	5			52	9	61

Note (1) The Chief Executive left the Council on 7 August 2011. The former Director of Transformation was appointed to fill the post from the same date.

Note (2) The Director of People and Places' salary in 2012/13 included a one-off payment of £24k relating to revised conditions of employment.

Note (3) In 2011/12 the Head of HR worked part time. Her salary would have exceeded the reporting threshold had she worked full time & is thus reported.



Other employees receiving more than £50,000 remuneration, excluding pension contributions, were as follows:

<b>Remuneration band</b>	<b>2011/2012 Number of employees</b>	<b>2012/2013 Number of employees</b>
£50,000 - £54,999	3	4
£55,000 - £59,999	1	3
£60,000 - £64,999	-	-
£65,000 - £69,999	-	-
£70,000 - £74,999	-	-
£75,000 - £79,999	-	-
£80,000 - £84,999	-	-
£85,000 - £89,999	-	-
£90,000 - £94,999	-	-
£95,000 - £99,999	-	-
£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	-	-
£135,000 - £139,999	-	-

The number of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

Packages banded by cost	Number of compulsory redundancies		Number of other agreed departures		Total number of exit packages		Total cost of exit packages	
	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13	2011/12	2012/13
£0 -£20,000	0	0	8	13	8	13	58	62
£20,001 - £40,000	0	0	1	4	1	4	39	114
£40,001 - £60,000	0	0	1	0	1	0	57	0
£60,001 - £80,000	0	0	1	0	1	0	67	0
£80,001 - £100,000	0	0	0	0	0	0	0	0
£100,000 - £150,000	0	0	0	0	0	0	0	0
<b>Total</b>	0	0	11	17	11	17	221	176

**37 EXTERNAL AUDIT COSTS**

The Authority has incurred the following costs relating to external audit.

	2011/12 £'000	2012/13 £'000
Fees for statutory inspection and audit	91	67
Fees for the certification of grant claims and returns	27	22
<b>Total</b>	<b>118</b>	<b>89</b>

**38 GRANT INCOME**

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

	2011/12 £'000	2012/13 £'000
<b><u>Credited to Taxation and Non Specific</u></b>		
National non domestic rates	(5,149)	(5,928)
Revenue support grant	(1,592)	(115)
New Homes Bonus grant	(302)	(1,044)
Other revenue grants	(231)	(249)
Capital Contributions - Section 106 Planning	(207)	(322)
Capital Other grants and contributions	(106)	(71)
<b>Total</b>	<b>(7,587)</b>	<b>(7,729)</b>
<b><u>Credited to Services</u></b>		
Grants – benefits related	(30,501)	(32,687)
Grants – Homelessness	(504)	0
Grants – other	(869)	(373)
Contribution – County Council reimbursement	(895)	(1,222)
Contributions – other	(946)	(479)
<b>Total</b>	<b>(33,715)</b>	<b>(34,761)</b>

The Authority has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached that could require the monies to be returned to the giver. The balances at year end are as follows:-

	2011/12 £'000	2012/13 £'000
<b>Capital Grants</b>		
Grant - Regional Housing Pot	(802)	(716)
Grant – various LCC	(75)	(3)
Grant – Disabled Facilities Grants	0	(87)
Other grants and contributions	(72)	(43)
<b>Total</b>	<b>(949)</b>	<b>(849)</b>

### 39 RELATED PARTIES

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 are given in note 38.

- **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 35 refers to the allowances paid to members. The amounts paid to individual members are reported on the Council's web site.

Members are also appointed to represent the Council on various external organisations some of which receive financial assistance from the Council. The amounts paid were immaterial, and were properly approved.

- **Officers**

The staff Code of Conduct requires declaration, to the departmental Chief Officer, of close personal relationships with Councillors and Contractors, financial and non-financial interests in, or membership of, external organisations, and all hospitality or gifts. These arrangements are subject to monitoring and reporting by the Council's HR Department.

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

In 2006/07 the Council's housing stock was transferred to CCH. Pursuant to that transfer, CCH purchased services from the Council in 2011/12 (£0.161m), but did not purchase services in 2012/13. The Council also receives a proportion of the receipts from the preserved right to buy sales of dwellings to former Chorley council tenants (see note 46 Contingent Assets). In 2012/13 this totalled £0.104m (2011/12 £0.019m). In addition, the Council receives income) from CCH under a VAT sharing agreement. No income was due in 2012/13 but receipts in 2011/12 totalled £2.274m.

- **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 2012/13 gross expenditure of £1.927m (2011/12 £1.989m) was incurred on the shared services, which was fully funded by recharges to the two Councils.

**40 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.

	<b>2011/12</b> <b>£'000</b>	<b>2012/13</b> <b>£'000</b>
Opening Capital Financing Requirement	8,605	8,072
Capital investment		
Property, Plant and Equipment	719	1,511
Intangible Assets	77	22
Revenue Expenditure Funded from Capital under Statute	3,561	295
Sources of finance		
Capital Receipts	(63)	(124)
Government Grants and Other Contributions	(3,698)	(409)
Sums set aside from revenue		
Revenue Financing	(393)	(304)
Minimum Revenue provision - statutory	(322)	(283)
Minimum Revenue provision - voluntary	(264)	(308)
Sums set aside from capital receipts		
Voluntary provision for debt repayment	(150)	0
<b>Closing Capital Financing Requirement</b>	<b>8,072</b>	<b>8,472</b>
Explanation of movements in year		
Increase in prudential borrowing	203	991
Provision made for debt repayment	(736)	(591)
<b>Increase/(Decrease) in Capital Financing Requirement</b>	<b>(533)</b>	<b>400</b>

**41 LEASES****41a Authority as lessee**Finance leases

The Council has no finance leases

Operating leases

The Authority operates plant, vehicles and 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 2012		31 March 2013	
	Payments £'000	Receipts £'000	Payments £'000	Receipts £'000
Not later than 1 year	613	(43)	789	(43)
Later than 1 yr, not later than 5	2,296	(170)	1,756	(170)
Later than 5 years	1,011	(467)	703	(425)
<b>Minimum lease payments</b>	<b>3,920</b>	<b>(680)</b>	<b>3,248</b>	<b>(638)</b>

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

	2011/12 £'000	2012/13 £'000
Minimum lease payments	691	789
Contingent rents	0	0
Sub-lease payments receivable	(43)	(43)
<b>Total payable rentals</b>	<b>648</b>	<b>746</b>

The 2011/12 figure has been amended to include payments on certain embedded leases.

**41b Authority as lessor**Finance 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 2012 £'000	31 March 2013 £'000
Finance lease debtor (present value of minimum lease payments)	289	289
Unearned finance income	2,306	2,282
<b>Gross investment in the lease</b>	<b>2,595</b>	<b>2,571</b>

The 2011/12 figure has been amended, in light of a reappraisal of the outstanding lease period.

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 2012 £'000	31 March 2013 £'000	31 March 2012 £'000	31 March 2013 £'000
Not later than 1 year	24	24	24	24
Later than 1 yr. not later than 5	95	95	95	95
Later than 5 years	2,476	2,452	2,476	2,452
<b>Total</b>	<b>2,595</b>	<b>2,571</b>	<b>2,595</b>	<b>2,571</b>

No allowance for uncollectible amounts is deemed necessary. No contingent rents were received by the authority.

#### Operating leases

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

	31 March 2012 £'000	31 March 2013 £'000
Not later than one year	228	368
Later than one year and not later than five years	811	1,183
Later than five years	11,720	11,685
<b>Total receivable rentals</b>	<b>12,759</b>	<b>13,236</b>

The 31 March 2012 value has changed primarily because of the inclusion of income previously treated as contingent rent income.

No contingent rents were received by the authority.

## 42 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).

	2011/12 £'000	2012/13 £'000
Impairment loss recognised in cost of services	200	
Impairment losses reversed in cost of services	(73)	936
Impairment losses taken to the Revaluation Reserve	197	
<b>Total impairment losses</b>	<b>324</b>	<b>936</b>

Material individual impairments	Amount	Directorate	Valuation	Basis
Reversal of previous impairments due to permanent reduction in value :				
- Duxbury Park & golf course	£0.743m	People & Places	Fair value in existing use	Income stream
- Public conveniences	£0.088m	People & Places	Fair value	Cost to repair
- Astley Village Comm. Centre	£0.070m	People & Places	Depreciated replacement cost	Cost to repair
- Other	0.035m	various	various	various
<b>Total</b>	<b>0.936m</b>			

#### 43 TERMINATION BENEFITS

The Authority terminated the contracts of a number of employees in 2012/13 incurring liabilities of £0.176m (£0.221m in 2011/12). See note 36 for the number of exit packages and total cost. Of the total in 2011/12 £12.5k 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 2012/13 and 2011/12 are shown in note 36 as 'compensation for loss of office.

#### 44 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.

##### 44a 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:



	2011/12 £'000	2012/13 £'000
<b><u>Comprehensive Income &amp; Expenditure Statement</u></b>		
Cost of Services		
current service cost	1,178	1,249
Past service cost	0	55
Settlement and curtailment	98	0
Financing and investment Income and Expenditure		
Interest costs	4,811	4,586
Expected return on scheme assets	(3,949)	(3,398)
<b>Total post employment benefit charged to the (Surplus)/Deficit on the Provision of Service</b>	<b>2,138</b>	<b>2,492</b>
<b><u>Other post employment benefit charged to the Comprehensive Income &amp; Expenditure Statement</u></b>		
Actuarial (gains) and losses	6,195	6,158
<b>Total post employment benefit charged to the Comprehensive Income &amp; Expenditure Statement</b>	<b>8,333</b>	<b>8,650</b>
<b><u>Movement in Reserves Statement</u></b>		
Reversal of net charges made to the (Surplus)/Deficit on the Provision of Services	(2,138)	(2,492)
Actual employer contributions to the Fund	1,651	1,577

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2013 is £32.982m.

