

GOVERNANCE COMMITTEE

WEDNESDAY, 14TH SEPTEMBER 2016, 2.30 PM
COMMITTEE ROOM 1, TOWN HALL, CHORLEY

AGENDA

APOLOGIES

- | | |
|---|--------------------------|
| <p>1 MINUTES OF MEETING WEDNESDAY, 22 JUNE 2016 OF GOVERNANCE COMMITTEE</p> | <p>(Pages 3 - 10)</p> |
| <p>2 DECLARATIONS OF ANY INTERESTS</p> <p>Members are reminded of their responsibility to declare any pecuniary interest in respect of matters contained in this agenda.</p> <p>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.</p> | |
| <p>3 AUDIT FINDINGS REPORT</p> <p>Report of the External Auditor (enclosed)</p> | <p>(Pages 11 - 42)</p> |
| <p>4 STATEMENT OF ACCOUNTS 2015-16</p> <p>Report of the Chief Executive (enclosed)</p> | <p>(Pages 43 - 142)</p> |
| <p>5 CHARITY AND TRUST ACCOUNTS 2015/16</p> <p>Report of the Statutory Finance Officer (enclosed)</p> | <p>(Pages 143 - 150)</p> |
| <p>6 INTERNAL AUDIT INTERIM REPORT AS AT 29 JULY 2016</p> <p>Head of Shared Assurance Services (enclosed)</p> | <p>(Pages 151 - 158)</p> |
| <p>7 RIPA APPLICATION UPDATE</p> <p>The Monitoring Officer will present a verbal report at the meeting.</p> | |
| <p>8 ANY URGENT BUSINESS PREVIOUSLY AGREED WITH THE CHAIR</p> | |

GARY HALL

Meeting contact Dianne Scambler on 01257 515034 or email dianneb.scambler@chorley.gov.uk

CHIEF EXECUTIVE

Electronic agendas sent to Members of the Governance Committee Councillor Paul Leadbetter (Chair), Councillor Anthony Gee (Vice-Chair) and Councillors Jean Cronshaw, Alan Cullens, Gordon France, Margaret France, Danny Gee and Debra Platt.

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MINUTES OF GOVERNANCE COMMITTEE

MEETING DATE **Wednesday, 22 June 2016**

MEMBERS PRESENT: Councillor Paul Leadbetter (Chair), Councillor Anthony Gee (Vice-Chair) and Councillors Jean Cronshaw, Alan Cullens, Danny Gee and Debra Platt

OFFICERS: Gary Hall (Chief Executive), Susan Guinness (Head of Shared Financial Services), Chris Moister (Head of Legal, Democratic & HR Services), Garry Barclay (Head of Shared Assurance Services) and Nina Neisser (Democratic and Member Services Officer)

APOLOGIES: Councillor Gordon France and Margaret France

16.G.42 Minutes

RESOLVED – That the minutes of the Governance Committee held on 9 March 2016 be confirmed as a correct record for signing by the Chair.

16.G.43 Declarations of Any Interests

There were no declarations of any interests.

16.G.44 Draft Statement of Accounts 2015/16

The Chief Finance Officer presented the draft Statement of Accounts (SOA) for 2015/16 before they are signed and authorised for issue by the end of June 2016. The report also advised about the process leading up to the formal submission of the SOA for approval by Members following the completion of the external audit and the new statutory requirements arising from the Accounts and Audit Regulations 2015.

The statement is currently an unsigned draft, which may be subject to change before being signed and made available by the External Auditor. The SOA could not be signed until the Executive Cabinet approved transfers to reserves and financing of the capital programme at its next meeting.

The Accounts and Audit Regulations 2015 came into force on 1 April 2015. The main impact of the regulations is changes to the year-end closedown process and external audit arrangements will be required to enable the Council's audited accounts to be published two months earlier than they are currently. The deadline applies from 2017/18 onwards, with 2015/16 and 2016/17 being transition years.

Members of the Committee expressed concerns over what action would be taken differently this year to ensure that these audited set of accounts would be signed off by the end of June 2017. Members were informed that reviews had taken place and action logs created to mitigate any difficulties faced last year reoccurring and granted assurance that the Council would deliver on this target.

RESOLVED - That the report be noted.

16.G.45 Treasury Management Annual Report 2015/16 - Chorley

The Chief Finance Officer submitted the Treasury Management Annual Report that detailed the Council's performance and compliance with Prudential Indicators for the financial year ended 31 March 2016.

The report advised on compliance with Prudential and Treasury Indicators in 2015/16. The return on investments for the year was 0.44% which, although not high, had exceeded the benchmark of 0.396%. The report also detailed the Council's borrowing and investments as at 31 March 2016.

The current regulatory environment concerning treasury management places a greater onus on members to scrutinise treasury policy and activity. To enable this, each year the Council is required to consider, as a minimum, three treasury reports. These consist of an annual strategy statement in advance of the year, a mid-year review of that strategy, and an out-turn report.

Revised Prudential and Treasury Indicators for 2015/16 were included in the report "Treasury Strategies and Prudential Indicators 2016/17 to 2018/19", presented to Special Council of 1 March 2016. Where relevant, comparisons with 2015/16 indicators in this report were to those approved most recently.

In order to ensure that local authorities borrow only for capital purposes, the Prudential Code requires that borrowing net of investments should not exceed the Capital Finance Requirement for the preceding year plus any anticipated increase in the current and the next two years.

Total borrowing at 31 March 2016 was £14.300m (excluding accrued interest), £12.800m of which was from PWLB, and £1.500m was a temporary loan from another local authority. Cash balances (net of bank overdraft) invested at year-end were £0.822m, which meant that borrowing net of investments was £13.478m. This was a lower than estimated net figure of £15.022m because additional PWLB loans to finance new capital investment or to replace internal borrowing were not taken. The net borrowing figure is £20.019 less than the Capital Financing Requirement quoted above this figure representing the use of the Council's own cash to finance capital expenditure rather taking additional external loans.

It was explained to the committee that the current strategy had allowed the Council to take out more loans however, rather than rushing to borrow this would be deferred and an update provided in the mid-year report. Members were informed that the internal cash balances being utilised for borrowing would soon be depleted and external borrowing would have to replace this in future, although this had not occurred in 2015/16.

RESOLVED – That the report be noted.

16.G.46 Governance Committee Update - Chorley Council

The External Auditors provided the Committee with a report on the progress made in delivering their responsibilities to the Council. It also included a summary of the relevant emerging national issues and development.

It was reported that everything was on track with regards to the 'progress against plan' and 'outputs delivered'. Works being undertaken on the audit of the 2015/16 final accounts and Value for Money (VfM) conclusion was also to be on track and scheduled to be reported to the Governance Committee in September 2016. There was discussion of this date moving forwards and it was suggested that the report be issued prior to September 2016.

Member's attention was brought to the article regarding Joint Venture Companies (JVC) which were considered to be evolving the way in which local government protects front-line services. It was advised that the new breed of JVC's between public sector bodies could be more successful at working and staying together. It was reported that there was an increased number being set up between councils and wholly-owned commercial subsidiaries that can provide both the commercialism required and the understanding of the public sector culture. Members queried how the partnerships transpire and were informed that this is variable depending on what is desired out of a venture as regards to what discussions will take place.

RESOLVED – That the report be noted.

16.G.47 Chorley Council Audit Plan - 2015/16

The External Auditors, Grant Thornton, provided the Committee with an overview of the planned scope and timing of the audit. The report allowed Members to understand what the External Auditors consider as the requirements to bring the plan together and outlined the risks and consequences of the work being carried out. Members were notified of a recent session held with finance staff at which Oldham audit were invited to share advice on how to obtain an earlier closedown.

Members were informed that the Value for Money (VfM) criteria was no longer set by the audit commissions, but was now set by the Audit office. It was reported that following the initial Value for Money risk assessment there were no significant risks identified. Grant Thornton would continue to review the arrangement, including a review of the Annual Governance Statement before the auditor's report is issued.

The results of the interim audit work produced positive conclusions in which the internal audit service provided an independent and satisfactory service to the Council. The review of the internal audit's reports did not identify any material weaknesses which impact the audit approach or which would be likely to adversely impact the Council's financial statements.

With regards to business rate comparisons it was expressed that local authorities are in consultation regarding what we would like to see introduced in the system and a Lancashire-wide discussion would be taking place in the upcoming weeks. Officers granted assurance over concerns regarding the potential risks in relation to the unknown and ensured that plans would be in place to mitigate the reduction of loss between plans and implementation.

RESOLVED – That the report be noted

16.G.48 Draft Annual Governance Statement

The Director of Policy and Governance provided 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 finance statements.

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

Agreed improvements were detailed within the report that would build and strengthen the Council's corporate governance arrangements in relation to three themes, staff/member development, information management and equality and diversity.

Members were informed that the self-assessment assurance had been amended to make it more user friendly to subsequently increase transparency. Members drew attention to the theme of Information Management regarding the incompatibility of Sharepoint. It was indicated that due the lack of functionality the Council requires from the system, alternative feasible programs were being pursued.

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 2015/16 financial statements.

16.G.49 Changes to Arrangements for Appointment of External Auditors

The Committee received a report of the Head of Shared Assurance Services providing an update on the work in progress to establish arrangements for the appointment of the Council's external auditor beyond the 2017/18 financial year when the current contract with Grant Thornton comes to an end.

The report indicated that in 2017 the Council will need to make a choice between the various options for appointing its external auditor which in summary are:

- Setting up an independent Auditor Appointment Panel
- Joining with other councils to set up a joint independent Auditor Appointment Panel using an existing independent panel of the authority (if a suitable panel already exists)
- Opting-in to a Sector Led Body (SLB) that will negotiate contracts and make the appointment on behalf of councils, removing the need to set up an independent Auditor Appointment Panel

Although the Council has until December 2017 to make an appointment, in practical terms this means one of the above options will need to be in place by spring 2017 in order that the contract negotiation process can be carried out during 2017.

The Local Government Association's view is that the SLB approach would provide the most cost effective and value for money option to councils and as such had recently canvassed opinion as to whether they should take steps to establish such a body. Chorley Council had indicated that it would like to keep all options open at this stage including the SLB option. The Head of Shared Assurance Services would bring a further report to Committee once the SLB approach had been fully developed to enable a decision to be made on the appointment vehicle to be adopted.

RESOLVED – That the report be noted.

16.G.50 Compliance with International Auditing Standards

The Head of Shared Assurance Services submitted a report to enable the Governance Committee, as those "charged with governance" and the Chief Executive on behalf of "management" to provide a range of assurances being sought by the external auditors, Grant Thornton, as part of their audit of the Council's 2015/16 accounts. The specific assurances being sought by Grant Thornton were set out in the two letters appended to the report.

Given that the assurances requested were similar to the evidence being collated by Internal Audit to support the Annual Governance Statement (AGS) and in the interests of transparency, it was agreed with Grant Thornton that response to their letters would be provided following consideration at this meeting.

Members sought clarification on the 'matter' referred to in relation any actual or potential litigation or claims that would affect the financial statements and were informed that this related to the recent land searches claim which have now been completed subject to the finalisation of costs.

RESOLVED – That the Chair of Governance Committee, Councillor Paul Leadbetter and the Chief Executive, Gary Hall signs assurance letters requested by grant Thornton.

16.G.51 Internal Audit Annual Report 2015/16

The Head of Shared Assurances Services submitted a report that summarised the work undertaken by the Internal Audit Service during the 2015/16 financial year. The report also gave an opinion on the adequacy and effectiveness of the Council's

framework of governance risk management and control and gave an appraisal of the Internal Audit service performance.

An appendix to the report provided a detailed account of the individual audits undertaken and showed the approach that had been taken, the controls assurance rating that had been awarded and a summary of any actions that had been agreed with management to further improve controls within the areas audited.

The start of the Payroll Project had once again been postponed and would not be undertaken as part of the 2017/18 Internal Audit Plan and the review of the Partnerships was deferred due to an impending update of the Corporate Partnerships Framework.

The variation (42 days) between the planned (345 days) and actual time (387 days) spent on the audits undertaken and contingency is due to a substantive investigation relating to Community Infrastructure Levy/Section 106. The reviews of the key financial systems were in the main, completed with the remaining work finalised in quarter one of 2016/17.

During 2015/16 a total of 19 systems/areas were reviewed, 15 of which were critical and 4 which were major systems. Members observed that the vast majority of areas reviewed were awarded an amber assurance rating, with 13 out of the 15 critical systems reviewed during 2015/16 receiving a score of 6 (substantial assurance). It was also noted that the red controls assurance ratings awarded only one audit, Community Infrastructure Levy/Section 106, which received a score of 9 (limited assurance). Therefore, it was concluded that the Council continues to operate within a strong control environment.

Members were informed that the Council would participate with the Lancashire District Councils Audit Group in undertaking reciprocal peer reviews. This entailed that over the next twelve months Chorley Council would be participating in a review of the Internal Audit Services of Fylde Council and Preston City Council. It is planned that the two above Councils will carry out the review of our compliance with the Standards in March 2018.

RESOLVED – That the report be noted.

16.G.52 Strategic Risk Update Report

The Committee received a report of the Chief Executive that provided an update of the Strategic Risk Register which included 15 strategic risks to the Council, including actions in progress and details of new actions planned to further mitigate identified risks.

The risk register is continually reviewed and currently, the majority of risk categories remain stable with five identified as 'high risk', six 'medium risk' and four 'low risk'. One risk had reduced following successful work to manage high profile consultations that have now progressed to delivery stages.

One risk has been increased to the highest level to reflect the impact of recent budget cuts to partner services. Members queried how these 'new risks' were defined and

sought assurances on what action the Council was taking to mitigate these risks. Members were reassured that Chorley Council had responded to the cuts, particularly from Lancashire County Council by allocating funding, an example of this being the revised bus routes. Members also indicated reservations over the risks of reorganisation which exceeded the risks surrounding the mitigation of cuts and stressed the importance of good performance.

RESOLVED – That the report be noted.

16.G.53 Governance Committee Skills and Knowledge Report

The Committee received a report of the Chief Executive that informed members of the results of the Skills and Knowledge questionnaire that had recently been undertaken with members of the Committee to identify what level of understanding the membership was perceived to have. The questionnaire was completed individually and was a self-assessment approach.

An evaluation of the results of the questionnaire revealed that Members felt that their level of understanding gained by the current training methods was not sufficient enough for them to fulfil their role on Governance Committee effectively and that their overall level of understanding of the Committee's roles and functions could be improved upon. Subsequently, it was considered that the historic in-house training methods could be revised.

One of the main difficulties that Members considered was that membership frequently changes in line with Council elections and political group appointments, constant membership changes, against a backdrop the committee only meeting four times a year, can make consistency of knowledge levels difficult to remain. It was concluded that experienced membership is important to this committee however a balance needs to be struck between this and including new Members in to challenge and trigger new ideas.

Members provided feedback on previous sessions and it was suggested that training sessions be conducted a few weeks prior to subsequent meetings to provide wider understanding of the work of the Committee rather than focusing in on one aspect on the agenda.

RESOLVED – That the report be noted.

That training sessions be conducted in the weeks prior to when the Governance Committee meetings are scheduled to take place.

16.G.54 RIPA Application Update

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

16.G.55 Exclusion of the Public and Press

RESOLVED – To exclude the press and public for the following items of business on that ground that it involves the likely disclosure of exempt

information as defined in Paragraph 3 of Schedule 12A to the Local Government Act 1972.

16.G.56 Section 106 Agreement/Community Infrastructure Levy Update

The Committee received a report of the Head of Shared Assurance Services providing an update to members on the current position regarding Section 106 Agreements and Community Infrastructure Levy (CIL) following a substantive investigation undertaken by Internal Audit. This investigation followed the identification of missed Section 106 trigger points.

The report highlighted the work that has been undertaken following the identification of the missed trigger points to minimise the loss of income to the Council. It also indicated the current arrangements and actions taken to ensure that robust systems are now in place and operating effectively.

It was reported that to date, 50 out of the 65 agreements have been invoiced, totalling £1,016,660. The remaining 15 agreements could not be pursued for a variety of differing reasons that included; non-progression of the original planning application, the replacement of supplemental agreements which did not contain commuted sums, or developments that had not yet commenced.

Only one historical agreement had passed the legal timeframe for invoicing totalling £28,000.

With regards to CIL, to date, 38 of the 54 CIL Liability Notices had been issued to developers, with invoices subsequently raised for £145,000. Further work confirmed that the remaining 16 planning applications were not liable for CIL and therefore a notice was not required.

Officers granted assurance to Members that they were confident that effective systems of control such as, appropriate checks and balances to avoid an absence of due process were now in place and would be monitored closely going forwards.

In response to Members, it was also agreed that the CIL group would meet more regularly to consider updated information on S.106 agreement and CIL contributions so as to ensure greater transparency of the process.

RESOLVED – That the report be noted.

Chair

Date

The Audit Findings for Chorley Council

Year ending 31 March 2016

September 2016

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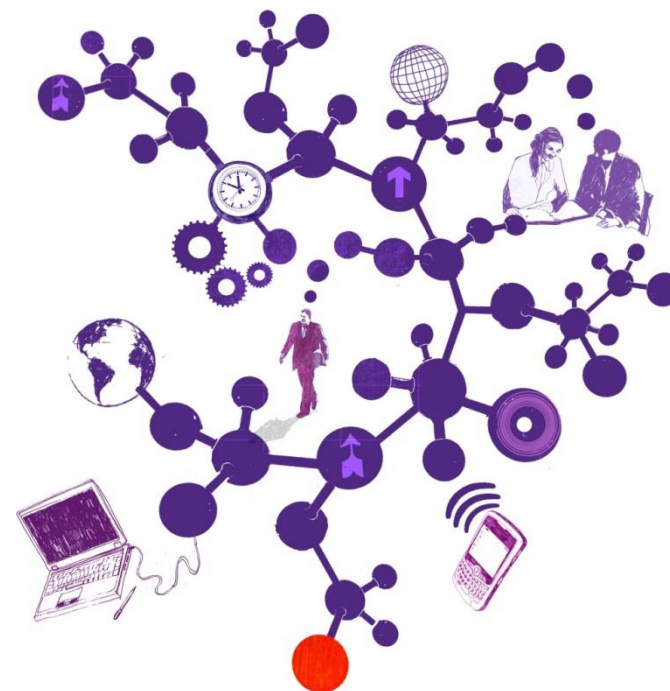
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Purpose of this report

This report highlights the key issues affecting the results of Chorley Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2016. 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 (UK & Ireland) 260, and the Local Audit and Accountability Act 2014 ('the Act').

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Council's financial statements give a true and fair view of the financial position of the Council and its income and expenditure 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 consider other information published together with the audited financial statements, whether it is consistent with the financial statements and in line with required guidance.

We are required to carry out sufficient work to satisfy ourselves on whether the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').

Auditor Guidance Note 7 (AGN07) clarifies our reporting requirements in the Code and the Act. We are required to provide a conclusion whether in all significant respects, the Council has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The Act also details the following additional powers and duties for local government auditors, which we are required to report to you if applied:

- a public interest report if we identify any matter that comes to our attention in the course of the audit that in our opinion should be considered by the Council or brought to the public's attention (section 24 of the Act);

- written recommendations which should be considered by the Council and responded to publicly (section 24 of the Act);
- application to the court for a declaration that an item of account is contrary to law (section 28 of the Act);
- issue of an advisory notice (section 29 of the Act); and
- application for judicial review (section 31 of the Act)

We are also required to give electors the opportunity to raise questions about the accounts and consider and decide upon objections received in relation to the accounts under sections 26 and 27 of the Act.

Introduction

In the conduct of our audit we have not had to alter or change our audit approach, which we communicated to you in our Audit Plan dated April 2016.

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

- final completion of our substantive testing of property, plant and equipment and operating segments
- review of the final version of the financial statements
- obtaining and reviewing the management letter of representation
- updating our post balance sheet events review, to the date of signing the opinion.

Key audit and financial reporting issues

Financial statements opinion

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

- the financial statements were prepared in accordance with the statutory deadline, but there had been some slippage compared to the Council's intended earlier timescale for production

- the financial statements presented to the Governance Committee at its meeting on 22 June changed considerably compared to the version that was published on the Council's website at the end of June. For the purpose of this report, which is to those charged with governance, we have highlighted any changes compared to the statements that were presented at the Governance Committee meeting. A summary of the non trivial changes between the Statement of Accounts presented to the Governance Committee and those submitted for audit is shown in Appendix B

The Council has not been required to make any changes to the primary financial statements presented to us arising from the audit and consequently there has been no change in the reported financial position.

The Council has made a small number of disclosure changes which do affect the supporting notes to the statements. These are summarised on pages 17-18.

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

We anticipate providing a unqualified audit opinion in respect of the financial statements (see Appendix C), after your Governance Committee meeting on 14 September 2016.

Other financial statement responsibilities

As well as an opinion on the financial statements, we are required to give an opinion on whether other information published together with the audited financial statements is consistent with the financial statements. This includes:

- if the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit.

We have not identified any issues in this respect.

Controls

Roles and responsibilities

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

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

Findings

Our work has not identified any significant control weaknesses. We have highlighted one issue in respect of our payroll walk through testing and further detail is provided on page 16.

Value for Money

Based on our review, we are satisfied that, in all significant respects, the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

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

Other statutory powers and duties

We have not identified any issues that have required us to apply our statutory powers and duties under the Act.

Grant certification

In addition to our responsibilities under the Code, we are required to certify the Council's Housing Benefit subsidy claim on behalf of the Department for Work and Pensions. At present our work on this claim is on-going and is not due to be finalised until 30 November 2016. We will report the outcome of this certification work through a separate report to the Governance Committee which is due in February 2017.

The way forward

Matters arising from the financial statements audit and our 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 Head of Shared Financial Services.

We have made a small number of recommendations, which are set out in the action plan at Appendix A. Recommendations have been discussed and agreed with the Chief Executive and Head of Shared Financial Services.

Acknowledgement

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 2016

Section 2: Audit findings

01. Executive summary

02. Audit findings

03. Value for Money

04. Other statutory powers and duties

05. Fees, non audit services and independence

06. Communication of audit matters

Materiality

In performing our audit, we apply the concept of materiality, following the requirements of International Standard on Auditing (UK & Ireland) (ISA) 320: Materiality in planning and performing an audit. The standard states that 'misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements'.

