



# **FINANCIAL STATEMENT YEAR ENDED 31 MARCH 2005**





**FINANCIAL STATEMENT**

**YEAR ENDED 31 MARCH 2005**

**DRAFT**

**LEADER OF THE COUNCIL**

**Councillor J G Wilson**

**DIRECTOR OF FINANCE**

**Gary Hall BA CPFA**



# CONTENTS

|  | <b>Page</b> |
|--|-------------|
| Audit Certificate and Opinion                | <b>1</b>    |
| Explanatory Foreword                         | <b>3</b>    |
| Statement of Accounting Policies             | <b>8</b>    |
| The Accounting Statements                    |             |
| The Statement of Internal Control            | <b>13</b>   |
| The Consolidated Revenue Account             | <b>20</b>   |
| The Housing Revenue Account                  | <b>27</b>   |
| The Consolidated Balance Sheet               | <b>32</b>   |
| The Statement of Total Movements in Reserves | <b>44</b>   |
| The Cash Flow Statement                      | <b>48</b>   |
| The Collection Fund                          | <b>50</b>   |
| Glossary                                     | <b>53</b>   |



# auditor's report to chorley borough council



I have audited the statement of accounts on pages 18 to 51 which have been prepared in accordance with the accounting policies applicable to local authorities as set out on pages 9 to 16. This report is made solely to Chorley Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 54 of the Statement of Responsibilities of Auditors and of Audited Bodies, prepared by the Audit Commission.

## Respective Responsibilities of the Chief Financial Officer and Auditor

As described on page 8 the Chief Financial Officer is responsible for the preparation of the statement of accounts in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2003. My responsibilities, as an auditor, are established by statute, the Code of Audit Practice issued by the Audit Commission and my profession's ethical guidance.

I report to you my opinion as to whether the statement of accounts present fairly:

- the financial position of the Council and its income and expenditure for the year,
- the financial transactions of its Pension Fund during the year and the amount and disposition
- of the Fund's assets and liabilities, other than liabilities to pay pensions and benefits after the
- end of the scheme year.

I review whether the statement on internal control on pages 14 and 15 reflects compliance with CIPFA's guidance 'The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003' published on 2 April 2004. I report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered whether the statement on internal control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the authority's corporate governance procedures or its risk and control procedures. My review was not performed for any purpose connected with any specific transaction and should not be relied upon for any such purpose.

I read the other information published with the statement of accounts and consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the statement of accounts. I am not required to consider, nor have I considered, information regarding future projections included within the statement of accounts.

## Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission, which requires compliance with relevant auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the council in the preparation of the financial statements, and of whether the accounting policies are appropriate to the council's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the statement of accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion, I evaluated the overall adequacy of the presentation of the information in the financial statements.

## Opinion

In my opinion the statement of accounts present fairly the financial position of Chorley Borough Council as at 31 March 2004 and its income and expenditure for the year then ended.

# auditor's report to chorley borough council



## Certificate

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

Signature: .....

Date: .....

Name: .....

Address: .....

# DRAFT



# explanatory foreword



## 1. INTRODUCTION BY THE DIRECTOR OF FINANCE

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 Internal Control.** The Leader of the Council, Chief Executive, Director of Legal Services and Director of Finance, 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 Financial Control, and
- Proper management of the risks that might prevent the Council achieving its stated aims, objectives and priority outcomes.

**Consolidated Revenue Account,** which brings together expenditure and income relating to all the Authority's functions.

**Housing Revenue Account,** which shows the income and expenditure involved in the management and maintenance of the Council's housing stock.

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

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

**Statement of Total Movements in Reserves,** which brings together any recognised gains or losses and use of reserves during the period.

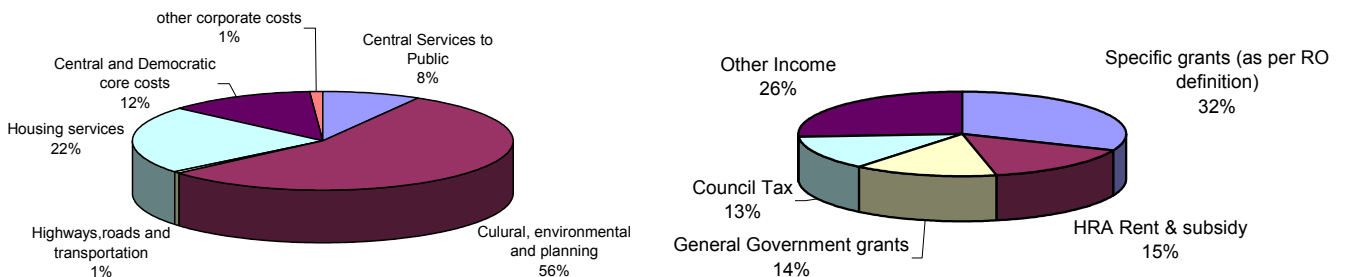
**Cash Flow Statement,** which summarises the inflows and outflows of cash at the Authority during the accounting period.