#### **44b Assets and liabilities in relation to retirement benefits**

Reconciliation of present value of the scheme liabilities

	<b>Scheme Liabilities</b>	
	<b>Local Government Pension Scheme</b>	
	2011/12 £'000	2012/13 £'000
<b>1 April</b>	<b>(88,254)</b>	<b>(94,838)</b>
Current service cost	(1,178)	(1,249)
Interest cost	(4,811)	(4,586)
Contributions by scheme participants	(454)	(449)
Actuarial gains and (losses)	(3,240)	(11,827)
Benefits paid	3,197	4,191
Curtailment	(98)	0
Past service costs	0	(55)
<b>31 March</b>	<b>(94,838)</b>	<b>(108,813)</b>

Reconciliation of fair value of the scheme assets

	Scheme Assets	
	Local Government Pension Scheme	
	2011/12	2012/13
	£'000	£'000
<b>1 April</b>	<b>61,912</b>	<b>60,825</b>
Adjustment relating to prior years employer contributions	(935)	0
Expected return on plan assets	3,949	3,398
Actuarial gains & (losses)	(2,955)	5,669
Employer contributions	1,597	1,626
Contributions by scheme participants	454	449
Benefits paid	(3,197)	(4,191)
<b>31 March</b>	<b>60,825</b>	<b>67,776</b>

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 return on scheme assets in the year was £9.067m (2011/12 gain £0.993m).

#### 44c Scheme history

	2008/09	2009/10	2010/11	2011/12	2012/13
	£'000	£'000	£'000	£'000	£'000
Present value of liabilities	(67,700)	(93,804)	(88,254)	(94,838)	(108,813)
Fair value of assets	42,192	56,148	61,912	60,825	67,776
<b>Surplus/(deficit) in the scheme</b>	<b>(25,508)</b>	<b>(37,656)</b>	<b>(26,342)</b>	<b>(34,013)</b>	<b>(41,037)</b>

The liabilities show the underlying commitments that the authority has in the long term to pay post-employment (retirement) benefits.

The net deficit appears in the Balance Sheet. The figures shown there differ slightly from the above, since they include actual contributions for the year whereas those shown above include estimated figures.

The impact of the deficit on the Council's financial position is commented on in the Chief Finance Officer's Foreword on page 6.

The total contribution expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2014 is £1.608m.

#### 44d 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 2010.

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

	Local Government Pension Scheme	
	2011/12	2012/13
Long term expected rate of return on assets in the scheme		
Equity investments	7.0%	7.0%
Government bonds	3.1%	2.8%
Other bonds	4.1%	3.9%
Property	6.0%	5.7%
Cash/liquidity	0.5%	0.5%
Other	7.0%	7.0%
Mortality assumptions		
Longevity at 65 for current pensioners		
Men	21.7 yrs.	22.1 yrs.
Women	24.3 yrs.	24.8 yrs.
Longevity at 65 for future pensioners		
Men	23.1 yrs.	23.9 yrs.
Women	25.9 yrs.	26.7 yrs.
Rate of inflation (RPI)	n/a	
Rate of inflation (CPI)	2.5%	2.4%
Rate of increase in salaries	4.5%	4.4%
Rate of increase in pensions	2.5%	2.4%
Rate for discounting scheme liabilities	4.9%	4.2%
Take up option to convert pension into lump sum	50%	50%

**44e Analysis of scheme assets**

	Proportion of Total Assets 31/3/2012	Proportion of Total Assets 31/3/2013
	%	%
Equity investments	58.0	62.0
Government Bonds	5.0	7.9
Other Bonds	15.0	17.2
Property	10.0	9.3
Cash/liquidity	5.0	3.5
Other assets	7.0	0.1
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

**44f History of experience gains and losses**

The actuarial losses identified as movements on the Pensions Reserve in 2012/13 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March in each year.

	2008/09	2009/10	2010/11	2011/12	2012/13
	%	%	%	%	%
Difference between expected & actual return on assets. Gains/(losses)	(34.2)	20.0	3.3	(4.9)	8.4
Experience gains and (losses) on liabilities	0	0	4.7	0	(10.9)

**44g Prepaid or accrued pension contributions**

There were no prepaid or accrued pensions contributions held on the balance sheet as at 31 March 2013.

**45 CONTINGENT LIABILITIES**

A group of Property Search Companies are seeking to claim refunds of fees paid to the Council to access land charges data. Proceedings have not yet been issued. The Council has been informed that the value of those claims at present is £0.138m plus interest and costs. The claimants have also intimated that they may bring a claim against all English and Welsh Councils for alleged anti-competitive behaviour. It is not clear what the value of any such claims would be against the Council. It is possible that additional claimants may come forward to submit refund claims, but none have been intimated at present.

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 2013 there are 12 years of the liability period outstanding.

**46 CONTINGENT ASSETS**

In previous years' statements a claim of £1.3m against HM Revenue & Customs (HMRC) in respect of car parking Value Added Tax has been reported. A judicial review of a similar claim by other authorities found in favour of HMRC. Whilst the Council's claim has not been withdrawn it is not being actively pursued. Should the Council's prospects of successful resolution of the claim not improve, it will not be disclosed as a contingent asset after 2012/13.

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 £0.400m.

The Council is entitled to a share of the proceeds from the sale of dwellings transferred to Chorley Community Housing. This agreement has a further nine years to run. The amount receivable will depend on the numbers sold and cannot be predicted.

## 47 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.

#### Impaired Bank Loans

The impaired bank deposits are those made with the following Icelandic banks which went into liquidation in October 2008:

Bank	Date Invested	Maturity Date	Amount claimed	Interest Rate	Repaid to 31/3/2013	Carrying value 31/3/2013
Landsbanki	09/09/2008	09/12/2008	£2.029m	5.81%	£0.963m	£0.830m

#### **Landsbanki**

The carrying value plus repayments received total £1.8m to which must be added further interest that will be accrued of £0.130m. This will give a total recovery of £1.93m. This is £0.100m less than the amount claimed, the difference being a provision against possible exchange rate loss.

Other Bank Loans

The Council's Investment Strategy restricts investments to a narrow range of counterparties. At 31 March 2013 it had, in addition to the Icelandic loan, short term deposits totalling £10.1m with four different institutions. There was no evidence to suggest a risk that any deposits might be irrecoverable.

Sundry Debtors

The sundry debtors (note 15a) are analysed by age and risk in the following table.

	<b>Gross £'000</b>	<b>Default risk £'000</b>	<b>Net £'000</b>
Not yet past due date	759	0	759
Up to three months past due date	215	20	195
Three to six months past due date	19	2	17
Six months to one year past due date	351	73	278
Beyond one year	745	406	339
<b>Total</b>	<b>2,089</b>	<b>501</b>	<b>1,588</b>

The default risk has fully been provided for. No collateral is held as security.

Provision has been made for the impairment of sundry debtors.

**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. Interest rates on its borrowings vary between 1.93% and 2.40%, and the maturity analysis of its borrowing is as follows:

	<b>31 March 2012 £'000</b>	<b>31 March 2013 £'000</b>
Less than 1 year	598	350
Between 1 and 2 years	350	350
Between 2 and 5 years	6,049	6049
More than 5 years	873	523
<b>Total</b>	<b>7,870</b>	<b>7,272</b>

**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 Comprehensive Income and Expenditure Statement. 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	(176)
Gain - Impact on Income and Expenditure Account	(176)
Loss - Decrease in fair value of fixed rate investments (no impact on Comprehensive Income & Expenditure Statement)	0
Gain - Decrease in fair value of fixed rate borrowing (no impact on Comprehensive Income & Expenditure Statement)	(186)

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

**Foreign Exchange Risk** – The Council has exposure to the risk of currency movements on repayments on its Icelandic loans. £0.83m is still outstanding. Of this roughly 70% is expected to be paid in foreign currency (mainly euros and dollars).

#### 48 HERITAGE ASSETS – FIVE YEAR SUMMARY OF TRANSACTIONS

There were no disposals or acquisitions during the five years 2008/09 to 2012/13.

#### 49 HERITAGE ASSETS – FURTHER INFORMATION

The assets included within Heritage assets are as follows:-

##### **Civic Regalia**

This mainly consists of mayoral badges, chains of office, and other regalia used in civic activities. It was last re-valued in 2009.

##### **Astley Hall**

The house was built in the mid seventeenth century, and extended in 1825. It was given to Chorley Council in 1922 as a memorial following the First World War. It houses a collection of paintings and furniture and has accredited museum status awarded by the Arts Council. The house is valued using the depreciated cost method of valuation. Following a detailed condition survey in 2010/11 its value was reduced to a nominal £1 to reflect the substantial repair liability.

##### **Astley Hall furniture and art collection**

A large part of the collection was gifted to the Council with the house, but it has been added to by gifts and purchases in the following years. The collection consists of numerous minor works of art and furniture. It is included in the statement of accounts at the insurance value of £1.582m.

**Preservation and management**

The Council has a five year plan for the use and maintenance of the hall and contents. Periodic structural surveys are undertaken, the last in 2012. Additions and disposal of the collection is managed in accordance with The Acquisitions and Disposal Policy

**50 TRUST FUNDS**

The Authority acts as sole trustee for a small number of funds. In some cases the asset (cash) is held on the Council's balance sheet and shown as a sundry creditor. In other cases the fund has investments not recorded in the Council's accounts. The Avondale Library Trust is also a registered charity (Proceeds of Sale of the Former Free Library).

2012/13	Income £'000	Expenditure £'000	On Balance Sheet		Off Balance Sheet	
			Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
McKnight Memorial Fund	0	0	5	5	0	0
William Cocker Charity	0	0	0	0	3	3
W B Parkes Charity	0	0	2	2	0	0
Avondale Library Trust	11	0	29	29	90	90
H T Parkes Baths Fund	1	0	0	0	3	3
<b>Total</b>	<b>12</b>	<b>0</b>	<b>36</b>	<b>36</b>	<b>96</b>	<b>96</b>

2011/12	Income £'000	Expenditure £'000	On Balance Sheet		Off Balance Sheet	
			Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
McKnight Memorial Fund	0	0	5	5	0	0
William Cocker Charity	0	0	0	0	3	3
W B Parkes Charity	0	0	2	2	0	0
Avondale Library Trust	3	2	26	26	82	82
H T Parkes Baths Fund	0	0	0	0	2	2
<b>Total</b>	<b>3</b>	<b>2</b>	<b>33</b>	<b>33</b>	<b>87</b>	<b>87</b>



**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

2011/12 £'000		2012/13	
		£'000	£'000
	<b>Income</b>		
48,099	Income from Council Tax		48,822
6,604 (1)	Transfers from General Fund Council Tax Benefits Transitional Relief	6,659 (1)	
6,603			6,658
25,754	Income Collectable from Business Ratepayers		26,603
<b>80,456</b>			<b>82,083</b>
	<b>Expenditure</b>		
39,418	Precepts and Demands Lancashire County Council	39,914	
6,976	Chorley Borough Council	6,969	
5,202	Lancashire Police Authority	5,400	
2,264	Lancashire Combined Fire Authority	2,292	
53,860			54,575
146	Distribution of Collection Fund Surplus/(Deficit) Lancashire County Council	210	
26	Chorley Borough Council	37	
19	Lancashire Police Authority	28	
8	Combined Fire Authority	12	
199			287
0	Adjustment to previous years Community Charge		
25,624	Business rates Payment to National Pool	26,476	
130	Cost of Collection Allowance	127	
25,754			26,603
107	Bad and doubtful debts/appeals Write offs	59	
61	Provisions	503	
168			562
<b>79,981</b>			<b>82,027</b>
475	Surplus/(deficit) for the year		56
(61)	Transfer to/from Collection Fund Adjustment Account		(8)
(414)	Net transfer to Major Precept Debtor		(48)
<b>0</b>	<b>Surplus/(deficit) at 31 March</b>		<b>0</b>

