

Chorley Council

FINANCIAL STATEMENT

Year Ended 31 March 2009



FINANCIAL STATEMENT
YEAR ENDED 31 MARCH 2009

CHAIR OF AUDIT COMMITTEE

Councillor A Gee

LEADER OF THE COUNCIL

Councillor P Goldsworthy

CHIEF FINANCE OFFICER

Gary Hall BA CPFA



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auditor's report to chorley borough council



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

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explanatory foreword



1. INTRODUCTION BY THE CHIEF FINANCE OFFICER

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

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

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

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

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

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

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

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

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

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

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

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

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

Changes to Accounts 2008/09, The notes relating to the pension scheme have changed significantly, with the disclosure of increased levels of detail. In addition there has been a change in the basis of valuation of pension fund assets. This is fully reported in the notes.

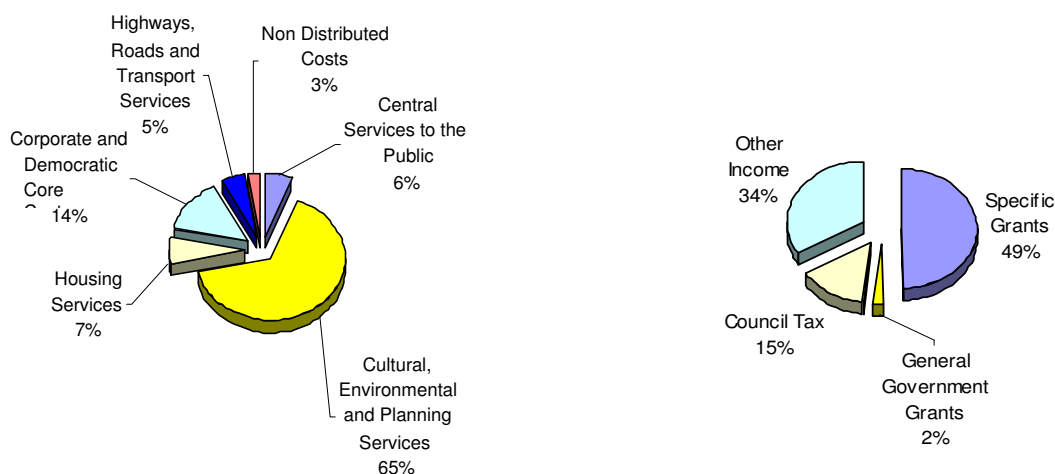
explanatory foreword



2. INCOME AND EXPENDITURE 2008/09

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

Figure 1. Revenue Expenditure & Funding



During the year the Council's net cash expenditure on the General Fund revenue account amounted to £0.177m when compared against planned expenditure. The main variations, analysed by directorate, against that originally planned are summarised in the table below:

Figure 2. Budget Variations by Directorate						
Service	Cash Budgets 2007/08 £'000	Actual 2007/08 £'000	Cash Variation 2007/08 £'000	Cash Budgets 2008/09 £'000	Actual 2008/09 £'000	Cash Variation 2008/09 £'000
Chief Executive's Office	712	654	(58)	612	586	(26)
Corporate Governance	1,551	1,483	(68)	1,592	1,546	(46)
Business	855	819	(36)	1,021	971	(50)
Business Improvement	2,297	2,656	359	2,879	3,211	332
Human Resources	340	373	33	405	370	(35)
ICT Services	999	914	(85)	903	854	(49)
People	1,968	1,890	(78)	2,087	2,062	(25)
Policy & Performance	684	634	(50)	682	608	(74)
Neighbourhoods	4,910	4,938	28	5,109	5,057	(52)
Financing Transactions	1,261	1,063	(198)	845	745	(100)
Interest and Investment Income	(314)	(525)	(211)	(575)	(718)	(143)
Interest Payable and Similar Charges	0	7	7	0	275	275
Net Expenditure to Finance	15,263	14,906	(357)	15,560	15,567	7
Council Tax	(6,629)	(6,608)	21	(6,748)	(6,748)	(0)
Aggregate External Finance	(8,008)	(8,008)	0	(8,221)	(8,221)	0
Use of Reserves and Balances	(626)	(256)	370	(591)	(371)	220
Area Based Grant	0	0	0	0	(22)	(22)
LA Business Growth Incentive Grant	0	(356)	(356)	0	(28)	(28)
Total Financing	(15,263)	(15,228)	35	(15,560)	(15,390)	170
Net Expenditure	(0)	(322)	(322)	0	177	177

explanatory foreword



Details of variances can be found on the Accounts Outturn Report available on the Council's website.

In 2008/9 the global financial crisis specifically impacted on the Council in the following ways:

- Land and property values were reviewed and an impairment provision of £712k was made
- The Council's investment in one of the failed Icelandic banks had to be impaired at a cost of £570k, although the impact of this will be deferred until 2010/11. This is explained in Note 32 to the Core Financial Statements.

3. CAPITAL SPENDING AND FINANCING 2008/09

During the year the Council spent a total of £5.235m on capital schemes. £0.678m of that sum was expended on the Housing Investment Programme (HIP), mainly in improving private sector housing.

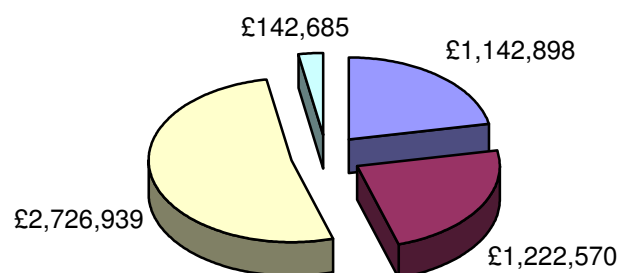
Key areas of expenditure included sums spent on:

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

The capital spending in 2008/09 was financed from these sources:

- Long-term borrowing £1.143m
- Capital receipts £1.222m
- Grants and contributions £2.727m
- Revenue financing £0.143m

Figure 3. Sources of Finance for Capital Spending



explanatory foreword



4. OVERALL FINANCIAL POSITION OF THE AUTHORITY

The financial position of the Council moving forward, and its ability to balance its budget, is becoming increasingly difficult. There still remains some risk in managing the budget and ensuring the continuity of resources to finance the Council's plans. The major future issue for the Council will be the consequences of the current global financial crisis and the need for the Council to prepare for more difficult financial circumstances affecting the whole public sector.

Some of the other key issues at hand include:

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

5. PENSIONS FUND

The Pension Fund actuarial valuation was completed during the financial year 2006/07. The FRS17 deficiency is shown in the statement of total recognised gains and losses. The excess of the accrued pension liabilities assessed on a prescribed basis, compared with the market value of assets at a single point in time (i.e. 31 March 2009) is shown in the balance sheet at £25.5m. It represents an actuarially calculated figure for accounting purposes. Whilst successive year on year FRS17 figures can normally be expected to give a general indication of how the finances of the fund are progressing, only if the actual assumptions come to fruition will the true picture be known. The outcome from the fund valuation is that there is an underlying deficit and as such the employer's contribution rate will rise incrementally over the next three years to redress the deficit. An increase in the contribution rate has already been budgeted for in 2009/10 and thereafter, the increase being as shown in the following table:

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

The contribution rates beyond 2010/11 will be determined by the next fund revaluation due in 2009/10.

6. FUTURE DEVELOPMENTS AND SPENDING

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

- Prosperity
- People
- Place
- Performance

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

Capital Expenditure

Our commitment to making Chorley a better place to live will mean that key improvements will be made in 2009/10. We plan to spend £5.053m on capital schemes comprising:

- Affordable Housing and Home Improvement Grants
- Enhancing park, recreation and leisure facilities
- Investing in Council assets and systems

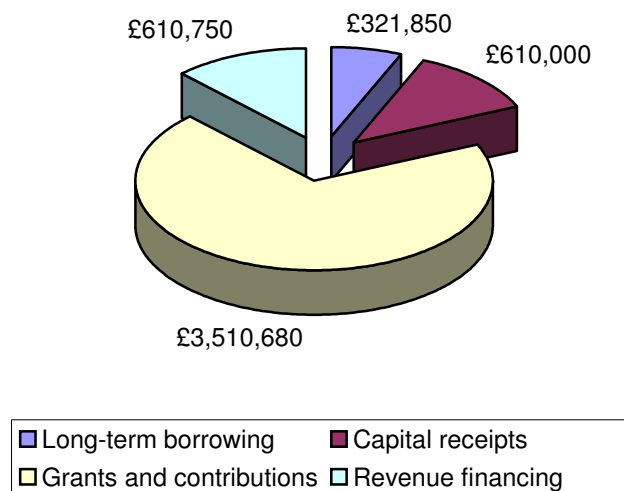
explanatory foreword



- Enhanced recycling

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

Figure 4. Future Capital Resources



Capital spending plans for 2009/10 assume the receipt of resources such as developers' contributions and income from the sale of surplus assets or former Council dwellings, which may be affected by factors beyond the Council's control. In particular, the impact of the "credit crunch" on the housing market has caused estimated levels of capital income to be reduced. The situation will be monitored and amendments made to the spending plans as necessary.

Revenue Expenditure

The Council continues to invest in its key priority areas and in 2009/10 additional resources have been allocated for housing services, processing benefit claims, and for free swimming. 2008/9 saw the introduction of a new national concessionary fares scheme, which has caused budgetary pressures for many councils including Chorley. This will continue while the scheme is reviewed with consequential changes anticipated in 2011/12. The Council plans to call on reserves to meet this short-term pressure.

Realistically we expect the legacy of the credit crunch and financial crisis to be a tightening of financial pressures on local authorities. We will continue to review whether the Council's scarce resources are allocated properly as plans are refreshed annually. The Council will also endeavour to increase the resources available to it by:

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

Collection Fund

The Collection Fund Accounts show both an in year, and a cumulative deficit. Provision has been made for the impact of this deficit on the Council in the 2009/10 budget. To put this deficit into perspective, the current economic climate has slowed the rate of growth in both domestic and business properties within the borough. Additionally, it has had a small detrimental impact on collection rates.

explanatory foreword



Future Accounting Changes

The Council is preparing for the adoption of International Financial Reporting Standards in 2010/11. Preparatory work has commenced, specifically with a view to the need to ultimately restate the 2009/10 accounts on an IFRS basis.

7. FURTHER INFORMATION

Further information about this statement of accounts is available from:

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

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

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

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

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

Gary Hall BA CPFA
CHIEF FINANCE OFFICER

statement of responsibilities



STATEMENT OF RESPONSIBILITIES

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

The Authority's Responsibilities

The Authority is required:

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

Executive Leader – Councillor Peter Goldsworthy

Date:

The Chief Finance Officer's Responsibilities

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

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

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

I have also:

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

This Statement of Accounts presents fairly the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2009.

