GOVERNANCE COMMITTEE

FRIDAY, 12TH SEPTEMBER 2014, 3.00 PM
COUNCIL CHAMBER, TOWN HALL, CHORLEY

AGENDA

	APOLOGIES	
1	**MINUTES** To confirm the minutes of the Governance Committee meeting held on 25 June 2014 (enclosed)	(Pages 3 - 10)
2	**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.	
3	**EXTERNAL AUDIT FINDINGS REPORT 2013/14** Report of the External Auditors (enclosed)	(Pages 11 - 44)
4	**STATEMENT OF ACCOUNTS 2013-14** Report of the Chief Executive (enclosed)	(Pages 45 - 122)
5	**INTERNAL AUDIT INTERIM REPORT AS AT 1 AUGUST 2014** Report of the Head of Shared Assurance Services (enclosed)	(Pages 123 - 128)
6	**STRATEGIC RISK REGISTER UPDATE REPORT** Report of the Chief Executive (enclosed)	(Pages 129 - 140)
7	**STANDARDS UPDATE** The Monitoring Officer will present a verbal report.	
8	**RIPA APPLICATION UPDATE**	

The Monitoring Officer will present a verbal report at the meeting.

9 **WORK PROGRAMME 2014-15** (Pages 141 - 142)

To note the Governance Committee Work Programme 2014/15 (enclosed)

10 **ANY URGENT BUSINESS PREVIOUSLY AGREED WITH THE CHAIR**

GARY HALL
CHIEF EXECUTIVE

Electronic agendas sent to Members of the Governance Committee Councillor Paul Leadbetter (Chair), Councillor Peter Goldsworthy (Vice-Chair) and Councillors Julia Berry, Margaret France, Anthony Gee, Matthew Lynch, June Molyneaux and Mick Muncaster.

If you need this information in a different format, such as larger print or translation, please get in touch on 515151 or chorley.gov.uk

Chorley Council

MINUTES OF	**GOVERNANCE COMMITTEE**
MEETING DATE	**Wednesday, 25 June 2014**
MEMBERS PRESENT:	Paul Leadbetter (Chair), Peter Goldsworthy (Vice-Chair) and Julia Berry, Anthony Gee, Matthew Lynch and June Molyneaux
OFFICERS:	Gary Hall (Chief Executive), Chris Moister (Head of Governance), Michael Jackson (Principal Financial Accountant), Garry Barclay (Head of Shared Assurance Services), Dawn Highton (Principal Auditor) and Dianne Scambler (Democratic and Member Services Officer)
APOLOGIES:	Councillors Henry Caunce and Margaret France, Gareth Winstanley (Grant Thornton PLC) and Peter Ripley (Independent Person)

14.G.21 Minutes

RESOLVED – That the minutes of the Governance Committee meeting held on 13 March 2014 be confirmed as a correct record for signing by the Chair.

14.G.22 Declarations of Any Interests

There were no declarations of any interests.

14.G.23 Internal Audit Annual Report 2013/14

The Committee received a report summarising the work undertaken by the Internal Audit Service during the 2013/14 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 of 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.

The key performance data for the Internal Audit Service was summarised that indicated that the majority of the authority's indicators were on or above target. Only two areas varied significantly from the agree targets and explanations were provided.

The Committee were also informed of examples where the Internal Audit's work had added value. These included a review of CCTV which considered camera location, staffing hours and provided a range of options for future service delivery and the use of IDEA interrogation software to reduce the number of matches identifying potential fraudulent benefit claims.

Key achievements for the team also included retaining the ISO 9001 accreditation and the team continued to undertake training on a wide range of topics to increase knowledge to seek improved and more efficient working practices, maintaining a high quality service.

RESOLVED – That the report be noted.

14.G.24 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 2013/14 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.

The Committee were satisfied with the explanation given regarding correspondence received from the Equality and Human Right Commission indicating a breach of legal duty.

Members noted that Internal Audit, having reviewed specific information was 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.

14.G.25 Chorley Council Audit Plan

The Committee received the External Audit Plan for the Council as at 31 March 2014 that had been submitted by Grant Thornton, the authority's external audit providers.

A risk based audit of the Council had been undertaken that focused on those areas where there was a potential risk of material misstatement in the accounts and no specific risks had been identified for Chorley. The two risks that were listed in the report were generic to other Local Authorities and Members were assured that the necessary controls for Chorley already existed.

Interim audit work was currently being undertaken in advance of the final accounts audit fieldwork and at this stage there were no significant issues to report and it was explained to Members that the Value for Money (VfM) conclusion was a requirement to ensure that the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in the use of its resources and focuses on securing financial resilience.

RESOLVED – That the report be noted.

14.G.26 Treasury Management Annual Report 2013/14

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 1.14% which exceeded the benchmark. Details of the borrowings were given and Members were updated on a number of issues that included the conclusion of the situation relating to the Icelandic investments.

The Committee were advised that the Council is required to consider, as a minimum, three treasury reports. In addition the Minimum Revenue Provision Policy for 2014/15 and revised Prudential Indicators were presented to Council in November 2013 as it had been necessary for the Council to approve changes to the MRP Policy and Prudential prior to the purchase of the Market Walk Shopping Centre.

The Council's Capital Expenditure as at 31 March 2014 totalled £25.615m compared to the revised budget of £26.583m. Of the total, £23.341m was for the purchase of the Market Walk Shopping Centre in November 2013, which was financed by prudential borrowing. Prudential borrowing of £1.323m had also been required to finance other capital investment.

The £0.968m variance from budget at outturn was not an underspend, but due to the requirement to rephase a number of projects to reflect revised delivery timescales and would be added to the 2014/15 Capital Programme.

Estimated borrowing at the end of 2013/14 was £30.263m and surplus cash available for investment was £15.000m, giving an estimated net figure of £15.263m compared to the estimated Capital Finance Requirement of £32.518m. The level of borrowing estimated in the 2013/14 reflected Council approval to purchase Market Walk and to finance the expenditure with £23.341m prudential borrowing. However, it had proved possible to achieve savings in financing the acquisition by using £10m internal cash balances and taking only £13.341m loans from PWLB.

In response to a query, the Chief Executive explained that this had been a decision that he had taken based upon the business model considered and approved by Council in November. He had felt, that with interest rates for cash investments remaining low, it was better to use cash balances to avoid borrowing at rates that could have exceeded 4%, than to invest at as little as the 0.25% paid by the Debt Management Office. The Chief Executive had been delegated to make these decisions on behalf of the Executive Cabinet.

It was reported that the Council had now reached a conclusion with regards to the Icelandic Investment. At the start of 2013/14, the impaired balance sheet value of the

Council's investment was £0.83m. During the year, the Winding-Up Board had made one repayment of £0.102m, reducing the balance sheet value of investment to £0.728m.

Recovery of the balance of investment had been expected to take several years and would have involved exchange rate losses and incurring of legal fees. To minimise the risks associated with the recovery process, the Council decided to participate in the auction of Landsbanki claims, and received auction proceeds of £0.728m. The total debt recovered was £1.856m (93%) of the original investment.

The Committee were also informed that the Council's treasury management advisors Capita Asset Services had provided a review of the year and had suggested that the base interest rate would not rise from its historic low level of 0.5% under December 2015.

RESOLVED – That the report be noted.

14.G.27 Statement of Accounts 2013/14

Members received a report of the Chief Finance Officer giving them sight of the draft Statement of Accounts (SOA) for 2013/14 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 audit.

The Chief Executive reported that a training session would be provided to all Members of the Governance Committee before the finalised Statement of Accounts was presented to the Committee that would provide greater understanding of the processes and promote effective debate.

The report discussed the main parts of the statements and sought to explain significant changes from the previous year. It also advised about the statutory requirements for signature, audit, inspection and publication of the accounts.

Members were informed that categorisation of the Market Walk Shopping Centre within the Investment Properties section of the Balance Sheet was still subject to agreement with the external auditor. Therefore there may be a need for the asset to be reclassified and figures amended when the SOA was submitted for approval.

The SOA 2013/14 included corrections to two "unadjusted misstatements" that had been reported to the Committee in respect of the 2012/13 Statement of Accounts, these referred to Property, Plant and Equipment (PPE) relating to capital expenditure of £0.228m allocated to the wrong leisure asset, which had affected depreciation and revaluation calculations and Section 106 commuted sums (for maintenance of assets adopted from developers) totalling £0.493m that had been included against short term creditors instead of long-term.

A number of major issues had affected the Council's financial position during 2013/14 that included the implementation of the new Business Rates Retention (BRR), the purchase of the Market Walk Shopping Centre and the Pension Fund. The Committee were provided with further explanation of the reasons and how they had affected figures in the Statement of Accounts.

Members asked for more detail to be shown in the Statement concerning the figures relating to the money used to purchase the Market Walk Shopping Centre to provide greater clarity of the use of the £10m cash balances and how this had helped to achieve savings by not borrowing at higher rates of interest.

Subject to approval by Executive Cabinet and Council, the Movement in Reserves Statement indicated that General unallocated balances had increased by £0.129m to a total of £2.189m as at 31 March 2014. Reserves earmarked for specific purposes had increased by £0.967m to £5,276m. A balance of £0.325m usable capital receipts would be carried forward to 2014/15 to fiancé capital expenditure for that year.

The Comprehensive Income and Expenditure Statement showed a main variance in Net Expenditure at Cost of Services level in respect of Planning Services, which included economic development and town centre promotion. These service areas had been priority areas for new investment in 2013/14.

The balance sheet and cash flow statements showed the turnover of cash and final cash position as at 31 March 2014. The Councils 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 coming years.

The pension fund deficit had reduced to £32.676m; the main reason for the reduction was the £10.127m actuarial gain, which compared to the £6.158m loss the previous year. This figure was quite volatile and had changed significantly over the past few years.

RESOLVED

1. **That the draft Statement of Accounts 2013/14 be noted.**
2. **That training to be undertaken by Members of the Governance Committee before receipt of the final Statement of Accounts 2013/14.**

14.G.28 Members Code of Conduct: Amendment to Arrangements for Dealing with Complaints

The Committee received a report that sought authority to recommend to full Council amendments to the adopted procedure for dealing with complaints made under the code of conduct for elected members of the Council. The report also asked the Committee to give delegated authority to the Council's Monitoring Officer to draft future amendments to the arrangements before submitting to full Council for approval.

The proposed amendments would improve the clarity of the process and provide the Monitoring Officer with the opportunity of dealing with unfound complaints on receipt or to informally resolve complaints at an earlier stage.

The arrangements had been in place for approximately two years and having had some experience of using the procedures when dealing with complaints the Monitoring Officer had highlighted areas for improvement to the early resolution and local resolution stages and provided some clarity about the role of the Independent Person.

Members sought information on how members of the public and Elected Members could complain about a Councillor and asked if a link to the information could be included on the Councils main complaints page on its website.

RESOLVED

1. **That the amended Arrangements for Dealing with Complaints about the Conduct of Elected Members of the Council be recommended to full Council for adoption.**
2. **That the Monitoring Officer be given delegated authority to propose draft amendments to the Arrangements for Dealing with Complaints about the Conduct of Elected Members in accordance with the report.**
3. **That a link be provided on the Councils main complaint page on its website to the Standards complaints process information.**

14.G.29 Annual Governance Statement

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 Charted 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. Following advice from our Internal Audit Service it was intended to include a review section to the Statement in future years to show continuity of the Council's Governance arrangements.

The Committee also thought that the Chair of Governance Committee should also sign off the Statement to evidence the Council's commitment to these arrangements extended across all political groups.

RESOLVED – That the Annual Governance Statement be formally signed off by the Leader, Chief Executive and Chair of Governance Committee before being submitted for external audit alongside the 2013/14 financial statements.

14.G.30 RIPA Application Update

The Monitoring Officer reported that there had been no RIPA applications made.

14.G.31 Exclusion of Press and Public

RESOLVED – To exclude 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 3 of Schedule 12A to the Local Government Act 1972.

14.G.32 Standards Hearing Update

The Monitoring Officer submitted a confidential report that informed Members of the nature and treatment of standards complaints. The report also sought confirmation as to the type of complaints that were being received and the approach taken by the Monitoring Officer in resolving them.

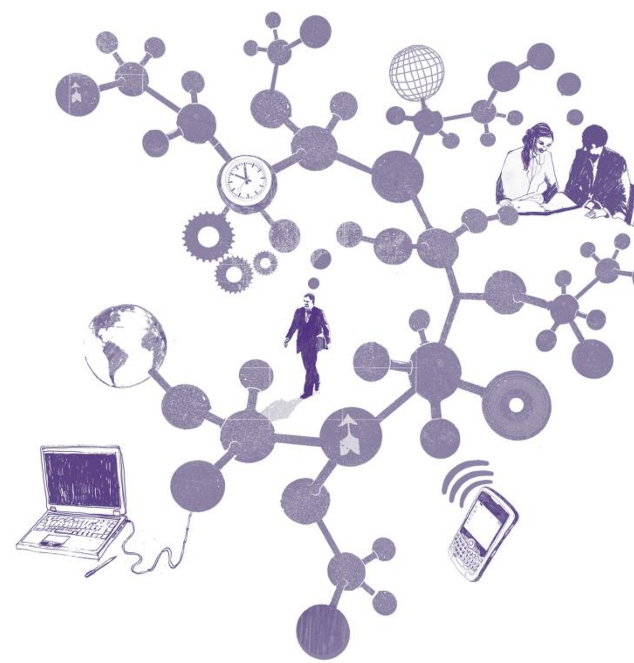
RESOLVED – That the report be noted.

Chair Date

The Audit Findings for Chorley Borough Council

Year ended 31 March 2014

September 2014



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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.

Contents

Section 1: Executive summary

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 2014. 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 dated 10th April 2014.

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

- testing of some elements of income and expenditure, welfare benefits, and the collection fund,
- completion of testing on asset valuations including for Market Walk
- finalising our review of the NDR business rates provision
- completion of testing on employee remuneration
- review of the final version of the financial statements
- obtaining and reviewing the final management letter of representation
- updating our post balance sheet events review, to the date of signing the opinion, and
- Whole of Government Accounts.

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 key messages arising from our audit of the Council's financial statements are:

- the financial statements were supported by adequate working papers
- we have identified no adjustments which affect the Council's reported financial position
- the audit has identified a small number of material misstatements which management has agreed to amend. These relate to the accounting treatment for Market Walk, together with accounting requirements for the introduction of changed arrangements for IAS19 costs and NNDR collection
- we have also agreed some minor amendments to classification and disclosure within the notes to the accounts. None of these are individually significant enough to bring to your attention.

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.

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

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.

Our work has not identified any significant control weaknesses which we wish to highlight for your attention. We have commented on a minor weakness identified in respect of the bank reconciliation process, which is covered in more detail in section 2.

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 Chief Executive and the Head of Finance.

Recent DCLG consultation on the bringing forwards of the accounts timetable in future years, (2017/18), represents a significant challenge for finance teams and auditors alike. For Chorley the technical accounting demands on the team are growing as it enters into non-traditional operational activities adding an additional challenge. We will be discussing opportunities for making efficiencies in the accounts preparation and audit process in the forthcoming months to feed into preparations for 2014/15.

Recommendations arising from our audit are set out in the action plan in Appendix A. Recommendations have been discussed and agreed with the finance team.

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.

Grant Thornton UK LLP
September 2014

Section 2: Audit findings

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 25th June 2014. We also set out the adjustments to the financial statements arising 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 on 25th June 2014.

Audit opinion

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

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.	**Improper revenue recognition** Under ISA 240 there is a presumed risk that revenue may be misstated due to improper recognition	• review of revenue recognition policies. • testing of material revenue streams.	Our audit work has not identified any issues in respect of revenue recognition.
2.	**Management override of controls** Under ISA 240 there is a presumed risk of management over-ride of controls	• review of accounting estimates, judgements and decisions made by management • testing of journal entries • review of unusual significant transactions	• 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. • We set out later in this section of the report our work and findings on key accounting estimates and judgments.