Each of the statements is 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.

## 2. REVENUE SPENDING & FINANCING 2004/05

The Council spends money on a variety of services. Set out in the exhibit below is a summary of the main areas on which money has been spent during the year. The Council finances its expenditure from a variety of sources. Also shown in the exhibit below are the sources from which the money is derived to pay for services.

### Exhibit 1. Revenue Expenditure & Funding



# explanatory foreword



During the year the Council's net cash underspend amounted to £0.199m when compared against planned expenditure. The main variations against that originally planned are summarised in the table below:

**Exhibit 2. Budget Variations by unit 2004/05**

| Service  | Cash Budget 2003/04<br>£'000 | Actual 2003/04<br>£'000 | Cash Variation 2003/04<br>£'000 | Cash Budget 2004/05<br>£'000 | Actual 2004/05<br>£'000 | Cash Variation<br>£'000 |
|--|------------------------------|-------------------------|---------------------------------|------------------------------|-------------------------|-------------------------|
| Corporate & Policy Services  | 258                          | 273                     | 15                              | 479                          | 469                     | (10)                    |
| Customer, Democratic & Office Support Services                         | 3,598                        | 3,623                   | 25                              | 3,198                        | 3,102                   | (96)                    |
| Economic Regeneration  | 445                          | 401                     | (44)                            | 246                          | 130                     | (116)                   |
| Environmental Services   | 2,468                        | 2,340                   | (128)                           | 2,871                        | 2,832                   | (39)                    |
| Finance  | 1,370                        | 1,320                   | (50)                            | 1,508                        | 1,326                   | (182)                   |
| Housing Services (GF)  | 322                          | 255                     | (67)                            | 416                          | 441                     | 25                      |
| Human Resources  | 249                          | 404                     | 155                             | 399                          | 418                     | 19                      |
| Information & Communication Technology Services                        | 896                          | 833                     | (63)                            | 914                          | 913                     | (1)                     |
| Legal Services   | 76                           | 78                      | 2                               | 82                           | 162                     | 80                      |
| Leisure & Cultural Services  | 984                          | 981                     | (3)                             | 1,065                        | 1,062                   | (3)                     |
| Planning Services  | 314                          | 301                     | (13)                            | 359                          | 379                     | 20                      |
| Property Services  | (24)                         | (10)                    | 14                              | (52)                         | (141)                   | (89)                    |
| Public Space Services  | 2,966                        | 3,097                   | 131                             | 3,107                        | 3,036                   | (71)                    |
| Net Financing and use of Reserves                                      | (130)                        | (178)                   | (48)                            | (182)                        | (60)                    | 122                     |
| Uncontrollable Cash Budgets – Benefit Payments and Concessionary Fares | 730                          | 753                     | 23                              | (326)                        | (184)                   | 142                     |
| <b>TOTALS</b>  | <b>14,522</b>                | <b>14,471</b>           | <b>(51)</b>                     | <b>14,084</b>                | <b>13,885</b>           | <b>(199)</b>            |

As a result of the general under spend and through not needing as much from specific reserves previously set aside the Council has been able to set aside money for future liabilities.

The main core priority is to complete the job evaluation programme by March 2007, which will require a significant effort and revenue. Accordingly the bulk of unallocated balances has been set aside for this programme. A small underspend occurred on the housing revenue account against that planned. As a result working balances are slightly greater than anticipated.

### 3. CAPITAL SPENDING AND FINANCING 2004/05

During the year the Council spent a total of £9.183m on capital schemes. £3.291m of that sum was expended on the Housing Investment Programme, improving both private sector and Council housing.

Key areas of expenditure included sums spent on:

- Investment in technology
- Modernising and improving the Council's properties
- Investing in recycling initiatives
- Investing in regeneration projects
- Continuing investment in window and door replacement on Council owned housing stock.