Gary Hall BA CPFA
CHIEF FINANCE OFFICER

Date:

accounting policies



1. INTRODUCTION

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

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

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

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

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

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

2. RESERVES AND PROVISIONS

Reserves consist of fund balances accumulated for use by the Council in the future. Expenditure is not charged direct to any reserve, instead it is charged to the appropriate service revenue account, and the reserve appropriated back into the General Fund Balance. Reserves include earmarked reserves set aside for purposes such as general contingencies and cash flow management. A summary of these is given in Note 28 to the Core Financial Statements.

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

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

accounting policies



3. TANGIBLE FIXED ASSETS

Recognition and measurement

All expenditure on the acquisition, creation or enhancement of tangible fixed assets is capitalised on an accruals basis in the accounts. Expenditure on tangible fixed assets is capitalised provided that it exceeds the "de minimis" threshold of £10,000 and that the asset yields benefits to the Council, for a period of more than one year.

Expenditure that would be capitalised includes the following:

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

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

- Infrastructure assets and community assets are at historical cost
- Land, operational properties and other operational assets are included at the lower of net current replacement cost and net realisable value.
- Non-operational assets, consisting of investment and surplus properties are included at the lower of net current replacement cost and net realisable value. In the case of investment properties this is normally market value.

Assets included in the Balance Sheet at current value are revalued where there have been material changes in value, but as a minimum every five years.

Impairment

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Examples of events and changes in circumstance that indicate an impairment may have occurred include :

- A significant decline in a fixed asset's market value during the period
- Evidence of obsolescence or physical damage
- A significant change in the statutory or regulatory environment in which the authority operates

Any reduction in value is charged to the service revenue account if it is attributable to the clear consumption of economic benefit. Otherwise the reduction is written off against any accrued revaluation gains or, if inadequate, charged to the service revenue account.

Depreciation

Depreciation is provided for on all tangible fixed assets with a finite useful life (determined at the time of acquisition or revaluation), calculated using the straight-line method. Where the asset comprises two or more major components with substantially different useful economic lives, each component is accounted for separately for depreciation purposes and depreciated over its individual useful life. (See Note 13 to the Core Financial Statements.)

The estimated useful lives used in the calculation of depreciation are as follows

accounting policies



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

Revaluation gains are also depreciated.

4. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Legislation allows some expenditure to be classified as capital for funding purposes even though it does not result in expenditure being carried on the Balance Sheet as a fixed asset. The purpose is to enable the expenditure to be funded from capital resources rather than be charged to the General Fund and impact on the council tax. This category of expenditure includes grants for works to property not owned by the Council, website development costs, and items capitalised under direction from the Secretary of State.

(See Note 13 to the Core Financial Statements.)

5. INTANGIBLE ASSETS

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Council (e.g. software licences) is capitalised at cost if it will bring benefits to the Council for more than one financial year. The balance is amortised to the relevant service revenue account over the economic life of the investment to reflect the pattern of consumption of benefits. The charge for amortisation is reversed through the Reconciling Items for the Statement of Movement on the General Fund Balance.

(See Note 12 to the Core Financial Statements for amortisation of intangible assets to revenue and Note 16.)

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

Receipts in excess of £10,000 are categorised as capital receipts and are held in the Capital Receipts Reserve to be used for new capital expenditure or to reduce the need to borrow.

Gains and losses on the disposal of fixed assets are recognised in the Income and Expenditure Account, but an adjustment is made to the General Fund Balance to avoid this impacting on council tax.

7. GRANTS

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

Where the acquisition or enhancement of a fixed asset is financed wholly or in part by a Government grant or other contribution, the amount of the grant or contribution is credited to the Government Grants – Deferred account. (See Note 26 to the Core Financial Statement.) This is subsequently written off to the Reconciling Items for the Statement of Movement on the General Fund Balance over the useful life of the asset to match the depreciation of the asset to which it relates. (See Note 12 to the Core Financial Statement.)

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

8. INTEREST

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

accounting policies



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

9. LEASING

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

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

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

The amount of lease rentals paid during 2008/09 and the amount of undischarged leasing obligations are shown at Note 18 to the Core Financial Statements. Finance and operating lease rentals are charged to revenue. The Council had no finance leases in operation during 2008/09. In line with the SORP, operating leases are not shown as assets or liabilities on the Authority's balance sheet.

10. ACCRUALS OF REVENUE AND CAPITAL INCOME AND EXPENDITURE

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

See Note 23 to the Core Financial Statements.

11. VALUE ADDED TAX

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

12. STOCKS AND STORES

Some stores held by the Council are shown in the accounts at estimated current replacement value. All other stocks are shown at cost price. (See Note 22 to the Core Financial Statements.) This is a departure from the SSAP9, which requires that stocks be valued at the lower of cost and net realisable value. The potential impact on the accounts is that stocks could be overstated in the statements, although investigation of the impact has shown that any overstatement would not be material in the accounts.

13. CENTRAL SUPPORT SERVICE AND ADMINISTRATIVE EXPENSES

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

- Corporate and Democratic core costs
- Non distributed costs

14. PENSION COSTS

Employees of the Council are members of the Local Government Pensions Scheme administered by Lancashire County Council. The scheme provides defined benefits to members.

The scheme is accounted for as a defined benefits scheme and the Council has adopted the recommendations of Financial Reporting Standard (FRS) 17 (Retirement Benefits) in accounting for pensions.

accounting policies



The scheme liabilities attributable to the Council 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 benefits earned to date by employees based on assumptions about mortality rates, turnover rates etc, and projected earnings of employees). Liabilities are discounted to their current value using a discount rate of 7.1%

Scheme assets are included in the Balance Sheet at realisable values.

The Income & Expenditure Account shows the net asset/liability changes during the year of account, including the future cost of pensions earned in the year, and predicted returns on the funds assets. The transactions are not cost based but are actuarially calculated amounts that reflect more closely the true changes in the fund's long term liabilities and assets.

The above steps ensure that the accounts give as accurate as possible picture of the pension fund's position. However, in order that there is no impact on the level of council tax, adjustments are made in Statement of Movement on the General Fund Balance to bring the accounts back to a cash basis.

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

Further information is presented in Note 36 to the Core Financial Statements.

15. INVESTMENTS/INTEREST IN COMPANIES

Investments in companies and marketable securities are carried at cost less provision, where appropriate, for loss in value. Long-term investments are identified separately on the face of the Balance Sheet. (See Note 20 to the Core Financial Statements.) Dividend income from investments is recognised when the Council has the right to receive the dividend.

Where the Council invests in companies, and has a controlling interest, group accounts should be produced. The Council has previously had such interests but in 2008/09 had no interest in any company that undertook any trading activity during the period.

16. CONTINGENT ASSETS

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

See Note 34 to the Core Financial Statements.

17. CONTINGENT LIABILITIES

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

See Note 34 to the Core Financial Statements.

18. EVENTS AFTER THE BALANCE SHEET DATE

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

accounting policies



Where an event that occurs after the Balance Sheet date is indicative of conditions that arose after the Balance Sheet date, the amounts recognised in the Statement of Accounts are not adjusted. However, there would be a disclosure for each material category of 'non-adjusting' event after the balance sheet date to indicate the nature of the effect and an estimate of the financial effect, or a statement that such an estimate cannot be made reliably. (See Note 42 to the Core Financial Statements)

Events after the Balance Sheet date are reflected up to the date when the Statement of Accounts is authorised for issue (see Note 43 to the Core Financial Statements).

19. MINIMUM REVENUE PROVISION

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

See Note 12 to the Core Financial Statements.

20. PRIOR PERIOD ADJUSTMENTS AND CHANGES IN ACCOUNTING POLICIES

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

21. FINANCIAL INSTRUMENTS

The term Financial Instruments covers both financial assets and liabilities, and includes both the most straightforward instruments such as trade receivables and payables and more complex borrowing arrangements.

Financial Liabilities

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

Any gains or losses on the repurchase or early settlement of borrowing are charged to the Income & Expenditure Account. However where repurchase has taken place as part of a restructure the premium or discount is added to the amortised cost and charged over the life of the new or modified loan.

Financial Assets

These are classified into two types:

- **Loans and Receivables** – These are assets that have fixed or determinable payments but are not quoted in an active market. They are measured at fair value and carried at amortised cost. Annual credits to the Income & Expenditure Account are based on the carrying amount multiplied by the effective rate of interest. If an asset is identified as impaired it is written down and a charge made to the Income & Expenditure Account.
- **Available for sale assets** – assets that have a quoted market price and/or do not have fixed or determinable payments. These are initially measured, and carried, at fair value. Gains or losses are posted to the Available for Sale Reserve. On derecognition gains or losses are charged to the Income and Expenditure Account.

22. DISCONTINUED OPERATIONS

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

accounting policies



See Note 1 to the Core Financial Statements

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1. Scope of Responsibility

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

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

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

2. The Purpose of the Governance Framework

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

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

The governance framework has been in place at the Council for the year ended 31 March 2009 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 derived from the Community Strategy, which clearly articulates a shared vision for the Borough of Chorley.
- Long term outcomes and interim performance targets have been established for each strategic objective.
- The Community Strategy and Corporate Strategy are published widely and are also available on the Council website and intranet.

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

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

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

- Service level Business Improvement Plans contain key projects that are geared towards achieving overall strategic objectives. They also contain challenging targets in respect of both national performance indicators and local performance targets.
- This system is in turn supported by individual staff performance and development reviews to ensure that everyone understands their individual and service unit contribution to corporate goals.
- The Council has recently replaced the performance management software system, previously Performance Plus, with an in house more user-friendly system which provides the same reporting features but is also aimed at strengthening further our approach to data quality. Reports are produced to ensure that trends in performance can be identified and corrective action introduced if appropriate. This is supported by a robust data quality control system, which ensures the accuracy of the reported information.
- Performance against targets is monitored at officer and member levels, by Strategy Group, Executive Cabinet, Overview & Scrutiny and the Audit Committee.
- The Council achieved a maximum score of 4 for the 2008 Use of Resources assessment by the Audit Commission and the maximum score of 4 for Performance management in the 2008 Corporate Assessment which demonstrates that the above arrangements are effective.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4. Review of Effectiveness

Chorley Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of executive managers within the authority who have responsibility for the development and maintenance of the governance environment, the Annual Report of the Head of Shared Assurance Services 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 for some time to oversee the compilation of the Annual Governance Statement:
 - Assistant Chief Executive - Business Transformation & Improvement (S151 Officer);
 - Corporate Director (Governance) (Monitoring Officer);
 - Assistant Chief Executive - Policy & Performance;
 - Head of Shared Assurance Services.
- The group have conducted a detailed corporate level review of the Council's system of governance in accordance with the guidance provided by GIPFA / SOLACE.