As we reported in our audit plan, we determined overall materiality to be £0.914m. We have considered whether this level remained appropriate during the course of the audit and have made no changes to our overall materiality.

We also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulated effect of such amounts would have a material impact on the financial statements. We have defined the amount below which misstatements would be clearly trivial to be £0.046m. This remains the same as reported in our audit plan.

As we reported in our audit plan, we identified the following items where we decided that separate materiality levels were appropriate. These remain the same as reported in our audit plan.

Balance/transaction/disclosure	Explanation
Disclosures of officers' remuneration, salary bandings and exit packages in notes to the statements.	Due to public interest in these disclosures and the statutory requirement for them to be made.
Disclosure of auditors' remuneration in notes to the statements.	Due to public interest in these disclosures and the statutory requirement for them to be made.
Related party disclosures.	Due to public interest in these disclosures and the statutory requirement for them to be made.

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 (UK&I) 315).

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

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
1.	<p>The revenue cycle includes fraudulent transactions</p> <p>Under ISA (UK&I) 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Chorley Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition; • opportunities to manipulate revenue recognition are very limited; and • the culture and ethical frameworks of local authorities, including Chorley Council, mean that all forms of fraud are seen as unacceptable. 	<p>Our audit work has not identified any issues in respect of revenue recognition.</p>
2.	<p>Management over-ride of controls</p> <p>Under ISA (UK&I) 240 it is presumed that the risk of management over-ride of controls is present in all entities.</p>	<ul style="list-style-type: none"> • Documentation of the controls applied to journal entries. • Testing of journal entries. • Review of accounting estimates, judgments and decisions made by management. • Review of unusual significant transactions. 	<p>Our audit work has not identified any evidence of management over-ride of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues.</p>

Audit findings against significant risks continued

We have also identified the following significant risks of material misstatement from our understanding of the entity. We set out below the work we have completed to address these risks.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
3.	<p>Valuation of property, plant and equipment The Council revalues its assets on a rolling basis over a five year period. The Code requires that the Council ensures that the carrying value at the balance sheet date is not materially different from the current value. This represents a significant estimate by management in the financial statements.</p>	<ul style="list-style-type: none"> Review of management's processes and assumptions for the calculation of the estimate. Review of the competence, expertise and objectivity of any management experts used. Review of the instructions issued to valuation experts and the scope of their work. Review and challenge of the information used by the valuer to ensure it is robust and consistent with our understanding. Testing of additions and revaluations made during the year to ensure they are input correctly into the Council's asset register. Evaluation of the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value. 	<p>Our audit work has not identified any significant issues in relation to the risk identified. We did identify from discussions with the Council's valuer that there are a number of assets which are not recorded on the Council's asset register and not subsequently on the balance sheet.</p> <p>However, we have been provided with assurances from the valuer that the likely value of those assets in total is not material and therefore the valuation on the balance sheet is not materially mis-stated.</p>
4.	<p>Valuation of pension fund net liability The Council's pension fund asset and liability as reflected in its balance sheet represent significant estimates in the financial statements.</p>	<ul style="list-style-type: none"> Review of the controls put in place by management to ensure that the pension fund liability is not materially misstated. Assessment of whether the controls were implemented as expected and whether they mitigated the risk of material misstatement. Review of the competence, expertise and objectivity of the actuary who carried out your pension fund valuation. Gained an understanding of the basis on which the valuation is carried out. Confirmed the reasonableness of the actuarial assumptions made. Review of the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary. 	<p>Our audit work has not identified any significant issues in relation to the risk identified.</p>

Section 1: Executive summary

01. Executive summary

02. Audit findings

03. Value for Money

04. Other statutory powers and duties

05. Fees, non audit services and independence

06. Communication of audit matters



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
Employee remuneration	Employee remuneration accruals understated (Remuneration expenses not correct)	We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> documented our understanding of processes and key controls over the transaction cycle; undertaken walkthrough of the key controls to assess whether those controls were in line with our documented understanding; tested the year-end reconciliation of the payroll system to the general ledger; completed a month-by-month trend analysis on payroll costs to identify any unusual fluctuations; and substantive testing of payments made to employees. 	Our audit work has not identified any significant issues in relation to the risk identified, other than the issue highlighted on page 15 in respect of our payroll walk through testing.
Operating expenses	Creditors understated or not recorded in the correct period (Operating expenses understated)	We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> documented our understanding of processes and key controls over the transaction cycle; undertaken walkthrough of the key controls to assess whether those controls were in line with our documented understanding; test the year-end reconciliation of the accounts payable system to the general ledger; substantive testing of operating expenses; agreement of creditors to system balances and control account reconciliations; review and substantive testing of year end accruals and creditor balances including confirmation that balances due have been settled after year end; and "Cut-off" testing to obtain assurance that creditors have been accounted for in the correct financial year. 	Our audit work has not identified any additional significant issues in relation to the risk identified.

Accounting policies, estimates and 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 state that activity 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: <ul style="list-style-type: none"> • useful life of capital equipment • pension fund valuations and settlements • revaluations • impairments • PPE valuations 	<ul style="list-style-type: none"> • We have reviewed the estimates and judgements made in the accounts and they appear reasonable. • We have sample tested valuations undertaken in the year to confirm they are appropriately included in the statement of accounts. • We have confirmed the entries relating to the pension scheme in the accounts agree through to the actuarial valuation. We have considered the qualifications of - and the work completed by - the actuary to ensure we can place reliance upon the work. No significant issues have been identified from this work.	



Assessment

● Marginal accounting policy which could potentially attract attention from regulators
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● Accounting policy appropriate but scope for improved disclosure

● Accounting policy appropriate and disclosures sufficient

Accounting policies, estimates and judgements continued

Accounting area	Summary of policy	Comments	Assessment
Going concern	Management have a reasonable expectation that the statutory services provided by the Council will continue for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.	We are satisfied with management's assessment that the going concern basis is appropriate for the 2015/16 financial statements.	
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
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 Accounting policy appropriate but scope for improved disclosure

 Accounting policy appropriate and disclosures sufficient

Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

	Issue	Commentary
1.	Matters in relation to fraud	<ul style="list-style-type: none"> We have discussed the risk of fraud with the Chair of 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 procedures.
2.	Matters in relation to related parties	<ul style="list-style-type: none"> Note 32 highlights the Council's related party transactions. We are not aware of any related party transactions which have not been disclosed.
3.	Matters in relation to laws and regulations	<ul style="list-style-type: none"> You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
4.	Written representations	<ul style="list-style-type: none"> A standard letter of representation has been requested from the Council. No specific representations have been requested.
5.	Confirmation requests from third parties	<ul style="list-style-type: none"> We obtained direct confirmations from banks of the year end balance. The requests were returned with positive confirmation.
6.	Disclosures	<ul style="list-style-type: none"> A number of disclosure amendments have been made to the financial statements arising from the audit and these are summarised on pages 17-18. In addition a small number of minor presentational amendments have been made to improve the clarity and consistency of the financial statements.
7.	Matters on which we report by exception	<p>We have not identified any issues we would be required to report by exception.</p> <ul style="list-style-type: none"> The finalised Annual Governance Statement meets the disclosure requirements set out in the CIPFA/SOLACE guidance and is consistent with the information of which we are aware from our audit; and the information in the Narrative Report is materially consistent with the information in the audited financial statements and our knowledge of the Council acquired in the course of performing our audit.

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 that we identified during the course of our audit are set out in the table below. These and other recommendations, together with management responses, are included in the action plan attached at Appendix A.

	Assessment	Issue and risk	Recommendations
1.	●	<p>Payroll walkthrough</p> <p>As part of our walk through test to establish whether payroll controls are operating as expected, we identified that for the employee selected the Council's WinTime system would not have been used to record sickness and leave.</p>	<ul style="list-style-type: none"> Ensure that suitable arrangements exist for the recording and monitoring of sickness and leave for all employees.

Assessment

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

Internal controls – review of issues raised in prior year

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1.	✓	<p>S106 agreements</p> <p>During the course of last year's audit it was identified that the arrangements for recording s106 agreements with developers, the expected procedures for tracking trigger points and raising bills for income due had not been followed for over a year.</p> <p>We recommended that arrangements for the recording of s106 agreements and expected income and billing of developers should be strengthened.</p>	<p>No issues have arisen as part of this year's audit with regards to s106 monies. In addition a recent review of arrangements by Internal Audit indicated that the current arrangements and actions taken to ensure that robust systems are now in place and operating effectively. This was reported to the Governance Committee at the June 2016 meeting.</p>
2.	✓	<p>Bank reconciliation process</p> <p>We reported in our Audit Findings Report last year that the bank reconciliation used to be independently reviewed and signed off by a senior member of the finance team. However, this had not been happening as a matter of routine.</p>	<p>Within our Audit Plan issued in April 2016 we again commented that last year's audit recommendation had not been implemented at the time of our interim visit.</p> <p>We did however receive assurances that arrangements would be put in place. We are pleased to report that adequate arrangements now exist for the independent review of the bank reconciliation process.</p>

Assessment

- ✓ Action completed
- X Not yet addressed

Adjusted and Unadjusted misstatements

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management. The Council has not been required to consider any amendments to the primary financial statements arising from our audit.

Misclassifications and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Adjustment type	Value £m	Account balance	Impact on the financial statements
1 Disclosure	1.251	Financial Instruments (Note 16c)	<p>Note 16c discloses the fair value of the Council's PWLB loans. In previous years the use of a premature repayment rate to determine the fair value has been permitted by CIPFA. However, this is no longer the case following the adoption of IFRS13.</p> <p>The Council has calculated the fair value of its PWLB loans following the advice from CAPITA, its external advisors, using the premature repayment rate method.</p> <p>The difference in the fair value techniques shows that the note is materially misstated by £1.251m.</p>
2 Disclosure	0.924	Financial Instruments (Note 16c)	The fair value figure for financial instrument short term creditors within Note 16c was incorrectly stated, as there had been no adjustment to remove creditors which are not financial instruments.

Misclassifications and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Adjustment type	Value £m	Account balance	Impact on the financial statements
3 Disclosure	0.589	Short term debtors (Note 17)	<p>The analysis within Note 17 (short term debtors) was incorrect, as the bad debt provision in respect of the authority's share of council tax and business rate arrears had been netted off "other entities and individuals" in error.</p> <p>The net debtor balance was correctly stated However, the analysis within the note was incorrect. Other entities and individuals and the provision for bad debts classifications within the note were both understated by £0.589m.</p>
4 Disclosure	3.976	Operating leases (Note 34b)	Future minimum lease payments receivable no later than one year had been incorrectly disclosed by £3.976m.
5 Disclosure	0.006	External Audit Costs (Note 30)	The external audit costs have been amended to reflect the agreed audit fee within the 2015/16 audit fees letter and the audit plan.

Section 3: Value for Money

01. Executive summary

02. Audit findings

03. Value for Money

04. Other statutory powers and duties

05. Fees, non-audit services and independence

06. Communication of audit matters

Background

We are required by section 21 of the Local Audit and Accountability Act 2014 (the Act) and the NAO Code of Audit Practice (the Code) to satisfy ourselves that the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council. The Act and NAO guidance state that for local government bodies, auditors are required to give a conclusion on whether the Council has put proper arrangements in place.

In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in November 2015. AGN 03 identifies one single criterion for auditors to evaluate:

In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

AGN03 provides examples of proper arrangements against three sub-criteria but specifically states that these are not separate criteria for assessment purposes and that auditors are not required to reach a distinct judgement against each of these.

Risk assessment

In our Audit Plan dated March 2016 we reported that, as a result of our initial risk assessment, we had not identified any significant risks requiring further work.

We have continued our review of relevant documents up to the date of giving our report, and have not identified any further significant risks where we need to perform further work.

Significant qualitative aspects

AGN 03 requires us to disclose our views on significant qualitative aspects of the Council's arrangements for delivering economy, efficiency and effectiveness. In arriving at our conclusion, as part of our risk assessment we:

- considered our cumulative knowledge of the Council
- undertook a detailed review of council reports and committee papers
- held discussions with key officers
- reviewed the Council's corporate plan, budget, medium term financial strategy and strategic risk register
- reviewed work performed in previous years in respect of the Vfm conclusion and the opinion on the financial statements.
- considered any illustrative significant risks identified and communicated by the NAO in its supporting information.
- considered any other evidence which we consider necessary to conclude on your arrangements.

We have seen evidence that the Council continues to use business cases to support decision making for major projects. Recent examples include the extension of the Market Walk Shopping Centre and a review of the options for the Waste Collection contract.

In addition the Council is constantly reviewing the way it delivers services and how it can work smarter with its partners. The recent work with Lancashire Care NHS Foundation Trust around the creation of an integrated community wellbeing service for Chorley, is a prime example of how the Council is working with local partners to be at the forefront of shaping services for the residents of Chorley.

With regard to its finances the Council's out-turn position at the end of 2015/16 showed an underspend of £0.188m. This includes transfers to both the General Fund of £0.397m and to Earmarked Reserves of £0.795m plus additional contributions to the Change Management Reserve and Building Maintenance Fund of £0.150m and £0.050m. The Council has also been successful in delivering budgetary savings of £0.708m whilst also maintaining services.

The Council has also planned to deliver a balanced budget for 2016/17 with budget efficiency savings totalling £0.214m having been applied to the budget to achieve this. However, the Council has a significant budget gap up to 2018/19 which is currently estimated at £3.372m. Whilst the financial environment in which the Council is operating continues to be difficult, given its track record of delivering efficiencies, performing well and its pro active approach to income generation and service re-design, the Council, is well placed to meet such challenges.

Overall conclusion

Based on the work we performed, we concluded that:

- the Council had proper arrangements in all significant respects to ensure it delivered value for money in its use of resources. The text of our report, which confirms this can be found at Appendix C.

Significant difficulties in undertaking our work

We did not identify any significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

Significant matters discussed with management

There were no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or those charged with governance.

Any other matters

There were no other matters from our work which were significant to our consideration of your arrangements to secure value for money in your use of resources

Section 4: Fees, non-audit services and independence

01. Executive summary

02. Audit findings

03. Value for Money

04. Other statutory powers and duties

05. Fees, non audit services and independence

06. Communication of audit matters

We confirm below our final fees charged for the audit and for the provision of non-audit services.

Fees

	Proposed fee £	Final fee £
Council audit	45,255	45,255
Grant certification *	6,798	6,798
Total audit fees (excluding VAT)	52,053	52,053

The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA).

Grant certification

Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited. Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services'.

* our audit of your Housing Benefit grant claim has yet to be concluded but we do not anticipate any difference in fee from that reported in the audit plan.

Fees for other services

Service	Fees £
Audit related and non-audit services	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

01. Executive summary

02. Audit findings

03. Value for Money

04. Other statutory powers and duties

05. Fees, non audit services and independence

06. Communication of audit matters

Communication to those charged with governance

International Standards on Auditing ISA (UK&I) 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 Public Sector Audit Appointments Limited (<http://www.psa.co.uk/appointing-auditors/terms-of-appointment/>)

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 at the time of our appointment. 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 NAO (<https://www.nao.org.uk/code-audit-practice/about-code/>). 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		✓
Non compliance with laws and regulations		✓
Expected modifications to auditor's report		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

Appendices

Appendix A: Action plan

Priority

High - Significant effect on control system

Medium - Effect on control system

Low - Best practice

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	Accounts Preparation <ul style="list-style-type: none"> The Council should re-assess and streamline its final accounts closedown procedures to ensure that it can prepare its accounts one month earlier by 2017/18. 	M		
2	Asset Register <ul style="list-style-type: none"> Ensure that the asset register is fully update to date reflecting all of the Council's assets. 	M		
3	Payroll walk thorough testing <ul style="list-style-type: none"> Ensure that suitable arrangements exist for the recording and monitoring of sickness and leave for all employees. 	M		
4	Fair Value of PWLB Loans <ul style="list-style-type: none"> The Council should consult with CAPITA, its external advisors, to ensure that in future the fair value of its PWLB loans is calculated on the correct basis. 	M		

Appendix B: Summary of changes between Statement of Accounts submitted to Governance Committee and those presented for audit

Statement Note	Page	£000	Change
Movement in Reserves Statement	27	2.864	Other Comprehensive Income and Expenditure (Unusable Reserves) increased by £2.864m to reflect Property Plant and Equipment revaluation increase not previously included
Comprehensive Income and Expenditure Statement	28	0.072	Investment property income incorrectly posted to planning services income - now reclassified as Financing and Investment Income and Expenditure (Note 10)
Comprehensive Income and Expenditure Statement	28	2.864	(Surplus)/deficit on revaluation of Property, Plant and Equipment assets increased by £2.864m to reflect revaluation increase not previously included
Balance Sheet	29	2.864	Property Plant and Equipment increased by £ 2.864m with Unusable Reserves decreased by £2.864m
Note 4 - Assumptions/Estimation Uncertainty	42	2.864	Total of revaluations in the year updated
Note 10 - Financing & Investment Income & Expenditure	48	0.072	Note updated to reflect investment property income incorrectly posted to planning services income
Note 12 - Property Plant and Equipment	49	0.664	£0.492m of surplus assets have been correctly reclassified as other land and building assets and £0.172m of investment properties have now been correctly classified as other land and building assets

Appendix B: Summary of changes between Statement of Accounts submitted to Governance Committee and those presented for audit

Statement Note	Page	£000	Change
Note 23 - Unusable Reserves	59	2.864	Revaluation Reserve Note 23a and total for Unusable Reserves (Note 23) increased by £2.864m
Note 27 - Amounts Reported for Resource Allocation	64-67	£0.072	Fees, charges and other service income reduced to reflect income from investment properties incorrectly included within planning services income

Appendix B: Audit opinion

We anticipate we will provide the Council with an unmodified audit report or amend as appropriate

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHORLEY COUNCIL

We have audited the financial statements of Chorley Council (the "Authority") for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund and the related notes. 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 2015/16.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Act and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. 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 2015/16, which 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 Narrative Report, and the Annual Governance Statement 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:

- present a true and fair view of the financial position of the Authority as at 31 March 2016 and of the Authority's expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and applicable law.

Opinion on other matters

In our opinion, the other information published together with the audited financial statements in the Narrative Report, and the Annual Governance Statement is consistent with the audited financial statements.

Matters on which we are required to report by exception

We are required to report to you if:

- in our opinion the Annual Governance Statement does not comply with the guidance included in 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- we issue a report in the public interest under section 24 of the Act; or
- we make a written recommendation to the Authority under section 24 of the Act; or
- we exercise any other special powers of the auditor under the Act.

We have nothing to report in these respects.

Conclusion on the Authority's arrangements to secure value for money through economic, efficient and effective use of its resources

Respective responsibilities of the Authority and 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 20(1)(c) of the Act to be satisfied that the Authority has made 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 the Authority's arrangements to secure value for money through economic, efficient and effective use of its resources

We have undertaken our review in accordance with the Code of Audit Practice prepared by the Comptroller and Auditor General as required by the Act (the "Code"), having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code in satisfying ourselves whether the Authority put in place proper arrangements to secure value for money through the economic, efficient and effective use of its resources for the year ended 31 March 2016.

We planned our work in accordance with the Code. 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 has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2015, we are satisfied that in all significant respects the Authority has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the year ended 31 March 2016.

Certificate

We certify that we have completed the audit of the accounts of the Authority in accordance with the requirements of the Act and the Code.

Mark Heap
for and on behalf of Grant Thornton UK LLP, Appointed Auditor
4 Hardman Square, Spinningfields, Manchester M3 3EB.



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Report of	Meeting	Date
Chief Executive	Governance Committee	14 September 2016

STATEMENT OF ACCOUNTS 2015-16

PURPOSE OF REPORT

1. To present for approval, by the statutory deadline of 30 September 2016, the audited Statement of Accounts for 2015/16.

RECOMMENDATION(S)

2. That the Committee should approve the audited Statement of Accounts for 2015/16 (Appendix A), subject to any amendments which in the opinion of the Chief Financial Officer (Section 151 Officer) are minor in nature, such minor amendments to be defined as non-material. The Chief Financial Officer will exercise this delegation in consultation with the Chair of Governance Committee. In the event the Chief Financial Officer is of the opinion the amendments are considered material, Governance Committee will be reconvened to approve the new Statement of Accounts.
3. That the Committee should authorise the Chief Executive to sign the Letter of Representation.

EXECUTIVE SUMMARY OF REPORT

4. Approval of the audited Statement of Accounts and publication by 30 September 2016 is a requirement of The Accounts and Audit Regulations 2015. The approved and signed Statement would be published on the Council's web site.
5. Though many changes to the accounts since Governance Committee of 22 June 2016 are minor, additional asset revaluations and reclassifications required changes to several statements and notes. In addition, investment property income had been disclosed in the wrong line of the Comprehensive Income and Expenditure Statement, requiring a correction to that statement and its supporting note 10. The need to change various supporting disclosures was also identified during the audit. The specific changes are explained in detail in the report.
6. The Appointed Auditor intends to issue an unqualified audit opinion of the Statement of Accounts; an unqualified Value For Money conclusion; and has presented an action plan covering four medium priority issues. Management has responded to the recommendations and implement appropriate changes as necessary.
7. At the time of preparing this report, the Appointed Auditor has a limited number of further tests to complete. Should this additional work identify the need to make further changes to Statement of Accounts presented to this meeting, a procedure for agreeing the changes in time to meet the statutory publication deadline is required. The recommendation in paragraph 2 requests approval for such a procedure.

Confidential report Please bold as appropriate	Yes	No
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CORPORATE PRIORITIES

8. 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

- 9. The draft Statement of Accounts 2015/16 was presented to the Governance Committee meeting of 22 June 2016. A number of changes to the draft accounts were made before they were signed by the Chief Finance Officer on 30 June 2016, and published on the Council’s website together with details of public inspection rights. The signed accounts were then presented to Grant Thornton external auditors for audit. The audit of the accounts has now been completed, and the Appointed Auditor’s Audit Findings Report is presented as a separate report on this agenda.
- 10. The Accounts and Audit Regulations 2015 require that the statement should be approved by a meeting of members by 30 September 2016. The full statement for 2015/16 is attached as Appendix A.
- 11. 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 2016. The Statement of Accounts will be published on the Chorley Council web site, www.chorley.gov.uk.
- 12. The Chief Executive, as Chief Finance Officer, should also sign the Letter of Representation.