## 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 2012/13 was calculated as follows:

Band	Dwellings	Dwellings adj. for discounts & exemptions	Proportion of Band D Charge	Band D Equivalent
A (disabled)	0	13	5:9	7.20
A	14,450	12,008	6:9	8,005.70
B	10,340	9,117	7:9	7,090.60
C	8,827	7,990	8:9	7,102.20
D	6,063	5,579	9:9	5,578.80
E	4,293	4,019	11:9	4,912.10
F	1,752	1,639	13:9	2,368.20
G	767	725	15:9	1,208.30
H	63	44	18:9	87.50
<b>Total</b>	<b>46,555</b>	<b>41,134</b>		<b>36,360.60</b>
Less adjustments for anticipated changes to the base and losses on collection				<b>(545.40)</b>
Add adjustment for new properties				<b>198.60</b>
Band D Equivalent Number of Properties				<b>36,013.80</b>

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 an average Band D charge (excluding Parish Precepts) of £1,499.65 for 2012/13 and £1,497.80 for 2011/12). The other valuation bands are proportionate to this.

## SIGNIFICANT PRECEPTORS

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

	2011/12 £000	2012/13 £000
Lancashire County Council	39,418	39,914
Lancashire Police Authority	5,202	5,400
Lancashire Combined Fire Authority	2,264	2,292

## **ACCOUNTING FOR BUSINESS RATES**

Since 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 45.0p in 2012/13 and one for larger businesses at 45.8p. 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 £26.6m for 2012/13 (£25.7million for 2011/12).

The rateable value for the Council's area at the end of the financial year 2012/13 was £68.25m (£68.31m in 2011/12).

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Town Hall  
Market Street  
Chorley  
PR7 1DP

Grant Thornton UK LLP  
4 Hardman Square  
Spinningfields  
Manchester  
M3 3EB

12<sup>th</sup> September 2013

Dear Sirs

## **Chorley Council**

### **Financial Statements for the year ended 31 March 2013**

This representation letter is provided in connection with the audit of the financial statements of Chorley Council for the year ended 31 March 2013 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with International Financial Reporting.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

#### **Financial Statements**

- i We have fulfilled our responsibilities for the preparation of the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("the Code") as adapted for International Financial Reporting Standards; in particular the financial statements give a true and fair view in accordance therewith.
- ii We have complied with the requirements of all statutory directions and these matters have been appropriately reflected and disclosed in the financial statements.
- iii We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

- iv Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- v We are satisfied that the material judgements used by us in the preparation of the financial statements are soundly based, in accordance with the Code, and adequately disclosed in the financial statements. There are no further material judgements that need to be disclosed.
- vi We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities for IAS19 disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant retirement benefits have been identified and properly accounted for (including any arrangements that are statutory, contractual or implicit in the employer's actions, that arise in the UK or overseas, that are funded or unfunded).
- vii Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the code.
- viii All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the code requires adjustment or disclosure have been adjusted or disclosed.
- ix We have not adjusted two misstatements brought to our attention in the Audit Findings report because they are considered to be immaterial to the results of the Council and its financial position at the year-end. Commuted sums (£0.493m) received for the maintenance of assets adopted by the Council were identified in the Balance Sheet within Short Term Creditors; but they should have been classified as Long Term Creditors. Capital expenditure on leisure facilities (£0.228m) was attributed to the wrong premises, with the effect that depreciation and revaluation transactions in the year were misstated. Adjustments in respect of these immaterial misstatements will be made in the financial statements for the financial year ending 31 March 2014. After restating comparative figures for the financial year ended 31 March 2012, to reclassify a £1.75m Long Term Provision as an Earmarked Reserve, the financial statements are free of material misstatements, including omissions.
- x We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xi We believe that the Council's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

**Information Provided**

- xii We have provided you with:
  - a. access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
  - b. additional information that you have requested from us for the purpose of your audit; and
  - c. unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence.
- xiii We have communicated to you all deficiencies in internal control of which management is aware.
- xiv All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xv We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xvi We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:
  - a. management;
  - b. employees who have significant roles in internal control; or
  - c. others where the fraud could have a material effect on the financial statements.
- xvii We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, regulators or others.
- xviii We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xix We have disclosed to you the entirety of the Council's related parties and all the related party relationships and transactions of which we are aware.

**Annual Governance Statement**

- xx We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not

aware of any significant risks that are not disclosed within the AGS

**Approval**

The approval of this letter of representation was minuted by the Council's Governance Committee at its meeting on 12 September 2013.

**Signed on behalf of Chorley Council**

Name.....

Position...Chief Executive (S151 Officer).....

Date.....

Name.....

Position.....Chair of the Governance Committee.....

Date.....



# Review of the Council's Arrangements for Securing Financial Resilience for Chorley Borough Council

Year ended 31 March 2013

August 2013

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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# Executive Summary

## Our approach

### Value for Money Conclusion

Our work supporting our Value for Money (VfM) conclusion, as part of the statutory external audit, includes a review to determine if the Council has proper arrangements in place for securing financial resilience.

In so doing we have considered whether the Council has robust financial systems and processes in place to manage its financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future. We have carried out our work in discussion and agreement with officers and completed it in such a way as to minimise disruption to them.

The definition of foreseeable future for the purposes of this financial resilience review is 12 months from the date of this report.

We have reviewed the financial resilience of the Council by looking at:

- Key indicators of financial performance;
- Its approach to strategic financial planning;
- Its approach to financial governance; and
- Its approach to financial control.

Further detail on each of these areas is provided in the sections of the report that follow.

Further detail on each of these areas is provided in the sections of the report that follow. Our overall conclusion is that whilst the Council faces challenges, particularly from 2014/15 onwards with significant reductions in future government funding, its current arrangement for securing financial resilience are good.

We have used a red/amber/green (RAG) rating with the following definitions.

Green	<b>Arrangements meet or exceed adequate standards.</b> Adequate arrangements identified and key characteristics of good practice appear to be in place.
Amber	<b>Potential risks and/or weaknesses.</b> Adequate arrangements and characteristics are in place in some respects, but not all. Evidence that the Council is taking forward areas where arrangements need to be strengthened.
Red	<b>High risk:</b> The Council's arrangements are generally inadequate or may have a high risk of not succeeding

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# Executive Summary

## National and Local Context

### National Context

The Chancellor of the Exchequer announced the current Spending Review (SR10) to Parliament on 20 October 2010. SR10 represented the largest reductions in public spending since the 1920's. Revenue funding to local government was to reduce by 19% by 2014-15 (excluding schools, fire and police). After allowing for inflation, this equates to a 28% reduction in real terms with local government facing some of the largest cuts in the public sector. In addition, local government funding reductions were frontloaded, with 8% cash reductions in 2011-12. This followed a period of sustained growth in local government spending, which increased by 45% during the period 1997 to 2007.

The Chancellor of the Exchequer, in his Autumn Statement in November 2011, announced further public spending reductions of 0.9% in real terms in both 2015-16 and 2016-17. In his Autumn Statement on 5 December 2012, the Chancellor reinforced austerity measures announcing a further £6.6bn of savings during 2013-14 and 2014-15. Whilst health and schools will be continue to be protected in line with the Government's policy set out in SR10, local government will continue to face significant funding reductions. The Department for Communities and Local Government will contribute £470m of these additional savings, £445m of which will come from local authority funding during 2014-15, with local authorities being exempt from additional savings in 2013-14. In his March 2013 Budget the Chancellor announced further departmental 1% saving during 13/14 and 14/15. The NHS and schools remain protected, but police and local government will need to find an additional 0.5% over both years.

The next spending review period, 2015-16, was announced by the Chancellor on 26 June 2013. Local government will face a further 10% funding reduction for this period.

These funding reductions come at a time when demographic and recession based factors are increasing demand for some services, and there is a decreasing demand for some services, such as car parking, where customers pay a fee or charge.

Financial austerity is expected to continue until at least 2017.

### Local Context

Chorley Borough Council is a district council in Central Lancashire covering an area of 78 square miles. The borough of Chorley has a population of 107,600 with 21% of the population under 15 and 8% over 65 years old, representing a relatively youthful demography. Unemployment is lower than the Lancashire, regional and UK averages.

Chorley Borough Council is working in close partnership with South Ribble Borough Council on Finance, Procurement, Audit and other centralised functions at the Council, as part of a shared financial services arrangement.

The Council spends slightly below average per head of population (2011/12 information), with a net spend of £340.41 per head compared with an average of £345.66.

The Council has set a three year budget plan up to 2015-16. The Plan sets out the requirement to balance a budget gap of £1.6m with a combination of efficiencies and new income.