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. Recommendations, together with management responses, are attached at Appendix A.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Operating expenses	Creditors understated or not recorded in the correct period.	We have undertaken the following in relation to this risk: • documented our understanding of the processes and key controls over the transaction cycle • undertaken walkthrough of the key controls to assess whether those controls are designed effectively • performed substantive testing of the material operating expenditure in respect of waste management, leisure and the shared financial services arrangement with South Ribble Borough Council. • sample testing of other operating expenditure • review of any significant items.	Our audit work has not identified any significant issues in relation to the risk identified.
Employee remuneration	Employee remuneration accrual understated	We have undertaken the following in relation to this risk: • documented our understanding of the processes and key controls over the transaction cycle • undertaken walkthrough of the key controls to assess whether those controls are designed effectively • sample testing of payroll calculations and contracts of employment • rationalised payroll costs by reference to staff numbers, and salary increases applied in the year, together with comparison of monthly payroll expenditure, ensuring any unusual trends are satisfactorily explained.	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. Recommendations, together with management responses, are attached at Appendix A.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Welfare Expenditure	Welfare benefit expenditure improperly computed.	We have undertaken the following in relation to this risk: • documented our understanding of the processes and key controls over the transaction cycle • undertaken walkthrough of the key controls to assess whether those controls are designed effectively • sample testing of welfare benefit expenditure • carried out a programme of work as part of the certification of the housing benefits subsidy grant claim.	Our audit work has not identified any significant issues in relation to the risk identified.
Property, plant & equipment	Revaluation measurement not correct	We have undertaken the following in relation to this risk: • documented our understanding of the processes and key controls over the transaction cycle • undertaken walkthrough of the key controls to assess whether those controls are designed effectively • work to gain assurance over the work of the Council's valuer • testing of the in-year revaluations including the valuation of Market Walk.	Our audit work has not identified any significant issues in relation to the risk identified, other than the issue below. The Council operates a five year rolling programme of asset valuation, designed to cover all asset held by the Council over this period. In our view, however, this rolling programme does not meet the Code's requirement in paragraph 4.1.2.35 to value items within a class of property, This is explained further on pages 12-13. We are awaiting confirmation from the valuer to give us assurance over the material accuracy of those assets not valued in 2013/14.

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
Revenue recognition	Accounting Policies Note 1 states that the income is accounted for in the period to which it relates regardless of when the cash is paid or received.	The recognition of revenue by the Council is in line with recognised accounting guidance and in line with CIPFA's recommended approach.	
Judgements and estimates	Key estimates and judgements include: – accounting treatment for Market Walk – pension fund liability – valuations of property including Market Walk – provisions.	Overall the judgements and estimates included within the financial statements have been based on a sound rationale. The estimates are supported where necessary by advice given by professional experts including Liberata UK Limited and Mercers who provide assurance around the asset values and the pension fund respectively. Given the significance of the acquisition of Market Walk in terms of value and local interest, we have recommended that the Council disclose its judgement on the classification of the asset and the consequent accounting treatment. Note 12 to the accounts and the Council's accounting policy note on PPE sets out the authority's rolling programme of revaluations. This shows that the date of valuations vary between 31 March 2010 and 31 March 2014. In our view, however, this rolling programme does not meet the Code's requirement in paragraph 4.1.2.35 to value items within a class of property, plant and equipment simultaneously. This paragraph of the Code, which is based on IAS 16 Property, Plant and Equipment, does permit a class of assets to be revalued on a rolling basis provided that:	

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

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
Judgements and estimates	Key estimates and judgements include: – accounting treatment for Market Walk – pension fund liability – valuations of property including Market Walk – provisions.	- the revaluation of the class of assets is completed within a 'short period' - the revaluations are kept up to date. This approach is similar to many other authorities. We are currently awaiting confirmation from the valuer to give us assurance over the material accuracy of those assets not valued in 2013/14. The Council may wish to consider an alternative approach to valuations in the future to achieve full compliance with the requirements of the code as currently stated.	
Other accounting policies	We have reviewed the Council's policies against the requirements of the CIPFA Code and accounting standards.	Our review of accounting policies has not highlighted any 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 material adjustments to the draft financial statements have been identified during the audit process. We are required to report all adjusted misstatements to those charged with governance, whether or not the financial statements have been adjusted by management. All misstatements have been adjusted. 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 primary statements and the reported financial position.

	Detail	Comprehensive Income and Expenditure Account £	Balance Sheet £	Movement in Reserves £
1	**Market Walk** During 2013/14 the Council purchased the Market Walk Shopping Centre. The asset was originally classified as an investment property on the balance sheet, however, CIPFA's Code of Accounting Practice defines investment assets as those held solely to earn rentals or for capital appreciation or both. The Council's decision to purchase Market Walk also had an economic regeneration aspect to it providing the Council with greater control and influence over the town centre, improving opportunities to implement Economic Development Strategies and the Town Centre Masterplan in the long term. As a result the asset has been reclassified as a property, plant and equipment asset under land and buildings and taken out of investment properties within the Council's balance sheet. Similarly, related revenue items have been re-categorised as planning services and taken out of investment income and expenditure within the Comprehensive Income and Expenditure Statement (CIES). The re-categorisation has also led to a depreciation charge which is reflected in the CIES and balance	Planning Services +£0.723m Investment Income and Expenditure -£0.616m	Investment Properties – £22.250m PPE (Land and Buildings) +£22.143m Unusable Reserves +£0.107m	Adjustments between accounting basis and funding basis under regulation +£0.107m

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Adjusted misstatements

	Detail	Comprehensive Income and Expenditure Account £	Balance Sheet £	Movement in Reserves £
	sheet but taken to unusable reserves via the Movements in Reserves Statement under capital financing regulations to prevent any impact on the general fund.			
2	**IAS 19 Pension costs** CIPFA's Accounting Code of Practice for 2013/14 made changes to the way IAS19 pension costs are accounted for. This is a change in accounting policy and applies retrospectively. The main changes related to a reallocation of amounts charged in the Comprehensive Income and Expenditure Statement based on information provided by the Actuary including restated comparatives for 2012/13. Whilst there is no overall effect on the 2012/13 total comprehensive income and expenditure figure, there has been changes to non distributed costs , financing and investment income and expenditure and actuarial gains/losses on pension assets and liabilities. The Council had correctly accounting for the changes in respect of 2013/14, but had only restated Note 44 in respect of 2012/13. It had not restated the Comprehensive Income and Expenditure Statement for 2012/13 or Note 10 which also includes pension interest costs.	Non distributed costs +£0.057m Financing and Investment income and expenditure +£0.439m Actuarial (gains)/losses on pension assets and liabilities -£0.496m	Nil impact	Nil impact
3	**NDR and Council Tax Debtors and Creditors** Since the collection of council tax and NDR is in substance an agency arrangement, the cash collected by the Council from council tax and NDR debtors belongs proportionately to the Council and the major preceptors.	Nil impact	Debtors - £3.628m Creditors + £3.628m	Nil impact

Adjusted misstatements

	Detail	Comprehensive Income and Expenditure Account £	Balance Sheet £	Impact on total net expenditure £
3	**NDR and Council Tax Debtors and Creditors continued** If the net cash paid to a major preceptor in the year is more than its proportionate share of net cash collected from council tax and NDR debtors/creditors in the year, the Council should show the net figure as a creditor in its accounts. The Council had not shown the net cash position between itself and major preceptors for Council Tax and NDR, but had shown the figures gross within both debtors and creditors. Consequently both debtors and creditors were overstated.	Nil impact	Debtors - £3.628m Creditors + £3.628m	Nil impact
4	**Cash Flow Statement** Amendments have been made to the Cash Flow Statement to correctly account for the Council's bank overdraft. This had been incorrectly netted off the cash and bank balances, rather than shown separately. A further adjustment was made to correctly account for revenue expenditure funded from capital under statute (REFCUS). The overall affect of these adjustments was that cash and cash equivalents at the end of the reporting period increased by £0.337m.	Nil impact	Nil impact	Nil impact
	Overall impact	Nil	Nil	Nil

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, however, a minor observation was noticed. The bank reconciliation used to be independently reviewed and signed by off by a senior member of the finance team. However, since that member of staff retired, this is not done as a matter of routine. There is a degree of third party checking regarding any outstanding items but the reconciliation is not signed as evidence of this process. Given the importance of this control, we have recommended a more formal review process be re-introduced.

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.	**Matters in relation to fraud**	• We have previously discussed the risk of fraud with the Governance Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit
2.	**Matters in relation to laws and regulations**	• We are not aware of any significant incidences of non-compliance with relevant laws and regulations.
3.	**Written representations**	• A letter of representation has been requested from the Council.
4.	**Disclosures**	• Our audit work identified no material omissions in the financial statements. A small number of changes were made to disclosure notes to improve the presentation of the financial statements and to correct minor inconsistencies.
5.	**Matters in relation to related parties**	• We are not aware of any related party transactions which have not been disclosed
6.	**Going concern**	• Our work has not identified any reason to challenge the Council's decision to prepare the financial statements on a going concern basis.

Section 3: Value for Money

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; and
- review regularly the adequacy and effectiveness of these arrangements.

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

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 considered the Council's arrangements to secure financial resilience against the following themes:

- Key financial performance indicators
- Financial governance
- Financial planning
- Financial control

The Council has sound financial governance arrangements and financial controls in place. This is supported by members who consistently provide a robust challenge to financial matters. There is also a well established approach to strategic financial planning, through the three year medium term financial strategy, which is aligned to the corporate priorities of the Council.

Along with many other councils, Chorley continues to operate within an increasingly challenging financial environment. However, against this backdrop the Council has demonstrated a track record of meeting efficiency targets and managing its revenue budget well.

Going forward, over the next three years to 2016/17, the Council forecasts a significant budget gap of £5.159m. Encouragingly efficiencies for 2014/15 have already been fully delivered, but there remains a considerable challenge going forward. The Council remains in line with its stated policy of maintaining general fund reserves at or around £2m and is in line with the s151 officer's assessment of the level of general fund balances needed in the context of current risks. It remains important that the Council keeps this under close review in the context of changing risks and uncertainties around the financial position in the medium to long term.

During 2013, the Council made a major acquisition by purchasing Market Walk at a cost of £23.341m. This was a significant decision for the Council and was subject to detailed scrutiny and challenge from Council members and has demonstrated good governance principles. The final decision was made following appropriate due diligence processes and use of relevant consultants to provide advice on the inherent risks, valuation, funding implications and future income potential. The identified risks and opportunities were clearly and openly communicated to members together with relevant considerations of how to minimise any risks.

Value for Money

Following acquisition, the Council has updated its normal governance processes to ensure it can effectively monitor the performance and risks associated with this development. It is now developing its plans for the centre linked to its overall strategy for the town centre development.

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 and whether it has achieved cost reductions and improved productivity and efficiencies.

We have completed the following reviews:

- prioritising resources; and
- improving efficiency and productivity

The Council continues to adopt a flexible and challenging approach to the way it delivers its services. The Council is not afraid to think progressively when it comes to identifying ways to ensure that its resources are effectively used. The recent decision to purchase the Market Walk shopping centre is an example where the Council was prepared to be innovative to identify additional income streams, whilst actioning wider corporate objectives. The risks were clearly evaluated as part of the decision making process and actions taken to minimise them where possible.

The Council has a good understanding of its costs and this enables it to make informed decisions based on accurate information. Regular budget monitoring also ensures that the latest available information can be used to assess how well placed the Council is to deliver its efficiency targets and meet its forecasts for income and expenditure levels. The Council continues to demonstrate a track record of delivering savings and has achieved efficiencies of over £1.8m over the last two years.

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 2014.

We set out below our detailed findings against six risk areas which have been used to assess the Council's performance against the Audit Commission's criteria. We summarise our assessment of each risk area using a red, amber or green (RAG) rating, based on the following definitions:

Green	Adequate arrangements
Amber	Adequate arrangements, with areas for development
Red	**Inadequate arrangements**

The table below and overleaf summarises our overall rating for each of the themes reviewed:

Theme	Summary findings	RAG rating 2012-13	RAG rating 2013-14
Key indicators of performance	The Council continues to demonstrate good financial performance. During 2013/14 the Council achieved an underspend during the year of £0.149m compared to its revised budget. Short term investments and cash and cash equivalents fell, as a result of using £10m of internal cash balances to help fund the Council's acquisition of the Market Walk Shopping Centre. The use of internal balances allowed savings in the financing cost to be achieved as a result of having to borrow less. The Council felt that the impact on its liquidity position could be managed and that it was better it to use cash balances to avoid borrowing at rates that could have exceeded 4% rather than to invest at as little as the 0.25%. The purchase has however, seen the borrowing levels increase significantly during the year. The Council's level of general balances has increased during the year by £129,000 to £2.189m, still just above the £2m limit set in the Council's medium term financial strategy. The Council also has £4.3m of earmarked reserves to be used for specific purposes. The continued financial uncertainty affecting local government means that it remains critical the Council keeps the level of general fund balances under close review. The Council has also seen an 11% reduction in the average number of days lost per employee due to sickness (6.44 days in 2013/14, 7.27 days in 2012/13). The actions put in place by the Council to address the increase seen in sickness absence in 2012/13 has started to pay dividends.	**Green**	**Green**

Theme	Summary findings	RAG rating 2012-13	RAG rating 2013-14
Strategic financial planning	The Council has sound financial planning and review processes in place. Each year the Council sets a three year Medium Term Financial Strategy (MTFS), with the current strategy covering the financial period 2014/15 – 2016/17. The strategy is aligned to the Council's corporate priorities, highlights the key financial risks, and adopts a prudent approach to funding streams, for example by not factoring in 2014/15 new homes bonus income into its base budget. The Council has taken this approach to allow it to have the flexibility and resilience in order to address the variable nature of future funding. The MTFS highlights that over the next few years there remains a significant budget gap of £0.903m in 2014/15, £1.547m in 2015/16 and £2.709m in 2016/17. The Council has already achieved the required level of savings for 2014/15 and has set out a number of options that the Council will consider to cover the budget gap for 2015-2017. Whilst there remains a considerable challenge ahead of the Council to address the future budget gap, the Council does have a good track record of delivering savings.	Green	Green
Financial governance	Financial governance arrangements at the Council are good. The Council has a well established approach to financial governance with all executive members and senior officers involved in the budget process. They have demonstrated a good understanding of the financial environment and the challenges facing the Council. Members provide a robust challenge on financial matters. There is engagement with staff at all levels as part of the service planning process and the budget consultation exercise ensures that the public also has the opportunity to comment on proposals. Performance against budget and progress against cost savings is reported quarterly to the Executive Cabinet. The Council also regularly reports its corporate performance to members on a quarterly basis.	Green	Green
Financial control	The Council has a robust and effective business planning and budget setting process and maintaining spend within budget is seen as a priority. The Council manages budgets well and has a	Green	Green

Theme	Summary findings	RAG rating 2012-13	RAG rating 2013-14
Financial control	good track record in achieving the overall budget and mitigating any overspends identified in year. This year budget monitoring has been strengthened to include detailed monitoring of the performance of the Market Walk shopping centre. The 2013/14 outturn report shows that the Council achieved an underspend of £0.149m. Through the business planning process, the Council has a good understanding of its costs and performance and considers different ways of bridging the funding gap either through service redesign or additional income generating schemes. The Council has made savings of over £1.8m in the last two years and has already delivered £0.903m savings for 2014/15, all of its target for the year. This is a positive achievement given the current financial and economic background. The key financial systems provide reliable and timely financial monitoring information to enable the Council to identify and manage financial risks.	Green	Green
Prioritising resources	Senior management and members work well together developing the Council's priorities and the MTFS. The MTFS is at the forefront of the Council's business, through its annual review and via the quarterly reporting of performance against the budget. Members are not afraid to offer challenge and scrutiny when required. The Council has a track record and continues to challenge the way services are delivered. Recent exercises include front office review and the strategic housing review. In addition, the Council has recently purchased the Market Walk shopping centre as part of its economic regeneration policy for the Chorley town centre. This will also provide a valuable income stream for the Council. The Council proactively challenges the way services can be delivered or where efficiencies can be achieved. Recent examples include: • bringing back in-house the Council's property services function following the end of its contract with Liberata. The Council was not satisfied with the price quoted by the company when the contract came up for renewal and the Council felt it could provide the service more cost effectively in-house and so chose not to renew the existing contract.	Green	Green

Theme	Summary findings	RAG rating 2012-13	RAG rating 2013-14
Prioritising resources	• recent discussions with a neighbouring council around the potential to align timelines for the waste contract. This would enable a joint procurement to take place in 2021 which could potentially bring financial benefits for both Councils. The Council continues to have clear information on costs to help inform decision making. Budget monitoring and service and performance reports continue to be reported to the Scrutiny Committee and the Executive Committees.	Green	Green
Improving efficiency & productivity	The Council has a proven track record of delivering savings having achieved approximately £2.4m over the last three years. In addition the Council has already achieved all of its 2014/15 budgetary savings allowing it to forecast a balanced budget for the year. Despite the need to achieve efficiencies the Council's overall performance continues to be good, with 72% of the corporate strategy measures and 86% of key service measures were performing above target or within 5%.	Green	Green

Section 4: Fees, non audit services and independence

Fees, non audit services and independence

We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non audit services.

Fees

	Per Audit plan £	Actual fees £
Council audit *	59,440	60,340
Grant certification	12,350	12,350
Total audit fees	**71,790**	**72,690**

* During the year there was a one off fee rebate issue by the Audit Commission of £8,134 which reduced the Council's net audit fee for the year. There is additional fee of £900 in respect of work on material business rates balances. This additional work was necessary as auditors are no longer required to carry out work to certify NDR3 claims. The additional fee is 50% of the average fee previously charged for NDR3 certifications for district councils and has been agreed by the Audit Commission.

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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.

Section 5: 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).