CHANGES TO STATEMENT OF ACCOUNTS PRESENTED TO GOVERNANCE COMMITTEE ON 22 JUNE 2016

- 13. There have been a number of changes to the audited Statement of Accounts for 2015/16 compared to the draft (unaudited) Statement presented on 22 June 2016. This section documents the changes made up to 30 June 2016, when the accounts were first certified. Minor changes are not documented. Appendix B to the Grant Thornton Audit Findings Report lists the changes to each statement or note in detail
- 14. Further revaluations of Property Plant and Equipment assets were processed after the first version of the Statement of Accounts was presented for information to Governance Committee. The revaluations required changes to the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet, Note 12 Property Plant and Equipment, and Note 23 Unusable Reserves. Note 12 was also amended because values of assets transferred between categories had been presented incorrectly.

15. Income from Investment Property had been disclosed incorrectly on the Planning services line of the Comprehensive Income and Expenditure Statement. The income was moved to the Financing and investment income and expenditure line in the CI&ES, and Note 10 providing further analysis was also updated.
16. None of these changes affected the Council's Usable Reserves. There was an increase in the Council's Net Assets as a result of the revaluations, matched by an increase in Unusable Reserves.

CHANGES TO SIGNED STATEMENT OF ACCOUNTS PUBLISHED ON 30 JUNE 2016

17. There have been a number of changes to the signed Statement of Accounts presented for audit. The minor changes are not documented here, but the more significant changes are explained in the following paragraphs. The changes are also reported in the Grant Thornton Audit Findings Report on this agenda, in the section 'Misclassifications and disclosure changes'. All amended figures were in disclosure notes supporting the core statements. There have been no changes to the core statements themselves, so no further changes to Net Assets and none to Usable reserves.
18. The Fair Value of PWLB debt in Note 16c Financial Instruments was disclosed incorrectly and did not comply with the new requirements of IFRS 13. The note had been updated to disclose the correct figure of £14.393m, which is a reduction of £1.251m compare to the figure previously reported.
19. In the same note, the Fair Value of Short Term Creditors had been overstated because it had not been adjusted to exclude a category of creditors which are not treated as being Financial Instruments. The adjustment was to reduce the Carrying Amount and Fair Value both by £0.924m
20. Though the total for Short Term Debtors in Note 17 correctly matched the carrying amount in the Balance Sheet, the bad debt provision relating to the Council's share of Council Tax and NNDR arrears has incorrectly been netted off the total for 'other entities and individuals'. This had reduced the gross value of the debts by £0.589m. The gross debts total has now been increased by £0.589m, and the provision for bad debts has changed by the same value, so that there is no change to the net total. No accounting entries were required.
21. A calculation error was responsible for total rentals receivable not later than one year in Leases Note 34b being overstated by £3.976m. This was a disclosure error only in the one note; it did not reflect rental income budgeted for receipt in 2016/17; and no accounting entries were required to correct the note.
22. Finally, a minor change has been made to Note 30 External Audit Costs to bring the figures for 2015/16 into line with the equivalent figures quoted in the Grant Thornton Audit Findings Report.
23. At the time of preparing this report and the version of the Statement of Accounts it introduces, the auditors are still undertaking a limited amount of checks. As a result, it is possible that they could identify further changes that would be required to core statements or supporting notes.

AUDIT FINDINGS

24. 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.

- 25. At the time of preparing this report and the version of the Statement of Accounts it introduces, the auditors are still undertaking a limited amount of checks. Due to the audit not having been finalised, it is possible that they could identify further changes that would be required to core statements or supporting notes after Governance Committee has resolved to approve the Statement of Accounts. As a consequence, it is recommended that the Chief Financial Officer in consultation with the Chair of Governance Committee should agree any non-material changes before recertifying the Statement of Accounts. Should there be any material changes, which for 2015/16 Grant Thornton have defined as being of £0.914m or above, it would be necessary to reconvene Governance Committee to agree the changes.

IMPLICATIONS OF REPORT

- 26. 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

- 27. All relevant comments are included within the report.

COMMENTS OF THE MONITORING OFFICER

- 28. Approval and publication of the 2015/16 Statement of Accounts by 30 September 2016 is required in order to comply with The Accounts and Audit Regulations 2015.

GARY HALL
CHIEF EXECUTIVE

There are no background papers to this report.

Report Author	Ext	Date	Doc ID
Michael Jackson	5490	5 September 2015	Statement of Accounts Report 2015-16 – Governance Cttee 14-9-16.docx

Statement of Accounts 2015/2016



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Narrative Report of the Chief Finance Officer



INTRODUCTION

Throughout this document, Chorley Council may be referred to as the Council or the Authority.

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 22nd June 2016 and is contained within this document.

This Statement of Accounts has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (The Code), which is based on International Financial Reporting Standards, and the Service Reporting Code of Practice for Local Authorities 2015/16 (SeRCOP). It therefore aims to provide information so that members of the public, Council members, partners and stakeholders and other interested parties can:

- Understand the overarching financial position of the Council and the out-turn for 2015/16;
- Have confidence that the public money with which the Council has been entrusted has been used and accounted for in an appropriate manner; and
- Be assured that the financial position of the Council is sound and secure.

This Narrative Report (a change in requirement for 2015/16 replacing the Explanatory Forward) provides information about Chorley including the key issues affecting the Council's accounts. It also provides a summary of the financial position as at 31st March 2016 and is structured as below:

- Introduction and key facts about Chorley
- 2015/16 Revenue Budget Position
- Non-Financial Performance 2015/16
- Strategic Risk Register (SRR)
- Financial Performance of the Council in 2015/16
- Summary Position
- Explanation of the Financial Statements

INTRODUCTION AND KEY FACTS ABOUT CHORLEY

Chorley Borough is located in Lancashire at the centre of the North West region, situated right on the M61, M6 and M65 motorways with easy access to the West Coast mainline and airports at Manchester and Liverpool. The Borough extends to about 205 km² (approximately 80 square miles and in area, is the 5th largest shire district of 12 in Lancashire.

The Borough is on the edge of the West Pennine Moors with beautiful scenery and country side, is just a short drive from the Lancashire coastline and the Leeds-Liverpool canal passes through providing a reminder of the borough's industrial heritage. The principal market and former mill town of Chorley is placed in the centre of the borough. The Office for National Statistics (ONS) estimated that the total population of the borough was 111,600 in 2014, an increase of 1.0% from the previous year.

Since 2001, the population has increased by 11,600 (11.6%). This exceeds that rate of growth at the county (3.8%) and regional (4.9%) level. The total population, and number of households, is predicted to increase faster than any of the other Lancashire Districts.

The borough shares its borders with South Ribble, West Lancashire, Blackburn with Darwen, Wigan, and Bolton Councils. Regeneration and Inward Investment, together with Early Intervention, are recognised as being very important to the future prosperity of the borough and are key priorities for the Administration. The Council has to provide services which meet the needs of its citizens, serving both an urban and rural environment.

Location of Chorley Borough and its Towns and Villages



2015/16 REVENUE BUDGET POSITION

The 2015/16 Medium Term Financial Strategy (MTFS) identified a projected budget gap over the MTFS period to 2017/18 of £2.595m and continued to plan a route by which the budget deficit would be bridged in order to deliver the corporate priorities. For a number of successive years local authorities have faced fundamental change and a period of significant budget reductions and challenges.

This has been triggered by the austerity measures implemented by Central Government to reduce overall public sector spending. Significant core funding cuts have been delivered as part of the government’s Spending Reviews in 2010 and 2015 in addition to a period of

transformational change such as the complete withdrawal of Revenue Support Grant (RSG), the introduction of the Business Rates Retention (BRR) scheme including the BRR Tariff/Top Up Adjustment. This increases the funding risk profile as core income is now vulnerable to annual and significant fluctuations that are externally driven and outwith the influence of the Council.

In 2015/16 the Council continued its successful track record in achieving budgetary savings whilst also maintaining services. The following budget efficiency savings having been achieved in accordance with the relevant MTFs over the last 3 years totalling £2.813m :-

Saving/Increased Income	Achieved To Balance 2014/15 £m	Achieved To Balance 2015/16 £m	Achieved To Balance 2016/17 £m
Productivity Gains	0.331	0.017	0.085
Pay Policy	0.036	-	-
Review of Contracts	0.035	0.200	-
Review of Income Streams - Inc. Market Walk	-	0.446	-
Review of the Base Budget	0.094	0.045	0.128
Review of Management Structure (Target Saving) – Part Year Productivity Gains	-	-	0.229
Investment Yield	0.442	-	-
Lancashire Business Rates Retention Pooling	-	-	0.725
Total Saving/Increased Income	0.938	0.708	1.167

Despite these financial challenges the administration’s financial aims were to invest £5.020m in, and support the corporate priorities which are:

- **INVOLVE RESIDENTS IN IMPROVING THEIR LOCAL AREA AND EQUALITY OF ACCESS FOR ALL.**
- **CLEAN, SAFE AND HEALTHY COMMUNITIES.**
- **AN AMBITIOUS COUNCIL THAT DOES MORE TO MEET THE NEEDS OF RESIDENTS AND THE LOCAL AREA.**
- **A STRONG LOCAL ECONOMY.**

Performance during 2015/16 against the above Corporate Priorities is set out later in this Narrative Report.

Concurrent to delivering investment, a financial strategy was also implemented seeking to:

- Continue to restrain Council Tax increases.
- Deliver a balanced budget by 2017/18.
- Identify budget efficiencies to improve financial resilience and also balance the budget by seeking to bring income into the council and reduce costs whilst minimising the impact on front line service users.
- Establish working balances no lower than £3.0m over the financial planning period 2015/16 to 2017/18 to match the overall budget deficit estimated for that period.
- Review the financial risks facing the Council during 2015/16 and the appropriate level of balances taking into account the latest information available.
- Make the Council more financially self-sufficient as Government funding is likely to continue to diminish.

- By 2017/18 the Authority will undertake a fundamental review of service priorities to take account of a diminishing resource base exploring other service delivery models such as combined authorities and coproduction.

The overall purpose of the 2015/16 financial strategy was to identify resources that were sustainable and financial resilient in order to deliver the objectives, targets and measures contained in the Corporate Strategy. The key priorities and long term outcomes of the Council’s Corporate Strategy are set out below.

NON-FINANCIAL PERFORMANCE 2015/16

The overall aim of the MTFS is to identify resources to meet the objectives, targets and measures contained in the Corporate Strategy. The council having been successful in delivering the Corporate Strategy and managing its resources as recognised again by the External Auditor in their Annual Audit and Inspection Letter.



The delivery of the Corporate Strategy was supported through a series of key projects and service level business improvement plans. In each case, the resources required to deliver the projects and plans were broadly developed through the business planning process, and resources identified during the budget planning process. The out-turn position of the key projects are set out below:

Performance of the Corporate Strategy projects

INVOLVING RESIDENTS IN IMPROVING THEIR LOCAL AREA AND EQUALITY OF ACCESS FOR ALL

Digital Access and Inclusion	Green
<p>More people have been encouraged and enabled to get online with 56 individuals attending supported sessions and improved access to online facilities through providing new equipment to create access hubs in rural areas. A Digital Access Officer has now been appointed; the project will continue in 2016/17 and will be monitored through the organisational plan.</p>	
Development and Delivery of Community Action Plans	Green
<p>A plan has been developed for each of the four areas to set out how communities can work together to improve long term outcomes for the area and residents. Decisions have been made around budget with initial activity underway including: a targeted assessment of housing standards in Chorley East; support for businesses in Astley; employment projects and opportunities for young people in Clayton and; health walks, parking improvement and elderly resident engagement in rural areas.</p> <p>This project will carry over into this year as a 2015/16 corporate strategy project and year two will see these plans being strengthened, co-ordinated and delivered.</p>	
Implement a Working Together with Families Employment Scheme	Green
<p>Through working with partners including social landlords and the Council’s Integrated Action Team, this project has successfully identified and supported 8 families with a range of complex needs and worked intensively with them to access further training or employment. Three individuals have completed the Chorley Works Placement Programme and two have been successful in gaining part time paid employment with their placement provider.</p> <p>This project will continue into 2016/17 as the “Vulnerable Families Employment Project” and will continue to support families to access training and employment, being monitored through the organisational plan.</p>	
Chorley Flower Show	Complete
<p>The Chorley Flower Show 2015 event took place on the 1st and 2nd August 2015 and was very successful, performing well against all planned targets. Visitor numbers to the event reached 10,000+ which surpassed expectations. People came to the show from across the North West and further afield, raising the profile of Chorley and supporting the local economy. Planning is well underway for the 2016 Flower Show, which hopes to build upon the success of the 2015 event. The Flower Show 2016 project will be monitored through the organisational plan.</p>	

CLEAN, SAFE AND HEALTHY COMMUNITIES

Destination Play Area Astley Park	Complete
<p>This project has focused on delivering aspects of the Astley 2020 development plan including the delivery of a themed play area for children at the park. The play area opened on 29th May 2015 within timescales and budget and has received very positive feedback with initial issues around Anti-Social Behaviour successfully addressed in partnership with the Police. The site is being well used locally, attracting visitors from across the central Lancashire area and offering another key attraction as part of the Chorley visitor offer.</p>	
Deliver Improvements to Rangletts Recreation Ground	Complete
<p>Major improvements have been made to Rangletts Recreation Ground as part of a two year, larger programme of work to improve play areas, sports facilities and open spaces throughout the Chorley borough.</p> <p>Developments this year have included an allotment site, (with all allotments now filled), grass pitch, footpath works, drainage scheme, lighting scheme and CCTV installed. The play area, MUGA ball court and the skate park are also now complete and providing a vital local asset for young people in the area.</p>	
Develop and Agree Plans for Delivery of the Friday Street (Chorley East) Health Centre	Red
<p>This project aims to deliver and agree with partners, plans for a new health centre on Friday Street (Chorley East). The project team continue to work with NHS England and the Chorley and South Ribble Clinical Commissioning Group (CCG) to progress the business case and funding for the scheme. The Health Centre is currently being considered as part of the CCG asset review and the project team work to position Chorley to respond efficiently to the outcomes of this process. This project will continue to be progressed through the 2015/16 Corporate Strategy project to ensure suitable provision for this locality.</p>	
Establish a business case and model for an extra care scheme including Land Assembly	Complete
<p>The project has developed a business case for an extra care scheme which aims to deliver housing options for older people in Chorley with the introduction of a 65 bed scheme. This year, work has included exploring the feasibility and cost-benefits of such a scheme for Chorley. A full planning application has also been submitted with a decision due at the end of June, and significant work has been completed to revise the financial model to reflect national changes to the social sector rent policy.</p> <p>There is a new Corporate Strategy project this year 'Deliver the Extra Care Scheme' which will move this project into the next phase of delivery.</p>	
Explore Alternative Ways of Providing Home Ownership	Complete
<p>This project developed a proposal and model for intermediate home ownership in Chorley to support a range of options that will enable more residents to get onto the property ladder, establishing a strong basis to inform future schemes.</p>	

Delivery of an improved CCTV provision	Green
<p>The project has supported an upgrade of the Council's CCTV infrastructure with the contract awarded and initial delays related to the physical location of the CCTV suite now overcome and physical work underway.</p> <p>The project is continuing as a Corporate Strategy project for this year and will see the delivery of the infrastructure. The upgraded CCTV system will provide better quality images and full digital recording availability for images captured and will support Police in crime detection and provision of evidence.</p>	

A STRONG LOCAL ECONOMY

Deliver Improvements to Market Street	Complete
<p>This project aimed to undertake work to improve the public realm at the northern end of Market Street. Following the progress made over the last year on the concept design for the town centre public realm to incorporate the Market Walk extension, Youth Zone and high street projects, the scope of this project has now been extended beyond Market Street to consider improvements to the wider town centre areas.</p> <p>The original project has been incorporated into a new project to 'Improve the look and feel of the town centre' which has a widened scope and will consider improvements to wider town centre areas. The project was considered and approved as part of the Corporate Strategy refresh and will be delivered as a 2015/16 Corporate Strategy project.</p>	
Progress Key Employment Sites	Green
<p>A number of key employment sites have been identified as suitable for inward investment. A hands on approach has been undertaken in working with developers, land owners and the LEP to enable these sites to be brought forward for development with work packages established for these sites.</p> <p>One of the identified sites, Botany Bay, will be progressed through the 2015/16 Corporate Strategy project 'Develop an economic masterplan for the Botany Bay area'.</p>	
Increase visitor numbers to Chorley	Green
<p>The aim of this project was to capitalise on the wider success of tourism in Lancashire and promote Chorley as a visitor destination to support a positive impact on the local economy. This included detailed market research, developing relationships with key attractions and improving Chorley's online presence.</p> <p>As a result of this process, a new visitor website for Chorley called checkoutchorley.com has been launched which aims to provide a platform to promote the attractions Chorley has to offer and provide information for visitors, the website had just over 7,000 page views in the first month of its launch.</p> <p>The project will carry over to be delivered as the 2015/16 Corporate Strategy project, 'Develop Chorley's town and rural tourism economy' which will aim to further increase visitor numbers to both Chorley's town and rural areas.</p>	
Progress plans to Extend Market Walk	Complete
<p>Following extensive consultation and development planning during 2015, plans to extend Market Walk and to develop a seven unit retail and leisure development were approved by Development Control Committee and Full Council in September 2015.</p> <p>The project aims to improve the retail and leisure offer in the town centre, attracting national retailers and increasing visitors and therefore creating growth and opportunities for the future.</p> <p>The delivery of the Market Walk extension will be carried out as a 2015/16 Corporate Strategy project.</p>	

AN AMBITIOUS COUNCIL THAT DOES MORE TO MEET THE NEEDS OF RESIDENTS AND THE LOCAL AREA

Improve the functionality of online services	Complete
<p>Improvements have been made to the Councils external facing website to support the Digital Strategy. The developments have included replacing the current text based design with a more popular icon driven interface which has improved the functionality of the website and supported the change in user habits towards tablets and mobile based devices, whilst improving customer experience and continuing to increase the use of our online channels for service requests by the public. The new look website has had over 94,000 page views between December 2015 and May 2016.</p>	
Investigate future business models for public services in Chorley	Complete
<p>The project has provided the Council with a strong foundation to lead the change needed in public services. The work has been useful in supporting the proposed changes to the Council’s management structure, in ensuring that Chorley is well-represented in discussions about the Combined Authority for Lancashire, and in changes to the delivery of healthcare. The delivery of the recommendations which have arisen from the project will be managed through the councils newly developed Transformation Strategy, new management structure and will be taken forward through the 2015/16 Corporate Strategy project ‘Review the way the Council operates and implement changes’.</p>	
Deliver the Chorley public service reform board work plan	Green
<p>The project has facilitated the Chorley Public Service Reform Board in its aim to provide a clear focus regarding how organisations can work together to deliver high quality, effective public services with a focus on early intervention and prevention. Since the first meeting of the Executive in September 2015, the partnership has developed and commenced a full programme of activity for year 1 based on an extensive data collation exercise to produce a locality profile, for the first time on a partnership basis. Year 1 activity has included:</p> <ul style="list-style-type: none"> • Establishing a strong and effective task group of frontline partners to deliver new ways of working • Undertaking community based initiatives to increase resilience • Appointing a provider to test and develop a model for increasing community capacity • Brokering relationships with GP’s to increase primary integration • Completing extensive work to address information sharing barriers. <p>Year two of the work will be delivered as part of the 2015/16 corporate strategy project ‘Integrate partner services through the Chorley Public Service Reform Partnership.’</p>	
Continue to explore options to deliver the Chorley youth zone	Complete
<p>In its second year, this project has explored options for the Youth Zone, which has included the agreement of its site which to date, has been agreed as Railway Street. Local young people have agreed and launched their new brand for the youth zone - ‘Inspire – do your thing’. The work will be taken forward through the 2015/16 Corporate Strategy project ‘Progress the delivery of the Youth Zone’.</p>	

Residents' Survey Results 2015

The in-year survey of residents confirmed that residents were very satisfied with the quality of services delivered by the Council; the borough also performed well with regard to residents feeling they can influence decision making in their area, and safety:

Indicator Name	Polarity	Target	Outturn	Symbol	2013 results	Trend
% people satisfied with their neighbourhood as a place to live	Bigger is better	85%	86%	★	83.9%	↑
% of people who feel they cannot influence decision making in their local area	Smaller is better	50%	26%	★	31%	↑
Satisfaction with street cleanliness	Bigger is better	65%	71%	★	67.5%	↑
% of the population feeling safe during the day	Bigger is better	90%	92%	★	91.1%	↑
% of the population feeling safe at night	Bigger is better	70%	71%	★	68.5%	↑
% of the population satisfied with parks and open spaces	Bigger is better	75%	80%	★	72%	↑
% of people who regularly participate in volunteering	Bigger is better	25%	21%	▲	24%	↓
% residents satisfied with the way the council runs things	Bigger is better	65%	77%	★	73.2%	↑
% residents who feel that Chorley Council provide value for money	Bigger is better	55%	60%	★	49%	↑

STRATEGIC RISK REGISTER (SRR)

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. 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.

The risk register is continually reviewed and currently, the majority of risk categories remain stable with five of these identified as 'high risk', six 'medium risk' and four 'low risk'. One risk has been increased to the highest level to reflect the impact of recent budget cuts to partner services. One risk has reduced following successful work to manage high profile consultations that have now progressed to delivery stages.

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.