# Executive Summary

Risk area	Summary observations	High level risk assessment
<p><b>Key Indicators of Performance</b></p>	<p>The key financial indicators of financial performance show that Chorley has performed well in comparison to its nearest neighbours benchmarked group. Levels of debt are relatively low when compared to long term assets and tax revenue. Tight financial management has seen the Council continually underspend, whilst maintaining good liquidity levels. The Council has relatively low levels of usable reserves compared to its statistical neighbours, although, the Council was in line with its stated policy of maintaining its general fund reserves at or around £2m. In the context of the range of uncertainties facing local government finance it will be important to keep the required level of general fund balance under close review.</p>	<p> Green</p>
<p><b>Strategic Financial Planning</b></p>	<p>The Council has adopted a corporate approach to identifying savings to ensure savings levels are achieved. The Council has an excellent understanding of its costs. It uses transaction costs and unit costs to improve value for money (VFM) and target resources. Excellent use is made of information to support the decision making process with a range of data on costs, trends, as well as performance indicators and targets.</p> <p>Budgets and savings were agreed at a corporate level by senior officers and Members. The Council has agreed a budget plan for 2013-14 and 2015-16 and incorporated the revisions arising from the latest local government settlement. The Plan identified a requirement for £1.6m of savings. Further work is required to meet the budget gap and to provide greater certainty of the financial position for 2014-15, however, the Council has made a good start in identifying those areas which can contribute towards funding the shortfall. There remain significant financial uncertainties ahead, such as in respect of welfare reform and business rate retention. It remains important that the Council continues to make tough decisions to help bridge the current funding gap. This will require close consideration of service provision, alternative delivery models, review of income policies and council tax levels.</p>	<p> Green</p>
<p><b>Financial Governance</b></p>	<p>The Council has a sound governance framework in place. This enables it to monitor the achievement of its strategic objectives and whether these have resulted in appropriate services and value for money. Through the planning and budget setting process, the Council's financial environment and financial performance is understood throughout the organisation. Members are actively engaged in the process.</p> <p>Clear and comprehensive reporting is undertaken at all levels and the Council has a good track record of delivering performance in line with budgets.</p>	<p> Green</p>

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# Executive Summary

Risk area	Summary observations	High level risk assessment
<b>Financial Control</b>	The Council has an effective system of internal control which is designed to identify and prioritise the risks to the Council and then manage and monitor these. Finance staff are experienced and appropriately qualified and the Council has maintained sound controls around the fundamental financial systems to ensure effective financial reporting throughout the year. The Council has an effective Internal Audit function.	 Green

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# Executive Summary

## Next Steps

Key points for consideration	Responsibility	Timescale	Management response
The need for robust governance and financial planning and management in local government is greater than ever. Chorley Borough Council has robust systems in place to face these challenges. It will need to ensure that it continues to provide support to members to ensure effective challenge and decision making.			
The Council has continued to deliver savings over several years. The Council is faced with the continuing challenge of finding further savings which will become increasingly difficult. It will be essential therefore to ensure that its savings plans are clearly communicated, link to specific policy decisions, and that the impact on service levels and quality is clearly identified and monitored.			
Chorley currently performs well in key areas of financial performance relative to statistical nearest neighbours. Faced with a continuing uncertain financial climate it will become even more critical to ensure that the Council has appropriate levels of reserves linked to a clear evaluation of the risks the Council faces.			

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# Key Indicators

## Introduction

This section of the report includes analysis of key indicators of financial performance, benchmarked where this data is available. These indicators include:

- Working capital ratio
- Long term borrowing to tax revenue
- Long term borrowing to long term assets
- Sickness absence levels
- Useable Reserves: Gross Revenue Expenditure



We have used the Audit Commission's nearest neighbours benchmarking group comprising the following authorities:

Amber Valley Borough Council  
Erewash Borough Council  
High Peak Borough Council  
Hinkley and Bosworth Borough Council  
Kettering Borough Council  
Lichfield District Council  
Newark and Sherwood District Council  
Newcastle under Lyme Borough Council  
North Warwickshire Borough Council  
North West Leicestershire District Council  
Rugby Borough Council  
South Derbyshire District Council  
South Ribble District Council  
South Staffordshire Council  
West Lancashire District Council

# Key Indicators




## Overview of performance

*Appendix 1 Note: Appendix 1 contains graphs illustrating the various key indicators commented on below.*

Area of focus	Summary observations	Assessment
<b>Liquidity</b>	<p>The working capital ratio indicates whether a council has enough current assets to cover its immediate liabilities. The Council's working capital ratio was 2.62 at 31 March 2012 (2.92 at 31 March 2011) meaning that current assets were more than enough to meet current liabilities. Comparative information on liquidity from the Council's statistical nearest neighbours (up to 2011/12) shows that Chorley has a slightly above average working capital ratio.</p> <p>At 31 March 2012-13 the net cash position stood at £97,000 overdrawn, which is a reduction from 2011-12 at which point £3.9m was held. The position at the end of 2012/13 reflected the Council's decision to invest £3m for one year even though it was anticipated that this would result in a cash shortage for a short period over the year end. This shortfall which occurred at the year end was repaid within the first fortnight of the new financial year.</p>	 <b>Green</b>
<b>Borrowing</b>	<p>The Council's borrowing at 31 March 2013 was £7.3m with £0.4m of this being due within 12 months.</p> <p>The Council has a relatively low level of long term debt when compared to its benchmarked group. When compared to both the value of long term assets and tax revenues the level of long term borrowing is comparatively low against its nearest neighbours.</p>	 <b>Green</b>

# Key Indicators

## Overview of performance

Area of focus	Summary observations	Assessment
<b>Workforce</b>	<p>The Council has continued to reduce its sickness absence levels. In 2011/12, the average working days lost to sickness absence was 5.44 days per FTE. This was lower than the average across both the public and private sector. The latest information for 2012/13 shows an increase in days to 7.27 per FTE. The Council understands the reasons for the increase having prepared a report for the Strategy Group and has put in place a series of actions to address the increase. The figures for the first 3 months of 2013/14 are significantly better.</p>	 <b>Green</b>
<b>Performance Against Budgets: revenue &amp; capital</b>	<p>The Council has a good track record in achieving the revenue budget and managing financial performance. In 2011-12, the Council achieved a surplus of £1.2m and in 2012-13 a surplus of £1.277m was achieved. The Council set an ambitious capital programme for 2012/13 of £4.6m, however, slippage on a number of schemes results in capital expenditure of £1.8m with the Council re-profiling the expenditure and its associated financing into 2013/14. There are no significant issues identified with costs of individual schemes at this stage.</p>	 <b>Green</b>
<b>Reserve Balances</b>	<p>Total Usable Revenue Reserves at 31 March 2013 were £6.4m, an increase of £1.3m on the previous year. Within these, the General Fund Reserve balance decreased by £0.2m to £2.1m, and Earmarked Reserves increased by £1.5 to £4.3m.</p> <p>When compared to the Audit Commission nearest neighbour benchmark group, the Council has the lowest level of useable revenue reserves compared to gross revenue expenditure at the 2011-12 year end. However, the Council was in line with its stated policy of maintaining general fund reserves at or around £2m and is in line with the s151 officers assessment of the level of general fund balances needed in the context of current risks. It will be important for the Council to keep this under close review in the context of changing risks and uncertainties around the financial position in the medium to long term.</p>	 <b>Amber</b>

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# Strategic Financial Planning





## Key characteristics of good strategic financial planning

In conducting our review of strategic financial planning we have assessed the Council's performance against the following indicators:

- Focus on achievement of corporate priorities is evident through the financial planning process. The MTFP focuses resources on priorities.
- The MTFP includes outcome measures, scenario planning, benchmarking, resource planning and details on partnership working. Targets have been set for future periods in respect of reserve balances, prudential indicators etc.
- Annual financial plans follow the longer term financial strategy.
- There is regular review of the MTFP and the assumptions made within it. The Council responds to changing circumstances and manages its financial risks.
- The Council has performed stress testing on its model using a range of economic assumptions including CSR.
- The MTFP is linked to and is consistent with other key strategies, including workforce.
- KPIs can be derived for future periods from the information included within the MTFP.

# Strategic Financial Planning


## Medium Term Financial Strategy (MTFS)

Area of focus	Summary observations	Assessment
<b>Focus of the MTFS</b>	<p>The Council has a Medium Term Financial Strategy (MTFS) for the period 2013/14 to 2015/16 which was approved by the Executive Cabinet in January 2013. Budget savings for 2013/14 have been included within the strategy, however going forward changes to core grant funding highlight a forecast budget deficit by the end of 2015/16 of £1.6m.</p> <p>A key component of the MTFS is the projection of working balances going forward and that balances should not be lower than £2million over the financial period 2013/14 – 2015/16.</p>	 <b>Green</b>
<b>Adequacy of planning assumptions</b>	<p>The Council has a good track record of achieving its budget and its cost savings requirements. In 2011/12 the Council delivered efficiencies of £1.2m against a target of £1.1m and for 2012/13 delivered efficiencies of £0.98m, in line with its target for the year.</p> <p>The MTFS is based on sound judgements around pay costs, Council Tax increases, Pension contribution increases, reduction in grant settlement, business rate retention, and New Homes Bonus monies. The Council's focus remains on a MTFS which is regularly revisited in terms of assumptions as new information becomes available. However, given the current inherent uncertainties in the level of future funding to be received from Government and impact on savings required, this has been assessed as amber.</p>	 <b>Amber</b>
<b>Scope of the MTFS and links to annual planning</b>	<p>The Medium Term Financial Strategy recognised the priorities set out in the Corporate Plan and the risks identified through the corporate risk assessment process. The Strategy recognises the continued and significant uncertainty surrounding core government grant funding as a result of the new funding regimes that had come into effect in the last couple of years.</p>	 <b>Green</b>
<b>Review processes</b>	<p>The strategy is updated, reviewed and challenged annually with revisions taken to the Executive Cabinet. This is performed when the Council is preparing and setting its budget for the forthcoming year. In addition regular budget monitoring reports during the year also include consideration of the impact of any changes on the MTFS.</p>	 <b>Green</b>



# Strategic Financial Planning

## Medium Term Financial Strategy

Area of focus	Summary observations	Assessment
<b>Responsiveness of the Plan</b>	<p>The Council has a good track record of delivering financial performance in line with budget and achieving required savings. Through revenue budget monitoring, and reporting to the Executive Cabinet, the Council is able to monitor the performance of services against budgets and respond to significant cost pressures and issues identified.</p> <p>In developing the MTFS the Council has challenged service delivery and developed strategies in line with its Corporate Plan.</p>	 <b>Green</b>

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## Key characteristics of effective financial governance

In conducting our review of financial governance we have assessed the Council's performance against the following indicators:

### Understanding

- There is a clear understanding of the financial environment the Council is operating within:
  - Regular reporting to Members. Reports include detail of action planning and variance analysis etc.
  - Actions have been taken to address key risk areas.
  - Officers and managers understand the financial implications of current and alternative policies, programmes and activities.

### Engagement





- There is engagement with stakeholders including budget consultations.

### Monitoring and review

- There are comprehensive policies and procedures in place for Members, Officers and budget holders which clearly outline responsibilities.
- Number of internal and external recommendations overdue for implementation.
- Committees and Cabinet regularly review performance and it is subject to appropriate levels of scrutiny.
- There are effective recovery plans in place (if required).