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: Action plan

Priority
Significant deficiency – risk of significant misstatement
Deficiency - risk of inconsequential misstatement

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	A more formal review of the Council's bank reconciliation should be introduced, with clear evidence that a level of checking has been undertaken.	Deficiency	Agreed	S.Guinness 31/10/2014

Appendix B: 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 2014 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 2013/14.

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 Finance Officer and auditor

As explained more fully in the Statement of the Chief Finance Officer's Responsibilities, the Chief Finance 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 Finance 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2014 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 2013/14 and applicable law.

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 October 2013, 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 2014.

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 October 2013, 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 2014.

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

Chorley Council

Report of	Meeting	Date
Chief Executive	Governance Committee	12 September 2014

STATEMENT OF ACCOUNTS 2013-14

PURPOSE OF REPORT

1. To present for approval, by the statutory deadline of 30 September 2014, the audited Statement of Accounts for 2013/14.

RECOMMENDATION(S)

2. That the Committee should approve the audited Statement of Accounts for 2013/14 (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 2014 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 for 2012/13 have been restated to apply a change in accounting policy relating to pension costs. Market Walk has been reclassified as a Property, Plant and Equipment asset rather than an Investment Property, which has required amendments to several statements and notes, as indicated below. Balances for Short-Term Creditors has been adjusted by £3.628m with Debtors being decreased by the same amount (£3.628m) which has a nil effect in total. A £0.493m restatement in 2012/13 in respect of Long-Term Creditors has been reversed so that the adjustment is implemented in 2013/14.

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 Audit Findings Report indicates that the adjusted misstatements had nil impact on total net expenditure.

Confidential report Please bold as appropriate	Yes	**No**

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 2013/14 was presented to the Governance Committee meeting of 25 June 2014. 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 2014. The full statement for 2013/14 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 2014. The Statement of Accounts will be published on the Chorley Council web site, 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.

12. When the draft statement was presented to Governance Committee on 25 June 2014, I indicated that the categorisation of Market Walk within the Long-Term Assets section of the Balance Sheet was still subject to agreement with the external auditor. There was therefore a possibility that the asset might be reclassified and various figures amended when the SOA was submitted for approval after the audit. The audited SOA reflects the reclassification of the asset, and the impact on the statement is explained in detail in the following paragraphs.

CHANGES IN AUDITED STATEMENT OF ACCOUNTS

13. There have been a number of changes to the audited Statement of Accounts for 2013/14 compared to the unaudited Statement presented on 25 June 2014.

14. There were material changes in respect of Market Walk, which was reclassified from Investment Property to Property, Plant and Equipment (PPE); and the split between debtors and creditors relating to Council Tax and National Non-Domestic Rates has also been amended. Pension costs figures for 2012/13 have been restated to apply the retrospective change in accounting policy required by the 2013/14 Code of Practice. The restatement of the 2012/13 Balance Sheet to move £0.493m from Short-Term Creditors to Long-term Creditors has been reversed: the correction has been reflected in 2013/14 figures only.

15. The following changes in respect of these are included in the audited Statement:

- **Foreword by the Chief Finance Officer** – graphs presenting Gross Expenditure and Gross Income for 2013/14 have been amended to reflect the impact in the Comprehensive Income and Expenditure Statement of reclassifying Market Walk as

PPE. The extract from the MIRS has been amended to take account of restatement of 2012/13 figures, and changes relating to Market Walk.

- **Movement in Reserves Statement (MIRS)** – this has been updated to reflect the restatement of 2012/13 pension costs; and the effect of reclassifying Market Walk as PPE, which required a depreciation charge in the year of acquisition.

- **Comprehensive Income and Expenditure Statement (CI&ES)** – pension costs figures in 2012/13 have been restated (see note 51). Market Walk has been moved from Financing and Investment Income and Expenditure to Planning Services, in the Cost of Services section of the statement. Part-year depreciation has been charged for 4 months.

- **Balance Sheet** – the 2012/13 figures had been restated to move £0.493m from Short-Term to Long-Term Creditors. This has now been reversed, as agreed with the auditors, and the adjustment is reflected in 2013/14 only. In 2013/14, Market Walk has been moved from Investment Property to PPE, and has been depreciated for the purposes of the accounts for part of the year, which reduces Net Assets and Total Reserves. This depreciation charge is notional and is reversed out the accounts. A total of £3.628m has been moved between Short-Term Debtors and Short-Term Creditors, so that Collection Fund balances relating to central government and major preceptors are presented correctly. This change had no effect on Net Assets.

- **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. The table in the report presented to Governance Committee on 25 June 2014 gave an incorrect cash and cash equivalents total as at 31 March 2014, because the bank overdraft had been netted off. This reduced the total by £0.337m. Please note that the statement was corrected before the statement of accounts was signed by the Chief Finance Officer on 30 June 2014, so the version presented for audit was correct and had not changed subsequently.

- **Note 1: Accounting Policies** – the Heritage Assets text has been amended; and the PPE section confirms that weighted depreciation can be charged in respect of part-year acquisitions or disposals.

- **Note 4: Assumptions about the future and other major sources of estimation uncertainty** – has been amended to reflect reclassifying Market Walk as PPE instead of Investment Property.

- **Note 7: Adjustments between accounting basis and funding basis under regulations** – the figures for 2013/14 reflect the reclassification of Market Walk as PPE, and the need to reverse the £0.107m part-year accounting depreciation charge so that it has no impact on Council Tax. Restatement of pension costs is reflected in the 2012/13 comparative figures.

- **Note 10: Finance and Investment Income and Expenditure** – figures relating to Market Walk in 2013/14 have been moved into the Planning Services line of Cost of Services. 2012/13 figures have been restated in respect of pension costs.

- **Note 12: Property Plant and Equipment** – the acquisition of Market Walk at £23.341m has been moved here from Investment Property. For accounting purposes it was revalued to £22.250m and part-year depreciation of £0.107m was charged. The Fixed Asset Valuations table was also updated to reflect the reclassification.

- **Note 14: Investment Properties** – the £23.341m addition in respect of Market Walk has been moved to PPE (see Note 12).

- **Note 19: Short-Term Debtors** – 31 March 2014 total has been reduced by £3.628m, which has been netted off the Short-Term Creditors total (Note 22).

- **Note 22: Short-Term Creditors** – has also been adjusted by £3.628m (see Note 19).

- **Note 25: Unusable Reserves** – Capital Adjustment Account balance has been reduced by £0.107m, being the reversal of the part-year depreciation in respect of Market Walk following reclassification as PPE.

- **Note 25b: Capital Adjustment Account** – the split of 2013/14 figures has been revised to reflect the reclassification of Market Walk as PPE; and the 31 March 2014 balance reduced by £0.107m as a consequence of the reversal of part-year depreciation.

- **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 relating to pension costs restated (2012/13), and Market Walk reclassification (2013/14).

- **Note 31: Market Walk** – Trading Operations note has been renamed and the narrative amended.

- **Note 39: Related Parties** – text has been updated to confirm that there were no material related party transactions in respect of officers.

- **Note 40: Capital Expenditure and Financing** – split of 2013/14 capital expenditure has been amended to include Market Walk acquisition as PPE rather than Investment Properties.

- **Note 44: Defined Benefit Pension Scheme** – where relevant, text and tables include the restatement of 2012/14 pension costs resulting from the retrospective implementation of the requirements of the 2013/14 Code of Practice.

- **Note 51: Restatement of Prior Periods** – an additional note which presents the specific changes in several statements and notes as a result of the restatement of 2012/13 pension costs.

AUDIT FINDINGS

16. 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.

17. Grant Thornton confirm that there is no impact on the Council's overall reported financial position in respect of the adjusted misstatements relating to Market Walk, IAS 19 Pension Costs, and NNDR and Council Tax Debtors and Creditors. It should be noted that this change made to the SOA does not change the information provided at year-end with regard to Market Walk's net income and contribution to reducing the budget deficit position.

18. Though the draft statement of accounts presented to Governance Committee on 25 June 2014 included an error in the Cash Flow Statement, whereby the total of cash and cash equivalents was understated by £0.337m, this had been corrected in the signed version presented for audit.

19. The two unadjusted misstatements in 2012/13 have been adjusted in 2013/14. 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. In addition, commuted sums for the maintenance of assets adopted by the Council under Section 106 agreements had been included in the balance sheet figure for Short Term Creditors. Such sums should be in the Long Term Creditors total. The corrections for these misstatements were made in 2013/14 because there was 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 2014 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	8/9/14	Statement of Accounts Report 2013-14 Gov Ctte 10-9-14.docx

Chorley Council

Statement of Accounts 2013/2014

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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 25 June 2014.

This Statement of Accounts has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 (The Code), which is based on International Financial Reporting Standards, and the Service Reporting Code of Practice for Local Authorities (SERCOP).

ACCOUNTING CHANGES

The accounting standard IAS19 relating to pensions has changed. The effect is detailed in note 51.

CORE FINANCIAL STATEMENTS

The core financial statements consist of the following:

Page 9 **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 10 **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 11 **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 12 **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 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.

Page 14 **Notes to the Main Financial Statements –** these add to, and interpret, the individual statements.

Page 60 **Collection Fund Statement –** this is an agent's 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 2013/14

Reporting Cycle

The Council's 2013/14 revenue budget, capital programme, Medium Term Financial Strategy (MTFS), and Treasury Strategy were approved by the Council on 28 February 2013. 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 revenue reporting 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 were reported, plus any new schemes approved in-year, and any changes to capital resources.

Major Issues in 2013/14

Local authorities in general faced a number of financial challenges in 2013/14, in particular the implementation of Business Rates Retention (BRR) to replace pooling; and the implementation of local Council Tax Support schemes, which replaced Council Tax Benefit with discounts set locally. Both of these changes increased the financial risks to the Council.

Previously the Council received an allocation of Business Rates from a Central Pool, having paid over all the rates it collected to the Government. Under BRR, the Council retains a local share of net rates income, less a tariff paid to Government, and a levy is payable or a safety net payment receivable depending on performance. Authorities can benefit from growth in rate income, but can also suffer financially if income achieved falls short of estimates. In 2013/14, the element of the Collection Fund in respect of Business Rates made a deficit of £1.270m, of which the Council's share was £0.508m. This was mainly as a result of cost of appeals by businesses, and the deficit will affect the Council's revenue budget in 2014/15 and 2015/16.

In the 2013/14 Local Government Finance Settlement, the Council received a cash limited resource allocation to fund Council Tax Support, which was 10% less than the previous Council Tax Subsidy would have been. The Council agreed a Council Tax Support scheme and technical changes to other discounts which were intended to balance expenditure and the funding available. The risk that expenditure could exceed resources was passed to the Council. However, in 2013/14 the Collection Fund achieved a small surplus in respect of Council Tax net of Council Tax Support, and this will be transferred to the Council and major preceptors from 2014/15.

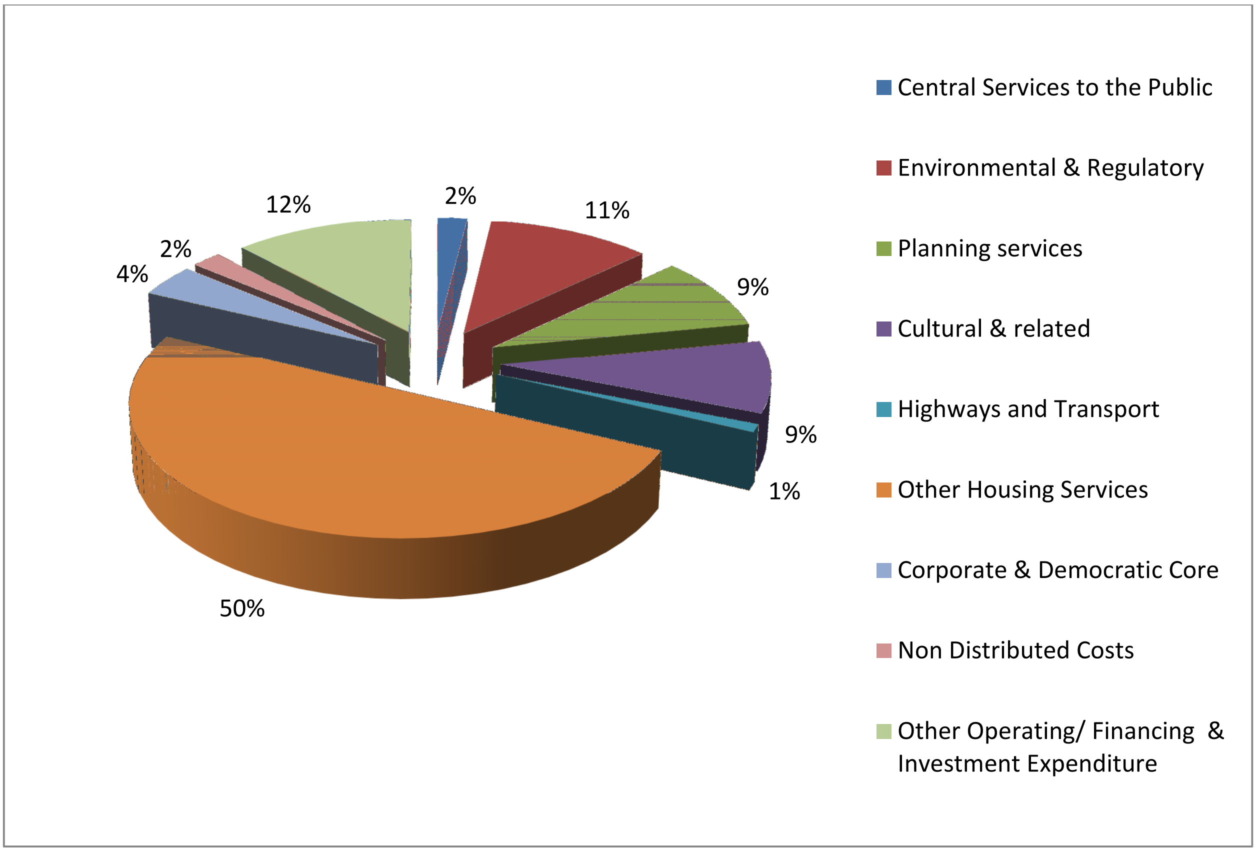
Actual Spend Compared to the Budget

The 2013/14 outturn position reports a £0.149m underspend compared to budget. The General Fund Balance at 31 March 2014 is £2.189m (page 10). Further comment on the reserves position is made below.

Figures in the following graphs are derived from the Comprehensive Income and Expenditure Statement and therefore include some income and expenditure figures, such as interest on pension assets and depreciation charges, which are reversed out in the Movement in Reserves Statement.

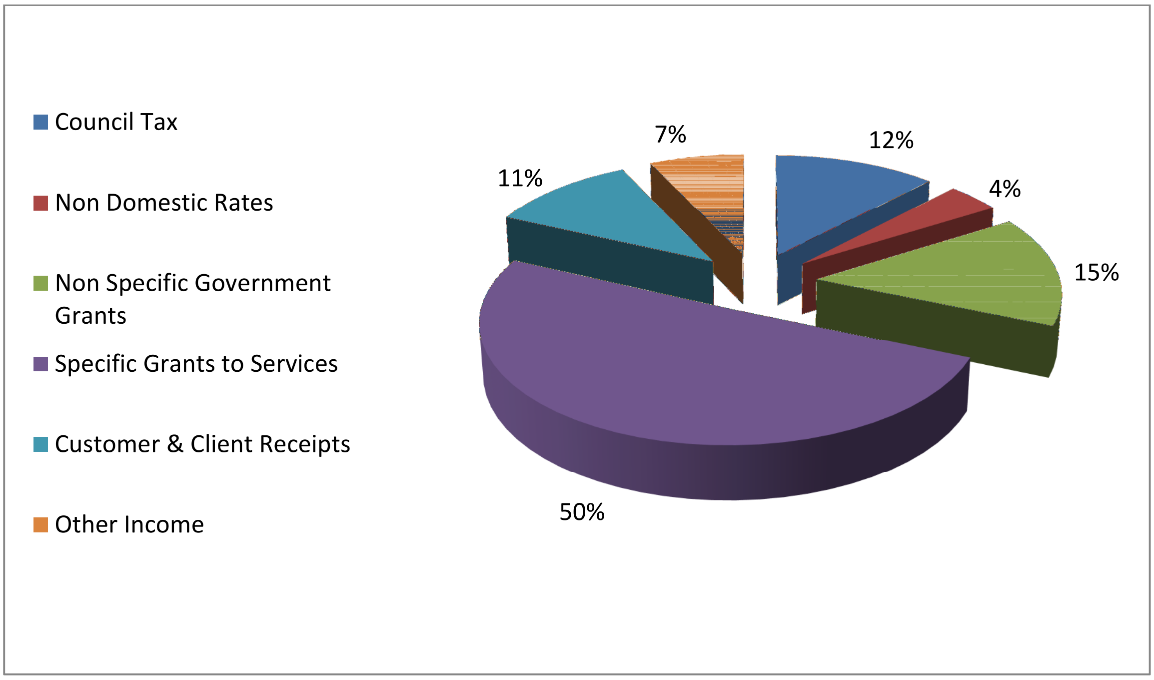
Where the money was spent

The Gross Expenditure for the Council is detailed in the Comprehensive Income and Expenditure Statement. In 2013/14 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:



Other Income includes interest on pension assets, reversed to the Pensions Reserve in the MIRS; and capital receipts, reversed to the Capital Receipts Reserve.