Summary of Risks

Risk No.	Description of Risk	Matrix Score	Change from May 2015
R1	Failure to achieve desired outcomes through partnership working and deterioration in relationships	9 (High)	0
R2	Budget cuts in key public and third sector partners having a negative impact on local level service delivery	9 (High)	+1
R3	Lack of resources to deliver the Council's priorities due to public sector funding cuts (financial & staff capacity)	8 (High)	0
R4	Failure to optimise opportunities for new ways of working and alternative business models including options for income generation	8 (High)	0
R5	Failure to react to changing service demand	7 (High)	0
R6	Reduction in satisfaction with the Council	6 (Medium)	0
R7	Failure to sustain our performance in light of funding cuts	6 (Medium)	0
R8	Failure to realise the value of large budget investments and achieve return on investment	5 (Medium)	0
R9	External legislative and policy change affecting service delivery, particularly future changes as a result of Welfare Reform	5 (Medium)	0
R10	Failure to fully realise the benefits of new technology and related impact on driving organisational change.	5 (Medium)	0
R11	Reduction in staff satisfaction and morale with the Council including increase in sickness absence	4 (Medium)	0
R12	Damage to the council's reputation and potential reduction in resident satisfaction in relation to high profile planning applications, consultations and decisions.	3(Low)	-2
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 including cyber-attack.	2 (Low)	0

Score key:

<i>Likelihood of Occurrence</i>	High	4	7	9
	Medium	2	5	8
	Low	1	3	6
		Noticeable	Significant	Critical

Impact on Business

The highest scoring risks, R1-5, focus on delivering Council priorities and maintaining local services in the light of budget cuts. The Transformation Strategy for 2016 responds to the recommendations of the Future Governance Models review and provides a framework to support the organisation in the change that will be required to address the challenges in the coming years. The actions in the Transformation Strategy will be central to addressing risk in this area through supporting the council to achieve its ambitions for public service reform. The strategy will be delivered through the 2015/16 Corporate Strategy project to review the way the council operates and implements changes.

Risk R2 refers to budget cuts in key public and third sector partners having a negative impact on local level service delivery. Despite strong controls and mitigating actions, the financial pressures on service delivery partners have meant that anticipated cuts have now started to take effect, most recently in the changes to local bus services by the County Council and challenges in local health services. The score has therefore been increased to the highest level, prioritising the risk and also taking into account the ongoing activity by the County Council regarding changes to Children's and Youth Services and supported housing.

In addition to the Transformation Strategy, a number of additional controls remain in place including the Chorley Public Service Reform Partnership which looks to mitigate the negative impact of budget cuts by taking a system wide view to reducing demand with a focus on early intervention and prevention. The Council will also continue to respond proactively to consultations and take necessary action to maintain vital services for local residents.

FINANCIAL PERFORMANCE OF THE COUNCIL IN 2015/16

Reporting Cycle

The Council's 2015/16 Revenue Budget, Capital Programme, MTFs, and Treasury Strategy were approved by the Council on 5th March 2015. Thereafter, monitoring and reports were submitted at quarterly intervals to the Executive Cabinet. The reports are available on the Council's web site.

The purpose of revenue reporting being in the main to forecast the anticipated out-turn against the budget and monitor progress in achieving planned budgetary efficiencies. With regard to the Capital Programme progress on individual schemes has been reported plus any changes to capital resources. The detailed 2015/16 Financial Out-turn position was reported to Executive Cabinet on 30th June 2016 which can be accessed on the Council's website. The Executive Summary is included below:-

Executive Summary of the Financial Out-turn Position 2015/16

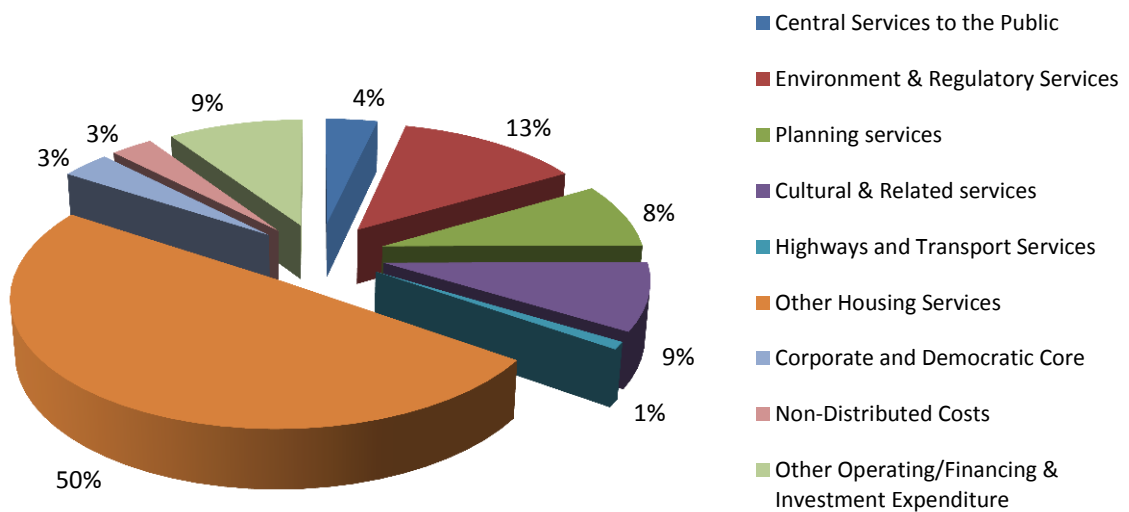
The out-turn total Revenue Budget for 2015/16 was £15.209m compared against an Actual Out-turn position as at 31/03/16 of £15.050m which resulted in an underspend at the end of the year of £0.188m. This includes transfers to both the General Fund of £0.397m and to Earmarked Reserves of £0.795m plus additional contributions to the Change Management Reserve and Building Maintenance fund of £0.150m and £0.050m respectively. Within this year-end performance position the following is also worthy of note:-

- The Council's overall savings target of £150k in 2015/16 from management of the establishment has been achieved.
- There is a provisional underspend against the budget at year-end of £188k which takes into account requests for slippage of committed items of £171k.

- In the 2015/16 budget the expected net income from Market Walk Shopping Centre after deducting financing costs is £0.929m. The final out-turn position shows that the net income is £1.009m, the £80k surplus being driven by lower than budgeted financing costs.
- The total business rates receipts in the Collection Fund for the 2015/16 financial year are less than anticipated. This has been brought about as a result of the Valuation Office Agency appeals process and a decision made by the VOA, outwith this usual process, to significantly reduce the Rateable Value of the M6 Service Station at Charnock Richard and backdate this decision to 01/04/2010. The vagaries of the system mean that this reduction in financial performance actually creates an underspend of £0.415m against the anticipated budgeted position. This has been brought about by the fact that the Council does not need to pay as much Business Rates Retention (BRR) Levy to Central Government as budgeted. The negative financial impact falls to the Council's revenue account in two years' time, being 2017/18. It is therefore recommended that the underspend in 2015/16 is transferred to the BRR Equalisation reserve to off-set this potential charge in 2017/18.
- The capital outturn for 2015/16 is £4.019m.
- The Council's Medium Term Financial Strategy proposed that working balances are to reach £4.0m over the 3 year lifespan of the MTFs to 2018/19. The balances as at 31/03/16 are expected to be £2.684m. With further budgeted contributions of £1.259m planned to be made over the next three years, the target of £4.0m by 2018/19 is forecast to be achievable.
- Balances in the Change Management Reserve and Buildings Maintenance Fund have been fully committed during 2015/16 and as such it is recommended that contributions of £150k and £50k are made to these reserves from provisional 2015/16 underspends for use in 2016/17.

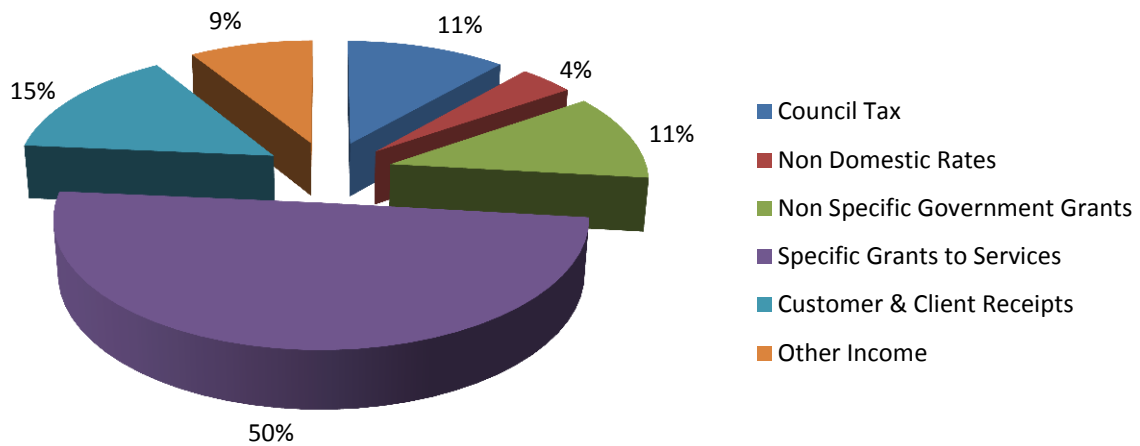
Where the Council's Budget was Spent

The gross expenditure for the Council is detailed in the Comprehensive Income and Expenditure Statement (CI&ES). In 2015/16 it consisted of:



How the Council’s Spend was Funded

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

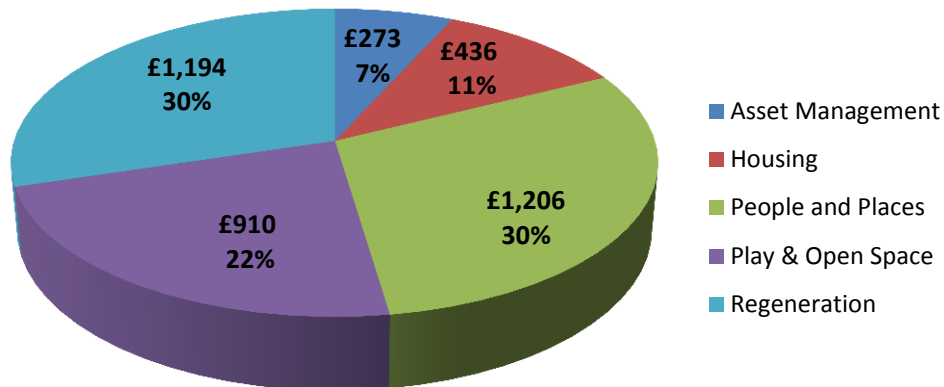


Capital Spend and Financing Summary

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 and graphs detail the areas of expenditure and sources of finance in 2015/16:-

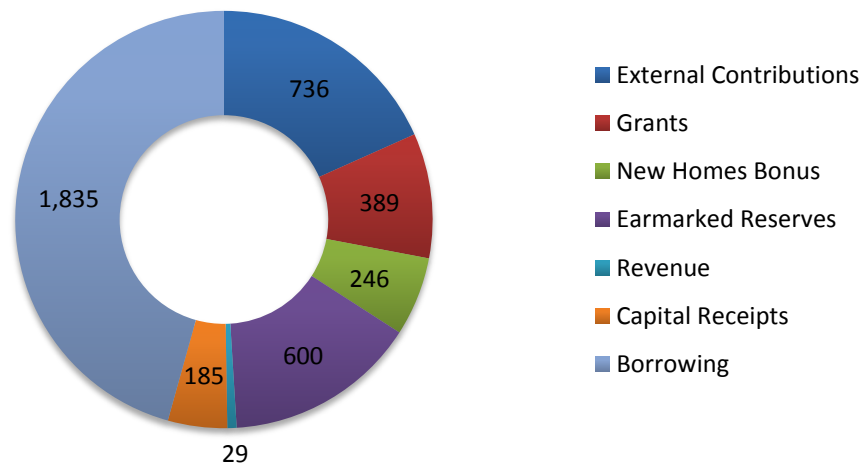
Capital expenditure in 2015/16	Actual Capital Expenditure £'000
Affordable Housing and Disabled Adaptations	436
Town Centre Regeneration	1,194
Parks and Play Area Improvements	560
Astley Development Programme	285
Asset Maintenance	273
Flood Prevention	1,000
Other	271
Total Capital Expenditure	4,019

Capital Expenditure 2015/16 £'000s



Capital financing in 2015/16	Actual Capital Financing £'000
Prudential Borrowing	1,835
External Contributions	736
Earmarked Reserves	600
Government Grants (excl. New Homes Bonus)	389
Government Grants – New Homes Bonus	246
Capital Receipts	184
Revenue Budget Contributions	29
Total Capital Financing	4,019

Capital Financing 2015/16 £'000s



Reserves and Balances Summary

The Authority's Medium Term Financial Strategy specifies that the general balance should be increased to £4.0m over the period of the strategy to 2018/19 with a target of £2.700m by 31st March 2016. At the start of the year it totalled £2.288m. In addition there were reserves totalling £5.864m earmarked for specific purposes. The changes in the year are as follows:-

- The Income and Expenditure account incurred a surplus of £0.188m allowing £0.150m to be set aside for the Change Management Reserve and £0.050m to be allocated to the Buildings Maintenance Fund.
- The net increase in the General Fund balance by £0.397m can be seen in the Movement in Reserves Statement (MIRS).
- Further net transfers to Earmarked Reserves of £0.995m were also made.

The combination of these factors has resulted in the General Fund balance being £2.685m and Earmarked Reserves being £6.859m as presented in the MIRS on page 27. The purposes for which the Earmarked Reserves are held are given in Note 8.

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 2015/16 were:

- Investments were short-term, the maximum period permitted by the Council's Treasury Strategy being one year.
- Cash and cash equivalents were £1.280m at year-end, having peaked at £12.0m during the year. The average invested of £5.756m per day was slightly lower than the average for 2014/15 of £5.864m. This was despite repaying £6.200m borrowing and not taking any new long-term loans. Prudential borrowing of £1.835m to finance capital expenditure was from internal cash balances, though additional external loans will be required from 2016/17 as cash balances are depleted.
- The return on investments was 0.44%, a slight reduction compared to the 0.59% achieved in 2014/15.
- External borrowing including temporary loans reduced from £19.2m to £14.4m. One loan was repaid in full, and loan repayment instalments were made, but no new long-term loans were taken.
- 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 £33.2 to £34.4m, reflecting the use of Prudential Borrowing to finance capital expenditure less statutory and voluntary provision for debt repayment. (Note 33 providing more detail). This increase will generate a charge to Council Tax (known as Minimum Revenue Provision – MRP) in future years.
- Note 16 Financial Instruments presents details of treasury operations, and the management of risk.

Pension Fund Liability

The deficit position of the Pension Fund has decreased by £6.9m, from £44.6m to £37.7m being the net pension liabilities. This reflects the value of pension liabilities which the Council is required to pay in the future when they fall due, offset by the value of assets invested in the pension fund. In addition, the Council's pension fund has to be revalued every three years to set future contributions into the fund. The last valuation was in 2013 which reported a funding level of 73%. The Council has a deficit recovery plan in place to reach a full 100% funding level by making additional Deficit Recovery Contributions into the fund over the next 19 years.

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 35 presents detailed information about the Defined Benefit Pension Scheme.

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 budgetary pressures and forecasts the following budget shortfalls over the next three years.

Year	Budget Gap/(Surplus) £'000	Cumulative £'000
2016/17	balanced	Nil
2017/18	1,304	1,304
2018/19	1,776	3,080

The main threats to these forecasts are perceived to be:

- Continuation of Central Government's austerity measures and as such further reductions to the public sector budget to be included in the Spending Review (SR) 2015 and applied to 2016/17 onwards.
- The latest review introducing the concept of a negative Revenue Support Grant Adjustment to be applied to the Business Rates Retention income regime in the absence of the Revenue Support Grant (RSG) once it has been withdrawn as core funding in its entirety. With this adjustment entering into the negative spectrum it is very difficult to be able to assess if this adjustment has an absolute upper/ (lower) limit.
- A significant proportion of core funding now calculated and dependent upon annually fluctuating variable factors determined by a number of external factors. Within this overall core funding regime, the Business Rates Retention (BRR) regime, merits particular mention as it passes the risk of significant fluctuations in income from Central Government to Local Government. As a result changes in the tax base will have a direct and immediate impact on the Council's core funding, for example, uncertainty about the level of successful appeals by businesses against their rates poses a largely unknown risk for the Council's finances and forward projection of income are potentially more uncertain.
- In addition BRR will undergo transformational change by 2019/20. By the end of the current Parliament it is intended that there will be a number of major reforms to local government finance and each could have a significant financial impact:-

1. The reset of the business rates baseline could have the impact of reducing income from business rates for those local authorities currently retaining rate income above their present baseline.
2. The potential financial impact of a future recession. Whilst it may not be possible for the council to readily model the potential financial consequences of recession locally, it is now a new additional financial risk to income received from both council tax and business rates.

To address the forecasted revenue budget gap and to achieve the required efficiencies, the Council will continue to manage its budget effectively and will:

- Fundamentally review its costs – undertaking a Senior Management Review and increasing productivity together with a review of non-employee related base budget heads – (£1.150m)
- Review new and existing Income Streams maximising the benefit of Market walk and income generation schemes – (£0.790m).
- Seek to grow both the residential and business tax bases within the borough – (£0.260m).
- Consider the use of New Homes Bonus (NHB) to smooth the budget deficit - (£2.586m).
- Consider increasing Council tax – (£0.250m).
- Restructure Debt – (£0.150m).

With regard to capital expenditure over the next three years total spend is constrained by the resources available. Planned spend is £37.471m. 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 £7.036m. Any costs incurred by the Council are planned to be recovered from the partners.

More significantly this programme also contains two major development scheme being construction of an extension to Market Walk (£12.078m) and an Extra Care Scheme (£9.110m) both of which will make a net income contribution to the Council's budget to help bridge the funding gap during the course of the current Medium Term Financial Strategy (MTFS).

In respect of the Council's reserves, in an environment where the financial risk profile is likely to increase over the term of the current MTFS, the Council is budgeting to increase the General Reserve to £4.00m by 31st March 2018.

Council Tax Base

The revision to the 2015/16 Tax Base, resulting in an increase of 1,259.44 to the number of Band D equivalent properties (as shown in the Table below), produced a net increase in Council Tax income of circa. £0.190m. This in part reflects the Council's support for local house building and the regeneration of the borough.

	2013/14	2014/15	2015/16
Number of Band D equivalent dwellings	32,750.66	33,244.78	34,504.22

Income Recovery

Note 17 analyses debtors by type, and note 16 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 2014/15 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, however, the table below shows that Council Tax collection performance has improved and 32% of the previous reduction has been recouped in the last 12 months.

	2012/13	2013/14	2014/15	2015/16
Council Tax	98.2%	97.7%	97.8%	97.9%
Business Rates	97.1%	97.1%	98.0%	97.9%

Collection Fund

Payments out of the Collection Fund for in-year Council Tax from 2013/14 to 2015/16 are set out below showing the funding for each Precepting Body. Further detail is available within the Collection Fund Statement on page 83 of this document.

	2013/14 £000	2014/15 £000	2015/16 £000
Lancashire County Council	35,571	36,826	38,982
Chorley Council	6,340	6,463	6,655
Police and Crime Commissioner	5,008	5,185	5,488
Lancashire Fire and Rescue	2,085	2,116	2,238
Total	49,004	50,590	53,363

Payments out of the Collection Fund for in-year Business Rates from 2013/14 to 2015/16 are set out below showing the funding for each Precepting Body prior to the Top Up and Tariff adjustments being applied. As the collecting body, the Tariff reduces Chorley Council's receipt and Top Ups increase the amount received by Lancashire County Council and Lancashire Fire and Rescue. Further detail is available within the Collection Fund Statement on page 82 of this document.

	2013/14 £000	2014/15 £000	2015/16 £000
Central Government	13,014	13,496	14,190
Lancashire County Council (before Top-Up grant received)	2,342	2,429	2,554
Chorley Council (prior to Tariff deduction)	10,411	10,797	11,352
Police and Crime Commissioner (not part of BRR regime)	n/a	n/a	n/a
Lancashire Fire and Rescue (before Top-Up grant received)	260	270	284
Total	26,027	26,992	28,380

SUMMARY POSITION

It is clear that the Council's financial and non-financial performance in 2015/16 continues to be very good. The revenue account out-turn achieved an underspend whilst also accommodating a budgeted contribution to General Reserve in the sum of £0.350m and a budgeted saving on the staffing establishment turnover of £0.150m which was in line with expectations. The capital out-turn has been managed to minimise the impact of prudential borrowing and the Council is on track to increase its General Reserve balance to provide further financial resilience from 2016/17 and future years and in particular in the run up to core funding changes in 2019/20. There are risks as highlighted above, but there are well established and robust risk management processes in place and together with robust financial management and reporting, the Council is in a strong position as it moves into 2016/17.

RECEIPT OF FURTHER INFORMATION

If you would like to receive any further information about these accounts, please do not hesitate to contact Susan Guinness at Shared Financial Services, Town Hall, Market Street, Chorley, PR7 1DP.

EXPLANATION OF THE FINANCIAL STATEMENTS

Accounting Policy Changes

There have been some accounting changes implemented in this Statement of Accounts for 2015/16 as described below:

The standards introduced by the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 include:

- IFRS 13 *Fair Value Measurement*
- *Annual Improvements to IFRSs 2011-2013 Cycle*
- IFRIC 21 *Levies*

IFRS 13 is applied prospectively, not retrospectively. Application of the IFRS, as adopted by the Code, is required by 1 April 2015. This Authority has adopted the IFRS from that date.

Application of these standards is not expected to have a material impact on the Authority's financial statements. Adoption of IFRS 13 is not a change of accounting policy that requires the publication of a third Balance Sheet.

In measuring the initial cost of Property, Plant and Equipment assets, the Authority has adopted a policy of capitalising borrowing costs incurred whilst major assets are under construction. Depreciation policy has been changed to use the opening value of assets, but this change is not expected to have a material impact on the financial statements.

Details of the Authority's accounting policies are presented in Note 1 to the Core Financial Statements. Accounting standards that have been issued but which have not yet been adopted are disclosed in Note 2.

Core Financial Statements

The core financial statements consist of the following:-

Page 27 **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 28 **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 29 **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 30 **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 31 **Notes to the Core Financial Statements** – these add to, and interpret, the individual statements.

Page 83 **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 Business Rates, and their distribution to precepting authorities, the Government and the Council itself.

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 2015/16 (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 2016 and its Income and Expenditure for the year ended 31 March 2016.

Gary Hall BA CPFA
Chief Finance Officer
Date 14 September 2016

I confirm that the Statement of Accounts was approved by Governance Committee on 14 September 2016.