# Financial Governance


## Understanding and engagement

Area of focus	Summary observations	Assessment
<b>Understanding the Financial Environment</b>	<p>The Council has a good track record in financial and risk management. It is financially sound, and identifies and delivers efficiency savings. The Council has demonstrated a sound understanding of the current financial environment and in particular the implications of the reductions in central government funding. Members and senior management are fully informed to enable effective business planning. They are kept up to date and this is evidenced through sessions themed on understanding the financial environment and proposals for responses to risks identified. Recent examples include the provision of training for Governance Members ahead of the June Committee meeting which discussed the Council's draft accounts.</p>	 <b>Green</b>
<b>Executive and Member Engagement</b>	<p>Engagement by members and senior management is good at the Council. There is an open management style which encourages active participation and challenge. The Chief Executive sets the tone with a management style that encourages debate and openness. There is clear evidence of Members providing scrutiny and challenge on decision making processes at the Council.</p>	 <b>Green</b>
<b>Overview for controls over key cost categories</b>	<p>Progress against savings plans are reported throughout the year. These reports consider the savings delivered and any potential issues or risks in achieving the overall savings and provide an effective monitoring process. Regular revenue budget monitoring is reported to the Cabinet and provides members with performance information regarding the delivery of savings and actions required going forward.</p>	 <b>Green</b>
<b>Budget reporting: revenue and capital</b>	<p>Budget reporting is comprehensive for both Revenue and Capital programme reporting. Quarterly budget monitoring reports to Members compare results against plan and compare against revised budget. Mitigations for any issues identified are reported within these reports.</p>	 <b>Green</b>

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# Financial Governance

## Understanding and engagement

Area of focus	Summary observations	Assessment
<b>Adequacy of other Committee/Cabinet Reporting</b>	The Council has effective scrutiny arrangements. Reports are provided regularly to the Scrutiny Committee who provide a further level of challenge, alongside reviewing any impact on performance.	 Green

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# Financial Control

## Key characteristics of effective financial control

In conducting our review of financial control we have assessed the Council's performance against the following indicators:

### Budget setting and budget monitoring

- Budgets are robust and prepared in a timely fashion.
- Budgets are monitored at an officer, member and Cabinet level and officers are held accountable for budgetary performance.
- Financial forecasting is well-developed and forecasts are subject to regular review.

### Savings Plans

- Processes for identifying, delivering and monitoring savings plan schemes are robust, well thought through and effective.

### Financial Systems

- Key financial systems have received satisfactory reports from internal and external audit.
- Financial systems are adequate for future needs.

### Finance Department




- The capacity and capability of the Finance Department is fit for purpose.

### Internal Control

- There is an effective internal audit which has the proper profile within the organisation. Agreed Internal Audit recommendations are routinely implemented in a timely manner.
- There is an assurance framework in place which is used effectively by the Council and business risks are managed and controlled.

# Financial Control




## Internal arrangements

Area of focus	Summary observations	Assessment
<b>Budget setting and monitoring - revenue and capital</b>	<p>The Council has a robust and effective business planning and budget setting process, which takes into account the views of stakeholders and includes review by Members. The Council manages budgets well and this is evidenced by a good track record in achieving the overall budget and mitigating any overspends identified in year.</p> <p>Through the business planning process, the Council has a good understanding of its costs and performance and considers different ways of achieving savings through service redesign to identify areas where services can be provided more effectively and efficiently. Recent example includes the restructure of the shared financial services arrangement.</p> <p>The Council has an effective Treasury Management strategy in place which is reported regularly to the Governance Committee.</p>	 <b>Green</b>
<b>Performance against Savings Plans</b>	<p>The Council has an excellent track record of achieving savings targets and meeting its budget. Since 2011/12 the Council has delivered £ 2m of efficiencies, analysed between:</p> <ul style="list-style-type: none"> <li>• 2011/12 £1.1 m</li> <li>• 2012/13 £0.9 m</li> </ul> <p>The Council's Medium Term Financial Services for the period 2013/14 - 2016/17 currently forecasts a cumulative budget gap of £1.6m which presents a significant challenge. The Council has clear ideas and proposals of how this is to be delivered and has set out the key areas to be targeted over the next two years within its Medium Term Financial Strategy.</p>	 <b>Green</b>
<b>Key Financial Accounting Systems</b>	<p>The Council has sound financial systems to deliver effective financial reporting to its demanding standards and timetable. Recent Internal Audit has undertaken a number of reviews during 2012/13 of the Council's key financial systems. All financial systems reviewed were assessed as having a substantial controls rating, meaning that the Council could place sufficient reliance on the controls. Only minor control weaknesses existed.</p>	 <b>Green</b>




# Financial Control

## Internal and external assurances

Area of focus	Summary observations	Assessment
<b>Finance Department Resourcing</b>	<p>The Council's Finance function forms part of the shared financial services arrangements with South Ribble Borough Council. The section comprises of experienced accountants who provide a good service to the Council's senior management and to Members. Finance reports are clear and concise and regularly provide insightful information into the current financial position of the Council as well as highlighting future challenges.</p> <p>The 2011/12 financial statements were audited and published without any material errors identified and within the necessary timescale. The 2012/13 financial statements were produced for audit on 27th June 2013, with an anticipated opinion date of 30 September 2013. At this stage no material errors have been identified.</p>	 <b>Green</b>
<b>Internal audit arrangements</b>	<p>The Council's Internal Audit Section also forms part of the shared financial services arrangement with neighbouring South Ribble Borough Council. The Section provides an effective internal audit function which complies with CIPFA standards. The Section is continually seeking to improve and demonstrate efficient working practices whilst maintaining high quality standards. Recent examples of this include the retention of ISO 9001 accreditation, undertaking a self assessment of compliance against the CIPFA Code of Practice for Internal Audit in Local Government and customer satisfaction results showing 88% satisfaction by client departments.</p> <p>Internal Audit plans are approved by the Governance Committee annually and action plans and progress reports are provided to the Committee on a regular basis.</p>	 <b>Green</b>
<b>External audit arrangements</b>	<p>External audit are provided with regular updates through quarterly meetings with the Chief Executive and Monitoring Officer. On-going meetings are also held throughout the year with the Head of the Shared Financial Service and the Head of Assurance. External audit reports have been positive about the Council and where necessary action is taken in a timely manner to address any areas for improvements.</p> <p>There are open and honest two-way communications between the audit team and council officers. No formal reporting actions have needed to be taken by external audit.</p>	 <b>Green</b>

# Financial Control

## Internal and external assurances

Area of focus	Summary observations	Assessment
<p><b>Assurance framework/risk management</b></p>	<p>The Council's approach to risk management is embedded through the authority. All reports contain a section where consideration has been given to the impact of any proposals covering the areas of financial, legal and risk. Members are provided with updates regarding the actions taken by management to address key risks and opportunities identified in the Corporate Risk Register. The Council's senior management team constantly re-assess the key corporate risks affecting Chorley and evidence has been seen where new risks have been added during the year.</p> <p>The Corporate Risk Register sits alongside the Corporate Plan, and is presented to the Scrutiny Committee on a quarterly basis and monitored biannually by Governance Committee. Outcomes from the key actions contained in the Corporate Plan mitigate the risks identified in the Corporate Risk Register.</p> <p>The Council's 2012/13 Annual Governance Statement highlights the overall assurance framework in place and confirms that Chorley has approved and adopted a code of governance that is consistent with the principles of the CIPFA/SOLACE CIPFA/SOLACE "Delivering Good Governance in Local Government Framework". Progress against Annual Governance Statement issues are reported to the Governance Committee throughout the year.</p>	<p style="text-align: center;">   <b>Green</b> </p>

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# Key Indicators of Financial Performance

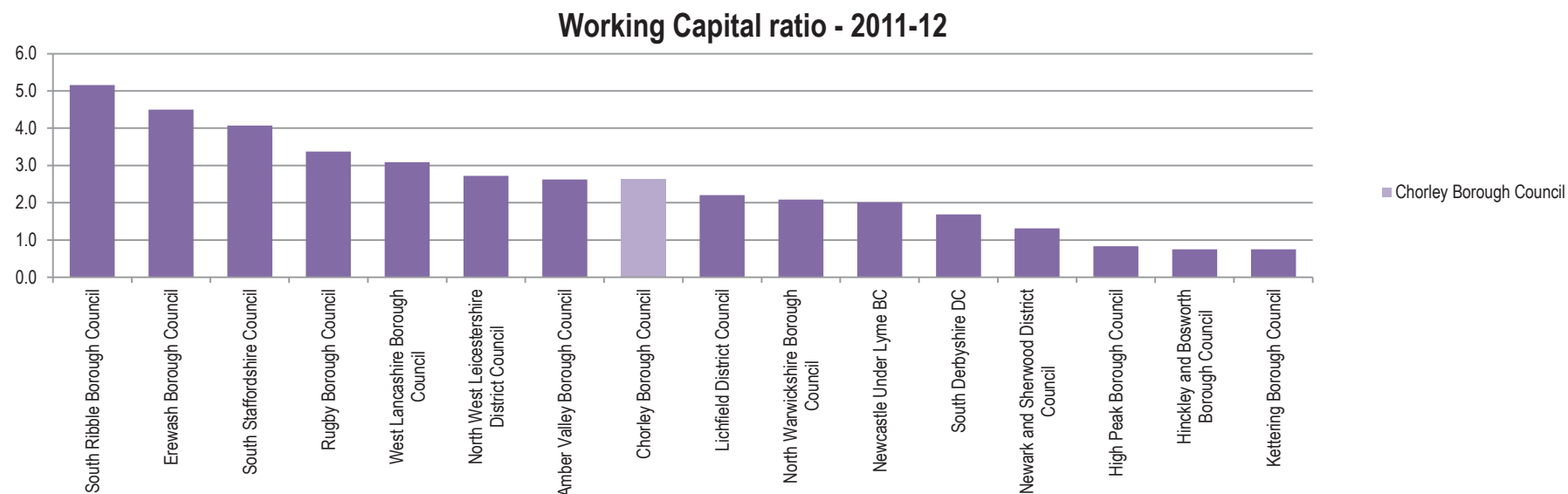
## Working Capital Ratio - 2011/2012

### Definition

The working capital ratio indicates if an authority has enough current assets, or resources, to cover its immediate liabilities - i.e. those liabilities to be met over the next twelve month period. A ratio of less than one - i.e. current liabilities exceed current assets - indicates potential liquidity problems. It should be noted that a high working capital ratio isn't always a good thing; it could indicate that an authority is not effectively investing its excess cash.

### Findings

The Council's working capital ratio was 2.62 in 2011/12, indicating that its current assets could cover its immediate liabilities twice. The Council's working capital was slightly above the average (2.49) when compared with its statistical nearest neighbours.