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.

The key facts for 2013/14 were:

- Investments are of a short-term nature, the maximum period being one year.
- During the year investments peaked at £21.6m, averaged £12.82m per day, and, with cash, amounted to £3.86m at year-end. The reduction from £10.8m in 2012/13 reflected the use of internal cash balances as part of the financing of the purchase of Market Walk.
- The return on investments was 1.14%, a reduction compared to the 1.42% achieved in 2012/13.
- External borrowing increased during the year to £22.6m (excluding accrued interest). The main reason for the increase was to finance the purchase of the Market Walk shopping centre.
- In determining Council Tax charges authorities have to make a specific provision for the financing of capital expenditure. 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 £8.5m to £32.9m, reflecting the use of prudential borrowing to finance the acquisition of Market Walk. (Note 40 gives details.) This will generate a charge to Council Tax (known as Minimum Revenue Provision – MRP) in future years. In the case of Market Walk, financing costs (both MRP and interest on borrowing or loss of investment interest) are exceeded by the net rental income generated by the asset.

Note 47 presents more details of treasury operations, and the management of risk. Risks identified previously in respect of the Council's impaired investment in Icelandic bank Landsbanki have been eliminated by participation in an auction of local authority claims. The auction during 2013/14 brought the total sum recovered to £1.86m, which was 93% of the original investment.

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 2013/14:

Capital expenditure in 2013/14	Actual Capital Expenditure £'000
Acquisition of Market Walk Shopping Centre	23,341
Asset Maintenance	488
Site assembly Chorley town centre	353
Affordable Housing and disabled adaptations	530
Astley Development Programme	165
Leisure centre works	216
Parks and play areas	183
Other	339
Total Capital Expenditure	**25,615**

Capital financing in 2013/14	Actual Capital Financing £'000
Prudential Borrowing	24,664
Capital Receipts	0
Revenue Budget Contributions	152
External Contributions	358
Government Grants	441
Total Capital Financing	**25,615**

The Balance Sheet includes unapplied grants and contributions totalling £5.138m, which can only be used for financing of capital investment. Of the total, £4.435m is held within Usable Reserves (see Movement in Reserves Statement); and £0.703m within Long-Term Liabilities (see Note 38).

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 £2.060m. In addition there were reserves totalling £4.309m earmarked for specific purposes. The changes in the year are as follows:-

- The Income and Expenditure account incurred a surplus of £0.149m, of which £0.020m was added to the provision for historic insurance claims, and the balance transferred to the general reserve. The net increase in the General Fund balance by £0.129m can be seen in the Movement in Reserves Statement (MIRS).
- Further net transfers to Earmarked Reserves of £0.967m were also made.

The combination of these factors resulted in the General Fund balance being £2.189m, and Earmarked Reserves £5.277m, as presented in the MIRS on page 10. The purposes for which the Earmarked Reserves are held are given in Note 8.

The following extract from the MIRS reconciles the deficit on the CI&ES prepared on the accounting basis with the surplus or deficit prepared on the funding basis:

Extract from Movement in Reserves Statement (page 10)	2012/13 Restated £'000	2013/14 £'000
Deficit on provision of service (CI&ES)	2,545	3,222
Adjustments between accounting basis & funding basis under regulation (note 7)	(2,072)	(4,318)
Transfers to/(from) earmarked reserves (note 8)	(268)	967
(Increase)/Decrease in General Fund balance	**205**	**(129)**

Pension Fund Liability

The pension fund deficit has reduced from £41.0m to £32.7m, which compares to the increase of £7m in 2012/13. This deficit 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 44 presents detailed information about the Defined Benefit Pension Scheme.

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 affect significantly 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.

Year	Budget Gap/(Surplus) £'000	Cumulative £'000
2014/15	(40)	(40)
2015/16	1,002	962
2016/17	1,196	2,198

The main threats to these forecasts are perceived to be:

- Further reductions to the public sector budget and therefore core funding reductions in the Comprehensive Spending Review 2014.
- The introduction of shorter-term Central Government settlement announcements and new variable arrangements for calculating fundamental grants exacerbates the increasingly uncertain nature of the Council's core funding streams.
- The new Business Rates Retention regime passes the risk of fluctuations in income from Central Government to Local Government, and therefore changes in the tax base will have a direct and immediate impact on the Council's core funding. The new regime was implemented from 1 April 2013 but aspects of the system were changed by Central Government during 2013/14, and further changes may occur in 2014/15. Combined with the uncertainty about the level of successful appeals by businesses against their rates, these issues pose more risks for the Council's finances for 2014/15 onwards than originally anticipated.

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 fees and charges 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 Market Walk and other opportunities for income generation.

Capital expenditure over the next three years is constrained by the resources available. Planned spend is £14.649m. This includes the proposed Chorley East Health Centre which the Council is working with health sector partners to fund, by additional prudential borrowing, at an estimated cost of £6.650m. The costs incurred by the Council are planned to be recovered from the partners.

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. The reduction in rate of recovery of Council Tax in 2013/14 coincided with the implementation of the local Council Tax Support scheme to replace Council Tax Benefit. This required more residents to pay a share of Council Tax for the first time.

	2011/12	2012/13	2013/14
Council Tax	98.3%	98.2%	97.7%
NNDR	97.2%	97.1%	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 2013/14 (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 2014 and its Income and Expenditure for the year ended 31 March 2014.

Gary Hall BA CPFA
Chief Finance Officer
Date 12 September 2014

I confirm that these Statements of Account were approved by Governance Committee on 12 September 2014.

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 and Contributions £'000	Total Usable Reserves £'000	Unusable Reserves Note 25 £'000	Total Reserves £'000
Balance 31 March 2012	**(2,265)**	**(4,577)**	**0**	**(2,692)**	**(9,534)**	**2,943**	**(6,591)**
Movement in 2012/13 Restated							
Deficit on provision of service	2,545	0	0	0	2,545	0	2,545
Other Comprehensive Income & Expenditure	0	0	0	0	0	5,151	5,151
Total Comprehensive Income & expenditure	**2,545**	**0**	**0**	**0**	**2,545**	**5,151**	**7,696**
Adjustments between accounting basis & funding basis under regulation (note 7)	(2,072)	0	0	(312)	(2,384)	2,384	0
Net change before transfers to/from earmarked reserves	**473**	**0**	**0**	**(312)**	**161**	**7,535**	**7,696**
Transfers to/(from) ear-marked reserves note 8	(268)	268	0	0	0	0	0
(Increase)/Decrease in year	**205**	**268**	**0**	**(312)**	**161**	**7,535**	**7,696**
Balance 31 March 2013	**(2,060)**	**(4,309)**	**0**	**(3,004)**	**(9,373)**	**10,478**	**1,105**
Movement in 2013/14							
Deficit on provision of service	3,222	0	0	0	3,222	0	3,222
Other Comprehensive Income & Expenditure	0	0	0	0	0	(10,465)	(10,465)
Total Comprehensive Income & expenditure	**3,222**	**0**	**0**	**0**	**3,222**	**(10,465)**	**(7,243)**
Adjustments between accounting basis & funding basis under regulation (note 7)	(4,318)	0	(325)	(1,431)`	(6,074)	6,074	0
Net change before transfers to/from earmarked reserves	**(1,096)**	**0**	**(325)**	**(1,431)**	**(2,852)**	**(4,391)**	**(7,243)**
Transfers to/(from) ear-marked reserves note 8	967	(967)	0	0	0	0	0
(Increase)/Decrease in year	**(129)**	**(967)**	**(325)**	**(1,431)**	**(2,852)**	**(4,391)**	**(7,243)**
Balance 31 March 2014	**(2,189)**	**(5,276)**	**(325)**	**(4,435)**	**(12,225)**	**6,087**	**(6,138)**

The 2012/13 figures have been restated. For details see note 51.

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.

2012/13 Restated				2013/14		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
8,793	(7,443)	1,350	Central services to the public	1,273	(846)	427
6,756	(1,524)	5,232	Environment & regulatory services	6,727	(1,555)	5,172
3,635	(1,800)	1,835	Planning services	6,174	(2,433)	3,741
4,940	(432)	4,508	Cultural & related services	5,297	(372)	4,925
522	(940)	(418)	Highways and transport services	555	(941)	(386)
28,087	(27,516)	571	Other housing services	29,273	(28,072)	1,201
2,077	(56)	2,021	Corporate and democratic core	2,162	(38)	2,124
989	(693)	296	Non-distributed costs	1,129	(718)	411
55,799	**(40,404)**	**15,395**	**Cost of Services**	**52,590**	**(34,975)**	**17,615**
670	(124)	546	Other operating expenditure (note 9)	1,086	(325)	761
4,734	(3,386)	1,348	Financing and investment income and expenditure (note 10)	4,832	(3,225)	1,607
0	(14,744)	(14,744)	Taxation & non-specific grant income & expenditure (note 11)	8,148	(24,909)	(16,761)
61,203	**(58,658)**	**2,545**	**(Surplus)/deficit on provision of services**	**66,656**	**(63,434)**	**3,222**
		(511)	(Surplus)/deficit on revaluation of Property, Plant and Equipment assets			(338)
		5,662	Actuarial (gains)/losses on pension assets and liabilities			(10,127)
		5,151	**Other Comprehensive (Income) and Expenditure**			**(10,465)**
		7,696	**Total Comprehensive (Income) and Expenditure**			**(7,243)**

The 2012/13 figures have been restated. For details see note 51.

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 2013 £'000		Notes	31 March 2014 £'000
34,502	Property, Plant & Equipment	12	55,439
1,667	Heritage Assets	13	1,667
1,205	Investment Property	14	1,348
451	Intangible Assets	15	321
0	Long-Term Investments		0
348	Long-Term Debtors		351
38,173	**Long-Term Assets**		**59,126**
10,919	Short-Term Investments		2,008
0	Assets Held for Sale	21	0
13	Inventories	17	16
2,388	Short-Term Debtors	19	4,389
3,168	Cash and Cash Equivalents	20	1,854
16,488	**Current Assets**		**8,267**
(3,265)	Bank Overdraft		(337)
(396)	Short-Term Borrowing		(3,416)
(3,271)	Short-Term Creditors	22	(4,043)
(15)	Provisions	23	(531)
(6,947)	**Current Liabilities**		**(8,327)**
0	Long-Term Creditors		(492)
(6,923)	Long-Term Borrowing		(19,042)
(41,033)	Other Long-Term Liabilities - pensions	44	(32,676)
(14)	Other Long-Term Liabilities - other		(15)
(849)	Grant Receipts in Advance – Capital	38	(703)
0	Grant Receipts in Advance - Revenue		0
(48,819)	**Long-Term Liabilities**		**(52,928)**
(1,105)	**Net Assets**		**6,138**
9,373	Usable Reserves	MIRS	12,225
(10,478)	Unusable Reserves	25	(6,087)
(1,105)	**Total Reserves**		**6,138**

The unaudited accounts were issued on 30 June 2014, and the audited accounts were authorised for issue on 12 September 2014.

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.

2012/13 Restated £'000		**2013/14 £'000**
(2,545)	Net surplus or (deficit) on the provision of services (CI&ES)	(3,222)
4,001	Adjustments to net surplus or deficit on the provision of services for non cash movements	8,629
(927)	Adjustments for items included in the net surplus or deficit on the provision of service that are investing & financing activity	(2,554)
529	Net cash flows from Operating Activities	2,853
(2,803)	Investing Activities (Note 27)	(16,135)
1,573	Financing Activities (Note 28)	11,968
(701)	Net increase or (decrease) in cash and cash equivalents	(1,314)
3,869	Cash and cash equivalents at the beginning of the reporting period	3,168
3,168	**Cash and cash equivalents at the end of the reporting period (note 20)**	**1,854**

The 2012/13 figures have been restated. For details see note 51.

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 2013/14 (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 Statement 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 Statement 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 Statement.
  - 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 Statement.
  - 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 Statement 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 Statement 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. 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, weighted for part-year acquisitions or disposals if appropriate. 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:

	years
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, which relate mainly to accounting for consolidation, involvement in joint arrangements, and disclosure of involvement in other entities, have not been included in this statement:

- IFRS 13 Fair Value Measurement (May 2011)
- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- IAS 27 Separate Financial Statements (as amended in 2011)
- IAS 28 Investments in Associates and Joint Ventures (as amended in 2011)
- IAS 32 Financial Instruments: Presentation
- Annual Improvements to IFRSs 2009 – 2011 Cycle.

Had these standards been adopted for financial year 2013/14 there would have been no material changes to the Council's financial position. CIPFA has indicated that the 2014/15 Code of Practice will provide details of the disclosures required.

3 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 1, the Authority has made certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that its assets might be impaired as a result of a need to close facilities or to reduce levels of service expenditure.

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

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

Item	Uncertainty	Effect if actual results differ
Pensions liability	The estimated liabilities depend on a number of complex judgements. These include future retirement ages, mortality rates, salary increases, returns on investments and discount rates. A firm of consulting actuaries is engaged to provide advice on these assumptions. .	The accounts show the pension liability fell during 2013/14 to £33m. Sensitivity to the factors contributing to this estimate is shown in Note 44i.
Debtors	Note 19 shows non-public sector debtors of £5.5m. This includes housing benefit debts totalling £1.07m. Of this sum, a significant amount is expected to be recovered from on-going benefit, but changes in housing benefit administration may affect the ability to do this. The provision for impairment has therefore been increased to 70%.	Any increase in impairments will be a charge to the revenue account.
Asset valuations	Note 12 shows that fixed assets valued at £53m, including the Market Walk shopping centre, 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. Market Walk shopping centre will be revalued annually at fair value.
Provisions	The Authority has made a provision of £0.5m for its share of the cost of backdated appeals against overcharging of business rates.	If the value of successful appeals exceeded the provision there would be a reduction in the local share of business rates available to fund the Authority's services.

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 30 June 2014. Subsequent events are not reflected in the financial statements or in the notes.

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.

	2013/14			
	General Fund Balance £'000	**Capital Receipts Reserve £'000**	**Capital Grants Unapplied £'000**	**Unusable Reserves (Note 25) £'000**
Adjustments involving the Capital Adjustment Account				
Reversal of debits and credits to the Comprehensive Income and Expenditure Statement (CI&E)				
Charges for depreciation of non-current assets	(1,506)			1,506
Charges for impairment of non-current assets	(1,239)			1,239
Revaluation losses on Property, Plant and Equipment	(1,091)			1,091
Movements in the market value of Investment Property	143			(143)
Amortisation of intangible assets	(130)			130
Revenue expenditure funded from capital under statute	(624)			624
Capital grants funding REFFCUS	457			(457)
Capital grants received & used to fund capital in year	53			(53)
Non-current assets charged to CI&E on disposal	(555)			555
Insertion of items not posted to CI&E				
Statutory & voluntary provision for the repayment of debt	270			(270)
Capital expenditure charged to the General Fund Balance	152			(152)
Adjustments involving Capital Grants Unapplied				
Capital grants and contributions unapplied credited to CI&E	1,719		(1,719)	
Grants applied to fund capital expenditure transferred to CAA			288	(288)
Adjustments involving the Capital Receipts Reserve				
Capital receipts from the disposal of non-current assets	162	(162)		
Preserved Right To Buy receipts	163	(163)		
Capital receipts used to finance new capital expenditure		0		(0)
Capital receipts credited to CI&E to meet the pooling liability	(1)	1		
Transfer from Deferred Capital Receipts		(1)		1
Adjustments involving Financial Instruments Adj. A/c				
Difference between finance costs in CI&E and those chargeable in accordance with statutory regulation				
Adjustments involving the Pensions Reserve				
Reversal of pension charges made in CI&E	(3,536)			3,536
Employer's contributions and payments made to pensioners	1,766			(1,766)
Adjustments involving the Collection Fund Adj. A/c				
Difference between credit to CI&E and precepted amount of council tax	9			(9)
Difference between credit to CI&E and local share of business rates	(508)			508
Adjustments involving the Accumulated Absences A/c				
Difference between remuneration charged to CI&E and that chargeable per statutory requirement	(22)			22
TOTAL ADJUSTMENTS	**(4,318)**	**(325)**	**(1,431)**	**6,074**