Councillor Paul Leadbetter
Chair, Governance Committee
Date 14 September 2016

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 23 £'000	Total Reserves £'000
Balance 31 March 2014	(2,189)	(5,276)	(325)	(4,435)	(12,225)	6,087	(6,138)
<u>Movement in 2014/15</u>							
Surplus on provision of service	(2,437)	0	0	0	(2,437)	0	(2,437)
Other Comprehensive Income & Expenditure	0	0	0	0	0	10,822	10,822
Total Comprehensive Income & expenditure	(2,437)	0	0	0	(2,437)	10,822	8,385
Adjustments between accounting basis & funding basis under regulation (note 7)	1,766	0	(206)	(1,281)	279	(279)	0
Net change before transfers to/from earmarked reserves	(671)	0	(206)	(1,281)	(2,158)	10,543	8,385
Transfers to/(from) earmarked reserves note 8	572	(588)	0	16	0	0	0
(Increase)/Decrease in year	(99)	(588)	(206)	(1,265)	(2,158)	10,543	8,385
Balance 31 March 2015	(2,288)	(5,864)	(531)	(5,700)	(14,383)	16,630	2,247
<u>Movement in 2015/16</u>							
Surplus on provision of service	(1,922)	0	0	0	(1,922)	0	(1,922)
Other Comprehensive Income & Expenditure	0	0	0	0	0	(14,328)	(14,328)
Total Comprehensive Income & expenditure	(1,922)	0	0	0	(1,922)	(14,328)	(16,250)
Adjustments between accounting basis & funding basis under regulation (note 7)	535	0	(533)	(2,944)	(2,942)	2,942	0
Net change before transfers to/from earmarked reserves	(1,387)	0	(533)	(2,944)	(4,864)	(11,386)	(16,250)
Transfers to/(from) earmarked reserves (note 8)	990	(995)	0	5	0	0	0
(Increase)/Decrease in year	(397)	(995)	(533)	(2,939)	(4,864)	(11,386)	(16,250)
Balance 31 March 2016	(2,685)	(6,859)	(1,064)	(8,639)	(19,247)	5,244	(14,003)

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.

2014/15				2015/16		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
2,160	(943)	1,217	Central services to the public	2,131	(781)	1,350
6,537	(1,415)	5,122	Environment & regulatory services	7,659	(1,524)	6,135
3,744	(3,615)	129	Planning services	4,867	(4,385)	482
4,380	(310)	4,070	Cultural & related services	5,124	(423)	4,701
629	(971)	(342)	Highways and transport services	569	(915)	(346)
29,836	(28,735)	1,101	Other housing services	29,137	(28,493)	644
1,864	(157)	1,707	Corporate and democratic core	2,026	(332)	1,694
1,645	(903)	742	Non-distributed costs	1,755	(937)	818
50,795	(37,049)	13,746	Cost of Services	53,268	(37,790)	15,478
565	(368)	197	Other operating expenditure (note 9)	702	(766)	(64)
5,049	(3,090)	1,959	Financing and investment income and expenditure (note 10)	4,869	(2,743)	2,126
8,308	(26,647)	(18,339)	Taxation & non-specific grant income & expenditure (note 11)	8,177	(27,639)	(19,462)
64,717	(67,154)	(2,437)	(Surplus)/deficit on provision of services	67,016	(68,938)	(1,922)
		(98)	(Surplus)/deficit on revaluation of Property, Plant and Equipment assets			(6,646)
		10,920	Re-measurements of the net defined benefit liability (note 35d)			(7,682)
		10,822	Other Comprehensive (Income) and Expenditure			(14,328)
		8,385	Total Comprehensive (Income) and Expenditure			(16,250)

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.

31 March 2015 £'000		Notes	31 March 2016 £'000
56,997	Property, Plant & Equipment	12	61,198
1,667	Heritage Assets	13	1,667
1,348	Investment Property	14	775
201	Intangible Assets	15	91
346	Long-Term Debtors	16	354
60,559	Long-Term Assets		64,085
0	Assets Held For Sale	19	2,858
13	Inventories		15
5,916	Short-Term Debtors	17	6,787
1,618	Cash and Cash Equivalents	18	1,278
7,547	Current Assets		10,938
(150)	Bank Overdraft	18	(414)
(6,431)	Short-Term Borrowing	16	(2,903)
(5,115)	Short-Term Creditors	20	(6,664)
(589)	Provisions	21	(1,011)
(12,285)	Current Liabilities		(10,992)
(485)	Long-Term Creditors	16	(502)
(12,801)	Long-Term Borrowing	16	(11,537)
(44,598)	Other Long-Term Liabilities - pensions	35	(37,724)
(15)	Other Long-Term Liabilities - other		(15)
(169)	Grant Receipts in Advance – Capital	31	(250)
(58,068)	Long-Term Liabilities		(50,028)
(2,247)	Net Assets		14,003
14,383	Usable Reserves	MIRS	19,247
(16,630)	Unusable Reserves	23	(5,244)
(2,247)	Total Reserves		14,003

The unaudited accounts were issued on 30 June 2016, and the audited accounts were authorised for issue on 14 September 2016.

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.

2014/15 £'000		2015/16 £'000
2,437	Net surplus or (deficit) on the provision of services (CI&ES)	1,922
2,133	Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 24)	5,132
(3,439)	Adjustments for items included in the net surplus or deficit on the provision of service that are investing & financing activity (Note 24)	(4,834)
1,131	Net cash flows from Operating Activities	2,220
1,088	Investing Activities (Note 25)	2,205
(2,268)	Financing Activities (Note 26)	(5,029)
(49)	Net increase or (decrease) in cash and cash equivalents	(604)
1,517	Cash and cash equivalents at the beginning of the reporting period	1,468
1,468	Cash and cash equivalents at the end of the reporting period (Note 18)	864

Notes to the Accounts

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NOTE: values throughout these accounts are presented rounded to whole numbers (usually thousands or millions of pounds). Totals in supporting tables and notes may appear not to cast, cross-cast, or exactly match to the Core Financial Statements or other tables, due to rounding differences.

1 ACCOUNTING POLICIES

These notes explain the policies used to ensure the Council's financial position is fairly presented.

General Principles

The Statement of Accounts summarises the Council's transactions for the 2015/16 financial year and its position at the year end of 31 March 2016. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the Code), and the Service Reporting Code of Practice for Local Authorities 2015/16 (SeRCOP), supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

Accruals of Income and Expenditure

Activity of the Council is accounted for in the period in which it takes place, regardless of when the cash is paid or received. In particular:

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from non-exchange transactions shall be recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the authority, and the amount of the revenue can be measured reliably.
- Supplies are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled in full, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

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. These form an integral part of the Council's cash management.

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

To record the cost of holding non-current assets during the year, services, and support services are debited with depreciation charges, revaluation and impairment losses in excess of accumulated revaluation gains, and amortisation charges in respect of intangible assets.

The Council 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, equal to an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance. Depreciation, revaluation and impairment losses, and amortisation are replaced by the contribution in the General Fund Balance, which is achieved by means of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement (MIRS) for the difference between the two.

Contingent Assets and Liabilities

A contingent asset or liability arises where an event has taken place that gives the Authority a possible asset or obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within its control. Contingent liabilities are not recognised in the Balance Sheet but are disclosed in a note to the core financial statements. Contingent assets are disclosed in a note where it is probable that there will be an inflow of economic benefits or service potential.

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. 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.
 - Re-measurements of the net defined benefit liability – 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&ES) 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.

Going Concern

The accounts have been prepared on the assumption that the Council will continue in existence for the foreseeable future.

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.

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.

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 by a RICS-qualified valuer. 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

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.

Overheads

The Service Reporting Code of Practice (SeRCOP) 2015/16 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 Property, Plant and Equipment is capitalised on an accruals basis, 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

Assets are initially measured at cost, comprising the purchase price, and any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Council. The Authority does capitalise borrowing costs incurred whilst major assets are under construction.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Infrastructure, Community Assets, Assets under Construction, and equipment, are held at depreciated historical cost.
- Surplus assets have a current value measurement base of fair value, which is estimated at highest and best use from a market participant's perspective.
- All other assets are measured at current value, determined as the amount that would be paid for the asset in its existing use.

In respect of specialised assets, if there is an absence of market based evidence of value, depreciated replacement cost is used as an estimate of current value.

Valuations are provided by RICS-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. Assets held in the Balance Sheet at current value are revalued sufficiently regularly to ensure that

their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years.

Increases in valuations are credited to the Revaluation Reserve unless they reverse previous losses 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.

The Revaluation Reserve contains revaluations gains recognised since 1 April 2007 only, the date of its formal inception. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Depreciation

Non-current assets held for sale, assets under construction, and assets with a determinable finite useful life are not depreciated.

Other property is depreciated over its useful life on a straight line basis. Depreciation is based on the opening 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 £0.5m and
- The value of the component exceeds 20% of the asset value (excluding land)

Depreciation periods are as follows:

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

Revaluation gains are also depreciated by transfer of the difference between the current value 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. If the recoverable amount of an asset is estimated to be less than its carrying amount, an impairment loss is recognised for the shortfall. 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 are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for

sale (adjusted for depreciation, amortisation or revaluations) and their recoverable amount at the date of the decision not to sell..

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

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of the accounting change that will be required by a new standard that has been issued but not yet adopted. Changes in the following accounting standards have not been included in this statement:

- Amendments to IAS 19 Employee Benefits (Defined Benefit Plans: Employee Contributions).
- Annual Improvements to IFRSs (2010-2012 Cycle).
- Amendments to IFRS 11 Joint Arrangements (Accounting for Acquisitions of Interests in Joint Operations).
- Amendment to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets (Clarification of Acceptable Methods of Depreciation and Amortisation)
- Annual Improvements to IFRSs (2012-2014 Cycle).
- Amendments to IAS 1 Presentation of Financial Statements (Disclosure Initiative)
- The changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and the introduction of the new Expenditure and Funding Analysis.
- The changes to the format of the Pension Fund Account and the Net Assets Statement.

The Code does not anticipate that the above amendments will have a material impact on the information provided in the financial statements.

The CIPFA Code of Practice on Transport Infrastructure Assets (the Infrastructure Code) takes effect from 1 April 2016. However CIPFA are of the view that district councils will not meet the definition within the Code of a single network highway asset unless the cost of any highway assets they own are material. There will therefore be no change for Chorley Council when the Code is in effect.

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.
- Commuted sums due from developers in order to fulfil obligations of S106 Agreements have been accrued and added to the Capital Grants and Contributions Unapplied Reserve. The commuted sums become receivable when trigger stages defined in the S106 Agreements have been reached. Judgement has been applied in deciding whether each development had reached the trigger stage by 31 March 2016.
- Judgement has been applied in accounting for the leasing by the Council to tenants of offices, industrial units and sites, and retail units in Market Walk Shopping Centre as operating leases. The Code defines operating leases as a lease other than a finance lease; whereas a finance lease transfers substantially all the risks and rewards incidental

to ownership of an asset, potentially including title. The accounts have been prepared by applying the judgement that ownership of such leased assets would not transfer to the lessees.

- The Authority does not consider that the preparation of group accounts is required.

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 sensitivity to changes is shown at note 35i. Small changes have major impacts on the pension deficit
Debtors	Note 17 shows non-public sector debtors of £8.3m. This includes housing benefit debts totalling £1.5m. 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. A provision for impairment has been made of 70%.	Any increase in impairments will be a charge to the revenue account.
Asset valuations	Note 12 shows that fixed assets valued at £61m, including the Market Walk shopping centre, are carried at either fair value or current value. The valuations have been carried out by a qualified valuer 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 is valued in accordance with the accounting policy for PPE assets. A fall in the value of the Council's investment properties will result in a charge to the CIES. Every 10% fall in the total value of the Council's investment properties would result in a £70k charge to the CIES.
Provisions	The Authority has made a provision of £0.98m for its share of the cost of backdated appeals against overcharging of business rates. See Note 21.	If the value of successful appeals exceeded the provision there would be a reduction in the local share of business rates income 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 14 September 2016. Subsequent events are not reflected in the financial statements or in the notes.

7 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments that are made to the Total Comprehensive Income and Expenditure recognised by the Council in the year in accordance with proper accounting practice to arrive at the resources that are specified by the statutory provisions as being available to the Council to meet future capital and revenue expenditure.

	2015/16			
	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Unusable Reserves (Note 23) £'000
<u>Adjustments involving the Capital Adjustment Account</u>				
<u>Reversal of debits and credits to the Comprehensive Income and Expenditure Statement (CI&ES)</u>				
Charges for depreciation of non-current assets	(1,488)			1,488
Revaluation losses & reversals of non-current assets	(434)			434
Movements in the market value of Investment Property	98			(98)
Non-current assets charged to CI&ES on disposal	(668)			668
Amortisation of intangible assets	(109)			109
Revenue expenditure funded from capital under statute	(1,688)			1,688
Capital grants funding REFFCUS	420			(420)
Capital grants received & used to fund capital in year	9			(9)
<u>Insertion of items not posted to CI&ES</u>				
Statutory & voluntary provision for the repayment of debt	490	48		(538)
Capital expenditure charged to the General Fund Balance	874			(874)
<u>Adjustments involving Capital Grants Unapplied</u>				
Capital grants and contributions unapplied credited to CI&ES	2,643		(2,643)	
Community Infrastructure Levy unapplied credited to CI&ES	995		(995)	
Grants applied to fund capital expenditure transferred to CAA			694	(694)
<u>Adjustments involving the Capital Receipts Reserve</u>				
Capital receipts from the disposal of non-current assets	629	(629)		
Preserved Right to Buy capital receipts	137	(137)		
Capital receipts used to finance new capital expenditure		185		(185)
Capital receipts credited to CI&ES to meet pooling liability	(1)	1		
Transfer from Deferred Capital Receipts		(1)		1
<u>Adjustments involving the Pensions Reserve</u>				
Reversal of pension charges made in the CI&ES	(3,304)			3,304
Employer's contributions and payments made to pensioners	2,496			(2,496)
<u>Adjustments involving the Collection Fund Adj. A/c</u>				
Difference between credit to CI&ES and precepted amount of council tax	(41)			41
Difference between credit to CI&ES and local share of business rates	(487)			487
<u>Adjustments involving the Accumulated Absences A/c</u>				
Difference between remuneration charged to the CI&ES and that chargeable per statutory requirement	(36)			36
TOTAL ADJUSTMENTS	535	(533)	(2,944)	2,942

	2014/15			
	General Fund Balance £'000	Capital Receipts Reserve £,000	Capital Grants Unapplied £'000	Unusable Reserves (Note 23) £'000
<u>Adjustments involving the Capital Adjustment Account</u>				
<u>Reversal of debits and credits to the Comprehensive Income and Expenditure Statement CI&ES</u>				
Charges for depreciation of non-current assets	(1,925)			1,925
Charges for impairment of non-current assets	(86)			86
Revaluation losses & reversals of non-current assets	747			(747)
Amortisation of intangible assets	(120)			120
Revenue expenditure funded from capital under statute	(930)			930
Capital grants funding REFFCUS	413			(413)
Capital grants received & used to fund capital in year	563			(563)
<u>Insertion of items not posted to the CI&ES</u>				
Statutory & voluntary provision for the repayment of debt	460			(460)
Capital expenditure charged to the General Fund Balance	907			(907)
<u>Adjustments involving Capital Grants Unapplied</u>				
Capital grants and contributions unapplied credited to CI&ES	1,622		(1,622)	
Community Infrastructure Levy unapplied credited to CI&ES	472		(472)	
Grants applied to fund capital expenditure transferred to CAA			813	(813)
<u>Adjustments involving the Capital Receipts Reserve</u>				
Capital receipts from the disposal of non-current assets	40	(40)		
Preserved Right to Buy receipts	329	(329)		
Capital receipts used to finance new capital expenditure		163		(163)
Capital receipts credited to CI&ES to meet the pooling liability	(1)	1		
Transfer from Deferred Capital Receipts		(1)		1
<u>Adjustments involving Financial Instruments Adj. A/c</u>				
Difference between finance costs in CI&ES and those chargeable in accordance with statutory regulation				
<u>Adjustments involving the Pensions Reserve</u>				
Reversal of pension charges made in the CI&ES	(2,798)			2,798
Employer's contributions and payments made to pensioners	1,796			(1,796)
<u>Adjustments involving the Collection Fund Adj. A/c</u>				
Difference between credit to CI&ES and precepted amount of council tax	33			(33)
Difference between credit to CI&ES and local share of business rates	266			(266)
<u>Adjustments involving the Accumulated Absences A/c</u>				
Difference between remuneration charged to the CI&ES and that chargeable per statutory requirement	(22)			22
TOTAL ADJUSTMENTS	1,766	(206)	(1,281)	(279)

The following sets out a description of the reserves that the adjustments are made against.

General Fund Balance

The General Fund is the statutory fund into which all the receipts of the Council are required to be paid, and out of which all liabilities of the Council are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities

and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year.

Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

Capital Grants Unapplied

The Capital Grants Unapplied Reserve holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

8 TRANSFERS TO/FROM EARMARKED RESERVES

The movements in reserves during the year were as follows

	Balance			Balance			Balance
	1 April 2014 £'000	Transfers		31 March 2015 £'000	Transfers		31 March 2016 £'000
		Out £'000	(In) £'000		Out £'000	(In) £'000	
Rephasing of planned expenditure	(608)	363	(577)	(822)	168	(404)	(1,058)
Rephasing New Investment Projects	(591)	235	(330)	(686)	673	(878)	(891)
Grants reserved for specific expend.	(577)	384	(85)	(278)	258	(96)	(116)
Financing of capital expenditure	(592)	279	(1,933)	(2,246)	700	(1,464)	(3,010)
Planning purposes including appeals	(48)	9	0	(39)	12	(37)	(64)
Restructuring of services	(268)	25	(141)	(384)	692	(462)	(154)
Reduce Pension Fund Liability	(1,750)	1,750	0	0	0	0	0
Town Centre investment	(251)	229	(88)	(110)	111	(106)	(105)
Apprenticeships for young people	(44)	5	0	(39)	39	(104)	(104)
Resource equalisation	(96)	0	(438)	(534)	92	(465)	(907)
Maintenance of Council buildings	(203)	66	(138)	(275)	234	(107)	(148)
Maintenance of Grounds	(62)	0	(10)	(72)	25	(10)	(57)
Elections	(85)	27	0	(58)	29	0	(29)
Other	(101)	2	(222)	(321)	168	(63)	(216)
Total	(5,276)	3,374	(3,962)	(5,864)	3,201	(4,196)	(6,859)

Purpose of Earmarked Reserves

Rephasing of planned expenditure – there are a number of directorate initiatives which span more than one financial year or for which funds have been budgeted but not yet started. These reserves will ensure that such initiatives can be completed. The majority of these initiatives relate to ICT Services and include funding for specific ICT projects and infrastructure review.

Rephasing New Investment Projects – there are a number of specific investment packages included in the Council's annual revenue budget aimed at delivering corporate priorities. As delivery on these

schemes will be made over more than one year, these reserves enable unspent balances to be carried forward to future years.

Grants reserved for specific expenditure – this represents income from Government Grants received which have no conditions attached or where no expenditure has yet been incurred.

Financing of capital expenditure – these reserves represent financing of the capital programme from revenue resources.

Planning purposes including appeals – this reserve has been established to mitigate future costs of planning appeals.

Restructuring of services – this reserve is provided to support the one-off staffing cost implications of service transformation programmes.

Town Centre Investment – this reserve represents the Council's investment in the town centre through the Retail Grants Programme which provides specific funding for local businesses in the form of refurbishment grants and business rate subsidy.

Apprenticeships for young people – this reserve provides funding over a two year period for apprenticeships within the Customer Transformation service.

Resource equalisation – this represents the Market Walk income equalisation reserve established to minimise the risk of fluctuations in future income levels from the Council owned shopping precinct

Maintenance of Council buildings – this reserve has been established to provide funding for future asset improvement works in relation to the Council owned Market Walk retail precinct and other Council properties.

Maintenance of Grounds - this reserve provides for future investment in the Council's parks and open spaces.

Elections – this has been established to equalise the costs of holding local elections over the Council's four year election cycle.

Other – this represents other balances set aside in reserves to mitigate the impact of various issues including potential future bad debts on Council Tax Summons/Liability Orders and changes in the Council's pay policy.