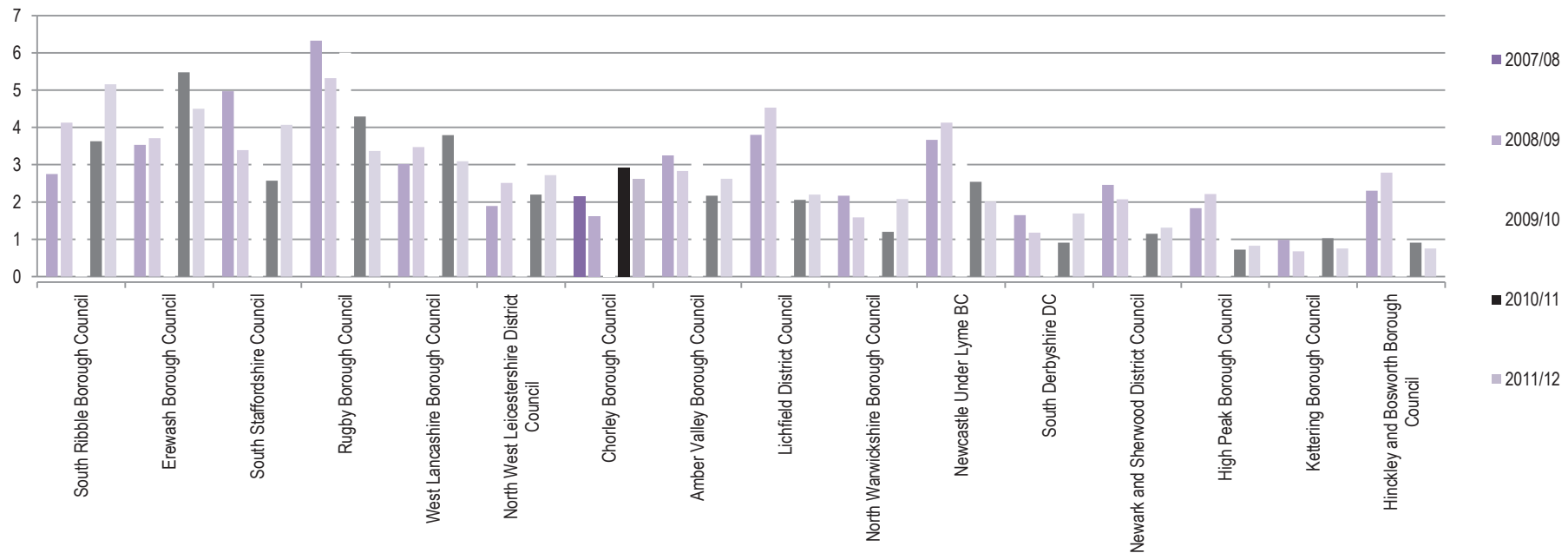
# Key Indicators of Financial Performance

## Working Capital Ratio – Trend

### Findings

There is a mixed picture in terms of the movement in working capital ratios across the nearest neighbours. 6 out of the 16 boroughs have increased their working capital ratio from 2007-08 to 2011-12, whilst the other 10 have seen a decrease over the same period. Of those boroughs with an increasing working capital ratio the average increase is around 32%. The Council has seen an increase of approximately 22% (2007-08 (2.15) to 2010-11 (2.62)) indicating that the Council's rate of increase is less than most of its nearest neighbours.

Working Capital Ratio - trend [in order of 2011-12 value]



# Key Indicators of Financial Performance

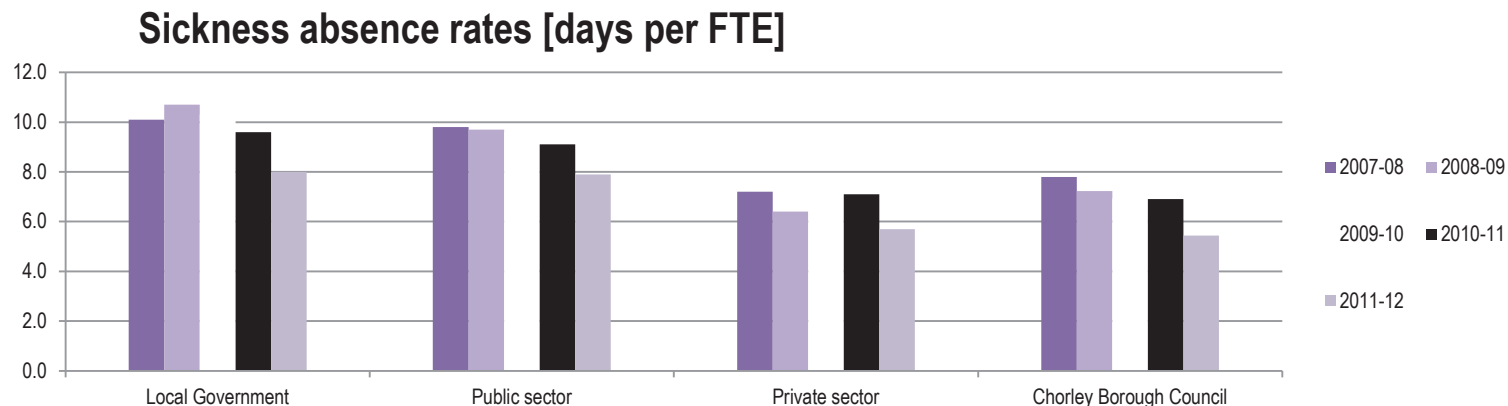
## Workforce – Sickness absence rates

### Background

Costs that accrue from sickness absence relate to the hiring of agency staff to cover staff gaps, or from holding a larger workforce complement than is desirable. Absence also damages service levels either through staff shortage or lack of continuity. Reducing absenteeism saves money, improves productivity and can have a positive customer benefit. Absence management will be a particular challenge for all authorities given the context of significant pressures on staff to deliver "more for less".

### Findings

The Council's sickness absence levels have reduced over the past four years. The Council's absence level during 2011-12 of 5.44 days per FTE represented a 30.1% reduction since 2007/08. The Council's sickness absence levels for 2011/12 are below the average sickness levels for both the public and private sector, including Local Government. The figure for 2012/13 showed an increase in sickness levels to 7.27 days per FTE, of which 4.38 days relates to long term sickness.



# Key Indicators of Financial Performance

## Long Term Debt to Tax Ratio - 2011/2012

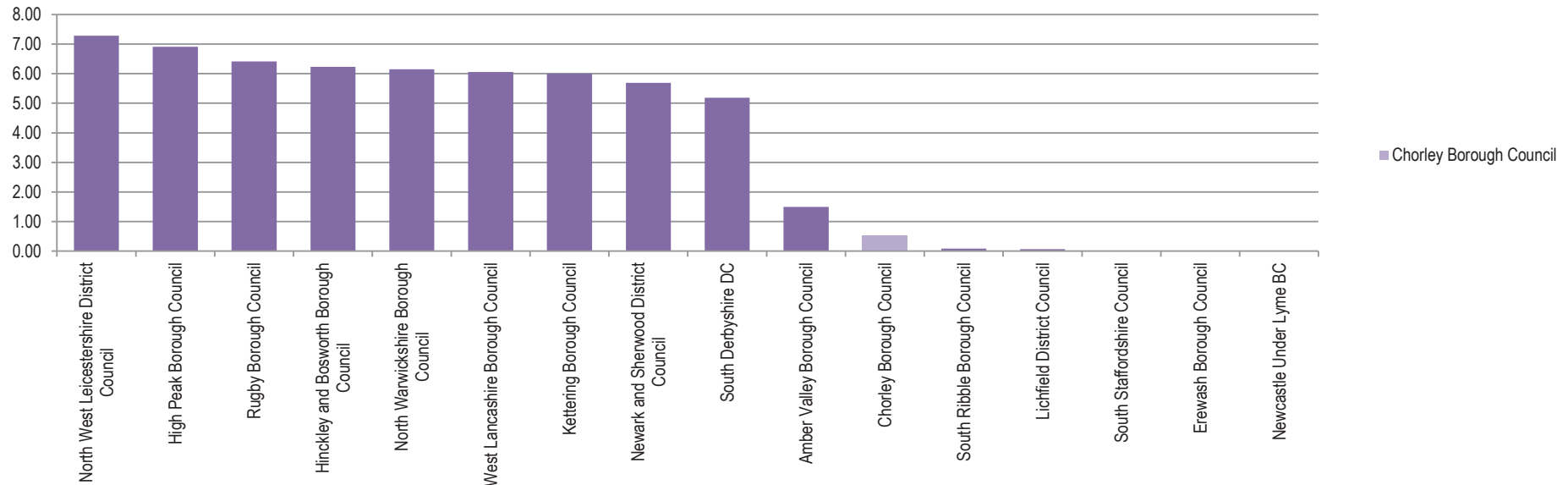
### Definition

Shows long term borrowing as a share of tax revenue. A ratio of more than one means that long term borrowing exceeds annual council tax revenue.

### Findings

The Council's long term borrowing ratio (as a percentage of tax revenue) is 0.53%. The Council is one of only 4 Council's within its benchmarked group that has a long term borrowing ratio of less than 1.0%. This ratio demonstrates the relatively low levels of indebtedness at the Council.

Long Term Debt to Tax Revenue ratio 2011-12



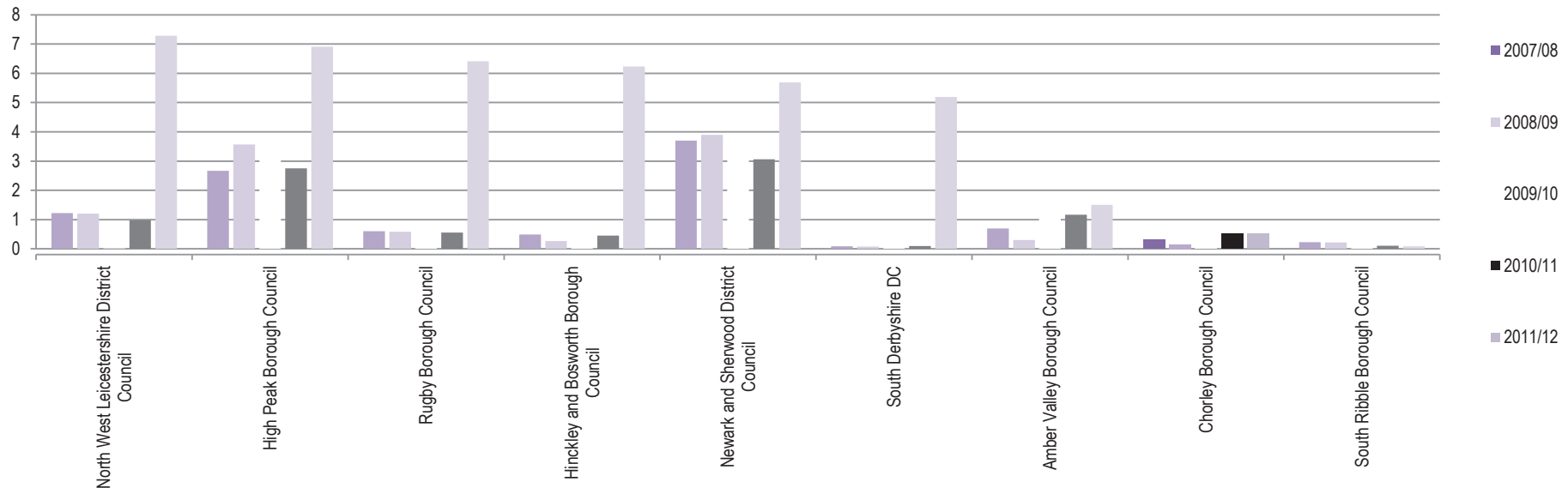
# Key Indicators of Financial Performance

## Long Term Debt to Tax – Trend

### Findings

The Council's long term borrowing ratio (as a percentage of tax revenue) has increased by 71% (from 0.31% (2007-08) to 0.53% (2011-12)). Whilst there has been an increase over the 5 year period the overall level of indebtedness remains relatively low and is lower than the benchmarked groups overall average increase of 351 % over the same period..