During the year the expected programme of works was not completed and slippage of £1.686m on those schemes has been allowed into the financial year 2005/06 to allow for completion of these schemes.

The programme and spending in 2004/05 was financed from these sources:

- Capital receipts £4.088m
- Government grants £3.210m

# explanatory foreword



- Other Contributions £1.885m

## 4. OVERALL THE FINANCIAL POSITION OF THE AUTHORITY REMAINS POSITIVE

A balanced revenue budget continues to be achieved, and funds set aside for contingencies and any fluctuations in spending are sufficient. There still remains some risk in managing the budget and ensuring the continuity of resources to finance the Council's plans. Some of the key issues at hand include:

- Uncertainty about the levels of Government support
- 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

## 5. PENSIONS FUND

The Pension Fund actual valuation was completed during the financial year 2004/05. The FRS17 deficiency shown in note 7 to the Consolidated Revenue Account shows 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 (ie 31 March 2005). 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 employers contribution rate will rise incrementally over the next three years to 15.8% of total pay to redress the deficit.

## 6. FUTURE DEVELOPMENTS AND SPENDING

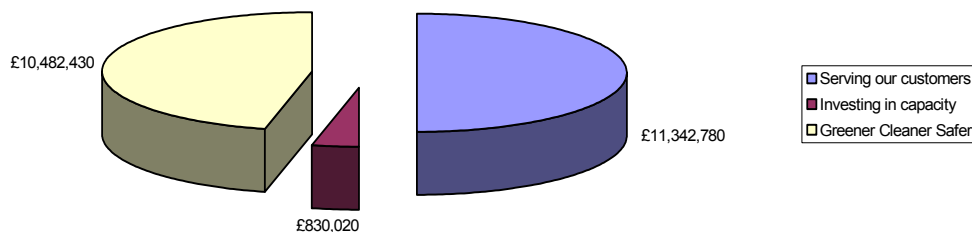
The Council's vision is **to make Chorley a better place to live, work and visit**. In order to achieve this the Council's key priorities remain:

- Serving our Customers better
- Investing in our capacity to deliver
- Investing in a greener, cleaner, safer Chorley.

Future spending of both a capital and revenue nature will be directed to these priority areas. In summary the Council's future spending commitments for 2005/06 until 2007/08 include:

Investing £22.6m of capital resources in the following areas

### Exhibit 4. Capital Investment



Our commitment to making Chorley a better place to live work and visit will mean that key improvements will be made in the medium term including:

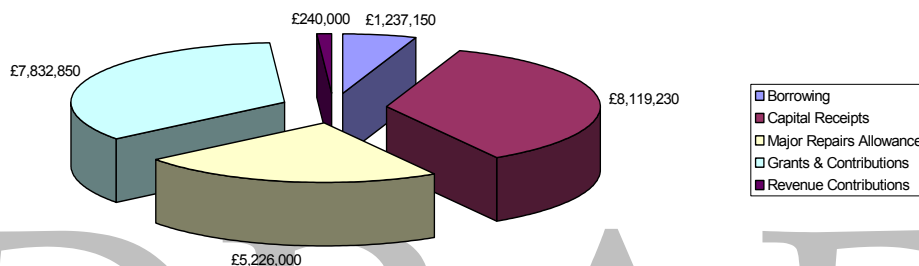
- Further Investment in E-service delivery
- An improved transport infrastructure
- More Investment in Recycling
- Enhancing parks within the Borough
- Achieving the 'decent homes standard' for social housing.

# explanatory foreword



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 exhibit below

## Exhibit 5. Capital Resources



## 7. CONTINUING REVENUE SUPPORT IN KEY AREAS

The Council continues to invest in its key priority areas. Over the next three financial years, 2005/06 to 2007/08, the Council is expected to spend a further £1.5m, focusing the spending to achieve its objectives for the priority areas. The majority of this sum will be required to continue services as they currently stand. The potential for growth remains limited and efforts will be made to redirect money away from non priority areas into those considered a priority. However, the Council will 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, ie lottery funds etc
- Identifying efficiencies and non-essential spending that may be redirected into the key priority areas.

## 8. FURTHER INFORMATION

Further information about this statement of accounts is available from:

Director of Finance  
Civic Offices  
Union Street  
Chorley.  
PR7 1AL

EXTRACTS ARE AVAILABLE IN LARGE PRINT OR ON TAPE UPON REQUEST.