9 OTHER OPERATING EXPENDITURE

2014/15 £'000		2015/16 £'000
565	Parish council precepts	533
1	Payments to the Government's Capital Receipt Pool	1
0	(Gains)/losses on disposal of non-current assets	168
(329)	Capital receipts from the sale of previously transferred housing stock	(137)
(40)	Other capital receipts	(629)
197	Total	(64)

10 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2014/15 £'000		2015/16 £'000
586	Interest payable and similar charges	460
1,432	Pensions interest cost net of expected return on pension assets	1,441
(59)	Interest receivable and similar income	(105)
0	Income and Expenditure in relation to investment properties and changes in their fair value	330
1,959	Total	2,126

11 TAXATION AND NON-SPECIFIC GRANT INCOME AND EXPENDITURE

2014/15 £'000		2015/16 £'000
(6,598)	Council Tax income	(6,748)
(2,688)	Non-Domestic Rates Income and Expenditure	(2,331)
(6,371)	Non ring-fenced Government Grants (Note 31)	(6,679)
(2,682)	Capital grants and contributions (Note 31)	(3,704)
(18,339)	Total	(19,462)

12 PROPERTY PLANT AND EQUIPMENT

	Other land & Buildings £'000	Vehicles & Plant etc. £'000	Infra- structure £'000	Community Assets £'000	Surplus Assets £'000	Assets under construction £'000	Total £'000
<u>Cost or valuation</u>							
At 1 April 2015	55,345	5,005	563	3,022	836	0	64,771
Additions	1,635	206		80		311	2,232
Revaluations recognised in Revaluation Reserve (RR)	3,593				2,845		6,438
Revaluations recognised in CI&ES	(392)			(1)			(393)
De-recognition – disposals	(52)				(62)		(114)
De-recognition – other	(30)	(48)			(20)		(98)
Assets reclassified within PPE	492				(492)		0
Assets reclassified (to)/from Investment Properties	172						172
Assets reclassified (to)/from Assets Held for Sale					(2,858)		(2,858)
At 31 March 2016	60,763	5,163	563	3,101	249	311	70,150
<u>Depreciation and Impairment</u>							
At 1 April 2015	(2,640)	(4,203)	(297)	(634)	0	0	(7,774)
Depreciation charge	(1,162)	(193)	(20)	(113)			(1,488)
Depreciation written out of RR	208						208
Depreciation written out of CI&ES	58						58
De-recognition – disposals							0
De-recognition – other	30	14					44
Impairment losses recognised in CI&ES							0
At 31 March 2016	(3,506)	(4,382)	(317)	(747)	0	0	(8,952)
<u>Net Book Value</u>							
At 31 March 2016	57,257	781	246	2,354	249	311	61,198

Comparative Movements in 2014/15	Other land & Buildings £'000	Vehicles & Plant etc. £'000	Infra-structure £'000	Communit y Assets £'000	Surplus Assets £'000	Assets under constructi on £'000	Total £'000
Cost or valuation							
At 1 April 2014	52,348	4,760	563	2,905	1,097	0	61,673
Additions	2,323	245		117			2,685
Revaluations recognised in Revaluation Reserve (RR)	(26)				(201)		(227)
Revaluations recognised in CI&ES	700				(60)		640
At 31 March 2015	55,345	5,005	563	3,022	836	0	64,771
Depreciation and Impairment							
At 1 April 2014	(1,839)	(3,618)	(257)	(520)		0	(6,234)
Depreciation charge	(1,187)	(585)	(40)	(114)			(1,926)
Depreciation written out of RR	325						325
Depreciation written out of CI&ES	107						107
Impairment losses recognised in CI&ES	(46)						(46)
At 31 March 2015	(2,640)	(4,203)	(297)	(634)	0	0	(7,774)
Net Book Value							
At 31 March 2015	52,705	802	266	2,388	836	0	56,997

Fixed Assets Valuations

During 2015/16 the valuations were carried out by the Council's RICS-qualified Surveyor Mr K Davy. The basis of valuation is set out in the Accounting Policies note.

	Other land & Buildings £'000	Vehicles & Plant etc. £'000	Infra-structure £'000	Community Assets £'000	Surplus Assets £'000	Assets under Construction £'000	Total £'000
Carried at historical cost	2,646	5,064	563	2,854		311	11,438
Valued at fair value as at:							
31 March 2016	11,470						11,470
31 March 2015	26,568			218	6		26,792
31 March 2014	6,791	99		3	11		6,904
31 March 2013	13,015			26	232		13,273
31 March 2012	273						273
Total cost or valuation	60,763	5,163	563	3,101	249	311	70,150

The Authority has considered whether the carrying value of PPE assets that have not been revalued in the year is materially different to fair value. In revaluing assets during 2015/16, the Council's Surveyor has considered the effect any significant movement in the value of revalued assets on the remaining assets not scheduled for revaluation, and has confirmed that no further adjustments are required.

Capital Commitments

At 31 March 2016 the Authority has entered into a contract for the enhancement and provision of CCTV equipment under Property, Plant and Equipment in 2016/17 and future years and is budgeted to cost £0.355m.

Impairment Losses

There were no impairment losses recognised during the year.

13 HERITAGE ASSETS

Cost or Valuation	2014/15 £'000	2015/16 £'000
As at 1 April	1,667	1,667
Additions	40	99
Impairment	(40)	(99)
As at 31 March	1,667	1,667

HERITAGE ASSETS – FIVE YEAR SUMMARY OF TRANSACTIONS

There were no disposals or acquisitions during the five years 2011/12 to 2015/16.

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 ten year plan for the use and maintenance of the hall and contents. Periodic structural surveys are undertaken, the last during 2014/15. Additions and disposal of the collection is managed in accordance with The Acquisitions and Disposal Policy.

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.

	2014/15 £'000	2015/16 £'000
Fair value at the start of the year	1,348	1,348
Disposals		(500)
Net gain/(loss) from fair value adjustments	0	98
Transfers: (To)/From Property, Plant and Equipment		(171)
Value at year-end	1,348	775

Fair Value Hierarchy

All the Council's investment property portfolio has been assessed as Level 3 for valuation purposes.

Valuation techniques used to determine Level 3 fair values for investment properties

The fair value for the investment properties has been measured using the income approach. The approach is based on the capitalisation of current rental income taking account anticipated uplifts in rent at the next rent review or lease expiry. The uplift and capitalisation rate are derived from rates implied by market transactions of other property. The transactions from which the uplifts and discount rates are derived are not sufficiently similar for direct comparison to be made and adjustments have to be made to the observable data of comparable transactions. They have been categorised as unobservable inputs, i.e. Level 3 for the purposes of fair value hierarchy classification.

Highest and Best Use of Investment Properties

In estimating the fair value of the Council's investment properties the highest and best use of the properties is the current use.

Valuation Techniques

There has been no change in the valuation techniques used during the year for investment properties.

Valuation Process for Investment Properties

The fair value of the council's investment property is measured annually at each reporting date. All valuations are carried out internally, in accordance with the methodologies and bases set out in the professional standards of the Royal Institution of Chartered Surveyors (RICS).

15 INTANGIBLE ASSETS

The Authority accounts for its computer software as intangible assets, to the extent that the software is not an integral part of a particular IT system accounted for as part of the hardware item of Property, Plant and Equipment.

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. Useful lives assigned to the major software suites used by the Authority are:

Asset Description	Amortisation Period
Website	3 years
Thin client implementation	7 years
Revenues & Benefits software	7 years

Amortisation is on a straight line basis. In 2015/16 the amortisation charge of £0.110m was charged principally to Customer ICT and Transactional Services (£0.107m). 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 Service heading in the Comprehensive Income and Expenditure Statement.

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

	2014/15 £'000	2015/16 £'000
<u>Balance at the start of the year</u>		
Gross carrying amount	1,529	1,529
Accumulated amortisation	(1,208)	(1,328)
Net carrying amount at year start	321	201
<u>Movements in the year</u>		
Amortisation in year	(120)	(110)
Net carrying amount at the year-end	201	91

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 2015 £'000	31 March 2016 £'000	31 March 2015 £'000	31 March 2016 £'000
<u>Investments</u>				
Cash in hand and at Bank, less Bank Overdraft (Note 18)	0	0	1,468	864
<u>Debtors</u>				
Loans and receivables	346	354	4,787	5,701
Debtors that are not Financial Instruments	0	0	1,129	1,086
Total Debtors	346	354	5,916	6,787
<u>Borrowings</u>				
Financial liabilities at amortised cost - Principal	(12,801)	(11,537)	(6,242)	(2,763)
Financial liabilities at amortised cost – Accrued Interest			(189)	(140)
	(12,081)	(11,537)	(6,431)	(2,903)
<u>Creditors</u>				
Financial liabilities carried at contract amount	(485)	(502)	(2,128)	(3,246)
Creditors that are not Financial Instruments	0	0	(2,987)	(3,418)
Total Creditors	(485)	(502)	(5,115)	(6,664)

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:

	2014/15			2015/16		
	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	586	0	586	458	0	458
Impairment	0	0	0	0	0	0
	586	0	586	458	0	458
Interest income	0	(59)	(59)	0	(103)	(103)
Interest income accrued on impaired assets	0	0	0	0	0	0
Total income	0	(59)	(59)	0	(103)	(103)
Net (gain)/loss for the year			527			355

16c Fair Values of Assets and Liabilities

Financial liabilities and financial assets represented by loans and receivables and long term debtors and creditors are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments (Level 2), using the following assumptions:

- For loans from the PWLB payable, new borrowing rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures. As the Debt Management Office provides a transparent approach allowing the exit cost to be calculated without undertaking a repayment or transfer it is appropriate to disclose the exit price. As an alternative, we have assessed the cost of taking a new loan at PWLB new loan rates applicable to existing loans on Balance Sheet date (which could be viewed as a proxy for transfer value);
- For non-PWLB loans payable, PWLB prevailing market rates have been applied to provide the fair value under PWLB debt redemption procedures;
- No early repayment or impairment is recognised;
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount;
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

Financial Liabilities	2014/15		2015/16	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
PWLB Debt	(19,232)	(21,997)	(12,801)	(14,393)
Short Term Borrowing	0	0	(1,500)	(1,500)
Short Term Creditors	(2,128)	(2,128)	(3,246)	(3,246)
Long Term Creditors	(485)	(485)	(502)	(502)
Total Liabilities	(21,845)	(24,610)	(18,049)	(19,641)

The fair value of the liabilities is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date. This shows a notional future loss (based on economic conditions at 31 March 2016) arising from a commitment to pay interest to lenders above current market rates.

The fair value of Public Works Loan Board (PWLB) loans of £14.393 measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value measures the additional interest that the authority will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at new borrowing rates from the PWLB.

Financial Assets	2014/15		2015/16	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Cash and Cash Equivalents	1,468	1,468	864	864
Short Term Debtors	4,787	4,787	5,701	5,701
Long Term Debtors	346	419	354	427
Total Assets	6,601	6,674	6,919	6,992

Short Term debtors and creditors are carried at cost as this is a fair approximation of their value.

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.

Sundry Debtors

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	2,277	(183)	2,094
Up to three months past due date	1,232	(123)	1,109
Three to six months past due date	492	(134)	358
Six months to one year past due date	598	(92)	506
Beyond one year	3,485	(1,851)	1,634
Total	8,084	(2,383)	5,701

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, other Local Authorities 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 1.13% and 3.12%, and the maturity analysis of its borrowing is as follows:

	31 March 2015 £'000	31 March 2016 £'000
Less than 1 year	6,431	2,903
Between 1 and 2 years	1,263	1,285
Between 2 and 5 years	3,071	2,329
More than 5 years	8,467	7,923
Total	19,232	14,440

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 Council's annual 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	(47)
Gain - Impact on Comprehensive Income and Expenditure Statement	(47)
Gain - Decrease in fair value of fixed rate borrowing (no impact on Comprehensive Income & Expenditure Statement)	(1,300)

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.

17 SHORT TERM DEBTORS

	31 March 2015	31 March 2016
	£'000	£'000
Central government bodies	279	252
Other local authorities	561	575
NHS bodies	36	1
Other entities and individuals	7,379	8,930
	8,255	9,758
Less provision for bad debts	(2,339)	(2,971)
Net carrying amount at the year-end	5,916	6,787

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

18 CASH AND CASH EQUIVALENTS

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

	31 March 2015	31 March 2016
	£'000	£'000
Cash held by the Authority	262	326
Bank current and call accounts	1,356	952
Total within Current Assets	1,618	1,278
Bank Overdraft	(150)	(414)
Total within Current Liabilities	(150)	(414)
Total Cash and Cash Equivalents	1,468	864

19 ASSETS HELD FOR SALE

	2014/15	2015/16
	£'000	£'000
Balance outstanding at start of year	0	0
Assets newly classified as held for sale:		
Property, Plant and Equipment	0	2,858
Revaluation Losses	0	0
Revaluation Gains	0	0
Impairment Losses	0	0
Assets declassified as held for sale:		
Property, Plant and Equipment	0	0
Assets Sold	0	0
Balance outstanding at year-end	0	2,858

20 SHORT TERM CREDITORS

	31 March 2015 £'000	31 March 2016 £'000
Central government bodies	(1,382)	(2,099)
Other local authorities	(1,619)	(1,412)
NHS bodies	0	(6)
Other entities and individuals	(2,114)	(3,147)
Net carrying amount at the year-end	(5,115)	(6,664)

21 PROVISIONS

The movements in provisions during the year were as follows

	Balance 31 March 2015 £'000	Movements		Balance 31 March 2016 £'000
		Used £'000	Added £'000	
Municipal Mutual Insurance	(19)	0	0	(19)
Business rates appeals	(560)	126	(548)	(982)
Town Centre Development	(10)	0	0	(10)
Total	(589)	126	(548)	(1,011)

Municipal Mutual – This Company was the Council's insurer prior to it becoming insolvent in 1993. Under a Scheme of Arrangement the Council shares a liability with other Councils to pay back a part of settlements received if the insurer's ongoing liabilities exceed its assets.

Business Rates Appeals – This is held against the possibility of successful backdated appeals against Business Rates valuations. There is a high degree of uncertainty about the amount of any reduction granted, how far back it will apply, and when the appeal will be decided.

22 USABLE RESERVES

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement (page 27). The purpose of General Fund Earmarked Reserves is detailed in Note 8.

23 UNUSABLE RESERVES

	31 March 2015 £'000	31 March 2016 £'000
Revaluation Reserve (Note 23a)	(5,845)	(12,370)
Capital Adjustment Account (Note 23b)	(22,088)	(20,641)
Deferred Capital Receipts Reserve (Note 23c)	(290)	(289)
Pensions Reserve (Note 23d)	44,598	37,724
Collection Fund Adjustment Account (Note 23e)	107	635
Accumulated Absences Account (Note 23f)	148	185
Total Unusable Reserves at year-end	16,630	5,244

23a 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.

	2014/15 £'000	2015/16 £'000
Balance at 1 April	(5,839)	(5,845)
Upward revaluation of assets	(98)	(6,764)
Difference between fair value and historic cost depreciation	92	92
Downward revaluation and impairment not charged to the Comprehensive Income & Expenditure Statement	0	118
Accumulated gains/losses on assets sold or scrapped	0	29
Balance at 31 March	(5,845)	(12,370)

23b 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.

	2014/15 £'000	2015/16 £'000
Balance at 1 April	(20,990)	(22,088)
<u>Adjustments between accounting and regulatory funding bases (see note 7)</u>		
<i>Items relating to capital charges</i>		
Charges for depreciation of non-current assets	1,925	1,488
Charges for impairment of non-current assets	86	0
Revaluation losses & reversals of non-current assets	(747)	434
Amortisation of intangible assets	120	109
Revenue expenditure funded from capital under statute	517	1,268
Net cost assets disposed of	0	668
<i>Movements in the market value of Investment Properties</i>	0	(98)
<u>Capital financing applied in the year</u>		
Capital receipts used to finance new capital expenditure	(163)	(185)
Capital expenditure charged to the General Fund Balance	(907)	(874)
Statutory & voluntary provision for the repayment of debt	(460)	(538)
Grants used in the year to fund capital expenditure	(1,377)	(704)
<u>Adjustments with the Revaluation Reserve (see note 23a)</u>		
Difference between fair value and historic cost depreciation	(92)	(92)
Accumulated gains/losses on assets sold or scrapped	0	(29)
Balance at 31 March	(22,088)	(20,641)

23c 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.

	2014/15 £'000	2015/16 £'000
Balance at 1 April	(292)	(290)
Transfer to Capital Receipts Reserve on receipt of cash	2	1
Balance at 31 March	(290)	(289)

23d 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.

	2014/15 £'000	2015/16 £'000
Balance at 1 April	32,676	44,598
Remeasurement of the net defined benefit liability	10,920	(7,682)
Reversal of charges posted to the Comprehensive Income & Expenditure Statement	2,798	3,304
Employers contributions and direct payments to pensioners payable in the year	(1,796)	(2,496)
Balance at 31 March	44,598	37,724

23e 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.

	2014/15 £'000	2015/16 £'000
Balance at 1 April	406	107
Amount by which Council Tax and Business Rates income credited to the Comprehensive Income & Expenditure Statement differs from the amount required by statute	(299)	528
Balance at 31 March	107	635

23f 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.

	2014/15 £'000	2015/16 £'000
Balance at 1 April	126	148
Settlement or cancellation of accrual made at the end of the preceding year	(126)	(148)
Amounts accrued at the end of the current year	148	185
Amount by which officer remuneration charged to the CI&ES on accruals basis differs from remuneration chargeable in year in accordance with statutory requirements	22	37
Balance at 31 March	148	185

24 CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

	2014/15 £'000	2015/16 £'000
Interest received	49	63
Interest paid	(592)	(510)
	(543)	(447)

The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:

	2014/15 £'000	2015/16 £'000
Depreciation	1,925	1,488
Impairment and downward valuations	(661)	434
Amortisation	120	109
Increase/(decrease) in creditors	(169)	955
(Increase)/decrease in debtors	(144)	385
(Increase)/decrease in inventories	3	(2)
Movement in pension liability	1,001	808
Carrying amount of non-current assets and non-current assets held for sale sold or derecognised	0	668
Other non-cash items charged to the net surplus or deficit on the provision of services	58	287
	2,133	5,132

The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities:

	2014/15 £'000	2015/16 £'000
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(369)	(766)
Any other items for which the cash effects are investing or financing cash flows	(3,070)	(4,068)
	(3,439)	(4,834)

25 CASH FLOW STATEMENT – INVESTING ACTIVITIES

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

	2014/15 £'000	2015/16 £'000
Purchase of property, plant & equipment, investment property and intangible assets.	(2,438)	(1,470)
Purchase of short and long-term investments.	0	0
Proceeds from the sale of assets.	371	767
Proceeds from short and long-term investments.	2,000	0
Other payments for investing activities	(13)	(14)
Other receipts relating to investing activity (government grants).	1,168	2,922
Net cash flows from investing activities	1,088	2,205

26 CASH FLOW STATEMENT – FINANCING ACTIVITIES

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

	2014/15 £'000	2015/16 £'000
Cash receipts from short and long-term borrowing	0	1,500
Repayments of borrowings	(3,221)	(6,242)
Other receipts from financing activities	0	13
Change in indebtedness relating to NNDR (due from Government and preceptors) and Council Tax (due from preceptors)	953	(300)
Net cash flows from financing activities	(2,268)	(5,029)

27 AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

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 2014/15	Chief Executive £'000	Customer Advice Services £'000	Public Protection Streetscene & Community £'000	Total £'000
Fees, charges & other service income	(1,899)	(1,284)	(3,707)	(6,890)
Government grants	(57)	(776)	0	(833)
Total Income	(1,956)	(2,060)	(3,707)	(7,723)
Employee expenses	3,230	2,682	4,058	9,971
Other service expenses	3,113	1,514	6,052	10,679
Total Expenditure	6,343	4,196	10,110	20,649
Net Expenditure	4,387	2,136	6,403	12,926
Directorate Income and Expenditure 2015/16	Chief Executive £'000	Customer Advice Services £'000	Public Protection Streetscene & Community £'000	Total £'000
Fees, charges & other service income	(3,328)	(1,288)	(2,775)	(7,391)
Government grants	(31)	(587)	(76)	(693)
Total Income	(3,359)	(1,875)	(2,851)	(8,084)
Employee expenses	3,647	3,118	4,164	10,930
Other service expenses	3,424	1,081	6,218	10,724
Total Expenditure	7,072	4,199	10,382	21,653
Net Expenditure	3,713	2,325	7,531	13,569

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.

	2014/15 £'000	2015/16 £'000
Net expenditure in the Directorate Analysis	12,926	13,569
Net expenditure of services and support services not included in the Analysis (Note a)	(682)	(784)
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis (Note b)	1,502	2,692
	13,746	15,478
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	13,746	15,478

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 2015/16, 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.

2015/16	Directorate Analysis	Services and Support Services not in Analysis	Amounts not reported to management for decision making	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges & other service income	(7,391)	(3,348)	(50)	(16,799)	(27,588)	(766)	(28,354)
Interest and Investment Income						(2,571)	(2,571)
Income from council tax						(6,390)	(6,390)
Local share of business rates						(10,865)	(10,865)
Government grants and contributions	(693)	(25,929)	(380)		(27,001)	(10,383)	(37,385)
Total Income	(8,084)	(29,277)	(429)	(16,799)	(54,589)	(30,975)	(85,564)
Employee expenses	10,930	1,102	(597)		11,435		11,435
Other service expenses	10,724	27,391	1,688		39,802		39,802
Support Service recharges				16,799	16,799		16,799
Depreciation, amortisation & impairment			2,031		2,031		2,031
Interest Payments						4,697	4,697
Precepts & Levies						533	533
Business rates tariff and levy						8,176	8,176
Payments to Housing Capital Receipts Pool						1	1
Gain or Loss on Disposal of Fixed Assets						168	168
Total Expenditure	21,653	28,493	3,122	16,799	70,067	13,575	83,642
(Surplus) or deficit on the provision of services	13,569	(784)	2,692	0	15,478	(17,400)	(1,922)

2014/15	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	(6,890)	(2,728)	(31)	(16,275)	(25,924)	(369)	(26,293)
Interest and Investment Income						(3,090)	(3,090)
Income from council tax						(6,598)	(6,598)
Local share of business rates						(10,996)	(10,996)
Government grants and contributions	(833)	(26,215)	(373)		(27,421)	(9,053)	(36,474)
Total Income	(7,723)	(28,943)	(404)	(16,275)	(53,345)	(30,106)	(83,451)
Employee expenses	9,970	940	(408)		10,502		10,502
Other service expenses	10,679	27,321	930		38,930		38,930
Support Service recharges				16,275	16,275		16,275
Depreciation, amortisation & impairment			1,384		1,384		1,384
Interest Payments						5,049	5,049
Precepts & Levies						565	565
Business rates tariff and levy						8,308	8,308
Payments to Housing Capital Receipts Pool						1	1
Total Expenditure	20,649	28,261	1,906	16,275	67,091	13,923	81,014
(Surplus) or deficit on the provision of services	12,926	(682)	1,502	0	13,746	(16,183)	(2,437)

28 MEMBERS ALLOWANCES

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

	2014/15 £'000	2015/16 £'000
Allowances	294	296
Expenses	2	4
Total	296	300

29 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	2015/16	106		0		106	12	118
	2014/15	108		0		108	12	120
Director Customer and Advice Services	2015/16	83		0		83	9	92
	2014/15	89		0		89	10	99
Director Public Protection, Streetscene and Communities	2015/16	83		0		83	9	92
	2014/15	81		0		81	9	90
Head of Shared Financial Services (note a)	2015/16	59		8		67	6	73
	2014/15	58		6		64	7	71
Head of Governance	2015/16	53		5		58	6	64
	2014/15	51		4		55	5	60
Project Director	2015/16	59		1		60	6	66
	2014/15	53		1		54	6	60
Head of Policy and Communications/Project Manager (note b)	2015/16	49		4		53	5	58
	2014/15							
Head of Economic Development	2015/16	49		6		55	5	60
	2014/15	48		5		53	5	58

Note a The cost of Head of Shared Financial Services post is shared between Chorley and South Ribble Borough Councils.