Long Term Debt to Tax Revenue ratio - trend [in order of 2011-12 value]





# Key Indicators of Financial Performance

## Long Term Debt to Long Term Assets - 2011/2012

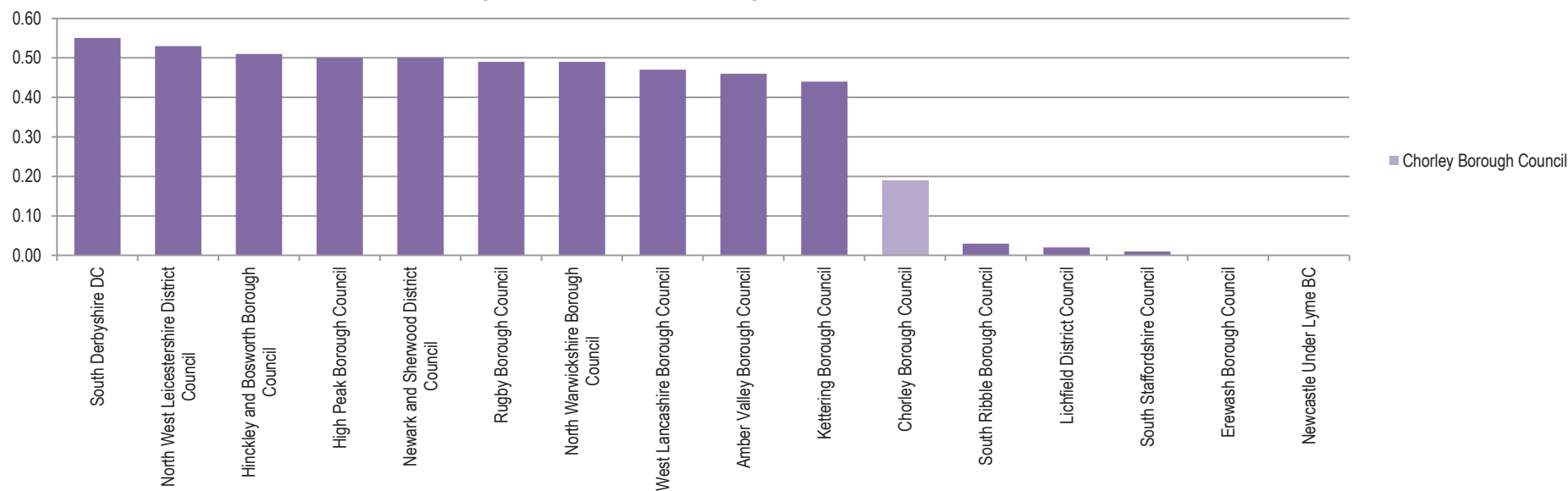
### Definition

This ratio shows long term borrowing as a share of long term assets. A ratio of more than one means that long term borrowing exceeds the value of its long term assets.

### Findings

The Council's ratio of long term debt compared to long term assets is 0.19. The Council has a relatively low level of long term debt when compared to its benchmarked group.

Long Term Debt to Long Term Assets ratio 2011-12

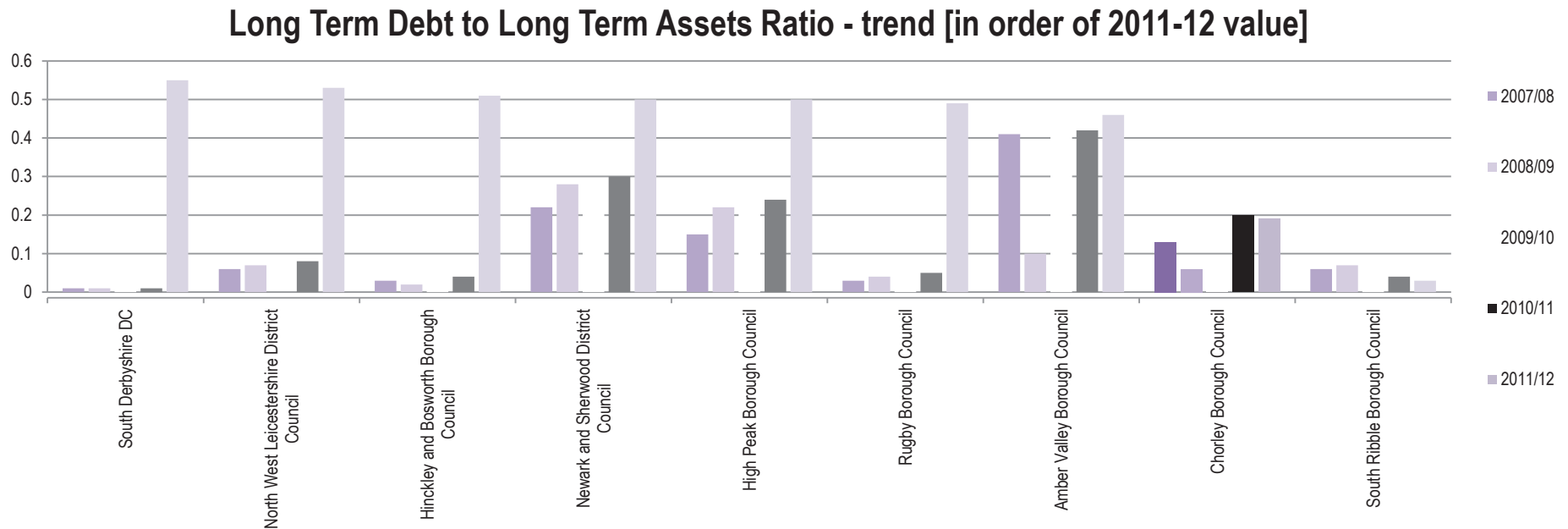


# Key Indicators of Financial Performance

## Long Term Debt to Long Term Assets – Trend

### Findings

The Council's long term borrowing to assets ratio has increased by 46% from 2007-08 (0.13%) to 2011-12 (0.19%). The majority of the benchmarked group that provided data against this indicator (8 out of 9) have increased their ratios during the same period, with an average overall increase for the nearest neighbours group of 242%. The Council had the second lowest level of long term debt to long term assets when compared to its benchmarked group.



# Key Indicators of Financial Performance

## Usable Revenue Reserves to Gross Revenue Expenditure - 2011/2012

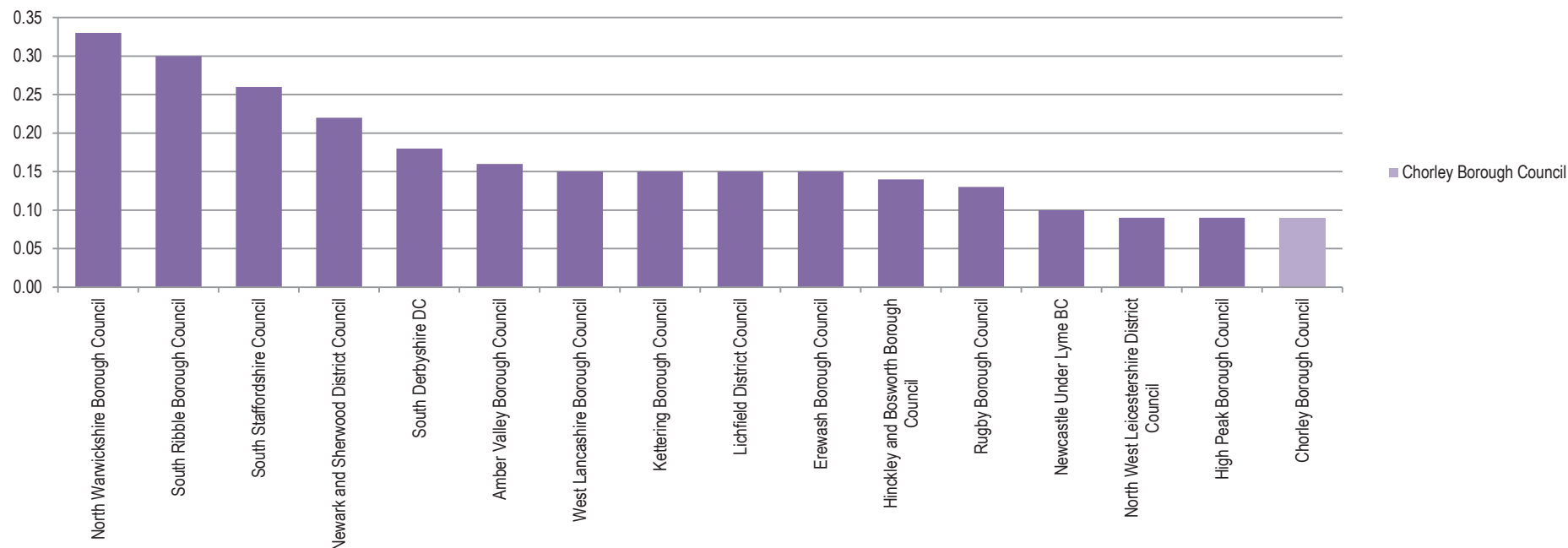
### Definition

This shows useable revenue reserves as a share of expenditure. A ratio of one means the total reserves matches the level of expenditure.