2012/13 Comparative figures	2012/13 Restated			
	General Fund Balance £'000	Capital Receipts Reserve £,000	Capital Grants Unapplied £'000	Unusable Reserves (Note 25) £'000
Adjustments involving the Capital Adjustment Account (CAA)				
Reversal of debits and credits to CI&E				
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
Insertion of items not posted to the CI&E				
Statutory &voluntary provision for the repayment of debt	591			(591)
Capital expenditure charged to the General Fund Balance	304			(304)
Adjustments involving Capital Grants Unapplied				
Capital grants and contributions unapplied credited to CI&E	240		(240)	
Grants applied to fund capital expenditure transferred to CAA			(72)	72
Adjustments involving the Capital Receipts Reserve				
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
Adjustments involving Financial Instruments Adj. A/c				
Difference between finance costs in CI&E and those chargeable in accordance with statutory regulation				
Adjustments involving the Pensions Reserve				
Reversal of pension charges made in the CI&E	(2,988)			2,988
Employer's contributions and payments made to pensioners	1,577			(1,577)
Adjustments involving the Collection Fund Adj. A/c				
Difference between credit to CI&E and precepted amount of council tax	8			(8)
Adjustments involving the Accumulated Absences A/c				
Difference between remuneration charged to the CI&E and that chargeable per statutory requirement	21			(21)
TOTAL ADJUSTMENTS	**(2,072)**	**0**	**(312)**	**2,384**

8 TRANSFERS TO/FROM EARMARKED RESERVES

The movements in reserves during the year were as follows

	Balance 1 April 2012 £'000	Out £'000	(In) £'000	Balance 31 March 2013 £'000	Transfers Out £'000	Transfers (In) £'000	Balance 31 March 2014 £'000
Rephasing of planned expenditure	**(491)**	489	(519)	**(521)**	281	(368)	**(608)**
Rephasing New Investment Projects	**0**	0	0	**0**	0	(591)	**(591)**
Grants reserved for specific expend.	**(621)**	5	0	**(616)**	39	0	**(577)**
Financing of capital expenditure	**(358)**	139	(77)	**(296)**	36	(332)	**(592)**
Planning purposes including appeals	**(349)**	124	0	**(225)**	177	0	**(48)**
Restructuring of services	**(77)**	54	0	**(23)**	16	(261)	**(268)**
Reduce Pension Fund Liability	**(1,750)**	0	0	**(1,750)**	0	0	**(1,750)**
Non-recurring projects	**(89)**	89	(115)	**(115)**	115	0	**0**
Town Centre investment	**(232)**	120	(310)	**(422)**	182	(11)	**(251)**
Apprenticeships for young people	**(110)**	31	0	**(79)**	35	0	**(44)**
Resource equalisation	**0**	0	0	**0**	0	(96)	**(96)**
Maintenance of Council buildings	**(60)**	60	(126)	**(126)**	23	(100)	**(203)**
Maintenance of Grounds	**0**	0	0	**0**	0	(62)	**(62)**
Elections	**0**	0	0	**0**	0	(85)	**(85)**
Other	**(440)**	318	(14)	**(136)**	3	32	**(101)**
Total	**(4,577)**	**1,429**	**(1,161)**	**(4,309)**	**907**	**(1,874)**	**(5,276)**

9 OTHER OPERATING EXPENDITURE

2012/13 £'000		2013/14 £'000
567	Parish council precepts	530
1	Payments to the Government's Capital Receipt Pool	1
102	(Gains)/losses on disposal of non-current assets	555
(104)	Capital receipts from the sale of previously transferred housing stock	(163)
(20)	Other capital receipts	(162)
546	**Total**	**761**

10 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2012/13 Restated £'000		2013/14 £'000
178	Interest payable and similar charges	323
1,627	Pensions interest cost net of expected return on pension assets	1,687
(404)	Interest receivable and similar income	(260)
(53)	Income and Expenditure in relation to investment properties and changes in their fair value	(143)
1,348	**Total**	**1,607**

11 TAXATION AND NON-SPECIFIC GRANT INCOME AND EXPENDITURE

2012/13 £'000		2013/14 £'000
(7,016)	Council Tax income	(6,426)
(5,928)	Non-Domestic Rates Income and Expenditure	(2,263)
(1,408)	Non ring-fenced Government Grants (Note 38)	(6,240)
(393)	Capital grants and contributions (Note 38)	(1,832)
(14,745)	**Total**	**(16,761)**

12 PROPERTY PLANT AND EQUIPMENT

	Other land & Buildings £'000	Vehicles & Plant etc. £'000	Infra-structure £'000	Community Assets £'000	Surplus Assets £'000	Total £'000
Cost or valuation						
At 1 April 2013	**29,588**	**4,666**	**459**	**3,353**	**2,012**	**40,078**
Additions	24,576	145	104	166		**24,991**
Revaluations recognised in Revaluation Reserve (RR)	95	16			(375)	**(264)**
Revaluations recognised in CI&E	(1,867)	(67)		(614)	(25)	**(2,573)**
De-recognition - disposals	(44)				(515)	**(559)**
De-recognition - other						
Assets reclassified						
Other movements						
At 31 March 2014	**52,348**	**4,760**	**563**	**2,905**	**1,097**	**61,673**
Depreciation and Impairment						
At 1 April 2013	**(1,763)**	**(3,101)**	**(198)**	**(514)**	**0**	**(5,576)**
Depreciation charge	(696)	(640)	(59)	(110)		**(1,505)**
Depreciation written out of RR	348	56				**404**
Depreciation written out of CI&E	72	67		104		**243**
Impairment losses recognised in RR	197					**197**
Impairment losses recognised in CI&E						
De-recognition - disposals	3					**3**
De-recognition - other						
Assets reclassified						
Other movements						
At 31 March 2014	**(1,839)**	**(3,618)**	**(257)**	**(520)**	**0**	**(6,234)**
Net Book Value						
At 31 March 2013	**27,825**	**1,565**	**261**	**2,839**	**2,012**	**34,502**
At 31 March 2014	**50,509**	**1,142**	**306**	**2,385**	**1,097**	**55,439**

Comparative Movements in 2012/13	Other land & Buildings £'000	Vehicles & Plant etc. £'000	Infra-Structure £'000	Community Assets £'000	Surplus Assets £'000	Total £'000
Cost or valuation						
At 1 April 2012	**31,130**	**5,873**	**453**	**3,335**	**1,995**	**42,786**
Additions	1,295	210	6		0	**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						
At 31 March 2013	**29,588**	**4,666**	**459**	**3,353**	**2,012**	**40,078**
Depreciation and Impairment						
At 1 April 2012	**(3,903)**	**(3,842)**	**(144)**	**(390)**	**0**	**(8,279)**
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						
At 31 March 2013	**(1,763)**	**(3,101)**	**(198)**	**(514)**	**0**	**(5,576)**

Fixed Assets Valuations

During 2013/14 the valuations were carried out by Liberata UK Limited. The basis of valuation is set out in the Statement of Accounting Policies.

	Other land & Buildings £'000	Vehicles & Plant etc. £'000	Infra-structure £'000	Community Assets £'000	Surplus Assets £'000	Total £'000
Carried at historical cost	**523**	**4,661**	**563**	**2,656**	**0**	**8,403**
Valued at fair value as at:						
31 March 2014	28,660	99	0	3	346	**29,108**
31 March 2013	12,688	0	0	26	675	**13,389**
31 March 2012	273	0	0	0	0	**273**
31 March 2011	6,713	0	0	1	0	**6,714**
31 March 2010	3,491	0	0	219	76	**3,786**
Total cost or valuation	**52,348**	**4,760**	**563**	**2,905**	**1,097**	**61,673**

Capital Commitments

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

13 HERITAGE ASSETS

Cost or Valuation	2012/13 £'000	2013/14 £'000
As at 1 April	1,667	1,667
Revaluations	0	0
Depreciation	0	0
As at 31 March	**1,667**	**1,667**

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.

	2012/13 £'000	2013/14 £'000
Fair value at the start of the year	1,152	1,205
Net gain (loss) from revaluation	53	143
Additions	0	0
Value at year-end	**1,205**	**1,348**

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 2013/14 the amortisation charge of £0.130m was charged principally to Customer ICT and Transactional Services (£0.123m). The cost centres of this support service 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 Statement.

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

	2012/13 £'000	2013/14 £'000
Balance at the start of the year		
Gross carrying amount	2,158	1,529
Accumulated amortisation	(1,576)	(1,078)
Net carrying amount at year start	**582**	**451**
Movements in the year		
Additions in year	22	0
Disposal in year	(651)	0
Amortisation in year	(153)	(130)
Amortisation in respect of disposals	651	0
Net carrying amount at the year-end	**451**	**321**

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 2013 £'000	31 March 2014 £'000	31 March 2013 £'000	31 March 2014 £'000
Investments				
Loans and receivables	0	0	10,919	2,008
Debtors				
Loans and receivables (note 19)	348	351	1,588	3,474
Borrowings				
Financial liabilities at amortised cost	(6,923)	(19,042)	(396)	(3,416)
Other Long-Term Liabilities				
Finance lease liabilities	0	0	0	0
Capital grant receipt in adv.	(849)	(703)	0	0
Creditors				
Financial liabilities carried at contract amount (note 22)	(493)	(492)	(1,931)	(2,277)

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 Statement are as follows:

	2012/13			2013/14		
	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	178	0	178	315	0	315
Impairment	0	(85)	(85)	0	(26)	(26)
	178	**(85)**	**93**	**315**	**(26)**	**289**
Interest income	0	(273)	(273)	0	(188)	(188)
Interest income accrued on impaired assets	0	(47)	(47)	0	(37)	(37)
Total income	**0**	**(320)**	**(320)**	**0**	**(225)**	**(225)**
Net (gain)/loss for the year			**(227)**			**64**

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 2013		31 March 2014	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Financial liabilities				
Borrowings	(7,319)	(7,693)	(20,459)	(21,722)
Deferred liabilities	(14)	(14)	(15)	(15)
Total	**(7,333)**	**(7,707)**	**(20,474)**	**(21,737)**

Interest rates on borrowing from the Public Works Loan Board vary between 1.55% and 4.34%.

	31 March 2013		31 March 2014	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Financial assets				
Loans and receivables	0	0	0	0
Long-term debtors	348	421	351	423
Total	**348**	**421**	**351**	**423**

17 INVENTORIES

	2012/13 £'000	2013/14 £'000
Balance at 1 April	26	13
Purchases	215	212
Issued in year	(228)	(209)
Written off in year	0	0
Balance at year-end	**13**	**16**

18 CONSTRUCTION CONTRACTS

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

19 SHORT TERM DEBTORS

	31 March 2013 £'000	31 March 2014 £'000
Central government bodies	121	77
Other local authorities	515	802
NHS bodies	4	0
Public corporations and trading funds	0	0
Other entities and individuals	2,412	5,518
	3,052	6,397
Less provision for bad debts	(664)	(2,008)
Net carrying amount at the year-end	**2,388**	**4,389**

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 2013 £'000	31 March 2014 £'000
Cash held by the Authority	164	363
Bank current and call accounts	994	1,491
Short-term deposits	2,010	0
Total cash and cash equivalents	**3,168**	**1,854**

21 ASSETS HELD FOR SALE

No assets met the criteria necessary to be classified as held for sale, at either 31 March 2013 or 31 March 2014.

22 SHORT TERM CREDITORS

	31 March 2013 £'000	31 March 2014 £'000
Central government bodies	(605)	(23)
Other local authorities	(663)	(819)
NHS bodies	0	(1)
Public corporations and trading funds	0	0
Other entities and individuals	(2,003)	(3,200)
Net carrying amount at the year-end	**(3,271)**	**(4,043)**

23 PROVISIONS

The movements in provisions during the year were as follows

	Balance 1 April 2012 £'000	Movements Used £'000	Movements Added £'000	Balance 31 March 2013 £'000	Movements Used £'000	Movements Added £'000	Balance 31 March 2014 £'000
Municipal Mutual Insurance	**(15)**	0	0	(15)	14	(20)	**(21)**
Business Rates Appeals	**0**	0	0	0	0	(500)	**(500)**
Town Centre Development	**0**	0	0	0	0	(10)	**(10)**
Total	**(15)**	**0**	**0**	**(15)**	**14**	**(530)**	**(531)**

24 USABLE RESERVES

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement (page 10).

25 UNUSABLE RESERVES

	31 March 2013 £'000	31 March 2014 £'000
Revaluation Reserve (Note 25a)	(5,591)	(5,839)
Capital Adjustment Account (Note 25b)	(24,681)	(20,990)
Financial Instruments Adjustment Account (Note 25c)	0	0
Deferred Capital Receipts Reserve (Note 25d)	(293)	(292)
Pensions Reserve (Note 25e)	41,032	32,676
Collection Fund Adjustment Account (Note 25f)	(93)	406
Accumulated Absences Account (Note 25g)	104	126
Total Unusable Reserves at year-end	**10,478**	**6,087**

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.

	2012/13 £'000	2013/14 £'000
Balance at 1 April	**(5,131)**	**(5,591)**
Upward revaluation of assets	(512)	(338)
Difference between fair value and historic cost depreciation	52	90
Downward revaluation and impairment not charged to the Comprehensive Income & Expenditure Statement	0	0
Balance at 31 March	**(5,591)**	**(5,839)**

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.

	2012/13 £'000	2013/14 £'000
Balance at 1 April	**(25,625)**	**(24,681)**
<u>Adjustments between accounting and regulatory funding bases (see note 7)</u>		
Items relating to capital charges		
Charges for depreciation of non-current assets	1,405	1,506
Charges for impairment of non-current assets	521	1,239
Revaluation losses on Property, Plant & Equipment	0	1,091
Amortisation of intangible assets	153	130
Revenue expenditure funded from capital under statute	295	624
Net cost assets disposed of	102	555
Movements in the market value of Investment Properties	(53)	(143)
<u>Capital financing applied in the year</u>		
Capital receipts used to finance new capital expenditure	(123)	0
Capital expenditure charged to the General Fund Balance	(304)	(152)
Statutory & voluntary provision for the repayment of debt	(591)	(270)
Grants used in the year to fund capital expenditure	(409)	(799)
<u>Adjustments with the Revaluation Reserve (see note 25a)</u>		
Accumulated gains on assets de-recognised	0	0
Difference between fair value and historic cost depreciation	(52)	(90)
Balance at 31 March	**(24,681)**	**(20,990)**

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.

	2012/13 £'000	2013/14 £'000
Balance at 1 April	**(300)**	**(293)**
Transfer to Capital Receipts Reserve on receipt of cash	1	1
Transfer to Comprehensive Income & Expenditure	6	0
Balance at 31 March	**(293)**	**(292)**

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 Statement 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.

	2012/13 £'000	2013/14 £'000
Balance at 1 April	**33,959**	**41,032**
Actuarial (gains)/ losses on pension assets and liabilities	6,158	(10,127)
Reversal of charges posted to the Comprehensive Income & Expenditure Statement	2,492	3,536
Employers contributions and direct payments to pensioners payable in the year	(1,577)	(1,765)
Balance at 31 March	**41,032**	**32,676**

25f Collection Fund Adjustment Account

This account manages the differences arising from the recognition of Council Tax and Business Rates income in the Comprehensive Income and Expenditure Statement as it falls due from Council Tax payers and Business Rates payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

	2012/13 £'000	2013/14 £'000
Balance at 1 April	**(85)**	**(93)**
Amount by which Council Tax and Business Rates income credited to the Comprehensive Income & Expenditure Statement differs from the amount required by statute	(8)	499
Balance at 31 March	**(93)**	**406**

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 Statement. Statutory arrangements require however that the impact on the General Fund Balance is neutralised by transfers to or from this account.

	2012/13 £'000	2013/14 £'000
Balance at 1 April	**125**	**104**
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis differs from remuneration chargeable in the year in accordance with statutory requirements	(21)	22
Balance at 31 March	**104**	**126**

26 CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

	2012/13 £'000	2013/14 £'000
Interest received	238	467
Interest paid	(131)	(141)
Net	**107**	**326**

27 CASH FLOW STATEMENT – INVESTING ACTIVITIES

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

	2012/13 £'000	2013/14 £'000
Purchase of property, plant & equipment, investment property and intangible assets.	(2,019)	(24,996)
Purchase of short and long-term investments.	(10,000)	(7,000)
Proceeds from the sale of assets.	160	326
Proceeds from short and long-term investments.	8,374	15,894
Other payments for investing activities	0	(4)
Other receipts relating to investing activity (government grants).	682	(355)
Total investing activities	**(2,803)**	**(16,135)**

28 CASH FLOW STATEMENT – FINANCING ACTIVITIES

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

	2012/13 £'000	2013/14 £'000
Cash receipts from short and long-term borrowing	3,265	15,678
Cash paid to reduce lease liabilities	0	0
Repayments of borrowings	(552)	(3,612)
Change in indebtedness relating to NNDR (due from Government and preceptors) and Council Tax (due from preceptors)	(1,140)	(98)
Total financing activities	**1,573**	**11,968**

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:

Directorate Income and Expenditure 2012/13	Chief Executive £'000	Partnerships Planning & Policy £'000	People and Places £'000	Total £'000
Fees, charges & other service income	(1,888)	(1,805)	(2,915)	(6,608)
Government grants	(729)	(10)	0	(739)
Total Income	**(2,617)**	**(1,815)**	**(2,915)**	**(7,347)**
Employee expenses	4,984	2,239	3,447	10,670
Other service expenses	3,504	833	5,720	10,057
Total Expenditure	**8,488**	**3,072**	**9,167**	**20,727**
Net Expenditure	**5,871**	**1,257**	**6,252**	**13,380**
Directorate Income and Expenditure 2013/14	**Chief Executive £'000**	**Partnerships Planning & Policy £'000**	**People and Places £'000**	**Total £'000**
Fees, charges & other service income	(2,067)	(1,889)	(2,861)	(6,817)
Government grants	(723)	(8)	0	(731)
Total Income	**(2,790)**	**(1,897)**	**(2,861)**	**(7,548)**
Employee expenses	4,840	2,321	3,417	10,578
Other service expenses	3,435	1,141	5,925	10,501
Total Expenditure	**8,275**	**3,462**	**9,342**	**21,079**
Net Expenditure	**5,485**	**1,565**	**6,481**	**13,531**

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.