Directorate Level Review

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

Monitoring Officer

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

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Scrutiny Committee

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

Audit Committee

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

Standards Sub-Committee

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

Internal Audit

- Internal Audit is responsible for monitoring the quality and effectiveness of the system of governance and internal control. A risk-based Internal Audit Plan is produced each financial year. The reporting process for Internal Audit requires a report of each audit to be submitted to the relevant Directorate. The report includes recommendations for improvements that are included within a Management Action Plan and require agreement or rejection by service managers. The process includes follow-up reviews of agreed recommendations to ensure that they are acted upon.
- The Internal Audit Annual Report contains a statement / judgement on overall levels of internal control (a view based on the relative significance of the systems reviewed during the year, in the context of the totality of the control environment).
- The Internal Audit Section is subject to regular inspection by the Council's external auditors, who place reliance on the work carried out by them.

External Audit

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

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5. Significant Governance Issues

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

No.	Governance Areas	Planned Improvements
	<i>Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area</i>	
1	Ensuring that partnerships are underpinned by a common vision of their work that is understood and agreed by all partners	This is the case for the Chorley Partnership (LSP) but it will also be made clear in the Council's other key commercial partnership agreements (check DAS summary)
2	Measuring the environmental impact of policies, plans and decisions	The standard committee report template will be amended to address this, supported by staff training and awareness
3	Further work is necessary to develop fully the Council's working relationship with the local PCT in order to develop the 'Health' outcomes contained within the Corporate Strategy	The current arrangements for encouraging and enhancing working relationships will be reviewed and changed in the coming year
	<i>Members and officers working together to achieve a common purpose with clearly defined functions and roles</i>	
4	When working in partnership, ensuring that members are clear about their roles and responsibilities both individually and collectively in relation to the partnership and to the authority	Clear terms of reference & feedback mechanisms will be established for members working on outside bodies
	<i>Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour</i>	
5	In pursuing the vision of a partnership, agreeing a set of values against which decision making and actions can be judged. Such values must be demonstrated by partners' behaviour both individually and collectively.	This has been incorporated the Code of Conduct for the Chorley Partnership and will be incorporated in the performance framework for the Council's other key commercial partnerships.
	<i>Directorate Compliance</i>	
6	Information Management Policy	Further work is in progress to complete directorate self-assessments and implement any actions arising.
7	Anti-Fraud & Corruption Policy	Staff need to be reminded of their roles & responsibilities to prevent and detect fraud & corruption and to comply with the Code of Conduct for Employees.

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

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

Cllr P Goldsworthy
Leader of the Council

D Hall
Chief Executive

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

A Docherty
Corporate Director
of Governance
(Monitoring Officer)

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INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2009

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

2007/08 Net Expenditure £'000	DESCRIPTION OF SERVICE	2008/09 Gross Expenditure £'000	2008/09 Gross Income £'000	2008/09 Net Expenditure £'000	Note
555	Central Services to the Public	7,308	(6,259)	1,049	
10,822	Cultural, Environmental and Planning services	14,958	(3,386)	11,572	
635	Highways, Roads and Transport services	2,250	(1,372)	878	
1,543	Housing services	18,260	(16,991)	1,269	
2,890	Corporate and Democratic core costs	2,578	(102)	2,476	
652	Non Distributed Costs	679	(1,137)	(458)	
17,097	TOTAL CONTINUING OPERATIONS	46,033	(29,247)	16,786	
54	Discontinued operations	0	0	0	
54	TOTAL DISCONTINUED OPERATIONS	0	0	0	
17,151	NET COST OF SERVICES	46,033	(29,247)	16,786	
(76)	Gains or losses on the sale of fixed assets			(535)	
550	Precepts paid to Parish Councils			575	
74	Surplus or deficit of trading operations			(104)	3
7	Interest payable and similar charges			798	
11	Contribution to Housing Pooled Capital Receipts			16	
0	Net loss on repurchase or early settlement of borrowing			0	
(525)	Interest and investment income			(724)	
274	Pensions interest cost & expected return on pensions asset			1,336	
(1,144)	Other income			(698)	
16,322	NET OPERATING EXPENDITURE			17,450	
	Sources of Finance				
(1,506)	General government grants			(1,055)	37
(6,857)	Non-Domestic Rates redistribution			(7,216)	
(6,608)	Precept demanded from Collection Fund			(6,748)	
1,351	(SURPLUS)/DEFICIT FOR THE YEAR			2,431	

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THE STATEMENT OF MOVEMENT ON FUND BALANCES

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

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

These differences, and movements in Earmarked Reserves, are adjusted by movements in the General Fund balance. The increase or decrease in Fund balances represents the true financial surplus or deficiency for the year. Full details of the movements are shown in Note 12 to the Core Financial Statements.

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

2007/08 £'000		2008/09 £'000	Note
1,351	(Surplus)/deficit for the year	2,431	
(1,672)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the Fund for the year	(2,254)	12
(321)	(INCREASE)/DECREASE IN GENERAL FUND BALANCE FOR THE YEAR	177	
(769)	Fund Balance brought forward	(1,886)	
(896)	HRA balance transferred in	0	
100	Transfers in year to earmarked reserves	108	
(1,886)	BALANCE ON FUND CARRIED FORWARD	(1,601)	28d

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STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

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

2007/08 £'000		2008/09 £'000	Notes
1,351	(Surplus)/deficit for the year on the Income and Expenditure Account	2,431	
(4,771)	(Surplus)/deficit arising on revaluation of fixed assets	(1,516)	13
8,900	Actuarial (gains)/losses on pension fund assets and liabilities	(2,543)	36
485	(Surplus)/deficit for the year on the Collection Fund	95	
3	Deferred capital receipts, discharged in the year, treated as de minimis revenue receipts	2	
5,968	TOTAL RECOGNISED (GAINS)/LOSSES FOR THE YEAR	(1,531)	

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THE BALANCE SHEET AS AT 31 MARCH 2009

31/03/08 £'000		£'000	31/03/09 £'000	Notes
538	Intangible assets		509	16
	Operational assets			
26,380	- Other land and buildings	26,233		
1,550	- Vehicles, plant, furniture & equipment	1,614		
151	- Infrastructure	301		
2,626	- Community assets	4,036		
	Non-operational assets			
2,348	- Investment properties	2,432		
1,622	- Surplus assets held for disposal	2,905		
34,677	Tangible fixed assets		37,521	13
58	Long-term investments		8	20
247	Long-term debtors		75	21
35,520	Total long-term assets		38,113	
67	Stocks and work in progress	41		22
7,794	Debtors	7,087		23
10,363	Investments	5,009		29
575	Cash and bank	383		
18,799	Total current assets	12,520		
(2,367)	Short-term borrowing	(2,389)		29
(6,386)	Creditors	(5,440)		23
0	Bank Overdraft	(449)		
(8,753)	Total current liabilities	(8,278)		
45,566	Total assets less current liabilities		42,355	
(4,633)	Long term borrowing	(2,280)		29
(12)	Deferred liabilities	(14)		25
0	Provisions	0		24
(2,229)	Government grants-deferred account	(3,254)		26
(7,280)	Unapplied grants and contributions	(5,690)		27
(27,334)	Liability related to defined benefit pension scheme	(25,508)		36
(41,488)			(36,746)	
4,078	TOTAL ASSETS LESS LIABILITIES		5,609	17
	Financed by:			
1,316	Revaluation reserve		2,779	28a
26,326	Capital adjustment account		25,533	28b
0	Available-for-sale Financial instruments Reserve		0	
0	Financial instruments Adjustment Account		(405)	28c
1,070	Capital receipts reserve		680	28d
22	Deferred Capital Receipts		19	21
(27,334)	Pensions reserve		(25,508)	36
2,992	General Fund balance		2,920	28e
(314)	Collection Fund Balance		(409)	28f
4,078	TOTAL NET WORTH		5,609	

These financial statements replace the unaudited financial statements authorised at the meeting of the Audit Committee on June 24 2009

Gary Hall Chief Finance Officer September 24 2009

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CASH FLOW STATEMENT FOR YEAR ENDED 31 MARCH 2009

2007/08 £'000		2008/09 £'000	Notes
(991)	Net Cash Inflow/(Outflow) From Operating Activities	(883)	38
	Return on Investments and Servicing of Finance		
	<i>Cash Outflows</i>		
(458)	Interest paid	(196)	
	<i>Cash Inflows</i>		
430	Interest received	640	
(28)	Net Cash Inflow from Returns on Investments and Servicing of Finance	444	
	Capital Activities		
	<i>Cash Outflows</i>		
(3,321)	Purchase of fixed assets	(2,987)	
(4,712)	Other capital cash payments	(2,899)	
	<i>Cash Inflows</i>		
1,340	Sale of fixed assets	315	
0	Proceeds from long term investments matured in year	50	
1,489	Capital grants received	660	42
5,783	Other capital cash receipts	2,059	
579	Net Cash Inflow/(Outflow) from Capital Activities	(2,802)	
(440)	Net cash Inflow/(Outflow) Before Financing	(3,241)	
	Management of Liquid Resources		
(6,837)	Net decrease/(increase) in short-term deposits	4,966	40
	Net decrease/(increase) in Other liquid resources	0	
	Financing		
	<i>Cash Outflows</i>		
0	Repayments of amounts borrowed	(2,367)	40
	<i>Cash Inflows</i>		
7,000	New loans raised	0	
163	Net Cash Inflow/(Outflow) from Financing	(2,367)	
(277)	Net Increase/(Decrease) in Cash	(642)	

notes to the core financial statements



1. DISCONTINUED OPERATIONS

Following a ballot of housing tenants and with financial support from the then Office of the Deputy Prime Minister (ODPM), the Council's housing stock and related assets and liabilities were transferred to Chorley Community Housing on the 26 March 2007. In line with the regulations relating to such stock transfers the Council's Housing Revenue Account had to remain open until the 31 March 2008.

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

In 2009/10 the Council is committed to making payments estimated at £2.661 million under a contract with Veolia Environmental Services (UK) Limited for the collection of refuse and recyclable waste from the authority's residents. The actual level of payments will depend upon the volumes collected and Veolia's performance in providing the service. The new contract has been awarded to Veolia for ten years from 2009/10, at an estimated total cost of £30 million

CLS Chorley manage four indoor leisure facilities on behalf of the Council. The Council is committed to making contract payments estimated to total £0.388 million in 2009/10, excluding payments in respect of improvements to leisure facilities, which are included in Note 13 to the Core Financial Statements. The contract expires at the end of 2011 for the Coppull Leisure Facility and continues until 2020 for the other three. See also Note 10 to the Core Financial Statements (Related Parties).

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

In 2007/08 the Council entered into a contract with Liberata UK for the provision of property management services. The contract runs until 2014/15. Estimated payments in 2009/10 are £0.397 million, excluding payments in respect of improvements to fixed assets, which are included in Note 13 to the Core Financial Statements.

The Council is committed to make payments for parking enforcement to Lancashire County Council. The agreement runs until 6 September 2009. Estimated payments are £0.115 million in 2009/10.