Note b Acting Head of Policy and Communications was shared between two employees in 2014/15 and was under the £50k threshold.

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

Remuneration band	2014/15 Number of employees	2015/16 Number of employees
£50,000 - £54,999	5	1
£55,000 - £59,999	-	4
£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	
	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16
£0 -£20,000	1	0	1	6	2	6	13	67
£20,001 - £40,000	0	0	2	2	2	2	58	57
£40,001 - £60,000	0	0	0	0	0	0	0	0
£60,001 - £80,000	0	0	0	1	0	1	0	61
£80,001 - £100,000	0	0	0	2	0	2	0	172
£100,000 - £150,000	0	0	0	1	0	1	0	110
£150,001 - £200,000	0	0	0	0	0	0	0	0
£200,001 - £250,000	0	0	0	0	0	0	0	0
£250,001 - £300,000	0	0	0	0	0	0	0	0
£300,001 - £350,000	0	0	0	1	0	1	0	335
Total	1	0	3	13	4	13	71	802

Exit package costs are higher than would usually be expected due to a major restructure during the year. This restructure will deliver ongoing savings to the council in future years, exceeding the one off costs of the restructure.

TERMINATION BENEFITS

The Authority terminated the contracts of a number of employees in 2015/16 incurring liabilities of £0.801m (£0.071m in 2014/15). See above for the number of exit packages and total cost.

30 EXTERNAL AUDIT COSTS

The fees due from the Council to the external auditors for works carried out relating to the year of account 2015/16 were as follows.

	2014/15 £'000	2015/16 £'000
Fees for statutory inspection and audit	59	45
Less Audit Commission fees rebate	(6)	0
Fees for the certification of grant claims and returns	10	7
Total	63	52

Additional fees payable to auditors in respect of other services in 2015/16 include payment totalling £2,000 to BDO (Shared Services Joint Committee annual return).

31 GRANT INCOME

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

	2014/15 £'000	2015/16 £'000
<u>Credited to Taxation and Non-Specific Grant Income & Expenditure</u>		
Revenue Support Grant (RSG)	(2,998)	(2,132)
New Homes Bonus grant	(2,639)	(3,388)
Other revenue grants	(734)	(1,159)
Capital Contributions – S106 Contributions/Community Infrastructure Levy	(2,158)	(3,695)
Capital Other grants and contributions	(524)	(9)
Total	(9,053)	(10,383)
<u>Credited to Services</u>		
Grants – benefits related	(26,916)	(26,515)
Grants – other	(505)	(486)
Contribution – County Council reimbursement	(1,219)	(1,702)
Contributions – other	(572)	(497)
Total	(29,212)	(29,200)

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, shown separately on the balance sheet as Grant Receipts in Advance - Capital, are as follows:

	2014/15 £'000	2015/16 £'000
Grant Receipts in Advance - Capital		
Grant – Regional Housing Pot	(123)	(113)
Grant – Lancashire County Council	(25)	(10)
Other Government Grants	(0)	(115)
Other grants and contributions	(21)	(12)
Total	(169)	(250)

32 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 31.

- **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 28 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 37 Contingent Assets). In 2015/16 this totalled £0.137m (2014/15 £0.329m).

- **Partnerships, Companies and Trusts**

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

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

In 2015/16 gross expenditure of £1.43m (2014/15 £1.7m) was incurred on the shared services, which was fully funded by recharges to the two Councils.

33 CAPITAL EXPENDITURE AND CAPITAL FINANCING

The total capital expenditure in the year is shown in the following table, 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.

	2014/15 £'000	2015/16 £'000
Opening Capital Financing Requirement	32,866	33,200
Capital investment		
Property, Plant and Equipment (Note 12)	2,685	2,232
Heritage Assets (Note 13)	39	99
Revenue Expenditure Funded from Capital under Statute (Note 7)	930	1,688
Sources of finance		
Capital Receipts (Note 23b)	(163)	(185)
Government Grants and Other Contributions (Note 23b)	(1,789)	(1,125)
Sums set aside from revenue		
Revenue Financing (Note 23b)	(907)	(874)
Minimum Revenue Provision – statutory (Note 23b)	(461)	(490)
Capital receipts applied to reduce Capital Financing Requirement	0	(48)
Closing Capital Financing Requirement	33,200	34,497
Explanation of movements in year		
Increase in prudential borrowing	795	1,835
Provision made for debt repayment	(461)	(538)
Increase/(Decrease) in Capital Financing Requirement	334	1,297

34 LEASES

34a 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 2015		31 March 2016	
	Payments £'000	Receipts £'000	Payments £'000	Receipts £'000
Not later than 1 year	619	(43)	601	(43)
Later than 1 year, not later than 5	1,284	(170)	1,084	(170)
Later than 5 years	374	(340)	360	(298)
Minimum lease payments	2,277	(553)	2,045	(511)

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

	2014/15 £'000	2015/16 £'000
Minimum lease payments	788	728
Sub-lease payments receivable	(43)	(43)
Total payable rentals	745	685

34b 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 2015 £'000	31 March 2016 £'000
Finance lease debtor (present value of minimum lease payments)	289	289
Unearned finance income	2,235	2,211
Gross investment in the lease	2,524	2,500

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 2015 £'000	31 March 2016 £'000	31 March 2015 £'000	31 March 2016 £'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	2,405	2,381	2,405	2,381
Total	2,524	2,500	2,524	2,500

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

Operating leases

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

	31 March 2015 £'000	31 March 2016 £'000
Not later than one year	2,145	2,132
Later than one year and not later than five years	6,668	5,996
Later than five years	14,001	10,334
Total receivable rentals	22,814	18,462

No contingent rents were received by the authority.

35 DEFINED BENEFIT PENSION SCHEME**35a 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 2015 and on revalued average salary (a "career average" scheme) for service from 1 April 2015 onwards.

35b 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, commencing in 2014/15.

In 2016/17 the Council will pay a contribution of 11.1% of pensionable pay, estimated to cost £0.894m, plus a deficit recovery contribution of £0.956m.

35c 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 note 35j.

35d 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:

	2014/15 £'000	2015/16 £'000
<u>Comprehensive Income & Expenditure Statement</u>		
Cost of Services		
Administration	29	30
current service cost	1,312	1,816
Past service cost	25	0
Settlement and curtailment	0	17
Net interest on the net defined benefit liability		
Interest costs	4,463	3,909
Expected return on scheme assets	(3,031)	(2,468)
Total post-employment benefit charged to the (Surplus)/Deficit on the Provision of Service	2,798	3,304
<u>Other post-employment benefit charged to the Comprehensive Income & Expenditure Statement</u>		
Re-measurement of the net defined benefit liability		
Return on plan assets, excluding amount included in interest expense	(5,479)	(1,141)
Actuarial gains & losses from changes in demographic assumptions	0	0
Actuarial gains & losses from changes in financial assumptions	16,399	(6,541)
Re-measurement of net defined benefit liability (CI&ES)	10,920	(7,682)
Total post-employment benefit charged to the Comprehensive Income & Expenditure Statement	13,718	(4,378)
<u>Movement in Reserves Statement</u>		
Reversal of net charges made to the (Surplus)/Deficit on the Provision of Services	(2,798)	(3,304)
Actual employer contributions to the scheme	1,796	2,496

35e 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	
	2014/15	2015/16
	£'000	£'000
Present value of the defined benefit obligation	(119,917)	(116,228)
Fair value of plan assets	75,272	77,875
Net liability arising from defined benefit obligation	(44,645)	(38,353)

35f Reconciliation of fair value of the scheme (plan) assets

	Scheme Assets	
	Local Government Pension Scheme	
	2014/15	2015/16
	£'000	£'000
1 April	67,899	75,272
Interest income	3,031	2,468
Re-measurement gain/(loss)		
Return on plan assets, excluding amount included in interest expense	5,479	1,141
Employer contributions	1,765	1,914
Employee contributions	489	507
Benefits paid	(3,362)	(3,397)
Other	(29)	(30)
31 March	75,272	77,875

35g Reconciliation of present value of the scheme liabilities (defined benefit obligation)

	Scheme Liabilities	
	Local Government Pension Scheme	
	2014/15	2015/16
	£'000	£'000
1 April	(100,591)	(119,917)
Current service cost	(1,312)	(1,816)
Interest cost	(4,463)	(3,909)
Contributions by scheme participants	(489)	(507)
Re-measurement gains and (losses)		
Changes in demographic assumptions	0	0
Changes in financial assumptions	(16,399)	6,541
Other	0	0
Benefits paid	3,362	3,397
Curtailement	0	(17)
Past service costs	(25)	0
31 March	(119,917)	(116,228)

35h Impact on the Authority's Future Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over 19 years. Funding levels are monitored on an annual basis. The next triennial valuation is due as at 31 March 2016.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31st March 2014. The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The authority anticipates paying £2,021k expected contributions to the scheme in 2016/17.

The weighted average duration of the defined benefit obligation for scheme members is 18 years.

35i Local Government Pension Scheme assets comprised

	Fair value of scheme assets			
	2014/15	Percentage total of asset	2015/16	Percentage total of asset
	£'000	%	£'000	%
Cash				
Cash and cash equivalents	3,647	4.8%	2,632	3.4%
Net Current Assets	0	0.0%	46	0.1%
	3,647	4.8%	2,678	3.5%
Equity investments (by industry type)				
Consumer	8,322	11.1%	8,461	10.9%
Energy	598	0.8%	334	0.4%
Financial institutions	4,460	5.9%	4,723	6.1%
Health and care	2,558	3.4%	2,826	3.6%
Information technology	4,255	5.7%	4,793	6.2%
Industrials	3,612	4.8%	3,374	4.3%
Other	2,104	2.8%	2,255	2.9%
Sub total equity	25,909	34.5%	26,766	34.4%
Bonds				
UK corporate	725	1.0%	1,119	1.4%
Overseas corporate	320	0.4%	467	0.6%
Government	2,362	3.1%	1,565	2.0%
Sub total bonds	3,407	4.5%	3,151	4.0%
Property				
Retail	3,061	4.1%	2,668	3.4%
Commercial	4,027	5.3%	4,817	6.2%
Sub total property	7,088	9.4%	7,485	9.6%
Private equity				
UK	1,889	2.5%	1,270	1.6%
Overseas	9,200	12.2%	9,631	12.4%
Sub total private equity	11,089	14.7%	10,901	14.0%
Other				
Infrastructure	4,189	5.6%	6,223	8.0%
Property	551	0.7%	1,075	1.4%
Credit funds	19,392	25.8%	19,596	25.1%
Sub total alternatives	24,132	32.1%	26,894	34.5%
	75,272	100%	77,875	100%

35j 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	
	2014/15	2015/16
Mortality assumptions		
Longevity at 65 for current pensioners		
Men	22.9 yrs	23.0 yrs
Women	25.4 yrs	25.6 yrs
Longevity at 65 for future pensioners		
Men	25.1 yrs.	25.2 yrs
Women	27.8 yrs.	27.9 yrs
Rate of inflation (CPI)	2.0%	2.0%
Rate of increase in salaries	3.5%	3.5%
Rate of increase in pensions	2.0%	2.0%
Rate for discounting scheme liabilities	3.3%	3.6%
Take up option to convert pension into lump sum	0.0%	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)	2,308
Rate of inflation (increase of 0.1% p.a.)	2,141
Salary inflation (increase of 0.1% p.a.)	423
Rate for discounting scheme liabilities (change of 0.1%)	+/- 2,102

36 CONTINGENT LIABILITIES

On transferring its housing stock in 2006/07, 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 2016 there are 9 years of the liability period outstanding.

Many councils including Chorley have received claims for mandatory charitable business rates relief from NHS Trusts and NHS Foundation Trusts. The backdated relief could be worth hundreds of millions of pounds in total for all of the councils. The councils have rejected the claims on the grounds that the NHS bodies are not charities, and therefore the claims are unfounded.

37 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 seven years to run. The amount receivable will depend on the numbers sold and cannot be predicted.

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).

2014/15		Collection Fund	2015/16	
Business Rates £'000	Council Tax £'000		Business Rates £'000	Council Tax £'000
		INCOME		
	52,050	Council Tax Receivable		54,360
27,943		Business Rates Receivable	27,855	
		Contribution towards previous year's Deficit		
82		Central Government	447	
66		Chorley Council (Note 11)	358	
15		Lancashire County Council	80	
2		Lancashire Combined Fire Authority	9	
165	0		894	0
28,108	52,050	Total amounts to be credited	28,749	54,360
		EXPENDITURE		
		Apportionment of previous year's estimated Surplus		
	102	Chorley Council (Note 11)		135
	572	Lancashire County Council		769
	34	Lancashire Combined Fire Authority		44
	80	Police & Crime Commissioner for Lancashire		108
0	788		0	1,056
		Precepts, Demands and Shares		
13,496		Central Government	14,190	
10,797	6,463	Chorley Council (Note 11)	11,352	6,655
2,429	36,826	Lancashire County Council	2,554	38,982
270	2,116	Lancashire Combined Fire Authority	284	2,238
	5,185	Police & Crime Commissioner for Lancashire		5,488
26,992	50,590		28,380	53,363

2014/15		Collection Fund	2015/16	
Business Rates £'000	Council Tax £'000		Business Rates £'000	Council Tax £'000
		Charges to Collection Fund		
	89	Write offs of uncollectable amounts		159
169	312	Increase/(Decrease) in Bad Debt Provision	398	87
150		Increase/(Decrease) in Provision for Appeals	1,054	
133		Cost of Collection	134	
452	401		1,586	246
27,444	51,779	Total amounts to be debited	29,966	54,665
664	271	Surplus/(Deficit) arising during the year	(1,217)	(305)
		Collection Fund Balance		
(1,270)	788	Balance brought forward at 1 April	(606)	1,059
664	271	Surplus/(Deficit) for the year	(1,217)	(305)
(606)	1,059	Balance carried forward at 31 March	(1,823)	754
		Allocated to		
(242)	135	Chorley Council - Collection Fund Adjustment Account (Note 23e)	(729)	94
(303)		Central Government	(911)	
(55)	771	Lancashire County Council	(164)	551
(6)	44	Lancashire Combined Fire Authority	(19)	32
	109	Police & Crime Commissioner for Lancashire		77
(606)	1,059	Surplus/(Deficit) at 31 March	(1,823)	754

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 or 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 2015/16 was calculated as follows:

Band	Dwellings	Dwellings adj. for discounts & exemptions	Proportion of Band D Charge	Band D Equivalent
A (disabled)	0	13	5/9	6.90
A	14,363	12,452	6/9	8,299.30
B	10,859	9,725	7/9	7,563.90
C	9,178	8,366	8/9	7,436.20
D	6,421	5,989	9/9	5,990.80
E	4,509	4,262	11/9	5,209.70
F	1,921	1,825	13/9	2,636.50
G	833	795	15/9	1,324.20
H	65	48	18/9	96.00
Total	48,149	43,475		38,563.50
Less adjustments for anticipated losses on collection				(525.44)
Add adjustment for new properties/technical changes to discounts				389.16
Less local Council Tax Support Scheme discounts				(3,923.00)
Band D Equivalent Number of Properties				34,504.22

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 £1,531.11 for 2015/16 (£1,504.76 for 2014/15). The other valuation bands are proportionate to this.

ACCOUNTING FOR BUSINESS RATES (NNDR)

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.

The deficit apportioned in 2015/16 was £0.894m, whereas the actual deficit in the previous year was £0.606m. Regulations require the deficit or surplus estimated in the annual National Non Domestic Rates (NNDR) 1 Return to be apportioned. The sum apportioned was therefore the estimate included in NNDR1 2015/16.

Note 11 Taxation and Non-Specific Grant Income and Expenditure shows net Non-Domestic Rates Income and Expenditure for 2015/16 to be £2.331m (2014/15 £2.688m). This can be reconciled to Chorley Council's share of Business Rates Income in the Collection Fund statement in the following table:

2014/15 £'000		2015/16 £'000
10,797	Chorley Council share of Business Rates	11,352
(7,646)	Tariff payable to Central Government	(7,792)
(663)	Levy Payable to Central Government	(384)
266	Chorley Council share of surplus or (deficit) for year (transferred to Collection Fund Adjustment Account - Note 23e)	(487)
(66)	Chorley Council share of previous year's surplus or (deficit)	(358)
2,688	NNDR net income per Note 11	2,331

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 48.0p in 2015/16 and one for larger businesses at 49.3p.

The Business Rates Income, after reliefs and provisions, was £27.8m for 2015/16 (£27.9m for 2014/15).

The rateable value for the Council's area at the end of the financial year 2015/16 was £71.15m (£70.69m in 2014/15).

CHORLEY COUNCIL**ANNUAL GOVERNANCE STATEMENT****1. Scope of responsibility**

Chorley Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards. We are responsible for safeguarding public money, making sure it is properly accounted for and used economically, efficiently and effectively. Chorley Council also has a duty under the Local Government Act 1999 to take steps to constantly review and improve the way in which our functions are exercised. In undertaking this review we are obliged to have regard to a combination of economy, efficiency and effectiveness.

To do this, the Council have put in place arrangements for the governance of its affairs. These arrangements assess the effectiveness of the exercise of its functions, and consider how well we manage risk.

Chorley Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the code is on our website. This statement explains how the Council has complied with the code and also meets the requirements of regulation 6 of the Accounts and Audit Regulations 2015 in relation to the publication of an Annual Governance Statement.

2. The purpose of the governance framework

The governance framework comprises the systems and processes, and culture and values, by which control and direct the Council. It provides for how we account to, engage with and lead the community. It enables us to monitor the achievement of our strategic objectives and to consider whether our objectives have led to the delivery of appropriate, cost effective services for that community.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised. This enables us to manage risk efficiently, effectively and economically.

The governance framework has been in place at Chorley Council for the year ended 31 March 2016 and up to the date of approval of the annual report and statement of accounts.

3. The governance framework

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

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

The Corporate Strategy sets out the Council's vision, priorities and strategic objectives. These are closely linked with the Public Service Reform Programme, which clearly articulates a shared vision for the Borough of Chorley.

Long term outcomes and interim performance targets have been established for each strategic objective.

The Public Service Reform Programme and Corporate Strategy are published widely and are also available on the Council website and intranet. They form the basis for training provided within the Council's organisational development plan and Circle of Service event for managers of the council.

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

The Public Service Reform Programme and Corporate Strategy are regularly reviewed and the Council's vision and strategic objectives have been refined to reflect changing aspirations, both locally and nationally. As part of the annual consideration of the Corporate Strategy the Monitoring Officer and Section 151 Officer comment on the strategy in the report presented to Full Council providing an opportunity to consider implications on governance arrangements prior to any changes being adopted.

A performance management framework is in place for both the Council and the Public Service Reform Partnership, the latter providing clear arrangements for joint working, including specific projects.

Translating the vision into objectives for the authority and its partnerships

The Council have a robust process of consultation with residents and partner organisations on setting objectives based upon the council's vision. This process includes undertaking surveys of residents online and in hard copy, engagement events with the public and consultation with partners.

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

The Council's Corporate Strategy contains key projects that are geared towards achieving overall strategic objectives. They also contain challenging targets in respect of both performance indicators and local performance targets. Feedback is sought from customers and residents about the services they receive to ensure that the council meets expectations. This system is in turn supported by individual staff performance and development reviews to ensure that everyone understands their individual and service unit contribution to corporate goals.

The Council has an in-house performance management system from which reports are produced to ensure that trends in performance can be identified and corrective action introduced if appropriate. This is supported by a robust data quality control system, which ensures the accuracy of the reported information. Performance against targets is monitored at officer and member levels, by Strategy Group, Executive Cabinet, Overview & Scrutiny and the Governance Committee.

The Council have also introduced a project management system on which all corporate projects must be placed which monitors progress against set milestones and co-ordinates best use of resources. This system has been enhanced and the roll out of the new project management system will be implemented early in 2016/17.

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

The Council's Constitution sets out how the Council operates, how decisions are made, and the procedures that are followed, to ensure that these are efficient, transparent and accountable to local people. It contains clear distinctions between what constitutes an executive and non-executive decision.

Decision-making within the Council's Policy and Budgetary Framework is facilitated through the Executive Cabinet and by individual Executive Members but is supported by a framework of Statutory and Overview & Scrutiny Committees.

Non-Executive Functions are undertaken by Full Council or the relevant committee subject to any delegations. The Constitution also sets out the situations where senior officers of the Council can make decisions under delegated authority.

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

The Council's Constitution contains the formal Codes of Conduct that articulate the standards of ethical behaviour that are expected from members and officers. These incorporate procedures for the disclosure of personal interests and offers of gifts and hospitality.

Both members and officers have been extensively briefed on personal conduct and disclosure requirements.

An automated system has been established on the Council's intranet for officer and member disclosures.

Reviewing the effectiveness of the authority's decision making framework, including delegation arrangements, decision making in partnerships and robustness of data quality

The Head of Governance arranges for the review of the Council Constitution on an annual basis. This includes a review of Standing Orders, Contract Procedure Rules, Financial Procedure Rules and Responsibilities for Functions.

The Council operates a call in process on all Executive Member decisions providing an opportunity to test the reasons for the decision before a Call in Panel of the Overview and Scrutiny Committee, and have adopted the new regulations governing the publication of council decisions.

All data collected by the council is required to have a procedure governing its collection and as part of the reporting system the data collector and authoriser are required to confirm the data has been checked.

Reviewing the effectiveness of the framework for identifying and managing risks and demonstrating clear accountability

The standard member reporting procedure requires a consideration of risk for all significant decisions. This is also underpinned by a robust structure and system for identifying and evaluating all significant business risks at both the strategic and operational levels, the key elements of which are a Strategic Risk Register and service level risk assessments built into the business planning process.

As part of the Council's project management procedure Project Managers are required to complete a risk assessment.

Ensuring effective counter-fraud and anti-corruption arrangements are developed and maintained

The Council maintains an anti-fraud and anti-corruption strategy and an anti-fraud action plan. This is reviewed annually and appropriate training is provided.