	2012/13 Restated £'000	2013/14 £'000
Net expenditure in the Directorate Analysis	13,380	13,531
Net expenditure of services and support services not included in the Analysis (Note a)	288	(154)
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis (Note b)	1,727	4,238
	15,395	**17,615**
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	0	0
Cost of Services in Comprehensive Income and Expenditure Statement	**15,395**	**17,615**

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 2013/14, the expenditure and income reported separately included payments to the pension fund in respect of past service, 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.

2013/14	Directorate Analysis £'000	Services and Support Services not in Analysis £'000	Amounts not reported to management for decision making £'000	Allocation of Recharges £'000	Cost of Services £'000	Corporate Amounts £'000	Total £'000
Fees, charges & other service income	(6,817)	(1,478)	(48)	(15,917)	(24,260)	(325)	(24,585)
Interest and Investment Income						(3,225)	(3,225)
Income from council tax						(6,426)	(6,426)
Local share of business rates					0	(10,411)	(10,411)
Government grants and contributions	(731)	(25,589)	(409)		(26,729)	(8,072)	(34,801)
Total Income	**(7,548)**	**(27,067)**	**(457)**	**(15,917)**	**(50,989)**	**(28,459)**	**(79,448)**
Employee expenses	10,578	231	105		10,914		10,914
Other service expenses	10,501	26,682	624		37,807		37,807
Support Service recharges				15,917	15,917		15,917
Depreciation, amortisation & impairment			3,966		3,966		3,966
Interest Payments					0	4,832	4,832
Precepts & Levies					0	530	530
Business rates tariff and levy					0	8,148	8,148
Payments to Housing Capital Receipts Pool					0	1	1
Gain or Loss on Disposal of Fixed Assets					0	555	555
Total Expenditure	**21,079**	**26,913**	**4,695**	**15,917**	**68,604**	**14,066**	**82,670**
Surplus or deficit on the provision of services	**13,531**	**(154)**	**4,238**	**0**	**17,615**	**(14,393)**	**3,222**

2012/13 Restated	Directorate Analysis £'000	Services and Support Services not in Analysis £'000	Amounts not reported to management for decision making £'000	Allocation of Recharges £'000	Cost of Services £'000	Corporate Amounts £'000	Total £'000
Fees, charges & other service income	(6,608)	(713)	(47)	(15,937)	(23,305)	(124)	(23,429)
Interest and Investment Income						(3,386)	(3,386)
Income from council tax						(7,015)	(7,015)
Government grants and contributions	(739)	(31,934)	(363)		(33,036)	(7,729)	(40,765)
Total Income	**(7,347)**	**(32,647)**	**(410)**	**(15,937)**	**(56,341)**	**(18,254)**	**(74,595)**
Employee expenses	10,670	232	(237)		10,665		10,665
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					0	4,734	4,734
Precepts & Levies					0	567	567
Payments to Housing Capital Receipts Pool					0	1	1
Gain or Loss on Disposal of Fixed Assets					0	102	102
Total Expenditure	**20,727**	**32,935**	**2,137**	**15,937**	**71,736**	**5,404**	**77,140**
Surplus or deficit on the provision of services	**13,380**	**288**	**1,727**	**0**	**15,395**	**(12,850)**	**2,545**

30 ACQUIRED AND DISCONTINUED OPERATIONS

There were no operations acquired or discontinued during the year.

31 MARKET WALK

The authority owns the Market Walk shopping centre, generating rental income from letting premises. The objective is to maximise the income stream for the council at a time when funding from central government is being cut. Bringing it under control of the local authority also means that its long-term future is secure and the council can develop the town centre as a whole. Details of the surplus (excluding financing costs) made from operations in the four months to 31 March 2014 are as follows:

	2012/13 £'000	2013/14 £'000
Turnover	0	(574)
Expenditure	0	99
Surplus	**0**	**(475)**

The surplus, which is included within Net Expenditure of Planning Services in the Comprehensive Income and Expenditure Statement, excludes the costs of financing the acquisition. These are not being charged directly to the shopping centre account but are included within Financing and Investment Income and Expenditure (note 10). From 2014/15 there will be statutory provision for repayment of debt relating to the purchase, which will be included in the total disclosed in note 7 and the Movement in Reserves Statement.

32 AGENCY SERVICES

The Council acts as agent for central government, County Council and Fire Authority 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.

	2012/13 £'000	2013/14 £'000
Allowances	289	291
Expenses	4	4
Total	**293**	**295**

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	2013/14	108	1			109	22	131
	2012/13	103	6			109	21	130
Director of Partnerships, Planning and Policy	2013/14	97	0			97	20	117
	2012/13	90	8			98	17	115
Director of People and Places (note 1)	2013/14	81	0			81	17	98
	2012/13	114	4			118	17	135
Head of Shared Financial Services	2013/14	58	6			64	12	76
	2012/13	57	4			61	11	72
Head of Governance	2013/14	48	3			51	10	61
	2012/13	49	3			52	10	62
Head of Customer, ICT and Transactional Services	2013/14	50	5			55	10	65
	2012/13	50	4			54	10	64
Head of Human Resources & OD	2013/14	Salary below reporting threshold						
	2012/13	Salary below reporting threshold						
Head of Policy and Communications	2013/14	47	4			51	9	60
	2012/13	47	5			52	9	61

Note (1) The Director of People and Places' salary in 2012/13 included a one-off payment of £24k relating to revised conditions of employment.

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

Remuneration band	2012/13 Number of employees	2013/14 Number of employees
£50,000 - £54,999	4	3
£55,000 - £59,999	3	1
£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 £'000**	
	2012/13	**2013/14**	**2012/13**	**2013/14**	**2012/13**	**2013/14**	**2012/13**	**2013/14**
£0 -£20,000	0	1	13	10	13	11	62	106
£20,001 - £40,000	0	0	4	0	4	0	114	0
£40,001 - £60,000	0	0	0	1	0	1	0	48
£60,001 - £80,000	0	0	0	2	0	2	0	125
£80,001 - £100,000	0	0	0	0	0	0	0	0
£100,000 - £150,000	0	0	0	0	0	0	0	0
Total	0	1	17	13	17	14	176	279

37 EXTERNAL AUDIT COSTS

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

	2012/13 £'000	2013/14 £'000
Fees for statutory inspection and audit	67	60
Fees for the certification of grant claims and returns	22	12
Total	**89**	**72**

38 GRANT INCOME

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

	2012/13 £'000	2013/14 £'000
Credited to Taxation and Non-Specific Grant Income & Expenditure		
National Non-Domestic Rates (NNDR) from Central Pool	(5,928)	0
Revenue Support Grant (RSG)	(115)	(3,903)
New Homes Bonus grant	(1,044)	(1,805)
Other revenue grants	(249)	(532)
Capital Contributions - Section 106 Planning	(322)	(1,779)
Capital Other grants and contributions	(71)	(53)
Total	**(7,729)**	**(8,072)**
Credited to Services		
Grants – benefits related	(32,687)	(26,305)
Grants – other	(373)	(424)
Contribution – County Council reimbursement	(1,222)	(1,053)
Contributions – other	(479)	(618)
Total	**(34,761)**	**(28,400)**

Figures for NNDR and RSG are not directly comparable between 2012/13 and 2013/14 because of the implementation of Business Rates Retention and local Council Tax Support in 2013/14. In 2012/13 the Council received an allocation of NNDR from the Government's Central Pool; whereas in 2013/14 it received a local share directly from the Collection Fund. In 2013/14 Council Tax Benefit was replaced by discounts under the local Council Tax Support scheme; and the Subsidy previously received to finance the benefit expenditure was replaced by cash-limited funding within the RSG and local share allocations.

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:

Capital Grants	2012/13 £'000	2013/14 £'000
Grant – Regional Housing Pot	(716)	(664)
Grant – Lancashire County Council	(3)	(10)
Grant – Disabled Facilities Grants	(87)	0
Other grants and contributions	(43)	(29)
Total	**(849)**	**(703)**

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. There were no material related party transactions in respect of officers.

- **Chorley Community Housing Ltd (CCH)**
  In 2006/07 the Council's housing stock was transferred to CCH. The Council 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 2013/14 this totalled £0.163m (2012/13 £0.104m).

- **Partnerships, Companies and Trusts**
  <u>Financial & Assurance Shared Services Partnership</u> – 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 2013/14 gross expenditure of £1.862m (2012/13 £1.927m) 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.

	2012/13 £'000	**2013/14 £'000**
Opening Capital Financing Requirement	8,072	8,472
Capital investment		
Property, Plant and Equipment (Note 12)	1,511	24,991
Investment Properties (Note 14)	0	0
Intangible Assets (Note 15)	22	0
Revenue Expenditure Funded from Capital under Statute (Note 7)	295	624
Sources of finance		
Capital Receipts (Note 25b)	(124)	0
Government Grants and Other Contributions (Note 25b)	(409)	(799)
Sums set aside from revenue		
Revenue Financing (Note 25b)	(304)	(152)
Minimum Revenue provision – statutory (Note 25b)	(283)	(270)
Minimum Revenue provision – voluntary (Note 25b)	(308)	0
Sums set aside from capital receipts		
Voluntary provision for debt repayment	0	0
Closing Capital Financing Requirement	**8,472**	**32,866**
Explanation of movements in year		
Increase in prudential borrowing	991	24,664
Provision made for debt repayment	(591)	(270)
Increase/(Decrease) in Capital Financing Requirement	**400**	**24,394**

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 2013		31 March 2014	
	Payments £'000	Receipts £'000	Payments £'000	Receipts £'000
Not later than 1 year	789	(43)	712	(43)
Later than 1 yr, not later than 5	1,756	(170)	1,494	(170)
Later than 5 years	703	(425)	403	(383)
Minimum lease payments	**3,248**	**(638)**	**2,609**	**(596)**

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

	2012/13 £'000	2013/14 £'000
Minimum lease payments	789	752
Contingent rents	0	0
Sub-lease payments receivable	(43)	(43)
Total payable rentals	**746**	**709**

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 2013 £'000	31 March 2014 £'000
Finance lease debtor (present value of minimum lease payments)	289	289
Unearned finance income	2,282	2,259
Gross investment in the lease	**2,571**	**2,548**

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 2013 £'000	31 March 2014 £'000	31 March 2013 £'000	31 March 2014 £'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	2,452	2,429	2,452	2,429
Total	**2,571**	**2,548**	**2,571**	**2,548**

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

<u>Operating leases</u>

The Council lets 27 offices, industrial units and sites, and 34 units in the Market Walk Shopping Centre. The future minimum lease payments receivable are:

	31 March 2013 £'000	31 March 2014 £'000
Not later than one year	368	2,095
Later than one year and not later than five years	1,183	6,476
Later than five years	11,685	14,382
Total receivable rentals	**13,236**	**22,953**

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).

	2012/13 £'000	2013/14 £'000
Impairment loss recognised in cost of services	0	0
Impairment losses reversed in cost of services	936	0
Impairment losses taken to the Revaluation Reserve	0	(197)
Total impairment losses	**936**	**(197)**

Material individual impairments	Amount	Directorate	Valuation	Basis
Reversal of previous impairments due to revaluation : - Clayton Green Sports Centre	£0.197m	Street Scene	Depreciated replacement cost	Cost to repair

43 TERMINATION BENEFITS

The Authority terminated the contracts of a number of employees in 2013/14 incurring liabilities of £0.279m (£0.176m in 2012/13). See note 36 for the number of exit packages and total cost. Termination payments made to Directors, Heads of Service and other senior managers in 2013/14 and 2012/13 are shown in note 36 as 'compensation for loss of office.

44 DEFINED BENEFIT PENSION SCHEME

44a Governance

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 who have appointed a Pension Fund Committee (comprising a mix of County Councillors and representatives from other employers) to manage the Fund. The Committee is assisted by an investment panel which advises on investment strategy and risk management. The scheme is funded and pays defined benefits based on how long employees are active members, and their salary when they leave (a "final salary" scheme) for service up to 31 March 2014 and on revalued average salary (a "career average" scheme) for service from 1 April 2014 onwards.

44b Funding the liabilities

Regulations require actuarial fund valuations to be carried out every 3 years. Contributions for each employer are set having regard to their individual circumstances. Contributions must be set with a view to targeting the Funds solvency (the detailed provisions are set out in the Fund's Funding Strategy Statement). The latest valuation, carried out as at 31 March 2013, showed a shortfall for all employers of £1.38bn or 22%. Employers are paying additional contributions over 19 years to meet the shortfall.

44c Risks

The primary risk is that the Fund's assets will, in the long-term, fall short of its liabilities to pay benefits to members.

Investment risk management seeks to balance the maximisation of the opportunity for gain and minimise the risk of loss, on the fund's investments. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk, and interest rate risk), by ensuring counterparties meet credit criteria, and that investments are within the limits set by the investment strategy.

Other risks - The fund managers have to ensure that the fund has adequate liquidity to meet its obligations as they arise. They must also be sensitive to any actions of government or changes in European legislation which might affect funding requirements.

Sensitivity to these risks is estimated in paragraph 44i.

44d 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:

	Restated 2012/13 £'000	2013/14 £'000
Comprehensive Income & Expenditure Statement		
Cost of Services		
Administration	27	27
current service cost	1,279	1,654
Past service cost	55	0
Settlement and curtailment	0	168
Financing and investment Income and Expenditure		
Interest costs	4,556	4,509
Expected return on scheme assets	(2,929)	(2,822)
Total post-employment benefit charged to the (Surplus)/Deficit on the Provision of Service	**2,988**	**3,536**
Other post-employment benefit charged to the Comprehensive Income & Expenditure Statement		
Re-measurement of the net defined benefit liability		
Return on plan assets, excluding amount included in interest expense	(6,165)	(1,096)
Actuarial gains & losses from changes in demographic assumptions	1,004	446
Actuarial gains & losses from changes in financial assumptions	10,823	(9,477)
Total post-employment benefit charged to the Comprehensive Income & Expenditure Statement	**8,650**	**(6,591)**
Movement in Reserves Statement		
Reversal of net charges made to the (Surplus)/Deficit on the Provision of Services	2,988	(3,536)
Actual employer contributions to the scheme	1,577	1,766

Note.
The 2012/13 figures in this and the following tables have been restated following changes in the accounting standard relating to pensions. Details are given in note 51.

44e Pension assets and liabilities recognised in the balance sheet
The amount included in the balance sheet arising from the Authority's obligation in respect of its defined benefit plans is as follows

	Scheme Liabilities Local Government Pension Scheme	
	2012/13 restated £'000	2013/14 £'000
Present value of the defined benefit obligation	(108,813)	(100,591)
Fair value of plan assets	67,776	67,899
Sub-total	(41,037)	(32,692)
Other movements in the (liability) asset	0	0
Net liability arising from defined benefit obligation	**(41,037)**	**(32,692)**

44f Reconciliation of fair value of the scheme (plan) assets

	Scheme Assets Local Government Pension Scheme	
	Restated 2012/13 £'000	**2013/14 £'000**
1 April	**60,825**	**67,776**
Interest income	2,929	2,822
Re-measurement gain/(loss)		
Return on plan assets, excluding amount included in interest expense	6,165	(1,514)
Employer contributions	1,626	1,754
Employee contributions	449	454
Benefits paid	(4,191)	(3,366)
Other	(27)	(27)
31 March	**67,776**	**67,899**

44g Reconciliation of present value of the scheme liabilities (defined benefit obligation)

	Scheme Liabilities Local Government Pension Scheme	
	Restated 2012/13 £'000	**2013/14 £'000**
1 April	**(94,838)**	**(108,813)**
Current service cost	(1,279)	(1,654)
Interest cost	(4,556)	(4,509)
Contributions by scheme participants	(449)	(454)
Re-measurement gains and (losses)		
changes in demographic assumptions	(1,004)	(446)
Changes in financial assumptions	(10,823)	9,477
Other	0	2,610
Benefits paid	4,191	3,366
Curtailment	0	(168)
Past service costs	(55)	0
31 March	**(108,813)**	**(100,591)**

44h Local Government Pension Scheme assets comprised

	Fair value of scheme assets	
	2012/13 £'000	2013/14 £'000
Cash and cash equivalents	2,367	1,179
Equity investments (by industry type)		
Consumer	8,266	8,733
Energy	725	1,381
Financial institutions	3,350	5,006
Health and care	2,651	3,061
Information technology	3,670	4,505
Industrials	3,136	4,136
Other	2,068	2,823
Sub total equity	23,866	29,645
Bonds		
UK corporate	3,071	2,659
Overseas corporate	4,416	3,594
Government	6,273	2,081
Sub total bonds	13,760	8,334
Property		
Retail	2,635	2,553
Commercial	3,300	2,999
Sub total property	5,935	5,552
Private equity		
UK	3,911	1,726
Overseas	7,157	7,791
Sub total private equity	11,068	9,517
Other		
Infrastructure	2,107	3,694
Property	103	341
Credit funds	5,621	9,637
Emerging markets ETF	2,949	0
Sub total alternatives	10,780	13,672
	67,776	**67,899**

44i 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 2013.