	2009/10	2010/11	2011/12	2012/13
	£'000	£'000	£'000	£'000
Refuse collection/recycling	2,661	3,000	3,000	3,000
Indoor leisure management	388	388	388	388
Property management	397	397	397	397
Parking enforcement	115	0	0	0
Total	3,561	3,785	3,785	3,785

3. TRADING OPERATIONS

To demonstrate the competitiveness of trading operations, the overall surplus or deficit is shown separately from the Net Cost of Services in the Income and Expenditure Account. The Council operates two markets in Chorley, and the Investment Portfolio consists of commercial properties such as industrial units and other premises rented by third parties. Detailed information about the expenditure and income of these trading operations is presented in the following table.

notes to the core financial statements



2007/08		2008/09		
Total		Markets	Investment Portfolio	Total
£'000		£'000	£'000	£'000
(727)	Income	(290)	(501)	(791)
146	Employee Related	146	21	167
104	Premises Related	91	36	127
35	Supplies & Services	9	1	10
259	Support Services	56	207	263
29	Current Service Pensions	1	0	1
228	Capital Charges	6	113	119
801	Total Expenditure	309	378	687
74	Net (Surplus)/Deficit	19	(123)	(104)

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

Section 137 of the Local Government Act 1972, as amended, empowers Local Authorities to make contributions to certain charitable funds, not-for-profit bodies providing a public service in the United Kingdom and mayoral appeals. The Council made no contributions pursuant to this power in 2008/09 (2007/08 - nil).

5. EXPENDITURE ON PUBLICITY

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

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

	2007/08	2008/09
	£'000	£'000
Recruitment advertising	74	24
Other advertising	29	30
Promotions/publicity	198	291
	301	345

The increased expenditure on publicity and promotions has been incurred on publicising the Refuse Collection Service, the Alcohol Harm Reduction Partnership, Town Centre Promotions and the Beacon Scheme.

notes to the core financial statements



6. BUILDING REGULATIONS CONTROL SERVICES

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

	2006/07 £'000	2007/08 £'000	2008/09 £'000	Cumulative £'000
Income received	256	295	268	819
Less expenditure incurred	(293)	(295)	(318)	(906)
(Deficit)/Surplus for the year	(37)	0	(50)	(87)

Under these regulations, the function is set a target of covering expenditure incurred in providing the services by the income earned from fees and charges, over a three-year period. Over the last three years, expenditure has exceeded income by £0.087m.

In 2003/04, the Council created a Building Control Reserve for the purpose of offsetting deficits in respect of this function. The balance on the reserve at 1 April 2008 was £0.050m and £0.025m was applied during the year.

7. LOCAL AUTHORITIES (GOODS AND SERVICES) ACT 1970

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

	2007/08 £'000	2008/09 £'000
South Ribble Borough Council	80	60
Parish Councils	52	51
Lancashire County Council	161	153
Preston City Council	0	22
Total	293	286

In addition, Chorley Council and South Ribble Borough Council established a Financial and Assurance Shared Services Partnership during 2008/09, details of which are given in Note 10 to the Core Financial Statements (Related Party Transactions).

8. MEMBERS' ALLOWANCES

Allowances paid to Members in 2008/09 totalled £280,449 (2007/08 £280,715).

notes to the core financial statements



9. OFFICERS' REMUNERATION

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

Remuneration Band	Number of Employees	
	2007/08	2008/09
£50,000 - £59,999	3	2
£60,000 - £69,999	3	1
£70,000 - £79,999	2	3
£80,000 - £89,999	2	3
£90,000 - £99,999	1	0
£100,000 - £109,999	0	0
£110,000 - £119,999	0	0
£120,000 - £129,999	1	0
£130,000 - £139,999	0	1

10. RELATED PARTY TRANSACTIONS

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

Central Government has effective control of the Council by providing both the statutory framework for the Council, and the majority of its funding. Grants from Central Government are detailed in the cash flow statement and in Note 41.

Other local authorities.

The Council has responsibility for collecting the precepts of the Lancashire County Council, the Lancashire Combined Fire Authority, and the Lancashire Police Authority. These are detailed in the Collection Fund accounts. It also makes payments to the Local Government Pension Scheme, administered by the County Council, which are detailed in Note 36.

The Council has a wide range of other financial and working relationships with the County Council. The only material transaction is the receipt of £0.719m in respect of waste collection and recycling (2007/08 £0.682m).

Related Party Transaction

In January 2009, the Financial and Assurance Shared Services 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 Council's functions of providing the services detailed in the Shared Services Agreement.

In 2008/09 gross expenditure of £399,210 was incurred on the shared services, which was fully funded by recharges of £191,857 to South Ribble Borough Council and £207,353 to Chorley Borough Council.

notes to the core financial statements



Members & Chief Officers

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

Other related parties

- Community Leisure Services are contracted to act as agents of the Council to provide sports and leisure facilities management. In 2008/09 payments totalled £0.374m (2007/08 £0.440m). See also Note 2 to the Core Financial Statement for details of future payments under the terms of the contract.
- The Council's housing stock was transferred to Chorley Community Housing (CCH) in 2006/07. Pursuant to that transfer: in 2008/09 CCH purchased services valued at £0.289m from the Council (2007/08 £0.304m); the Council purchased services from CCH costing nil (2007/08 £0.130m); and CCH paid over a proportion of the receipts from the preserved "right to buy" sales of dwellings to former Chorley Council tenants, totalling £0.064m (2007/08 £1.176m). In addition, the Council received income totalling £0.635m from CCH (2007/08 £0.015m) under a VAT sharing arrangement.
- In the following cases the Council made grants and payments for services that were significant relative to the size of the recipient organisation:

	2007/08 £'000	2008/09 £'000
South Ribble Business Venture Limited	12	36
Lancashire Economic Partnership	20	20
Groundwork Lancashire West & Wigan	27	42
The Arts Partnership	7	23
Chorley South Ribble & District Citizen Advice Bureau	109	94
Chorley & South Ribble Shopmobility	10	11
North West Local Authorities Employers Organisation	14	9
Chorley & South Ribble CVS	25	14
	224	249

11. DISCLOSURE OF AUDIT COSTS

The sums due from Chorley Borough Council to the Audit Commission for works carried out relating to the year of account 2008/09 were:

	2007/08 £'000	2008/09 £'000
Fees payable in respect of statutory inspection	6	20
Fees payable in respect of the audit of accounts	104	111
Fees payable for the certification of grant claims and returns	24	22
	134	153

notes to the core financial statements



12. RECONCILING ITEMS FOR THE STATEMENT OF MOVEMENT ON THE GENERAL FUND BALANCES

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

2007/08 £'000		2008/09 £'000
	Amounts to be included in the Income and Expenditure Account but required by statute to be excluded when determining the movement on the Fund balance for the year	
(228)	Amortisation of intangible assets	(245)
(1,725)	Depreciation and impairment of fixed assets	(1,415)
523	Government grants deferred amortisation matching depreciation and impairments	300
(928)	Revenue Expenditure Funded from Capital Under Statute	(677)
76	Net gains or losses on the sale of fixed assets	536
0	Difference between debits and credits to the Income and Expenditure account and amounts payable/receivable to be recognised under statutory provisions relating to soft loans, premiums and discounts on the early repayment of debt, and the impairment of investments	(405)
(2,347)	Net charges made for retirement benefits as per FRS 17	(2,949)
1,144	Other Income	63
(3,485)		(4,792)
	Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the movement on the Fund balance for the year	
0	Minimum revenue provision for capital financing	74
137	Capital expenditure charged-in year to revenue	142
(11)	Transfer from usable capital receipts to meet payments to the housing capital receipts pool	(16)
1,637	Employers contribution to Lancashire Pension Fund and retirement benefits payable direct to pensioners	2,232
1,763		2,432
	Transfers to or from the General Fund Balance that are required to be taken into account when determining the movement on the General Fund balance for the year	
(70)	Housing Revenue Account balance	0
0	Voluntary revenue provision for capital financing	0
120	Net transfers to and from earmarked reserves	106
50		106
(1,672)	NET ADDITIONAL AMOUNT TO BE (CREDITED) OR DEBITED TO THE FUND BALANCE FOR THE YEAR	(2,254)

notes to the core financial statements



13. SUMMARY OF CAPITAL EXPENDITURE AND FIXED ASSET DISPOSALS

Movement on Fixed Assets

	Operational Assets					Total Fixed Assets £'000
	Other Land and Buildings £'000	Vehicles, Equipment, Plant, etc £'000	Infra-structure £'000	Community Assets £'000	Non-Operational Assets £'000	
Gross Valuations						
Balance as at 1 April 2008	27,713	3,172	151	2,784	3,970	37,790
<i>Movement in 2008/09</i>						
Additions/expenditure in year	938	403	158	1,442	0	2,941
Appropriations	(221)	0	0	0	221	0
Disposals	(275)	0	0	0	0	(275)
Revaluations	234	0	0	0	1,462	1,696
Impairment	(509)	0	0	0	(316)	(825)
Balance as at 31 March 2009	27,880	3,575	309	4,226	5,337	41,327
Depreciation						
Balance at 1 April 2008	(1,333)	(1,622)	0	(158)	0	(3,113)
Charge for the year	(534)	(339)	(8)	(32)	0	(913)
Appropriations	11	0	0	0	(11)	0
Disposals	76	0	0	0	0	76
Revaluations	49	0	0	0	2	51
Impairment	105	0	0	0	9	114
Balance as at 31 March 2009	(1,626)	(1,961)	(8)	(190)	0	(3,785)
Impairment						
Balance at 1 April 2008	0	0	0	0	0	0
Charge for the year	(21)	0	0	0	0	(21)
Revaluation	0	0	0	0	0	0
Balance as at 31 March 2009	(21)	0	0	0	0	(21)
Net Book Value						
As at 31 March 2008	26,380	1,550	151	2,626	3,970	34,677
As at 31 March 2009	26,233	1,614	301	4,036	5,337	37,521

Depreciation of fixed assets is calculated by the straight-line method, using estimates of the remaining useful lives of the assets provided by the Council's property services contractor, Liberata UK Limited.

notes to the core financial statements



Revaluation Gains

These have arisen, in the main, because of the reclassification of certain assets as being surplus to requirements.