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

## 9. STATEMENT OF RESPONSIBILITIES

The following responsibilities are placed upon the Authority and the Director of Finance 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 has the responsibility for the administration of those affairs. In this Authority, that officer is the Director of Finance.
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the statement of accounts

# explanatory foreword



## ***The Director of Finance's Responsibilities***

As Director of Finance, 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.

Gary Hall BA CPFA  
DIRECTOR OF FINANCE

# accounting policies



## 1. INTRODUCTION

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom (2004) and guidance notes issued by the Chartered Institute of Public Finance and Accountancy. 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
  - reliability
  - comparability
  - understandability
- Materiality
- Pervasive accounting concepts
  - accruals
  - going concern
  - primacy of legislative requirements

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

- 2.1 Reserves consist of fund balances accumulated for use by the Council. A summary of these is given at Note 18 to the Consolidated Balance Sheet.
- 2.2 A Provision for Doubtful Debts has been made for losses that are likely to be incurred, but where it is uncertain as to the amounts or dates on which they will arise. In accordance with CIPFA Code of Practice this has been deducted from the Balance Sheet Debtors figure. (See Note 8 to the Consolidated Balance Sheet). This provision is made on the basis of the Authority's best estimate of the likely level of debts. This estimate is prudently informed by the Authority's experience and current knowledge of its debts.
- 2.3 The Fixed Asset Restatement Account represents principally the balance of the surpluses or deficits arising on the periodic revaluation of fixed assets. (See Note 14 to the Consolidated Balance Sheet.)
- 2.4 The Capital Financing Account represents amounts set aside from revenue resources or capital receipts to finance expenditure on fixed assets or for the repayment of external loans and certain other capital financing transactions. (See Note 15 to the Consolidated Balance Sheet.)

# accounting policies



## 3. FIXED ASSETS

- 3.1 The *Local Government and Housing Act 1989* provides that all expenditure incurred by the Council must be charged to a revenue account of the Council, unless it falls within certain specified exceptions that may be capitalised. Capital expenditure is defined as:
- 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;
  - advances, grants or financial assistance to another person towards expenses incurred or to be incurred by him in respect of items mentioned above;
  - the acquisition of investments or share or loan capital in a corporate body;
  - the acquisition or preparation of computer programs to be used for at least one year.
- 3.2 All expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis in the accounts. Expenditure on fixed assets is capitalised, provided that the fixed asset yields benefits to the Council, and the services it provides, for a period of more than one year. This excludes expenditure on routine repairs and maintenance of fixed assets, which is charged direct to service revenue accounts.
- 3.3 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. Fixed assets are classified into the groupings required by the 1998 Code of Practice on Local Authority Accounting. They are included in the Consolidated Balance Sheet on the following basis:
- land, operational properties and other operational assets are included at the lower of net current replacement cost and net realisable value.
  - non-operational assets, including investment properties and assets that are surplus to requirements, are included at the lower of net current replacement cost and net realisable value. In the case of investment properties, this is normally open market value.
  - infrastructure assets and community assets are included in the balance sheet at historical cost.
- 3.4 Note 4 to the Consolidated Balance Sheet indicates the progress of the Council's rolling programme for the revaluation of fixed assets.
- 3.5 Depreciation is provided for on all fixed assets with a finite useful life (determined at the time of acquisition or revaluation), which is calculated using the straight-line method and where appropriate adjustments are made to asset valuations where impairment has occurred (ie fire damage).

## 4. BASIS OF CHARGES TO REVENUE FOR USE OF FIXED ASSETS

- 4.1 General Fund service revenue accounts, central support services, trading accounts, maintenance services, and the Housing Revenue Account are charged with a capital charge for the use of fixed assets in the provision of services. The total charge covers the annual provision for depreciation plus a capital financing charge calculated by applying a specified notional interest rate to net asset values. In 2004/05 the specified notional interest rate was 3.5% for assets at current value, and 4.8% for assets at historical value. The aggregate charge to individual services is determined on the basis of the fixed assets employed in the provision of the service.
- 4.2 The Asset Management Revenue Account is credited with the capital charges made to services. Capital charges therefore have a neutral impact on the amounts required to be raised from local taxation. (See Note 4 to the Consolidated Revenue Account, and Note 7 to the Housing Revenue Account.)



# accounting policies



## 5. DEFERRED CHARGES

Deferred charges represent expenditure which may be capitalised, but which does not represent tangible fixed assets, such as expenditure on home improvement grants. Revenue expenditure may be capitalised following a direction by the Secretary of State. Deferred charges are amortised to revenue over an appropriate period, usually the year in which the expenditure is incurred.