Ensuring effective management of change and transformation

Proposals for change and transformation are considered by the Executive and, particularly around staff changes the Council maintain HR policies and procedures to manage these changes.

Ensuring the authorities financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010) and, where they do not, explain why and how they deliver the same impact

The CIPFA Statement has been considered and the financial management arrangements conform with the governance requirements. Any issues would be identified in the Council's annual audit.

Ensuring the authorities assurance arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010) and, where they do not, explain why and how they deliver the same impact

The CIPFA Statement has been considered and the Council is fully compliant in all aspects.

Ensuring effective arrangements are in place for the discharge of the monitoring officer function

The Council's Monitoring Officer is the Head of Governance, an experienced solicitor with significant Local Government Experience.

All Council, Executive Cabinet and Executive Member decisions are considered by the Monitoring Officer and require a comment to be added prior to the decision being made.

Ensuring effective arrangements are in place for the discharge of the head of paid service function

The Council's head of paid service is appointed by Council decision and the role is prescribed by the Council's constitution.

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

The Council has appointed a Governance Committee whose terms of reference comply with the CIPFA guidelines for audit committees. These extend to monitoring the Council's governance, risk management and internal control and include reviewing the adequacy of the governance framework.

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

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

- Monitoring Officer;
- Section 151 Officer;
- Internal Audit;
- External Audit;
- Performance management system.

The Council has designated the Head of Governance and Property Services as Monitoring Officer, who plays a key role in ensuring compliance. After consulting with the Chief Executive, the Monitoring Officer will report to the full Council if he/she considers that any proposal, decision or omission would

give rise to unlawfulness or maladministration. Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered.

The standard committee reporting procedure and template now requires the monitoring officer and statutory finance officer to consider legality and compliance in respect of all decisions made by members.

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

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

The Council also operates a formal Corporate Complaints Procedure, which has been widely publicised.

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

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

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

Strategies are in place in respect of communications, marketing and consultation and include Council administered forums and public meetings.

Enhancing the accountability for service delivery effectiveness of other public service providers

The Chief Executive has regular meetings with counterparts in public service providers.

The Authority participates in three tier forum meetings with County and Parish Councils.

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

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

4. Review of effectiveness

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

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

Corporate Level Review

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

Service Level Review

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

Monitoring Officer

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

Scrutiny Committee

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

Governance Committee

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

Standards Sub-Committee

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

Internal Audit

- Internal Audit is responsible for monitoring the quality and effectiveness of the system of governance and internal control. A risk-based Internal Audit Plan is produced each financial year. The reporting process for Internal Audit requires a report of each audit to be submitted to the relevant Service. The report includes recommendations for improvements that are included within a Management Action Plan and require agreement or rejection by service managers. The process includes follow-up reviews of agreed recommendations to ensure that they are acted upon.
- The Internal Audit Annual Report contains a statement / judgement on overall levels of internal control (a view based on the relative significance of the systems reviewed during the year, in the context of the totality of the control environment). The Report identified the following areas as having Limited Control:
 1. Community Infrastructure Levy and Section 106 monitoring arrangements – this review produced a number of management actions which are in the process of being implemented.
- The Annual Report in itself is a tool not just for reporting on internal controls but improving them.
- The Internal Audit Team is subject to on-going inspection by the Council's external auditors, who place reliance on the work carried out by them.

External Audit

- The Council receive regular reports on elements of its internal control environment, including performance management, risk management, financial management and governance.

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

5. Significant governance issues

In the previous year the following themes were identified as requiring action and improvement:

Theme	Agreed Improvement	Actions and Outcomes
1. Staff/Member Development	1.1 To develop the current level / programme of financial training packages for Budget Holders (& Members) to include use of systems, process improvement and financial management techniques.	Training has been delivered as required. Budget holders have regular (monthly) meetings with their accountant to discuss the current budget position and highlight any known future issues.
	1.2 To ensure that the Governance Committee comply with the latest CIPFA guidance on Audit Committees.	This has been implemented by ensuring reports presented to the Committee comply with the latest guidance.
2. Information Management	2.1 To ensure that there are clear document retention guidelines which are complied with by Services.	This has been undertaken in that Services are required to have their own document retention policies, however please see plan for next year.
	2.2 To ensure that the Council is fully compliant with the Data Protection Act and Freedom of Information requirements.	This is an ongoing obligation and whilst the Council's policies are robust there will be a programme of staff awareness building of these rules as part of the delivery of the new Information Security Framework.
	2.3 To ensure that an effective Disaster Recovery Plan is in place.	Confirmed
3. Equality & Diversity	3.1 To ensure full compliance with the Council's Equality Scheme.	Confirmed, consideration of Equality and Diversity issues is now a requirement on Council report templates.

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

Theme	Agreed Improvement	Comments
1. Staff/Member Development	1.1 To develop the current level / programme of financial training packages for Budget Holders (& Members) to include use of systems, process improvement and financial management techniques.	This is a carry-over from the previous year and reflects in part the continuous need to provide training on this issue but recognises the organisational changes which have taken place following the Senior Management restructure.
2. Information Management	2.1 To ensure that there are clear document retention guidelines which are complied with by Services.	Whilst actions have been taken to deliver this improvement (see above) the Council are seeking to provide a different document management solution. We have been working with Microsoft to investigate the functionality of SharePoint and have concluded that the product doesn't fit with our future requirements. We have developed a program of work which will aim to replace SharePoint corporately and have already carried out a proof of concept for a MyShare solution (without SharePoint) and plan to develop this application during quarter 2 (into September) with a view to rolling out across the organisation over quarter 3 and 4.
3. Risk Management	3.1 To embed the Risk Management Framework at service level 3.2 Revise and re-issue Business Continuity Plans 3.3 Review and update all Health & Safety risk assessments	
4. Performance Management	4.1 To ensure compliance with the Data Quality Policy	
5. Value for Money / Transparency	5.1 To ensure that services can demonstrate VFM & compliance with the revised Transparency Code	
6. Corporate Policies	6.1 To ensure that all employees are aware of the requirements of corporate policies.	
7. Fraud & Corruption	7.1 To ensure compliance with the requirements contained within the Fighting Fraud & Corruption Locally – The local government counter fraud and corruption strategy and companion.	

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

Cllr. A. Bradley
Leader of the Council

G Hall
Chief Executive
& Section 151 Officer

C Moister
Monitoring Officer



Report of	Meeting	Date
Chief Finance Officer	Governance Committee	14 September 2016

CHARITY AND TRUST ACCOUNTS 2015/16

PURPOSE OF REPORT

- To present for approval the accounts for the year ended 31 March 2016 for charities and trusts for which the Council is the sole trustee.

RECOMMENDATION(S)

- That the accounts presented in Appendix A to E be approved.

EXECUTIVE SUMMARY OF REPORT

- The Council's Statement of Accounts 2015/16 does not include the previous Trust Funds disclosure. As an alternative, figures are presented in this report, which therefore provides an opportunity of providing more detail about each charity or trust.

Confidential report Please bold as appropriate	Yes	No

CORPORATE PRIORITIES

- 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

- As part of the process of decluttering the Council's Statement of Accounts in 2015/16, the previous Trust Funds note has been omitted. Figures relating to the trusts were not material, and inclusion of the note in the statement would not improve users' understanding of the Council's financial position. Excluding the note from the statement means that the external auditors have not been obliged to audit it.
- Having excluded the note from the Statement of Accounts, this report gives Governance Committee members the opportunity to review and approve the accounts for each of the charities or trusts, presented as Appendix A to E. A brief summary of the financial performance of each charity or trust is presented in the following paragraphs. There is no statutory requirement for the accounts to be audited. Figures are not rounded so that all transactions can be seen in full. The note to the accounts had figures rounded to the nearest thousand pounds, which means that low value transactions were not visible.

7. Three of the charities or trusts hold external investments. No sums have been disinvested and reinvested, but the market value of investments varies from year to year. Such changes in market value are reflected in the relevant accounts.

EDWARD MCKNIGHT MEMORIAL FUND

8. This fund was established many years ago to pay for educational lectures in memory of Edward McKnight, Chorley's first librarian, who died in 1911. It has a cash balance, held by Chorley Council, which receives interest at the average rate earned on the Council's investments. It has not incurred any expenditure for many years. Its accounts are presented as Appendix A. These show that cash held for the fund as at 31 March 2016 was £5,295.34.

WILLIAM COCKER CHARITY

9. The William Cocker Charity is not registered with the Charity Commission, and there is no need to do so because of its low turnover. It was established for the provision of recreation grounds in Chorley, and the interest earned on its external investment is paid to Chorley Council for that purpose. Appendix B presents the accounts for the charity.

PROCEEDS OF SALE OF FORMER FREE LIBRARY

10. This registered charity was established in 1992 using the proceeds of the sale of the Avondale Road Library, previously known as the Free Library. The objects of the charity are such charitable purposes for the general benefit of the inhabitants of Chorley.
11. No expenditure was incurred by the charity during 2015/16, though a grant of £24,000 was awarded to the local Home-Start charity for provision of a play area in 2014/15.
12. The main source of income is interest on the charity's external investments, but Chorley Council also pays interest (at the average rate earned on its investments) on the cash balance it holds for the charity. The balance held by the Council was £11,527.72 as at 31 March 2016, and all figures are presented in the accounts in Appendix C.

W B PARK'S CHARITY

13. It is understood that W B Park's Charity was established for the extension of the Infectious Diseases Hospital, Withnell. The Council holds a cash balance of £1,704.89 for the charity, which does not have interest added because of the difficulty of applying the charity's resources to an appropriate purpose. It is not a registered charity, and its accounts are presented as Appendix D.

H T PARKE'S BATHS FUND

14. The H T Parke's Baths Fund was established for the maintenance of Brinscall Baths. The interest earned on its external investment is paid to Chorley Council for that purpose. The fund is not registered as a charity. Appendix E presents its accounts for 2015/16.

IMPLICATIONS OF REPORT

15. 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

16. This report replaces the disclosure note previously presented in the Council's annual Statement of Accounts, and it gives members the opportunity to review and query performance of each charity or trust before approving their accounts.

COMMENTS OF THE MONITORING OFFICER

17. The Monitoring Officer has no comments.

GARY HALL

CHIEF EXECUTIVE & STATUTORY FINANCE OFFICER

Background Papers			
Document	Date	File	Place of Inspection
Gov.uk – Prepare a charity's annual accounts	March 2016	Electronic document	Town Hall

Report Author	Ext	Date	Doc ID
Michael Jackson	5490	30 August 2016	Charity and Trust Accounts 2015-16.docx

Edward McKnight Memorial Fund

Receipts & payments account for the year ended 31 March 2016		
2014/15		2015/16
£		£
	Receipts	
30.92	Interest on cash held by Chorley Council	23.20
30.92	Total receipts	23.20
	Payments	
	No expenditure in year	
0.00	Total payments	0.00
30.92	Net receipts/(payments)	23.20
5,241.22	Bank and cash at the start of the period	5,272.14
5,272.14	Bank and cash at the end of the period	5,295.34

Statement of assets and liabilities at 31 March 2016		
31 March 2015		31 March 2016
£		£
	Cash assets	
5,272.14	Cash held by Chorley Council	5,295.34
5,272.14	Total cash assets	5,295.34
5,272.14	Total assets	5,295.34

William Cocker Charity

Receipts & payments account for the year ended 31 March 2016		
2014/15		2015/16
£		£
	Receipts	
102.73	Interest on investments	102.73
102.73	Total receipts	102.73
	Payments	
(102.73)	Provision of recreation grounds in Chorley (paid to Chorley Council)	(102.73)
(102.73)	Total payments	(102.73)
0.00	Net receipts/(payments)	0.00
0.00	Bank and cash at the start of the period	0.00
0.00	Bank and cash at the end of the period	0.00

Statement of assets and liabilities at 31 March 2016		
31 March 2015		31 March 2016
£		£
	Other assets	
3,231.70	External investments	3,121.49
3,231.70	Total other assets	3,121.49
3,231.70	Total assets	3,121.49

**Proceeds of Sale of Former Free Library
(registered charity 1010457)**

Receipts & payments account for the year ended 31 March 2016		
2014/15		2015/16
£		£
	Receipts	
3,047.06	Interest on investments	3,240.66
190.40	Interest on cash held by Chorley Council	57.50
3,237.46	Total receipts	3,298.16
	Payments	
(24,000.00)	Grant to Home-Start for provision of play area	0.00
(24,000.00)	Total payments	0.00
(20,762.54)	Net receipts/(payments)	3,298.16
32,290.26	Bank and cash at the start of the period	11,527.72
11,527.72	Bank and cash at the end of the period	14,825.88

Statement of assets and liabilities at 31 March 2016		
31 March		31 March
2015		2016
£		£
	Cash assets	
11,527.72	Cash held by Chorley Council	14,825.88
11,527.72	Total cash assets	14,825.88
	Other assets	
97,975.39	External investments	94,568.55
97,975.39	Total other assets	94,568.55
109,503.11	Total assets	109,394.43

W B Park's Charity

Receipts & payments account for the year ended 31 March 2016		
2014/15		2015/16
£		£
	Receipts	
	No income in year	
0.00	Total receipts	0.00
	Payments	
	No expenditure in year	
0.00	Total payments	0.00
0.00	Net receipts/(payments)	0.00
1,704.89	Bank and cash at the start of the period	1,704.89
1,704.89	Bank and cash at the end of the period	1,704.89

Statement of assets and liabilities at 31 March 2016		
31		31
March		March
2015		2016
£		£
	Cash assets	
1,704.89	Cash held by Chorley Council	1,704.89
1,704.89	Total cash assets	1,704.89
1,704.89	Total assets	1,704.89

Appendix E

H T Parke's Baths Fund		
Receipts & payments account for the year ended 31 March 2016		
2014/15		2015/16
£		£
	Receipts	
101.84	Interest on investments	101.84
101.84	Total receipts	101.84
	Payments	
(101.84)	Maintenance of Brinscall Baths (paid to Chorley Council)	(101.84)
(101.84)	Total payments	(101.84)
0.00	Net receipts/(payments)	0.00
0.00	Bank and cash at the start of the period	0.00
0.00	Bank and cash at the end of the period	0.00

Statement of assets and liabilities at 31 March 2016		
31 March 2015		31 March 2016
£		£
	Other assets	
2,542.33	External investments	2,476.13
2,542.33	Total other assets	2,476.13
2,542.33	Total assets	2,476.13

Report of	Meeting	Date
Head of Shared Assurance Services	Governance Committee	14th September 2016

INTERNAL AUDIT INTERIM REPORT AS AT 29TH JULY 2016

PURPOSE OF REPORT

1. To advise members of the work undertaken in respect of the Internal Audit Plans for Chorley Council and Shared Services for the period April 2016 to July 2016 and to comment on the outcomes;
2. To give an appraisal of the Internal Audit Service’s performance to date.

RECOMMENDATION(S)

3. That the report be noted.

EXECUTIVE SUMMARY OF REPORT

4. The report demonstrates that all performance indicators have either been achieved or exceeded with the exception of the percentage of planned time used for Chorley Council. This is due to reviews being re-profiled to commence after quarter one to allow time for the management re-structure to embed.

Confidential report Please bold as appropriate	Yes	No
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CORPORATE PRIORITIES

5. 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

6. This is the first progress report for 2016/17 and covers the period between 1st April 2016 and 29th July 2016.

INTERNAL AUDIT PLANS

- 7. **Appendix 1** provides a “snapshot” of the overall progress made in relation to the 2016/17 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.
- 8. 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	<p>Work is currently in progress to collate data for the 2016-17 exercise. This includes the submission of data in October from the following systems:</p> <ul style="list-style-type: none"> • Trade Creditors • Council Tax Reduction Scheme • Council Tax • Electoral Roll • Market Traders • Taxi & Hackney Carriage Licence • Residents Parking Permits • Payroll • Insurance (NFI request this data directly from our insurance provider) <p>The results from the data matching exercise are due to be released in January 2017.</p>
Review of Safeguarding	Amber (5)	<p>As safeguarding can potentially affect all officers and functions, our work concentrated on the Council’s corporate arrangements. The Section 11 Audit Toolkit used by the Lancashire Safeguarding Children Board was used as the basis for our review.</p> <p>Our work established that safeguarding policies are in place and that robust mechanisms for reporting and referrals have been established.</p> <p>However, improvements are needed to update the policies with the new designated safeguarding officers (DSOs), and there are training & awareness needs in some service areas.</p>

Audit Area	Assurance Rating	Comments
ICT Continuity Service (15-16)	Red (9)	<p>This audit has been carried out to review the effectiveness of the council's ICT service continuity management arrangements in ensuring information and communications technology and services are resilient and can be recovered to predetermined levels within agreed timescales.</p> <p>A number of positive solutions and processes in place, however business continuity and recovery plans require updating to reflect the current arrangements.</p>

CONTROLS ASSURANCE KEY

<p>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</p>	Control Rating	Limited	4	7	9
		Adequate	2	5	8
		Substantial	1	3	6
			Minor	Major	Critical
Risk Rating					
<p>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.</p>					

AMENDMENT TO THE 2016-17 INTERNAL AUDIT PLAN

8. The Internal Audit Plan presented to members in March 2016 contained the following ICT audit:
 - Review of compliance with the outsourced network contract and infrastructure arrangements.

It has since been confirmed that that this contract is not going to be renewed and alternative arrangements are to be introduced from April 2017 onwards. Following a request from the Director (Customer & Digital) and the ICT Manager, this review has been replaced with an audit of the Council’s Information Governance arrangements.

INTERNAL AUDIT PERFORMANCE

9. **Appendix 2** provides information on Internal Audit performance as at 29th July 2016. We are pleased to report that the majority of indicators have either been achieved or exceeded. The planned time indicator is below target as some reviews have been profiled to commence after quarter 1 of 2016-17 to allow time for the recent re-structure to embed.

10. During quarter one we held meetings with all new post holders to inform them of planned audit reviews in their respective service areas in 2016-17. We also confirmed and agreed implementation dates of previously agreed management actions.

IMPLICATIONS OF REPORT

11. 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 2016/17 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 2016	Audit Interim report

APPENDIX 1

INTERNAL AUDIT PLANS 2016/17

AUDIT AREA	RISK RATING	PLAN (Days)	ACT (Days)	BAL (Days)	ASSURANCE RATING	COMMENTS
CHORLEY						
CORPORATE AREAS						
Annual Governance Statement	N/A	20	20.4	-0.4	N/A	Complete
Anti Fraud & Corruption	N/A	15	3	12	N/A	On-going
NFI	N/A	20	4.6	15.4	N/A	On-going
POLICY & GOVERNANCE						
Policy and Communications						
Performance Management Information	CRITICAL	15	1.9	13.1		In progress
Project Management	MAJOR	10	0.6	14.4		In progress
Events Management (Internal)	MAJOR	15	0.6	14.4		To commence Q4
Legal Democratic & HR Services						
Health & Safety	CRITICAL	15	0	15		To commence Q3
Finance						
Payroll project	N/A	10	0	10		To commence Q3/4
CUSTOMER & DIGITAL						
ICT Services						
Information Governance	CRITICAL	15	0	15		To commence Q2
Customer Transformation						
Land Charges	MAJOR	10	1.7	8.3		In progress
Council Tax	CRITICAL	35	0	35		To commence Q3
Non Domestic Rates	CRITICAL					To commence Q3
Housing Benefits	CRITICAL					To commence Q3
Debtors	CRITICAL					To commence Q3
Waste & Streetscene Services						
Stores	MAJOR	5	0	5		To commence Q2
Fuel Consumption	MAJOR	5	0	5		To commence Q2
Planning						
Development Control	MAJOR	15	0	15		To commence Q4
EARLY INTERVENTION						
Early Intervention & Support						
Safeguarding – Adults & Children	MAJOR	15	16	-1	Amber (5)	Complete
Counter Terrorism – “Prevent” duty	MAJOR	15	0	15		To commence Q3
Housing Options						
Integrated Home Improvement Service / Disabled Facilities Grants	MAJOR	15	0	15		To commence Q2
Health & Wellbeing						
Indoor Leisure Contract	MAJOR	10	0	10		To commence Q4
REGENERATION & INWARD INVESTMENT						
Section 106	MAJOR	10	0	10		To commence Q4
Community Infrastructure Levy	CRITICAL	10	0	10		To commence Q4
GENERAL AREAS						
Irregularities (Contingency)	N/A	10	0	10		On-going
Post Audit Reviews	N/A	10	7.1	2.9		On-going
Residual Work from 2015/16	N/A	15	18.2	-3.2		Complete
Unplanned Reviews (Contingency)	N/A	10	2.2	7.8		On-going
Governance Committee	N/A	20	8.7	11.3		On-going
TOTAL		345	85	260		

AUDIT AREA	RISK RATING	PLAN (Days)	ACT (Days)	BAL (Days)	ASSURANCE RATING	COMMENTS
SHARED SERVICES						
SHARED FINANCIAL SERVICES						
Main Accounting System	CRITICAL	95	0	95		To commence Q3
Creditors	CRITICAL					To commence Q3
Payroll	CRITICAL					To commence Q3
Treasury Management	CRITICAL					To commence Q3
Cash & Bank / Cheque Control	CRITICAL					To commence Q3
GENERAL AREAS						
Post Audit Reviews	N/A	10	4.1	5.9	N/A	On-going
Contingency	N/A	20	0	20	N/A	On-going
Residual Work from 2015/16	N/A	20	25.9	-5.9	N/A	Complete
TOTAL		145	30	115		

INTERNAL AUDIT PERFORMANCE INDICATORS AS AT 29th July 2016

	Indicator	Audit Plan	Target 2016/17	Target to Date	Actual to Date	Comments
1	% of planned time used	SS	90%	16%	20%	Target exceeded
		CBC	90%	30%	25%	Below target – reviews have been profiled to commence after Q1 to allow time for the management re-structure to embed.
2	% audit plan completed	SS	100%	0%	0%	Not applicable
		CBC	100%	18%	18%	Target achieved
3	% management actions agreed	SS	98%	0%	0%	Not applicable
		CBC	98%	98%	100%	Target exceeded
4	% overall customer satisfaction rating (assignment level)	SS	90%	90%	100%	Target exceeded
		CBC	90%	90%	100%	Target exceeded

SS = Shared Services

CBC = Chorley

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