Capital Expenditure and Financing

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

2007/08 £'000		2008/09 £'000
910	Leisure and play facilities	679
1,400	Environmental improvements (including Astley Park)	1,448
328	Land acquisition	0
210	Improvements to offices and other premises (including Covered Market)	382
208	Waste collection and recycling	73
0	ICT and other equipment	330

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

		2009/10 £'000	2010/11 £'000	2011/12 £'000	Total £'000
Leisure facilities	Improvements to leisure centres and golf course	327	244	250	821
Astley Park and Hall	Heritage Lottery funded improvement scheme that started 2004/05	74	0	0	74
Other Council premises	Planned enhancements	200	200	200	600
		601	444	450	1,495

The capital expenditure for the year was financed as follows:

	2007/08 £'000	2008/09 £'000
Capital Expenditure		
Intangible Assets (a)	212	216
Fixed Assets	3,139	2,941
Revenue Expenditure Financed From Capital Under Statute	3,124	2,078
	6,475	5,235
Sources of Finance		
Long-term borrowing	0	1,143
Capital receipts	2,821	1,223
Capital grants and contributions	3,517	2,727
Revenue (including Major Repairs Allowance)	137	142
	6,475	5,235

a) See Note 16 (Intangible Assets) below.

notes to the core financial statements



14. TANGIBLE FIXED ASSETS ANALYSIS

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

	31 March 2008		31 March 2009	
	number	area	number	area
Hostel	1		1	
Town Hall (including Lancastrian Room)	1		1	
Other administrative buildings	1		1	
Depots and workshops	1		1	
Off-street car parks (charged weekdays)	12	(1,396 spaces)	12	(1,396 spaces)
Leisure centres and pools	4	**	4	**
Museum	1		1	
Allotments	105	(8 acres)	105	(8 acres)
Parks and recreation grounds		(360 acres)		(360 acres)
Amenity open spaces		(454 acres)		(454 acres)
Markets	2		2	
Cemeteries	2		2	
Community Centres	5		5	
Golf Course	1		1	
Public conveniences	5		4	Tootell St demolished

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

15. FIXED ASSET VALUATION

The Council re-values its assets on a rolling basis over a five-year period. The following statement analyses assets by year of valuation. The valuations are carried out by Liberata UK Limited, in accordance with the Statements of Asset Valuation Practice and Guidance Notes of The Royal Institution of Chartered Surveyors.

	Other Land and Buildings £'000	Vehicles, Plant, etc £'000	Infrastructure £'000	Community Assets £'000	Non-Operational Assets £000	Total £'000
Valued at historic cost	478	3,575	309	2,839	0	7,201
Valued at current value:						
Current year	5,020	0	0	0	2,261	7,281
2007/08	13,887	0	0	7	961	14,855
2006/07	0	0	0	0	113	113
2005/06	6,719	0	0	1,167	2,002	9,888
2004/05	1,776	0	0	213	0	1,989
Total	27,880	3,575	309	4,226	5,337	41,327

The gross historic cost of these assets is no longer identifiable. However since April 2007 Councils have been required to account for revaluation gains in the revaluation reserve, and maintain records of cost or value, excluding those revaluation gains. The cost/value of the above assets excluding these gains was £39.681m.

notes to the core financial statements



16. INTANGIBLE ASSETS

	Computer software licences £'000	Licences, trademarks etc. £'000	Patents £'000	Total £'000
Valuation at 31 March 2008	1,955	0	0	1,955
Accumulated amortisation and impairment to 31 March 2008	(1,417)	0	0	(1,417)
Net book value at 31 March 2008	538	0	0	538
Additions/expenditure in year	216	0	0	216
Disposals	0	0	0	0
Impairment losses	0	0	0	0
Amortisation in year	(245)	0	0	(245)
Net book value at 31 March 2009	509	0	0	509
Accumulated amortisation and impairment to 31 March 2009	(1,662)	0	0	(1,662)

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

17. NET ASSETS EMPLOYED

	Net Assets as at 31 March 2008 £'000	Net Assets as at 31 March 2009 £'000
The net assets employed by the General Fund are as follows:		
General Fund	4,078	5,704

18. FINANCE AND OPERATING LEASES – DISCLOSURE BY LESSEES

Lease rental payments (the Council as lessee)

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

Payments 2007/08 £'000		Payments 2008/09 £'000
59	Land and other buildings	59
460	Other operating leases	370
519	Total rental payments	429

notes to the core financial statements



The Council was committed at 31 March 2009 to making payments of £393,000, in 2009/10, under operating leases, comprising the following elements:

	Other land & Buildings £'000	Vehicles, Plant & Equipment £'000	Total £'000
Leases expiring in 2009/10	0	57	57
Leases expiring between 2010/11 and 2013/14	0	265	265
Leases expiring after 2013/14	71	0	71
Total rental payments	71	322	393

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

19. FINANCE AND OPERATING LEASES – DISCLOSURE BY LESSORS

Lease rental income (the Council as lessor)

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

2007/08 £'000		2008/09 £'000	
58	Industrial premises	54	
207	Offices and other premises	302	
265	Total rental income	356	

The Council holds a number of properties for use in operating leases, i.e. where the Council is the lessor. The gross value at 31 March 2009 was £2.392m (2007/08 £2.033m) and the accumulated depreciation was £0.107m (2007/08 £0.192m).

20. LONG TERM INVESTMENTS

Long-term investments at 31 March are as follows:

	31 March 2008 £'000	31 March 2009 £'000	
Association of District Councils (Properties) Ltd Stock 2011	50	0	Cost
4% Manchester Corporation Stock	8	8	Market value
	58	8	

notes to the core financial statements



21. LONG TERM DEBTORS

The analysis of outstanding long term debtors is:

	Balance at 31 March 2008 £'000	Advances/ Additions £'000	Repayments/ Reductions £'000	Balance at 31 March 2009 £'000
Mortgages (sale of Council houses)	22	0	(3)	19
Decriminalised parking (a)	198	55	(253)	0
Housing Act Advances	5	0	(1)	4
Car Loans	9	0	(3)	6
Land Charges	0	33	0	33
Private Street Work charges	13	0	0	13
Total Long Term Debtors	247	88	(260)	75

(a) This is the accumulated deficit on parking enforcement, due from the County. It has been reclassified at 31 March 2009 as a current debtor.

22. VALUATION OF STOCKS

Included in the total value of stocks and work in progress at 31 March 2009 is an amount of £11,343, representing stocks valued at the estimated current replacement cost (2007/08 £45,298). The remaining value of stocks totalling £29,267 is shown at cost price (2007/08 £22,162). The requirement of the SSAP9 is that the value of stocks should be the lower of cost and net realisable value.

23. REVENUE AND CAPITAL ACCRUALS

	Creditors		Debtors	
	31 March 2008 £'000	31 March 2009 £'000	31 March 2008 £'000	31 March 2009 £'000
Analysis of Creditors and Debtors				
Government departments	1,098	742	1,124	1,194
Other local authorities	134	818	297	253
Sundry creditors/debtors	3,231	2,059	4,961	3,235
Rate and Taxpayers	1,147	922	1,571	2,166
Payments in advance	0	0	500	1,007
Receipts in advance	776	899	0	0
	6,386	5,440	8,453	7,855
<i>Less</i> provision for impairment			(659)	(768)
Total Accruals	6,386	5,440	7,794	7,087

All these assets and liabilities are carried at cost. See Note 33 to the Core Financial Statements for an analysis of the credit risk.

notes to the core financial statements



24. PROVISIONS

There were no provisions as at 31 March 2009 (2007/08 nil).

25. DEFERRED LIABILITIES

	Balance at 1 April 2008 £'000	Additions £'000	Reductions £'000	Balance at 31 March 2009 £'000
Private Street Works	12	2	0	14
Total Deferred Liabilities	12	2	0	14

26. DEFERRED GOVERNMENT GRANTS AND CONTRIBUTIONS

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

2007/08 £'000		2008/9 £'000
1,435	Balance at 1 April	2,229
1,339	Add grants and contributions applied in year	1,325
(523)	Less: Transfer to Reconciling Items for the Statement of Movement on General Fund Balance (a)	(300)
(22)	Transfer to the Housing Revenue Account	0
2,229	Balance at 31 March	3,254

(a) See Note 12 to the Core Financial Statements

27. UNAPPLIED GRANTS AND CONTRIBUTIONS

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

	Balance at 31 March 2008 £'000	Income £'000	Expenditure £'000	Balance at 31 March 2009 £'000
Section 106 Receipts				
Affordable Housing	836	(90)	(8)	738
Transport Infrastructure	3,897	80	(264)	3,713
Recreational Facilities	515	77	(106)	486
Environmental Improvements	5	0	0	5
Various Purposes	1,178	60	(490)	748
School Provision	849	(849)	0	0
Total	7,280	(722)	(868)	5,690

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Additional Section 106 monies were received for the maintenance of facilities provided by developers, such as public open space, play areas and community centres. These contributions are treated as “receipts in advance” within creditors (Note 23 above) and are released to revenue to fund the maintenance expenditure over a number of years.

28. RESERVES

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

Reserve	Purpose of Reserve	Balance at 31 March 2008 £'000	Net Movement in year £'000	Balance at 31 March 2009 £'000	Further Detail of Movements
Revaluation Reserve	Store of gains on revaluation of fixed assets not yet realised through sales	1,316	1,463	2,779	(a) below
Capital Adjustment Account	Store of capital resources set aside to meet past expenditure	26,326	(793)	25,533	(b) below
Financial Instruments Adjustment Account		0	(405)	(405)	(c) below
Capital Receipts Reserve	Proceeds of fixed asset sales available to meet future capital investment	1,070	(390)	680	(d) below
Deferred Capital Receipts	The agreed capital income still to be received relating to the disposal of fixed assets	22	(3)	19	Matches long term mortgage debtor
Pensions Reserve	Balancing account to allow inclusion of Pensions Liability in the Balance Sheet	(27,334)	1,826	(25,508)	Notes 36 to Core Financial Statements
General Fund	Resources available to meet future running costs for non-housing services	2,992	(72)	2,920	(e) below
Earmarked Reserves		(314)	(95)	(409)	(f) below
Total		4,078	1,531	5,609	

notes to the core financial statements



(a) Revaluation Reserve

This reserve replaced the Fixed Asset Restatement Account (FARA) from 1 April 2007. The reserve therefore only shows revaluation gains accumulated since that date.

		2008/09
		£'000
Balance as at 1 April 2008		1,316
Revaluation of fixed assets in year	1,747	
Impairment charged to the reserve	(231)	
Depreciation adjustment	(53)	
		<u>1,463</u>
Balance at 31 March 2009		<u>2,779</u>

(b) Capital Adjustment Account

	£'000	£'000
Balance as at 1 April 2008		26,326
Write off book value of assets disposed of, net of revaluation reserve	(249)	
Reversal of depreciation and amortisation charges, net of deferred grants	(2,036)	
Revenue and capital receipts used to finance capital	1,365	
Minimum provision for debt repayment, net of commutation adjustment	74	
Depreciation adjustment with revaluation reserve	53	
		<u>(793)</u>
Balance at 31 March 2009		<u>25,533</u>

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

(c) Financial Instruments Adjustment Account

	£'000	£'000
Balance as at 1 April 2008		0
Reversal of impairment of Landsbanki investment	(570)	
Reversal of accrued Landsbanki interest credit	165	
		<u>(405)</u>
Balance at 31 March 2009		<u>(405)</u>

The Financial Instruments Adjustment Account provides a balancing mechanism between the different rates at which gains and losses (such as premiums on the early repayment of debt) are recognised under the SORP and are required by statute to be met from the General Fund.