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

	Local Government Pension Scheme	
	2012/13	2013/14
Long-term expected rate of return on assets in the scheme		
Equity investments	7.0%	7.0%
Government bonds	2.8%	3.4%
Other bonds	3.9%	4.3%
Property	5.7%	6.2%
Cash/liquidity	0.5%	0.5%
Other	7.0%	0.0%
Mortality assumptions		
Longevity at 65 for current pensioners		
Men	22.1 yrs.	22.8 yrs.
Women	24.8 yrs.	25.3 yrs.
Longevity at 65 for future pensioners		
Men	23.9 yrs.	25.0 yrs.
Women	26.7 yrs.	27.7 yrs.
Rate of inflation (CPI)	2.4%	2.4%
Rate of increase in salaries	4.4%	3.9%
Rate of increase in pensions	2.4%	2.4%
Rate for discounting scheme liabilities	4.2%	4.5%
Take up option to convert pension into lump sum	50%	0.0%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes in the assumptions occurring at the end of the reporting period, and for each assumption assumes that other factors remain unchanged.

	Impact on the defined benefit obligation in the scheme £'000
Longevity (increase 1 year)	1,998
Rate of inflation (increase of 0.1% p.a.)	1,853
Salary inflation (increase of 0.1% p.a.)	366
Rate for discounting scheme liabilities (increase of 0.1%)	(1,820)

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 £0.122m plus interest and costs. The claimants have also intimated that they may bring a claim against all English and Welsh local authorities 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 2014 there are 11 years of the liability period outstanding.

The Collection Fund includes a £1.25m provision for appeals by businesses against overcharging of National Non-Domestic Rates up to 2013/14. The Council's £0.500m share of the provision is disclosed in Note 23. The provision was based on the appeals lodged with the Valuation Office Agency (VOA) at 31 March 2014, being an estimate of the percentage of appeals likely to be successful and the value of refunds. However, it is not possible to quantify appeals that had not been lodged with VOA at year-end, therefore there is a risk that the value of successful appeals could exceed the current provision.

46 CONTINGENT ASSETS

The Council submitted a claim to HM Revenue and Customs regarding VAT overpaid over many years, mainly at its leisure centres. This has been settled save for outstanding 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 eight 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 consider its Treasury Management Strategy annually. The Strategy 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.

<u>Bank Loans</u>

The Council's Investment Strategy restricts investments to a narrow range of counterparties. At 31 March 2014 it had a single short-term deposit totalling £2.08m. There was no evidence to suggest a risk of impairment. The deposits declared in previous years as impaired were finally repaid during 2013/14.

<u>Sundry Debtors</u>

The sundry debtors (note 16a) are analysed by age and risk in the following table.

	Gross £'000	Default risk £'000	Net £'000
Not yet past due date	2,985	693	2,292
Up to three months past due date	802	13	789
Three to six months past due date	25	2	23
Six months to one year past due date	376	15	361
Beyond one year	815	806	9
Total	**5,003**	**1,529**	**3,474**

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

Liquidity risk

The authority has ready access to borrowing from the Public Works Loan Board and the money markets. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. The Council manages its liquidity position through the risk management procedures outlined above as well as through cash flow management procedures required by the Council. Interest rates on its borrowings vary between 1.55% and 4.34%, and the maturity analysis of its borrowing is as follows:

	31 March 2013 £'000	31 March 2014 £'000
Less than 1 year	350	1,457
Between 1 and 2 years	350	6,263
Between 2 and 5 years	6,049	3,587
More than 5 years	523	9,151
Total	**7,272**	**20,458**

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 as shown in the following table:

	£'000
Loss - Increase in interest payable on variable rate borrowings	0
Gain - Increase in interest receivable on variable rate investments	(128)
Gain - Impact on Comprehensive Income and Expenditure Statement	(128)
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)	(45)

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

Foreign Exchange Risk – The Council has no material exposure to the risk of currency movements.

48 HERITAGE ASSETS – FIVE YEAR SUMMARY OF TRANSACTIONS

There were no disposals or acquisitions during the five years 2009/10 to 2013/14.

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 2010/11 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).

			On Balance Sheet		Off Balance Sheet	
2013/14	**Income £'000**	**Expenditure £'000**	**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	0	32	32	93	93
H T Parkes Baths Fund	(1)	0	0	0	2	2
Total	**2**	**0**	**39**	**39**	**98**	**98**

2012/13	Income £'000	Expenditure £'000	On Balance Sheet Assets £'000	On Balance Sheet Liabilities £'000	Off Balance Sheet Assets £'000	Off Balance Sheet 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
Total	**12**	**0**	**36**	**36**	**96**	**96**

51 RESTATEMENT OF PRIOR PERIODS

IAS 19 Pensions - Change to Accounting Standard

Revisions have been made to IAS 19 for accounting periods beginning on or after 1 January 2013. This necessitates a restatement of prior year's figures in line with general accounting principles.

Actuarial gains and losses, the effect of the asset ceiling and the actual return on plan assets (remeasurements) are recognised in the balance sheet immediately, with a charge or credit to Other Comprehensive Income and Expenditure in the periods in which they occur.

Interest expense or income is now calculated by applying the discount rate to the net defined benefit liability (asset). This replaces the interest cost on the defined benefit obligation and the expected return on assets. For 2012/13 this increased the charge to the Comprehensive Income and Expenditure Statement by £496k.

A liability for a termination benefit will be recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit or when the entity recognises any related restructuring costs.

Effect on the 2012/13 Comprehensive Income & Expenditure Statement	2012/13 As reported £'000	2012/13 Pension Restatement £'000	2012/13 Restated £'000
Cost of Services	15,338	57	15,395
Financing & Investment Income & Expenditure	909	439	1,348
(Surplus)/deficit on provision of services	**16,247**	**496**	**16,743**
Actuarial (gains)/losses on pension assets and liabilities	6,158	(496)	5,662
Other Comprehensive Income & Expenditure	**5,647**	**(496)**	**5,151**
Total Comprehensive Income & Expenditure	**7,696**	**0**	**7,696**

Effect on the 2012/13 Movement in Reserves Statement	2012/13 As reported £'000	2012/13 Pension Restatement £'000	2012/13 Restated £'000
Balance at 31st March 2012	(6,591)		(6,591)
Deficit on the Provision of Service	2,049	496	2,545
Other Comprehensive Income & Expenditure	5,647	(496)	5,151
Adjustment between accounting basis and Funding under Regulations – usable reserves	(1,888)	(496)	(2,384)
Unusable reserves	1,888	496	2,384
Total Comprehensive Income & Expenditure	**1,105**	**0**	**1,105**

Effect on the 2012/13 Cash Flow Statement	**2012/13 As reported £'000**	**2012/13 Pension Restatement £'000**	**2012/13 Restated £'000**
Net surplus or (deficit) on the provision of services	(2,049)	(496)	(2,545)
Adjustments to net surplus or deficit on the provision of services for non cash movements	3,505	496	4,001
Adjustments for items included in the net surplus or deficit on the provision of service that are investing & financing activity	(927)		(927)
Net cash flows from Operating Activities	529		529
Investing Activities (Note 27)	(2,803)		(2,803)
Financing Activities (Note 28)	1,573		1,573
Net increase or (decrease) in cash and cash equivalents	(701)		(701)
Cash and cash equivalents at the beginning of the reporting period	3,869		3,869
Cash and cash equivalents at the end of the reporting period (note 20)	**3,168**		**3,168**

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 (Business Rates).

2012/13 Business Rates £'000	2012/13 Council Tax £'000	Collection Fund	2013/14 Business Rates £'000	2013/14 Council Tax £'000
		INCOME		
	55,480	Council Tax Receivable		50,161
26,603		Business Rates Receivable	26,496	
26,603	55,480		26,496	50,161
		EXPENDITURE		
		Apportionment of Previous Year Surplus/(Deficit)		
		Central Government		
	37	Chorley Council (Note 11)		77
	210	Lancashire County Council		441
	12	Lancashire Combined Fire Authority		25
	28	Police & Crime Commissioner for Lancashire		60
0	287		0	603
		Precepts, Demands and Shares		
26,476		Central Government	13,014	
	6,969	Chorley Council (Note 11)	10,411	6,340
	39,914	Lancashire County Council	2,342	35,571
	2,292	Lancashire Combined Fire Authority	260	2,085
	5,400	Police & Crime Commissioner for Lancashire		5,008
26,476	54,575		26,027	49,004
		Charges to Collection Fund		
	59	Write offs of uncollectable amounts		94
	503	Increase/(Decrease) in Bad Debt Provision	355	388
		Increase/(Decrease) in Provision for Appeals	1,250	
127		Cost of Collection	134	
127	562		1,739	482
0	**56**	**Surplus/(Deficit) arising during the year**	**(1,270)**	**72**
0	(8)	Transfer (to)/from Collection Fund Adjustment Account (Notes 11 and 25f)	508	(9)
0	(48)	Net Transfer to Central Government & Major Preceptors	762	(63)
0	**0**	**Surplus/(Deficit) at 31 March**	**0**	**0**

ACCOUNTING FOR COUNCIL TAX

The amount of Council Tax to be credited to the Comprehensive Income and Expenditure Statement for both billing authorities and major preceptors is their share of the accrued income. However, statute requires that the amount to be credited to the General Fund should be the authority's precept or demand for the year plus its share of the previous year's 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. See also Note 7.

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 2013/14 was calculated as follows:

Band	Dwellings	Dwellings adj. for discounts & exemptions	Proportion of Band D Charge	Band D Equivalent
A (disabled)	0	12	5:9	6.40
A	14,469	11,962	6:9	7,974.80
B	10,552	9,268	7:9	7,208.80
C	8,928	8,056	8:9	7,161.10
D	6,195	5,712	9:9	5,711.50
E	4,345	4,076	11:9	4,981.50
F	1,808	1,704	13:9	2,461.70
G	800	759	15:9	1,265.40
H	63	42	18:9	84.00
Total	**47,160**	**41,591**		**36,855.20**
Less adjustments for anticipated changes to the base and losses on collection				**(412.74)**
Add adjustment for new properties/technical changes to discounts				**659.20**
Less local Council Tax Support Scheme discounts				**(4,351.00)**
Band D Equivalent Number of Properties				**32,750.66**

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 £1,480.11 for 2013/14 and £1,499.65 for 2012/13). The other valuation bands are proportionate to this.

ACCOUNTING FOR BUSINESS RATES (NNDR)

From 2009/10 to 2012/13, accounting arrangements for NNDR reflected the fact that it was in substance an agency arrangement, the Council being the agent of the Government in the collection of the charge. Consequently:

1. NNDR income did not belong to the billing authority and was not included in its CI&ES.

2. NNDR debtor and creditor balances with taxpayers were not recognised in the authority's

balance sheet.

3. Cash collected belonged to the Government, and any amounts over or under paid were recognised in the balance sheet as a Government debtor or creditor.

From 2013/14, NNDR income, debtor and creditor balances, provisions, arrears and prepayments have been apportioned between the Council, Government, Lancashire County Council, and Lancashire Combined Fire Authority, as a result of the implementation of Business Rates Retention.

NNDR DETAILS OF CHARGE

Business Rates are organised on a national basis. In 2005/06 the Government introduced a Small Business Rate Relief Scheme. This results in there being two multipliers – one for small businesses at 46.2p in 2013/14 and one for larger businesses at 47.1p.

The Business Rates income, after reliefs and provisions, was £24.9m for 2013/14 (£26.6million for 2012/13).

The rateable value for the Council's area at the end of the financial year 2013/14 was £68.75m (£68.25m in 2012/13).

Town Hall
Market Street
Chorley
PR7 1DP

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

12 September 2014

Dear Sirs

Chorley Council

Financial Statements for the year ended 31 March 2014

This representation letter is provided in connection with the audit of the financial statements of Chorley Council for the year ended 31 March 2014 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 Standards.

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 the United Kingdom 2013/14 ("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 The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance.

iv We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

v Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

vi 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.

vii Except as stated in the financial statements:
a there are no unrecorded liabilities, actual or contingent
b none of the assets of the Council has been assigned, pledged or mortgaged
c there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

viii 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.

ix 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.

x All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

xi Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

xii We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

xiii 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

xiv 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.

xv We have communicated to you all deficiencies in internal control of which management is aware.

xvi All transactions have been recorded in the accounting records and are reflected in the financial statements.

xvii 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.

xviii 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.

xix 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.

xx 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.

xxi We have disclosed to you the entity of the Council's related parties and all the related party relationships and transactions of which we are aware.

xxii We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

xxiii 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 2014.

Signed on behalf of Chorley Council

Name……………………………

Position…Chief Executive (S151 Officer)…………

Date…………………………….

Name……………………………

Position…Chair of the Governance Committee……

Date…………………………….

Chorley Council

Report of	Meeting	Date
Head of Shared Assurance Services	Governance Committee	10th September 2014

INTERNAL AUDIT INTERIM REPORT AS AT 1ST AUGUST 2014

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 2014 to July 2014 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.

Confidential report Please bold as appropriate	Yes	**No**

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	**X**

BACKGROUND

7. This is the first progress report for 2014/15 and covers the period between 1st April 2014 and 1st August 2014.

INTERNAL AUDIT PLANS

8. **Appendix 1** provides a ''snapshot'' of the overall progress made in relation to the 2014/15 Internal Audit Plans, indicating which audits have been completed and their assurance 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 table below highlights the main pieces of work undertaken during the period together with any control issues identified, where applicable;

Audit Area	Assurance Rating	Comments
Chorley Council		
Annual Governance Statement	Not applicable	Proactive input was provided in collating information to inform the Annual Governance Statement.
National Fraud Initiative (NFI)	Not applicable	Preparations are now in progress for the NFI submission in October 2014. Fair Processing Notices have been checked for compliance against the Audit Commission's requirements and data is currently being checked to the nationally agreed specifications.
Health and Safety	**Amber (6)**	No control issues were identified. The Council's arrangements were found to be robust.
Data Protection	**Amber (5)**	A range of management actions were agreed in relation to raising awareness of Data Protection responsibilities through refresher training and use of the Loop and the introduction and use of a Data Sharing Protocol.
Contingency	Not applicable	Investigation in support of the Council's Disciplinary Policy
Shared Financial Services		
Residual Work from 2013/14	Not applicable	Completion of 2013/14 reviews of key financial systems
Contingency	Not applicable	Investigation in support of the Council's Disciplinary Policy

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

Control Rating			
Limited	4	7	9
Adequate	2	5	8
Substantial	1	3	6
	Minor	**Major**	**Critical**
	Risk Rating		

Minor, Major or Critical reflects the relative risk of each system and the impact on the Council in financial and/or reputational terms if it was to fail. The risk rating for each audit has been agreed following a detailed risk assessment by Internal Audit and approval by Senior Management.

INTERNAL AUDIT PERFORMANCE

10. **Appendix 2** provides information on Internal Audit performance as at 1st August 2014. We are pleased to report that the majority of indicators have either been achieved or exceeded.

GENERAL DEVELOPMENTS

11. A member of the Audit Team was successful in her recent examinations. This was her final exam and now means that all members of the team are professionally qualified and have achieved the Institute of Internal Auditors Diploma.

IMPLICATIONS OF REPORT

12. 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 2014/15 Internal Audit Plans for Chorley Council and Shared Financial Services.