### Findings

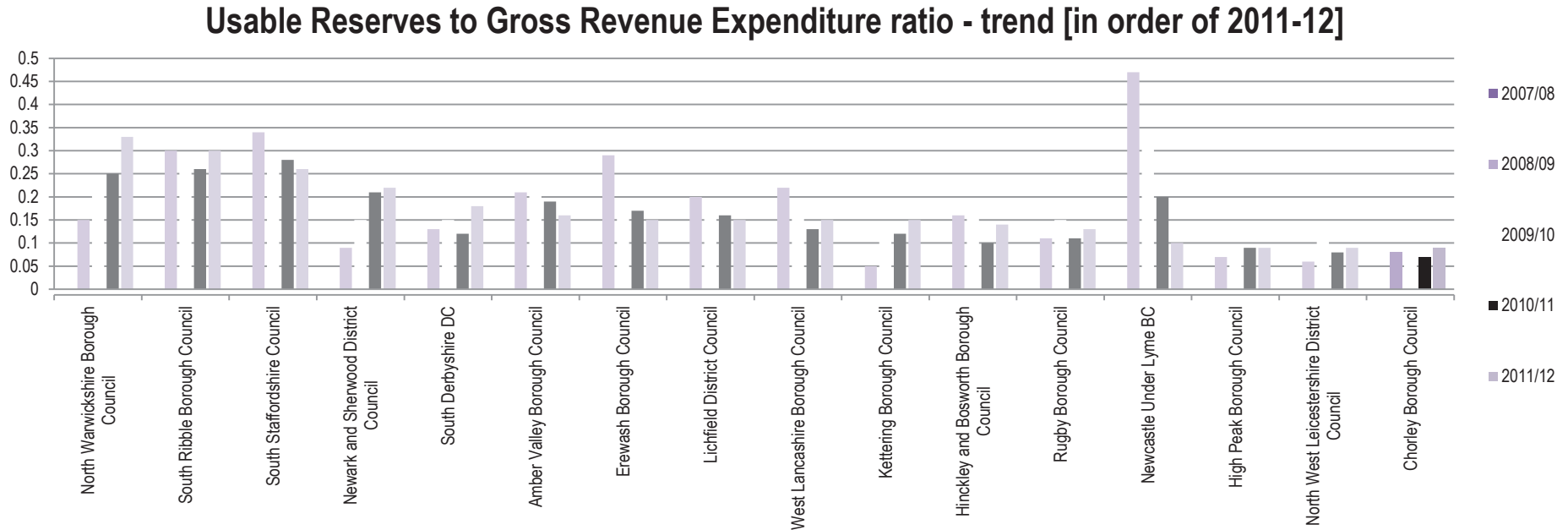
The Council has the lowest level of usable reserves (0.09) compared to gross revenue expenditure when compared with its benchmark group. CIPFA's guidance on reserves is that the level should follow the S151 officer's advice to the Council, which should be based on local circumstances.

Usable Reserves to Gross Revenue Expenditure ratio 2011-12



# Key Indicators of Financial Performance

## Usable Revenue Reserves to Gross Revenue Expenditure - Trend





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Report of	Meeting	Date
Head of Shared Assurance Services	Governance Committee	12 <sup>th</sup> September 2013

**INTERNAL AUDIT INTERIM REPORT AS AT 26<sup>TH</sup> JULY 2013**

**PURPOSE OF REPORT**

1. To advise members of the work undertaken in respect of the Internal Audit Plans for Chorley Council and Shared Financial Services for the period April 2013 to July 2013 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 general developments involving or impacting upon the work or performance of the Internal Audit Service.

**RECOMMENDATION(S)**

4. That the report be noted.

**EXECUTIVE SUMMARY OF REPORT**

5. The report demonstrates that at this stage the Audit Plans are on target to be achieved and the majority of the performance indicators have either been achieved or exceeded.

<b>Confidential report</b> Please bold as appropriate	Yes	<b>No</b>
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**CORPORATE PRIORITIES**

6. This report relates to the following Strategic Objectives:

Involving residents in improving their local area and equality of access for all.		A strong local economy	
Clean, safe and healthy communities		An ambitious council that does more to meet the needs of residents and the local area	<b>X</b>

**BACKGROUND**

7. This is the first progress report for 2013/14 and covers the period between 1<sup>st</sup> April 2013 and 26<sup>th</sup> July 2013.

**INTERNAL AUDIT PLANS**

8. **Appendix 1** provides a “snapshot” of the overall progress made in relation to the 2013/14 Internal Audit Plans, indicating which audits have been completed and their control rating, 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. The Internal Audit Plans are on target to be achieved. The reviews completed to date have been given either substantial or adequate assurance ratings with the exception of one. The Review of Mobile Phones received a limited assurance rating, however Members should note that the issues highlighted in the report are not considered to be of a significant risk to the Council and in addition expenditure incurred in this area is relatively minor.
10. The table below provides a summary of the audit work completed during the period, together with any control issues identified.

Audit Area	Control Rating	Comments
Annual Governance Statement	Not applicable	Proactive input was provided in collating information to inform the Annual Governance Statement.
Review of Markets	Substantial	No key control issues
Facilities and Building Management	Adequate	<p>The aims of the audit were to review and evaluate the operational arrangements of the Civic Attendants team including all aspects of Civic Buildings security, health &amp; safety arrangements including fire safety, cleaning and general maintenance.</p> <p>A number of management actions were agreed to strengthen the controls in all of the above areas.</p>
Review of Mobile Phones	Limited	<p>A number of control weaknesses were identified in the administration and management of mobile phones. Management actions were agreed relating to:</p> <ul style="list-style-type: none"> <li>• Mobile phone policy;</li> <li>• Improving the allocation criteria;</li> <li>• Review of management information including usage.</li> </ul>
Review of CCTV (interim report)	Not applicable at this stage.	<p>Due to the incomplete nature of the existing usage and performance information relating to how the use of CCTV has a tangible and demonstrable impact on crime and disorder in the borough, we were unable to finalise the review at this moment in time and have therefore issued an interim report covering the work completed up to the end of July 2013.</p> <p>This includes a recommendation to capture more robust performance information and a final report will be issued at a later date when this is made available for analysis.</p>



**INTERNAL AUDIT PERFORMANCE**

11. **Appendix 2** provides information on Internal Audit performance as at 26<sup>th</sup> July 2013. We are pleased to report that the majority of indicators have either been achieved or exceeded.

**GENERAL DEVELOPMENTS****Staffing**

12. A member of the Audit Team was successful in the recent Institute of Internal Auditor examinations.

**External Contract – St Catherine’s Hospice**

13. We recently met with the Director of Finance & Technical Services and agreed the reviews and timescales for this year’s work.

**IMPLICATIONS OF REPORT**

14. 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

Background papers include the 2013/14 Internal Audit Plans for Chorley Council and Shared Financial Services.

<b>Report Authors</b>	<b>Ext</b>	<b>Date</b>	<b>Doc ID</b>
Garry Barclay Dawn Highton	01772 625272 01257 515468	August 2013	Audit Interim report

## APPENDIX 1

## INTERNAL AUDIT PLANS 2013/14

AUDIT AREA	PLAN (Days)	ACT (Days)	BAL (Days)	CONTROL RATING	COMMENTS
<b>SHARED FINANCIAL SERVICES</b>					
Main Accounting System	15	0	15		To commence Q4
Creditors	15	0	15		To commence Q4
Payroll	20	0	20		To commence Q4
Treasury Management	15	0	15		To commence Q4
Cash & Bank / Cheque Control	20	0	20		To commence Q3
Post Audit Reviews	10	5	5		On-going
Contingency	20	0	20		No requests received
Residual Work from 2012/13	20	19.7	0.3		Complete
<b>TOTAL</b>	<b>135</b>	<b>24.7</b>	<b>110.3</b>		
<b>CHORLEY</b>					
<b>CORPORATE AREAS</b>					
Annual Governance Statement	15	11.8	3.2	N/A	Complete
Anti-Fraud & Corruption	15	4.3	10.7	N/A	On-going
National Fraud Initiative (NFI)	20	9.7	10.3	N/A	On-going
System Interrogations	10	0.4	9.6		To commence Q3
Financial Regulations	5	0	5		To commence Q4
<b>PARTNERSHIPS, HOUSING &amp; PLANNING</b>					
Cotswold House	15	0	15		To commence Q4
CIL (with PCC & SRBC)	10	0.1	9.9	N/A	On-going
Markets	10	11.3	-1.3	Substantial	Complete
<b>TRANSFORMATION</b>					
Performance Management	5	0	5		To commence Q4
Facilities & Building Management	15	13.5	1.5	Adequate	Complete
Mobile Phones	15	15.4	-0.4	Limited	Complete
Information Management	15	0	15		To commence Q3
Asset Management	15	4.3	10.7		In progress
New Payroll System	15	0	15		To commence Q3
<b>Revenues &amp; Benefits</b>					
Council Tax Discounts	15	3.3	11.7		In progress
Council Tax					To commence Q3
Non Domestic Rates					To commence Q3
Housing & Council Tax Benefits	30	0	30		To commence Q3
Debtors					To commence Q3
<b>PEOPLE &amp; PLACES</b>					
Fuel Management	10	0	10		To commence Q3
Neighbourhood Officers	10	7.9	2.1		In progress
CCTV	15	17.9	-2.9		Interim Report issued
<b>GENERAL AREAS</b>					
Irregularities (Contingency)	20	7.1	12.9	N/A	On-going
Post Audit Reviews	10	5.3	4.7	N/A	On-going
Residual Work from 2012/13	15	11.3	3.7	N/A	Complete
Unplanned Reviews (Contingency)	20	3.5	16.5	N/A	On-going
Governance Committee	20	7.3	12.7	N/A	On-going
<b>TOTAL</b>	<b>345</b>	<b>134.4</b>	<b>210.6</b>		

**KEY TO CONTROL RATINGS**

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

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 26<sup>th</sup> JULY 2013

	Indicator	Audit Plan	Target 2013/14	Target to Date	Actual to Date	Comments
1	% of planned time used	SS	90%	17%	18%	Target exceeded
		CBC	90%	30%	39%	Target exceeded
2	% audit plan completed	SS	100%	0%	0%	Not applicable
		CBC	100%	33%	33%	Target achieved
3	% management actions agreed	SS	98%	0%	0%	Not applicable
		CBC	98%	98%	100%	Target exceeded
4	% overall customer satisfaction rating (assignment level)	SS	90%	0%	0%	Not applicable
		CBC	90%	90%	91%	Target exceeded

SS = Shared Services  
CBC = Chorley