See also Note 32 to the Core Financial Statements (Financial Instruments – Impairment).

notes to the core financial statements



(d) Capital Receipts Reserve

2007/08		2008/09	
£'000		£'000	£'000
1,419	Capital Receipts as at 1 April		1,070
1,336	Capital receipts during year from sale of assets	721	
(11)	Less pooled housing capital receipts	(16)	
1,147	Other capital receipts	128	
2,472			833
(2,821)	<u>Less:</u> Capital receipts applied in capital financing during year		(1,223)
1,070	Balance at 31 March		680

(e) General Fund

	Balance at 31 March 2008	Gain or losses in year	Transfers between reserves	Balance at 31 March 2009
	£'000	£'000	£'000	£'000
General Reserves	1,886	(285)	0	1,601
Earmarked Reserves				
- future revenue expenditure	1,043	(200)	0	843
- new developments	63	413	0	476
Total Earmarked Reserves	1,106	213	0	1,319
Total General Fund Reserves	2,992	(72)	0	2,920

(f) Other Reserves

	Balance at 31 March 2008	Gain or losses in year	Transfers between reserves	Balance at 31 March 2009
	£'000	£'000	£'000	£'000
Collection Fund	(314)	(95)	0	(409)
Total Other Reserves	(314)	(95)	0	(409)

See also the Collection Fund Revenue Account and Notes.

notes to the core financial statements



29. FINANCIAL INSTRUMENTS – BORROWINGS AND INVESTMENTS

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instrument:

	Long-Term		Current	
	31 March 2008 £'000	31 March 2009 £'000	31 March 2008 £'000	31 March 2009 £'000
Financial liabilities at amortised cost	4,633	2,280	2,367	2,389
Financial liabilities at fair value through profit & loss	0	0	0	0
Total borrowings	4,633	2,280	2,367	2,389
Loans and receivables	50	0	10,363	5,009
Available - for – sale financial assets	8	8	0	0
Unquoted equity investment at cost	0	0	0	0
Total investments	58	8	10,363	5,009

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

30. FINANCIAL INSTRUMENTS - COMPARISON OF CARRYING AMOUNT AND FAIR VALUE

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

- The fair value for financial liabilities have been determined by reference to the Public Works Loans Board (PWLB) redemption rules and prevailing PWLB redemption rates as at each Balance Sheet date, and include accrued interest.
- Where an instrument has a maturity of less than one year or is a trade or other receivable, the fair value is taken to be the principal outstanding or the billed amount.
- The fair value of Available for Sale assets has been determined by reference to published prices.

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

	Carrying Amounts		Fair Values	
	2008 £'000	2009 £'000	2008 £'000	2009 £'000
Financial Assets				
Loans and receivables - investments	50	0	42	0
- short term investments	10,363	5,009	10,363	5,009
- Long Term Debtors	247	75	247	75
- current debtors	7,794	7,087	7,794	7,087
Available – for – Sale financial assets	8	8	8	8
Financial Liabilities				
Long and short term borrowing	7,000	4,633	7,000	4,845
Creditors	6,386	5,440	6,386	5,440

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

	Financial Liabilities		Financial Assets			
	Measured at amortised cost		Loans & receivables		Available for Sale assets	
	2007/08	2008/09	2007/08	2008/09	2007/08	2008/09
	£'000	£'000	£'000	£'000	£'000	£'000
Interest expenses	(7)	(228)	0	0	0	0
Impairment losses	0	0	(49)	(619)	0	0
Interest income	0	0	528	725	0	0
Gain/(loss) on revaluation	0	0	0	0	0	0
	(7)	(228)	479	106	0	0

The impairment losses include that arising on the Icelandic investment, and the provision for other debtor write offs.

32. FINANCIAL INSTRUMENTS – IMPAIRMENT

In October 2008 various Icelandic banks went into administration. The authority has the following deposit with one of these institutions.

Bank	Date Invested	Maturity Date	Amount Invested	Interest rate	Carrying Amount at 31/3/2009	Impairment
Landsbanki	09/09/2008	09/12/2008	£2,000,000	5.81%	£1,595,363	£569,826

Landsbanki's domestic assets and liabilities have been transferred to "New Landsbanki". Old Landsbanki's affairs are being administered under Icelandic law. The latest presentation of its affairs was made to creditors on 20th February 2009 and since then the Landsbanki Resolution Committee has indicated that the best estimate of the amount that will be recovered is 83% by December 2012. The Council's claim includes both principal and interest accrued up to April 22 2009.

Recovery is subject to the following risks and uncertainties:

- Confirmation that deposits enjoy preferential creditor status, which is likely to have to be tested through the Icelandic courts.
- The impact of exchange rate fluctuations on asset recovery (by the administrator) and settlement of the Authority's claim.
- Settlement of the terms of a bond, which will allow old Landsbanki creditors to enjoy rights in new Landsbanki.
- The impact (if any) of the freezing order made by the UK Government over Landsbanki's London branch assets.

Failure to secure preferential creditor status would have a significant effect, reducing the recoverable amount from 83% to possibly 33%.

No information has been provided about the timing of payments to depositors, but it is assumed that this will be phased as Landsbanki's assets are realised. The phasing has been based on the timetables indicated for two other failed Icelandic banks, Heritable and KS&F. This has resulted in the assumption that repayments will be made in roughly even percentages, at the end of March 2010, December 2010, December 2011 and December 2012. The carrying amount of the investment is the present value of the expected repayments, on these dates, discounted at the investment's original interest rate. Adjustments will be made to these assumptions in future accounts as more information becomes available.

notes to the core financial statements



The authority has taken advantage of the Capital Finance Regulations to defer the impact of the impairment on the General Fund. Both the impairment charge of £570k and the interest credit to 31 March 2009, £165k, has been transferred to the Financial Instruments Adjustment Account (see Note 28(c) to the Core Financial Statements).

33. 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 - the risk that the Authority might not have liquid funds available to make payments when due.
- Re-financing risk – that the Council might have to renew a financial instrument on maturity at disadvantageous terms.
- Market risk – the possibility of financial loss arising from movements in interest rates.

Overall procedures for managing risk

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

The determination of Prudential Indicators specifying

- Maximum and minimum exposures 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 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:

	Amount at 31 March £'000	Default risk	Exposure to default £'000
Investments			
Impaired bank deposit at written down value	1,595		961
Other deposits with banks and financial institutions	3,414		0
Sundry Debtors	3,235	7%	230
	8,244		1,191

The Council seeks to mitigate this risk through the limits determined in its Investment Strategy. These restrictions have been further tightened as a result of the current "credit crunch" and in light of the impairment of the Landsbanki investments. The further default exposure shown above of £0.961m assumes the recoverable amount falling from 83% to 33% (see Note 32 to the Core Financial Statements (Financial Instruments – Impairment)).

The sundry debtors are further analysed in the following table:

notes to the core financial statements



	£'000
Not yet past due	1,932
Up to three months past due	94
Three to six months past due	54
Six months to one year past due	378
Beyond one year	777
	3,235

No collateral is held as security

Liquidity risk

The Council has ready access to borrowings from both the Public Works Loans Board and the money markets. There is therefore no significant risk that it will be unable to raise finance to meet its obligations.

The Council manages its liquidity position through the risk management procedures outlined above as well as through cash flow management procedures required by the Code of Conduct.

Refinancing risk

The approved prudential limits for the maturity structure of debt, and the limits placed on investments greater than one year in duration, are the key parameters used to address this risk.

The maturity analysis of financial liabilities is as follows:

	Total outstanding 31 March	
	2008	2009
	£'000	£'000
Analysis of Loans by Source:		
Public Works Loan Board	4,633	2,280
Temporary Loans	0	0
Total Outstanding	4,633	2,280
Analysis of loans by maturity:		
Between 1 and 2 years	2,366	1,380
Between 2 and 5 years	2,267	900
Between 5 and 10 years	0	0
Total Outstanding	4,633	2,280

The Council has only a single irredeemable financial asset valued at £8k.

Market Risk

- Interest Rate risk** – The Council has limited exposure to interest rate movements on its borrowings and investments. Borrowings and short term investments are not carried at fair value on the Balance Sheet, so nominal gains and losses on fixed rate borrowings and investments do not impact on the Income and Expenditure Account or the Statement of Total Recognised Gains and Losses

To mitigate risk the Treasury Strategy reviews interest rate forecasts and fixes prudential indicators for fixed and variable interest rate exposure.

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

notes to the core financial statements



	£'000
Increase in interest payable on variable rate borrowings	0
Increase in interest receivable on variable rate investments	26
Impact on Income and Expenditure Account	<u>26</u>
Decrease in fair value of fixed rate investments (no impact on I&E or STRGL)	0
Decrease in fair value of fixed rate borrowing (no impact in I&E account or STRGL)	<u>57</u>

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

34. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent Asset

The Council has claimed an amount of £0.636m from HM Revenue and Customs in relation to Value Added Tax charged on car parking in previous financial years. Recent case law indicates that this money should have been retained rather than paid to Customs. However the ruling is subject to a judicial review, which will determine the validity of the claim. Additionally, since the discovery of this potential overpayment the Council has withheld VAT in relation to car park income pending the outcome of the judicial review and at the balance sheet date a creditor of £0.479m had accrued. Since then the cash has been paid to HMRC, but claims for repayment have been lodged. Expected resolution to the case has now slipped to the 2009/10 financial year.

The Council has also submitted a claim to HMRC regarding VAT overpaid over many years, mainly at its leisure centres totalling £0.526m. There is no indication at the moment as to whether it will be successful, although other authorities have received settlement for similar claims.

Under the terms of the Voluntary Stock Transfer Agreement dated 26th March 2007, the Council is entitled to receive a further sum, estimated at £3.4m, from Chorley Community Housing. This sum only became payable if the Association is successful in reclaiming VAT on the qualifying works (i.e. those works it intends to do the houses transferred over a period of roughly ten years). The first tranche, of £0.650k, was paid to the Council in 2008/9. There is no reason at the moment to believe that the works will not be done, nor that the further VAT reclaim will be contested by HMRC.

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

Contingent Liabilities

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

The Council gave warranties to Chorley Community Housing Limited against certain environmental risks. The Council's liability is restricted to a maximum loss of £18m arising over a period of 18 years. It has paid a single premium to insure against claims of up to £15m for a period of 10 years, and is covering the remaining 8 years by payment of an additional annual premium. At 31 March 2009 there are 16 years of the liability period outstanding.

35. TRUST FUNDS

notes to the core financial statements



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

	Balance at 1 April 2008	Revaluation of Investments	Income	Expenditure	Balance at 31 March 2009
	£'000	£'000	£'000	£'000	£'000
HT Parke's Baths Fund <i>(Maintenance of Brinscall Baths)</i>	2	0	0	0	2
William Cocker Charity <i>(Provision of recreation grounds in Chorley)</i>	3	(1)	0	0	2
WB Park's Charity <i>(Extension of Infectious Diseases Hospital, Withnell)</i>	2	0	0	0	2
Proceeds of Sale of Former Free Library <i>(General benefit of Chorley Borough residents)</i>	96	(22)	4	0	78
Edward McKnight Memorial Fund <i>(Educational lectures in memory of E McKnight)</i>	5	0	0	0	5
Mayor of Chorley's Charity Accounts <i>(Fundraising for various charitable purposes)</i>	0	0	0	0	0
Total Trust Funds	108	(23)	4	0	89

The total value of these funds at 31 March 2009 was £88,863 (31 March 2008 £107,834), of which £65,375 was invested in external listed securities (31 March 2008 £88,164). The funds are not assets of the Council so the external investments are not included in the Balance Sheet.