Report Authors	Ext	Date	Doc ID
Garry Barclay Dawn Highton	01772 625272 01257 515468	August 2014	Audit Interim report

APPENDIX 1

INTERNAL AUDIT PLANS 2014/15

AUDIT AREA	RISK RATING	PLAN (Days)	ACT (Days)	BAL (Days)	ASSURANCE RATING	COMMENTS
SHARED FINANCIAL SERVICES						
Main Accounting System	CRITICAL	95	1.5	93.5		To commence Q4
Creditors	CRITICAL					To commence Q4
Payroll	CRITICAL					To commence Q4
Treasury Management	CRITICAL					To commence Q4
Cash & Bank / Cheque Control	CRITICAL					To commence Q4
Post Audit Reviews	N/A	10	1.3	8.7	N/A	On-going
Contingency	N/A	20	13	7	N/A	On-going
Residual Work from 2013/14	N/A	20	25.2	-5.2	N/A	Complete
TOTAL		**145**	**41**	**104**		
CHORLEY						
CORPORATE AREAS						
Annual Governance Statement	N/A	20	13.9	6.1	N/A	Complete
Anti-Fraud & Corruption	N/A	15	2.1	12.9	N/A	On-going
National Fraud Initiative (NFI)	N/A	30	6.5	23.5	N/A	On-going
System Interrogations	N/A	10	2.5	7.5	N/A	On-going
CHIEF EXECUTIVE						
Economic Development						
Town Centre Grants	MAJOR	15	2.2	12.8		In progress
Policy and Communications						
Performance Management	CRITICAL	10	0.6	9.4		To commence Q3
Governance						
Elections	CRITICAL	10	1	9		To commence Q3
Human Resources						
Health and Safety	CRITICAL	10	9	1	AMBER (6)	Complete
Finance						
New Payroll system	N/A	10	0	10	N/A	On-going
CUSTOMER AND ADVICE SERVICES						
ICT						
Outsource of network	CRITICAL	15	0	15		To commence Q4
Data Protection	MAJOR	15	13.1	1.9	AMBER (5)	Complete
Revenues and Benefits						
Transactional Services	CRITICAL	20	6.2	13.8	N/A	On-going
Council Tax	CRITICAL	30	0.3	29.7		To commence Q3
Non Domestic Rates	CRITICAL					To commence Q3
Housing Benefits	CRITICAL					To commence Q3
Debtors	CRITICAL					To commence Q3
PUBLIC PROTECTION, STREETSCENE AND COMMUNITY						
Planning						
Planning Income	MAJOR	5	0	5		To commence Q2
Community Infrastructure	N/A	10	0	10		On-going
Health, Environment and Neighbourhoods						
Sports Development	MAJOR	10	0	10		To commence Q2
Licencing	MAJOR	10	0	10		To commence Q3
Streetscene						
Plant and Equipment	MAJOR	15	0	15		To commence Q3
Mobile Technology	MAJOR	15	0	15		To commence Q4
GENERAL AREAS						
Irregularities (Contingency)	N/A	15	6.2	8.8	N/A	On-going
Post Audit Reviews	N/A	10	3.1	6.9	N/A	On-going
Residual Work from 2013/14	N/A	15	5.2	9.8	N/A	Complete
Unplanned Reviews (Contingency)	N/A	20	1.3	18.7	N/A	On-going
Governance Committee	N/A	20	5.6	14.4	N/A	On-going
TOTAL		**355**	**78.8**	**276.2**		

APPENDIX 2

INTERNAL AUDIT PERFORMANCE INDICATORS AS AT 1st AUGUST 2014

	Indicator	Audit Plan	Target 2014/15	Target to Date	Actual to Date	Comments
1	% of planned time used	SS	90%	20%	28%	Target exceeded
		CBC	90%	21%	23%	Target exceeded
2	% audit plan completed	SS	100%	0%	0%	Not applicable
		CBC	100%	23%	23%	Target achieved
3	% management actions agreed	SS	98%	0%	0%	Not applicable
		CBC	98%	100%	100%	Target exceeded
4	% overall customer satisfaction rating (assignment level)	SS	90%	90%	97%	Target exceeded
		CBC	90%	90%	88%	Slightly below target

SS = Shared Services
CBC = Chorley

Report of	Meeting	Date
Chief Executive	Governance Committee	10 September 2014

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 15 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. Seven of the risk categories remain at the same level with five of these areas identified as 'high risk'. One new risk has been added to the register following the recent high levels of public interest in consultations and planning applications such as Gypsy and Traveller site allocation and the Croston flood scheme. Failure to manage this interest potentially putting the Council's reputation at risk. Following improvements in performance, four risks have decreased. The council's decision to investigate the business case for seeking unitary status and impact of the delivery of the Single Front Office have resulted in three risk scores increasing since March 2014.

Confidential report Please bold as appropriate	Yes	**No**

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. Risk management is a cornerstone of good corporate governance and the Council has established a system of risk management which involves the creation of risk registers at a strategic level, service level and individual project levels.

Compiling the Strategic Risk Register requires a collective effort involving chief officers and senior members to identify the key strategic risk issues facing the Council. Heads of Service are responsible for identifying, monitoring and mitigating service list level risk and once key projects have been identified the responsibility for managing these and compiling project risk registers lies with individual services. The process 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		Noticeable	Significant	Critical
	High	4	7	9
	Medium	2	5	8
	Low	1	3	6

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 2014
R1	Budget cuts in key public and third sector partners having a negative impact on local level service delivery	8 (High)	0
R2	Lack of resources to deliver the Council's priorities due to public sector funding cuts (financial & staff capacity)	8 (High)	0
R3	Failure to identify/exploit opportunities for new ways of working and alternative business models including options for income generation	8 (High)	+3
R4	External legislative and policy change affecting service delivery, particularly future changes as a result of Welfare Reform	7 (High)	0
R5	Failure to react to changing service demand	7 (High)	0
R6	Reduction in satisfaction with the Council	6 (Medium)	-1
R7	Failure to sustain our performance in light of budget cut	6 (Medium)	-1
R8	Failure to achieve desired outcomes through partnership working and deterioration in relationships	6 (Medium)	+1
R9	Failure to realise the value of large budget investments and achieve return on investment	5 (Medium)	-2
R10	Failure to fully realise the benefits of new technology and related impact on driving organisational change.	5 (Medium)	+2
R11	Damage to the council's reputation and potential reduction in resident satisfaction in relation to high profile planning applications, consultations and decisions. For example, Gypsy and Traveller site allocation and the Croston flood scheme .	5 (Medium)	New
R12	Reduction in staff satisfaction and morale with the Council including increase in sickness absence	4 (Medium)	-1
R13	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
R14	Failure of Shared Service arrangements	3 (Low)	0
R15	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 2014 along with a narrative to show reasoning for the scoring.

14. One new risk has been added to the register, R11 - Damage to the council's reputation and potential reduction in resident satisfaction in relation to high profile planning applications, consultations and decisions. For example, Gypsy and Traveller site allocation and the Croston flood scheme. This is linked to proposals following Planning and Policy changes and the high level of public interest and emotive views generated by such proposals. A score of five has been allocated to this risk which indicates a medium likelihood of occurrence but the potential to significantly impact on business.

15. The highest increase in risk is for R3, failure to identify/exploit opportunities for new ways of working and alternative business models including options for income generation, with an increase from 5 to 8. This increase results from the council's decision to investigate the business case for seeking to become a unitary council and the potential impact to the organisation both financially and operationally as well as the potential to impact on partner relationships.

16. The highest risks, those scoring 7 and 8, continue to be focused on budget cuts and maintaining performance under challenging conditions. These risks continue to be managed effectively with a number of actions delivered including the newly formed Chorley Public Service Reform Board, strong Medium Term Financial Strategy and ongoing Business Planning and Corporate Strategy refresh.

17. Actions to reduce risk continue to be delivered successfully; this update sees a reduction in four risks resulting from improvements in performance and successful return on investment from large budget investments. All low level risks remain at the same level with new actions and monitoring dates in place 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
Natalie Taylor-Proctor	5248	04/09/2014	SRRupdate

Appendix 1

Risk No.	Description of Risk	Risk Category	Risk Owner	Controls in Place	Matrix Score	Change from March 2014	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 Public Service Reform Board Core funding support. Additional funding support for third sector groups included in 2014/15 budget. Review of core funding including commissioning of large contracts The newly formed Chorley Public Service Reform Board focuses on how organisations can collectively deliver high quality public services to the public efficiently and effectively. Work streams are underway.	8	0	Officers and Members to lobby and influence key public sector partners through meetings, working groups and responding to consultations.	GH	On going	Cuts now starting to take effect evidenced by partner performance. Impact on business not considered critical given control and mitigating actions
R2	Lack of resources to deliver the Council's priorities due to public sector funding cuts (financial & staff capacity)	Financial (Internal)	SG	Refreshed single Organisational Plan Strong Medium Term Financial Strategy Additional budget investment in priorities	8	0	Business planning including a refresh of the Corporate Strategy for 2014/15, involving rationalisation and prioritisation of activity. Focus on bringing in additional income to make the council financially self-sufficient for example the	Policy and Comms	March 2015	Highlighted by the recent peer review, likelihood of occurrence remains high and further reduction in resources anticipated. Impact on business not currently considered critical given controls and mitigating actions. In particular the recent investment of Market Walk which has provided ROI above initial

Risk No.	Description of Risk	Risk Category	Risk Owner	Controls in Place	Matrix Score	Change from March 2014	Actions Planned	Action Owner	Target Action Date	Comments
							purchase of Market Walk Embedding of individual performance management			expectations.
R3	Failure to identify/exploit opportunities for new ways of working and alternative business models including options for income generation	Operational (Internal) and Reputational	SG	Strategic partnerships framework Strong Medium Term Financial Strategy Corporate strategy refresh	8	+3	The council has agreed to investigate the business case for the council becoming a unitary authority. The work will be overseen by an all-party working group in the coming months.	CS	Ongoing	The area of work that has the most impact on this risk is the Council's current work around unitary status. The work in developing the business case has the potential to impact the organisation both financially and operationally. There is also the additional risk to external partner relationships, in particular with LCC. The risk has therefore been increased.
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 Additional dedicated resources – Welfare Reforms Manager, Welfare Reforms Officer and Employability Officer. Credit Union	7	0	Delivery of the Welfare Reforms Action Plan Credit Union offer is being further developed	Policy and Comms	March 2015	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	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	0	Service intelligence to inform delivery and prioritisation of activity. Channel migration strategy.	AK	March 2015	Risk reflects need to manage customer demand and make services more sustainable by driving down cost to access. New self-serve technology

Risk No.	Description of Risk	Risk Category	Risk Owner	Controls in Place	Matrix Score	Change from March 2014	Actions Planned	Action Owner	Target Action Date	Comments
				Digital strategy approved GIS strategy refreshed and approved			Strategy group to focus resources where needed. Embedding of the Single Front Office			now in place including MyAccount feature online. Single Front Office work now underway
R6	Reduction in satisfaction with the Council	Reputation (Internal)	SG	Strong customer service culture. Regular monitoring through the Corporate health dashboard. Resident satisfaction survey. Customer Satisfaction Survey	6	-1	Corporate project to review and address customer satisfaction and dissatisfaction Additional investment in priority areas Tangible improvement projects in the Corporate Strategy Communications, campaigns and events.	Policy and Comms	March 2015	Overall resident satisfaction levels remain high and resident's levels of satisfaction with services they have requested has improved since the beginning of the year. Whilst this risk is still considered an important issue the score has been reduced reflecting the improved satisfaction levels and taking into account the controls and mitigating actions that are ongoing.
R7	Failure to sustain our performance in light of budget cuts	Reputation (Internal)	CS	Performance management framework Regular performance monitoring. Refreshed local performance indicators Leading Edge management competencies	6	-1	Implement individual performance management My Projects – system development Benchmarking exercises including LG Inform	RH	Ongoing	Recent LGA Peer review highlighted the organisations high levels of performance and delivery.
R8	Failure to achieve desired outcomes through partnership working and deterioration in relationships	Reputation (Internal)	SG	CPSRB and role of the Executive in leveraging priorities Regular meetings with LCC lead.	6	+1	Members and officers to work to manage relationships and ensure effective communication Early Intervention work	GH	Ongoing	Chorley Public Service Reform board has been created to ensure efficient partnership working and resources focussed on priorities.

Risk No.	Description of Risk	Risk Category	Risk Owner	Controls in Place	Matrix Score	Change from March 2014	Actions Planned	Action Owner	Target Action Date	Comments
							including implementation of WTWF and involvement with CCG's. CPSRB established and work streams being progressed The council is investigating the case for unitary status and a business case is currently being developed.			The work around unitary status has the potential to impact external partner relationships, in particular with LCC.
R9	Failure to realise the value of large budget investments and achieve return on investment	Financial (Internal)	SG	Budget setting process Regular budget monitoring	5	-2	Project and programme management Scrutiny Topic	RH	Mar 2015	Market Walk purchase key part of income generation strategy. Investment in Market Walk is generating income above initial projections, achieving ROI, this risk has therefore been reduced.
R10	Failure to fully realise the benefits of new technology and related impact on driving organisational change.	Operational (Internal & External	AK	Regular internal communication on progress Project monitoring Comprehensive training for staff	5	+2	Review of all technologies used to support delivery of all services across the council. Any changes identified as necessary within this review are then implemented and communicated to all staff. Implementation of technologies to support the delivery of the Single Front Office Comprehensive training	AK	Ongoing	The current focus and priority for any technological changes across the organisation are changes resulting from the implementation of the Single Front Office. As changes are implemented it is becoming evident that skills are missing and comprehensive training needs to be delivered. Whilst the Single Front

Risk No.	Description of Risk	Risk Category	Risk Owner	Controls in Place	Matrix Score	Change from March 2014	Actions Planned	Action Owner	Target Action Date	Comments
							package for staff			Office is prioritised other technological developments are being put on hold. Although the risk is not considered critical given the control and mitigating action in place it has increased reflecting the medium likelihood of occurrence and potential significant impact on business.
R11	Damage to the council's reputation and potential reduction in resident satisfaction in relation to high profile planning applications, consultations and decisions. For example, Gypsy and Traveller site allocation and the Croston flood scheme.	Reputation (Internal and External)	SG	Communication and engagement with local stakeholders and residents Governance Planning Policies	5	New	Continued tailored communication and engagement for different issues. Consultation on Croston flood defence scheme	GH	Ongoing	This risk is linked to Planning and Policy changes, and the high level of public interest and emotive views generated by these proposals.
R12	Reduction in staff satisfaction and morale with the Council including increase in sickness absence	People (Internal)	COS	OD and health and wellbeing programmes Healthcare cash back scheme New intranet – improving internal communications Leading edge management competencies Internal communications plan	4	-1	Updated OD programme Number of specific interventions including additional management training Staff consultation on restructure proposals Restructure implementation plans included additional staff training.	HR&OD/ Policy and Comms	March 2015	Staff sickness has continued to reduce. Staff Focus groups where undertaken earlier in the year and analysis feedback to Strategy Group and Members.
R13	Failure to build and maintain strong relationships of trust and confidence between	Strategic (Internal)	GH	Weekly meeting with leader and regular meetings with the leader of the opposition.	3	0		GH	As Required	Relationship is currently strong.

Risk No.	Description of Risk	Risk Category	Risk Owner	Controls in Place	Matrix Score	Change from March 2014	Actions Planned	Action Owner	Target Action Date	Comments
	officers and each party to promote good and open relationships between political parties			All party leaders meetings New corporate strategy. Attendance at political group meetings to address key issues.						
R14	Failure of Shared Service arrangements	Operational (Internal)	SG	Strategic partnerships framework Effective governance arrangements	3	0		CS	Ongoing	Risk stays the same due to potential impact of failure on organisation.
R15	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	Further testing and review of plans will take place during 2014/15 at Service Level.		As required	No further changes envisaged at a strategic level due to rigorous testing undertaken during 2013.

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GOVERNANCE COMMITTEE – WORK PROGRAMME 2014/15

Date of Meeting:	Agenda Items to be considered:
25 June 2014	• Internal Audit Report 2013/14 • Risk Management Report and Risk Register 2013/14 • Treasury Management Out-turn Report • Draft Statement of Accounts • Annual Governance Statement • Internal Audit Progress Report (1st Quarter 2014/15) • External Audit Update Reports 2014/15 • RIPA Update Report (verbal) • Standards Update Report (if applicable)
10 September 2014	• Statement of Accounts 2013/14 • Internal Audit Progress Report (2nd Quarter 2014/15) • External Audit Findings Report 2013/14 • Strategic Risk Update Report 2014/15 • RIPA Update Report (verbal) • Standards Update Report (if applicable)
14 January 2015	• Treasury Management Strategy • Annual Governance Action Plan Update Report • Internal Audit Progress Report (3rd Quarter 2014/15) • External Audit Update Reports 2014/15 • RIPA Update Report (verbal) • Standards Update Report (if applicable)
11 March 2015	• External Audit Opinion Plan • External Audit Fee Letter • Certification of Grant Claims Report • Internal Audit Plan for 2015/16 • Internal Audit Progress Report (4th Quarter 2014/15) • External Audit Progress Reports 2014/15 • RIPA Update Report (verbal) • Standards Update Report (if applicable)

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