36. RETIREMENT BENEFITS

Participation in the Scheme

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

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

Change of accounting policy

Under the 2008 SORP the Council has adopted the amendments to FRS 17 "Retirement Benefits". As a result quoted securities held as assets in the defined benefit pension scheme are now valued at bid price rather than mid market value. The effect of this change is that the value of the scheme assets at 31 March 2008 has been reduced by £108k

Transactions Relating to Retirement Benefits

This Council recognises the cost of retirement benefits in the Net Cost of Services when they are earned by employees rather than when the benefits are eventually paid as pensions. However, the charge required to be made against Council Tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the Income and

notes to the core financial statements



Expenditure Account after Net Operating Expenditure. The following transactions have been made in the Income and Expenditure Account and Statement of Movement in General Fund Balance during the year:

Income and Expenditure Account	2007/08	2008/09
	£'000	£'000
Net cost of services:		
Current service cost	(1,158)	(1,398)
Past service costs	(915)	(215)
Net operating expenditure:		
Interest cost	(4,039)	(4,884)
Expected return on assets in the scheme	3,765	3,548
Net charge to the Income & Expenditure Account	(2,347)	(2,949)

Statement of Movement in General Fund Balance

Reversal of net charges made for retirement benefits in accordance with FRS 17	2,347	2,949
Actual amount charged against General Fund balance for pensions in the year:		
Employers' contribution payable to scheme	(1,138)	(1,291)

In addition to the recognised gains and losses included in the Income and Expenditure Account, actuarial gains of £2,651 (2007/8 restated loss £8,885) were included in the Statement of Total Gains and Losses. The cumulative amount of actuarial losses recognised in the Statement of Total Recognised Gains and Losses is £16.126m

Reconciliation of present value of the scheme liabilities

	Funded liabilities: Local Government Pension Scheme	
	2007/8	2008/9
	£'000	£'000
1 April	(75,587)	(80,435)
Current service costs	(1,158)	(1,398)
Interest costs	(4,039)	(4,884)
Contributions by scheme participants	(430)	(500)
Actuarial gains & losses	(1,481)	17,088
Benefits paid	3,175	2,644
Curtailments	(10)	(215)
Settlements	0	0
Past service costs	(905)	0
31 March	(80,435)	(67,700)

notes to the core financial statements



Reconciliation of fair value of the scheme assets

	Local Government Pension Scheme	
	2007/8 as restated	2008/9
	£'000	£'000
1 April	57,747	52,993
Expected return on plan assets	3,758	3,548
Actuarial gains & losses	(7,404)	(14,437)
Employer contributions	1,637	2,232
Settlements	0	0
Contributions by scheme participants	430	500
Benefits paid	(3,175)	(2,644)
31 March	52,993	42,192

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

The actual return/(fall in value) on scheme assets in the year was (£10.889m).

Analysis of scheme assets

	Proportion of total assets 2007/08	Proportion of total assets 2008/09
	%	%
Equity investments	62.2	61.2
Government Bonds	7.1	7.8
Other Bonds	15.0	12.3
Property	6.0	7.4
Cash/Liquidity	3.3	4.9
Other Assets	6.4	6.4
	100.0	100.0

Scheme history

	2004/05	2005/06	2006/07 As restated	2007/08 As restated	2008/09
Present value of liabilities	(70,456)	(82,007)	(75,587)	(80,435)	(67,700)
Fair value of assets	48,233	59,971	57,747	52,993	42,192
Surplus/(deficit) in the scheme	(22,223)	(22,036)	(17,840)	(27,442)	(25,508)

The Council has not restated the fair value of assets for the years 2004/05 and 2005/06 as permitted by FRS17.

notes to the core financial statements



The liabilities show the underlying commitments that the Authority has in the long term to pay retirement benefits. The total liability of £25.5m has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet. Statutory arrangements for funding the deficit mean that the financial position of the Authority remains healthy. The deficit on the Local Government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in 2009/10 is £1.566m.

History of experience gains and losses

The actuarial gains identified as movements on the Pensions Reserve in 2008/09 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31st March each year.

	2004/05	2005/06	2006/07 as restated	2007/08 As restated	2008/09
	%	%	%	%	%
Difference between the expected and actual return on assets	4.7	12.7	(0.7)	(14.0)	(34.2)
Experienced gains and (losses) on liabilities	(5.0)	(1.8)	0	3.9	0

Basis for Estimating Assets and Liabilities

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

	2007/08	2008/09
Long term expected rate of return on assets in the scheme		
Equity investments	7.50%	7.50%
Government bonds	4.60%	4.00%
Other bonds	6.10%	6.00%
Property	6.50%	6.50%
Cash/Liquidity	5.25%	0.50%
Other	7.50%	7.50%
Mortality assumptions		
Longevity at 65 for current pensioners		
Men	21.10	21.20
Women	24.00	24.00
Longevity at 65 for future pensioners		
Men	22.20	22.20
Women	25.00	25.00
Rate of inflation	3.60	3.30
Rate of increase in salaries	5.35	5.05
Rate of increase in pensions	3.60	3.30
Rate for discounting scheme liabilities	6.10	7.10
Take up option to convert annual pension into retirement lump sum	50%	50%

notes to the core financial statements



Prepaid or Accrued Pension Contributions

An amount of £151k is included in the creditors section of the Balance Sheet. This represents accrued pension contributions as at 31 March 2009. These were paid to Lancashire County Pension Fund in April 2009.

37. GENERAL GOVERNMENT GRANTS

General government grants received consist of

	2007/08 £'000	2008/09 £'000
Area Based Grant		22
Business Growth Incentive Grant	355	28
Revenue Support Grant	1,151	1,005
	<u>1,506</u>	<u>1,055</u>

notes to the core financial statements



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

2007/08 £'000		2008/09	
		£'000	£'000
	Surplus/(deficit) for the year		
(1,351)	Income & Expenditure Account	(2,431)	
(485)	Collection Fund	(95)	
(1,836)			(2,526)
	Non-cash transactions		
1,975	Depreciation & impairment	1,300	
0	Revaluation decreases written off to I & E Account in the year	502	
(545)	Deferred grants amortised in the year	(300)	
(2,196)	Grants funding REFfCUS amortised/written off in the year	(1,402)	
710	Pension Fund adjustment	717	
(56)			817
	Adjustment for items reported separately on the Cash Flow		
(525)	Interest and investment income	(725)	
7	Interest payable and similar charges	603	
3,124	Revenue expenditure funded from capital under statute	2,078	
(1,219)	(Gains) or losses on the disposal of fixed assets	(535)	
1,387			1,421
	Items on an accrual basis		
7	(Increase)/decrease in stock	27	
344	(Increase)/decrease in debtors	(948)	
(837)	Increase/(decrease) in creditors	326	
(486)			(595)
(991)	Net cash inflow/(outflow) from operating activities		(883)

notes to the core financial statements



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

	Cash & Bank £'000	Temp. Invest. & Short Term Deposits £'000	Total £'000	Loans Due Within One Year £'000	Loans Due After More Than One Year £'000	Deferred Liabilities £'000	Net Debt £'000
Balance At 1 April 2008	575	10,362	10,937	(2,367)	(4,633)	(12)	3,925
Cashflow/Changes In Year	(642)	(4,966)	(5,608)	13	2,354	0	(3,241)
Other Non-Cash Changes	0	(387)	(387)	(36)	0	(1)	(424)
Balance At 31 March 2009	(67)	5,009	4,942	(2,390)	(2,279)	(13)	260

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

2007/08 £'000		2008/09 £'000	
		£'000	£'000
(277)	Increase/(decrease) in cash in year		(642)
6,837	Cash inflow/(outflow) from management of liquid resources		(4,966)
	Cash inflow from:		
(7,000)	New loans raised		0
	Cash outflow from:		
0	Loans repaid		2,367
(440)	Change in net debt resulting from cash flows		(3,241)
	Other non-cash changes:		
0	Interest accrued at year end on Short Term Investments	183	
0	Adjustments to fair value and impairment of Short Term Investments	(570)	
0	Increase in deferred liabilities	(1)	
0	Interest accrued at year end on loans	(36)	
0			(424)
4,365	Net debt brought forward		3,925
3,925	Net debt carried forward		260

notes to the core financial statements



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

	Balance at 01/04/08 £'000	Balance at 31/03/09 £'000	Movement in the year £'000
Short term investments	10,363	5,009	(5,354)
Short term loans	0	0	0
Cash	575	383	(192)
Bank overdraft	0	(449)	(449)
Increase/(decrease) in year	10,938	4,943	(5,995)

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

42. ANALYSIS OF GOVERNMENT GRANTS

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

2007/08 £'000		2008/09 £'000	
1,598	Capital activities	660	
28,931	Revenue activities	31,889	
0	European grants	0	
30,529	Total government grants	32,549	

ii) Analysis of revenue government grants

2007/08 £'000		2008/09 £'000	
20,181	Community service	23,108	
52	Environmental health	0	
60	Sports development	0	
42	Waste management	4	
6,857	NNDR receipt from pool	7,216	
1,151	Revenue Support Grant	1,004	
588	Other government grants	557	
28,931	Total revenue government grants received	31,889	

notes to the core financial statements



43. NON-ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

There were no material non-adjusting post balance sheet events as at the date of authorisation for issue (see Note 43 below).

44. DATE OF AUTHORISATION FOR ISSUE

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

Gary Hall BA CPFA
CHIEF FINANCE OFFICER

Date: 24 September 2009

housing revenue account



HRA INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2009

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

2007/08 £'000	DESCRIPTION OF SERVICE	2008/09 £'000	2008/09 £'000	Note
	Income			
0	Dwelling rents	0		
0	Non-dwelling rents	0		
0	Charges for services and facilities	0		
0	Contributions towards expenditure	0		
0	Total income		0	
	Expenditure			
15	Repairs and maintenance	0		
62	Supervision and management	0		
0	Rents, rates, taxes and other charges	0		
(7)	Negative or (positive) housing revenue account subsidy	0		
0	Depreciation and impairment of fixed assets	0		
0	Debt management costs	0		
0	Increase/(decrease) in bad debt provision	0		
0	Sums directed by the Secretary of State	0		
0	Rent rebates, transfer to the General Fund	0		
(16)	Amortisation of intangible assets	0		
54	Total expenditure		0	
54	Net cost of HRA services per Authority Income and Expenditure Account		0	
0	HRA services share of Corporate and Democratic Core		0	
0	HRA share of other amounts included in the whole authority Net Cost of services but not allocated to specific services		0	
0	Exceptional item – receipt of overhanging debt grant		0	
54	Net cost of HRA services		0	
0	Gain/loss on the disposal of fixed assets		0	
0	Interest payable and similar charges		0	
0	Amortisation of premiums and discounts		0	
0	Interest and Investment Income		0	
0	Pensions interest cost & expected return on pensions asset		0	
54	(Surplus) or deficit for the year on HRA services		0	

housing revenue account



THE STATEMENT OF MOVEMENT ON THE HOUSING REVENUE ACCOUNT BALANCE

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

2007/08 £'000		2008/09 £'000	Note
54	(Surplus)/deficit for the year on the Income and Expenditure Account	0	
16	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the HRA Balance for the year	0	1
70 (INCREASE)/DECREASE IN HRA BALANCE FOR THE YEAR		0	
(966)	Housing Revenue Account surplus brought forward	0	
896	Housing Revenue Account surplus transferred to General Fund Balance	0	
0 HOUSING REVENUE ACCOUNT BALANCE CARRIED FORWARD		0	

notes to the housing

revenue account



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

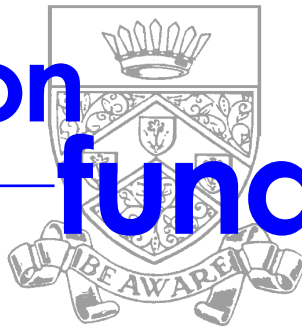
This statement shows in detail the amounts additional to the surplus or deficit on the Income and Expenditure Account that are required, by statute and non-statutory proper practices, to be debited or credited to the HRA for the year.

2007/08 £'000		2008/09 £'000
	Amounts included in the HRA Income and Expenditure Account but excluded from the Movement on the HRA Balance for the year	
0	Difference between amounts charged to Income and Expenditure for amortisation of premiums and discounts and the charge for the year determined in accordance with the statute	0
16	Difference between any other item of Income and Expenditure determined in accordance with the SORP and determined in accordance with statutory HRA requirements	0
0	LSVT Capital Grant Applied	0
0	Net charges made for retirement benefits in accordance with FRS 17	0
16		0
	Amounts not included in the HRA Income and Expenditure Account but included in the Movement on the HRA Balance for the year	
0	Transfer to the Major Repairs Reserve	0
0	Employers contributions payable to the Lancashire Pension Fund and retirement benefits payable direct to pensioners	0
0		0
16	NET ADDITIONAL AMOUNT TO BE CREDITED OR DEBITED TO THE FUND BALANCE FOR THE YEAR	0

2. CAPITAL RECEIPTS FROM DISPOSALS

	2007/08 £'000	2008/09 £'000
Land	11	0
Houses - Right to Buy sales and repaid discounts	7	0
- Large Scale Voluntary Transfer	0	0
Other Property	0	0
	18	0

collection fund



THE COLLECTION FUND REVENUE ACCOUNT FOR YEAR ENDED 31 MARCH 2009

2007/08 £'000		2008/09 £'000	2008/09 £'000	Note
	Income			
44,345	Income from Council Tax		45,830	
5,257	<i>Transfers from General Fund:</i>			
(4)	Council Tax Benefits	5,592		
	Transitional Relief	(3)	5,589	
19,857	Income Collectable from Business Ratepayers		20,741	2
69,455	Total Income		72,160	
	Expenditure			
	<i>Precepts and Demands:</i>			
36,580	Lancashire County Council	38,016		
6,548	Chorley Borough Council	6,748		
4,404	Lancashire Police Authority	4,799		
2,008	Lancashire Combined Fire Authority	2,124		
49,540			51,687	
	<i>Business Rate:</i>			
19,736	Payment to National Pool	20,618		
121	Costs of Collection to the General Fund	123		
19,857			20,741	2
	<i>Bad and Doubtful Debts</i>			
149	Write Offs/(Ons)	(191)		
(40)	Provision	18		
109			(173)	
	<i>Contributions:</i>			
434	Distribution of Estimated Collection Fund Surplus	0		5
434				
69,940	Total Expenditure		72,255	
(485)	Surplus/(Deficit) for the year		(95)	
171	Surplus/(Deficit) brought forward as at 1 April		(314)	
(314)	Surplus/(Deficit) carried forward as at 31 March		(409)	

notes to the collection fund



1. GENERAL

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

2. INCOME FROM NATIONAL NON-DOMESTIC RATES

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

2007/2008		2008/2009
44.4p	Non-Domestic Rating Multiplier	46.2p
44.1p	Small Business Non-Domestic Rating Multiplier	45.8p
£53,324,367	Total Rateable Value at 31 March	£43,205,110
2,865	Total Number of Hereditaments at 31 March	2,969

3. COUNCIL TAX BASE

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

The Council set a band D Council Tax of £1,428.66 (2007/08 £1,381.29). This was calculated by dividing the total of the Council's net expenditure to be met from the Council Tax and the precepts of Lancashire County Council, Lancashire Police Authority and Lancashire Combined Fire Authority by the Council Tax base. The Council Tax base is the number of band D equivalent properties in the Council's area. It represents the amount of income that would be raised by a Council Tax levy of £1.00 at band D. The Council Tax base has been calculated as follows:

BAND	RATIO TO BAND D	TOTAL NO OF PROPERTIES	TOTAL EQUIVALENT NO AFTER DISCOUNTS	BAND D EQUIVALENTS
A	6/9	14,067	11,777.50	7,850.20
B	7/9	10,037	8,924.75	6,941.50
C	8/9	8,487	7,751.75	6,890.40
D	1	5,708	5,281.75	5,281.80
E	11/9	7,201	3,963.25	4,844.00
F	13/9	1,676	1,594.00	2,302.40
G	15/9	728	683.50	1,139.20
H	18/9	62	45.75	91.50
		47,966	40,022.25	35,341.00
Less adjustments for anticipated changes to the base and losses on collection				44.90
Band D Equivalent Number of Properties				35,296.10

notes to the collection fund



4. BAND D COUNCIL TAX

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

2007/08 £		2008/09 £
36,580,379	Lancashire County Council Precept	38,016,160
4,403,845	Lancashire Police Authority Precept	4,798,965
2,008,390	Lancashire Combined Fire Authority Precept	2,123,413
5,304,135	Chorley Borough Council Demand	*5,487,977
48,296,749	TOTAL TO BE MET FROM COUNCIL TAX	50,426,515
34,965.00	Divided by the Council Tax Base	35,296.10
1,381.29	Band D Council Tax	1,428.66

*The Chorley Borough Council demand on the Collection Fund excludes parish precepts of £575,386 (2007/08 £549,835) and excludes special expenses of £684,617 (2007/08 £693,576).

5. DISTRIBUTION OF ESTIMATED COLLECTION FUND SURPLUS

Each January the Council estimates what the Collection Fund balance will be on 31 March. If there is an estimated surplus or deficit at 31 March, it has to be shared between, or recovered from, the Council and the major precepting authorities during the following financial year. Chorley Borough Council estimated that the Collection Fund would break even at 31 March 2008, therefore there was no surplus distributed, or deficit recovered, during 2008/09:

Estimated Surplus at 31 March 2007 distributed in 2007/08 £		Estimated Surplus at 31 March 2008 distributed in 2008/09 £
319,803	Lancashire County Council	0
36,282	Lancashire Police Authority	0
17,552	Lancashire Combined Fire Authority	0
59,973	Chorley Borough Council	0
433,610		0

The estimated Collection Fund deficit at 31 March 2009, calculated in January 2009, was £123,855. This will be recovered from the precepting authorities during 2009/10 in proportion to the value of their respective precepts on the Collection Fund.

ACCOUNTING STANDARDS BOARD (ASB)

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

ACCRUALS

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

AUDITOR'S OPINION

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

ANNUAL GOVERNANCE STATEMENT

See STATEMENT ON INTERNAL CONTROL.

BALANCE SHEET

The combined fund balance sheets of the Council.

BUDGET

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

CAPITAL EXPENDITURE

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

CAPITAL RECEIPTS

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

CAPITAL RECEIPTS UNAPPLIED

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

CHIEF FINANCE OFFICER

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

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

COLLECTION FUND

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

COMMUNITY ASSETS

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

CONTINGENT ASSET

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

CONTINGENT LIABILITY

A contingent liability is either:

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

COST OF MANAGEMENT AND ADMINISTRATION

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

CREDITOR

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

CURRENT COSTS ACCOUNTING (CCA)

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

DEBT REDEMPTION

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

DEBTOR

An amount of income due to the Council within the accounting period but not received at the Balance Sheet date.

DEFERRED CAPITAL RECEIPTS

Capital receipts to be received by instalments over agreed periods of time.

DEPRECIATION

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

FINANCIAL REPORTING STANDARD (FRS) 17

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

FIXED ASSETS

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

GENERAL FUND

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

HOUSING REVENUE ACCOUNT (HRA)

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

INFRASTRUCTURE ASSETS

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

INTANGIBLE ASSETS

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

LARGE SCALE VOLUNTARY TRANSFER

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

LEASING

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

LOANS OUTSTANDING

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

MINIMUM REVENUE PROVISION (MRP)

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

NATIONAL NON-DOMESTIC RATES (NNDR)

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

NET BOOK VALUE

The amount at which fixed assets are included in the Balance Sheet, i.e., their historical cost of current value, less the cumulative amounts provided for depreciation.

NON-OPERATIONAL ASSETS

Fixed assets held by the Council, but not directly occupied, used or consumed in the delivery of services. Examples of non-operational assets are investment properties and assets that are surplus to requirements, pending sale or redevelopment.

OPERATIONAL ASSETS

Fixed assets held and occupied, used or consumed by the Council in the direct delivery of those services for which it has either a statutory or discretionary responsibility.

PRECEPT

The levy made by precepting authorities on billing authorities, requiring the latter to collect income from Council Taxpayers on their behalf.

PROVISION

An amount set aside in the accounts for liabilities that are certain to be incurred in the future, but which cannot be quantified accurately at the Balance Sheet date.

PUBLIC WORKS LOAN BOARD (PWLB)

A Government agency that provides longer-term loans to Local Authorities.

RENT ALLOWANCE

A subsidy payable by the Council to a low-income tenant in private rented accommodation.

RESERVE

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

REVENUE ACCOUNT

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

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Revenue expenditure classified as capital for funding purposes even though it does not result in expenditure being carried on the Balance Sheet as a fixed asset. The purpose is to enable the expenditure to be funded from capital resources rather than be charged to the General Fund and impact on the council tax. This category of expenditure includes grants for works to property not owned by the Council, website development costs, and items capitalised under direction from the Secretary of State.

S151 OFFICER

The colloquial name for the Chief Finance Officer.

STATEMENT ON INTERNAL CONTROL (SIC)

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

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

STATEMENT OF RECOMMENDED PRACTICE (SORP)

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

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

STATEMENT OF STANDARD ACCOUNTING PRACTICE (SSAP) 9

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