In 2004/05, computer software has been reallocated to the new category of intangible fixed assets. Premiums on debt refinancing have been transferred to long-term debtors.

(See Note 12 to the Consolidated Revenue Account and Note 2 to the Consolidated Balance Sheet.)

## 6. RECEIPTS ARISING FROM THE SALE OF FIXED ASSETS

Income from the disposal of fixed assets is accounted for on an accruals basis, and is credited to the Usable Capital Receipts Reserve. Where applicable, the proportion reserved for the repayment of external loans is credited to the Capital Financing Account. (See Consolidated Balance Sheet Notes 15 and 17.)

## 7. GRANTS

7.1 Revenue grants are accounted for in the year in which they arise and are credited to the relevant service in the Consolidated Revenue Account.

7.2 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 12 to the Consolidated Balance Sheet.) This is subsequently written off to the Asset Management Revenue Account over the useful life of the asset to match the depreciation of the asset to which it relates. (See Note 4 to the Consolidated Revenue Account.)

## 8. INTEREST

8.1 Interest paid on external borrowings is accrued and charged to the Asset Management Revenue Account. See Note 4 to the Consolidated Revenue Account for details.

8.2 Interest earned on the external investment of surplus funds is accrued and credited to the General Fund Revenue Account.

8.3 Internal interest payments flow between the General Fund and Housing Revenue Account (HRA), based on the net cash balance held on the HRA during the year. The interest is calculated at a rate in accordance with Subsidy Regulations.

## 9. REDEMPTION OF DEBT

9.1 Amounts set aside from revenue for the repayment of external loans used to finance capital expenditure are disclosed separately in the Consolidated Revenue Account, below Net Operating Expenditure. See Note 5 to the Consolidated Revenue Account.

9.2 Where borrowing is refinanced or restructured with substantially the same overall effect when viewed as a whole, gains or losses are recognised over the life of the replacement borrowing.



# accounting policies



## 10. LEASING

10.1 Items may be acquired by the Council 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

10.2 Those assets acquired under finance leases that have not been fully depreciated are capitalised in the Authority's accounts. Other assets previously acquired under deferred purchase schemes are included in the balance sheet at their fair value.

10.3 The amount of finance lease rentals paid during 2004/05 and the amount of undischarged leasing obligations is shown at Note 5 to the Consolidated Balance Sheet. Finance and operating lease rentals are charged to revenue.

10.4 In line with the CIPFA code of practice operating leases are not shown as assets or liabilities on the Authority's balance sheet. Note 9 to the Consolidated Revenue Account details the current and future payments required by these losses.

## 11. REVENUE TRANSACTIONS

Revenue transactions have been recorded on an income and expenditure basis. Provision has been made on an actual or estimated basis for all debtors and creditors as at 31 March 2005 with the following exceptions:

- a) various items where the charges from one year to the next are not material, ie gas, electricity and telephone charges; and
- b) wages - the year into which a particular week's wages are charged is determined by the week-ending date of the wages payment.

(See Note 8 to the Consolidated Balance Sheet.)

## 12. STOCKS AND STORES

Most stores held by the Maintenance Services are shown in the accounts at estimated current replacement value. All other stocks are shown at cost price. (See Note 9 to the Consolidated Balance Sheet.) 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.

The reason for the departure is that the current stores system cannot produce the required information and this is being remedied by the implementation of a new stores system in 2005/06.

## 13. CENTRAL SUPPORT SERVICE AND ADMINISTRATIVE EXPENSES

A full allocation of these costs is made to all services and accounts with the exception of a small credit balance included within 'Other Corporate Costs'. (See Note 12 to the Consolidated Revenue Account.) This allocation is based on an estimation of resource consumption.

## 14. PENSION COSTS

The accounts have been prepared adopting the policies and practices outlined in FRS17.

These accounting policies represent a change to those applied in prior years. Previous policy was to recognise liabilities in relation to retirement benefits only when employer's contributions became payable to the pension fund or payments fell due to the pensioners for which we were directly responsible. The new policies better reflect our commitment in the long-term to increase contributions to make up any shortfall in attributable net assets in the pension fund.

# accounting policies



The change has had the following effects on the results of the prior and current periods:

- the overall amount to be met from Government grants and local taxation has remained unchanged, but the costs disclosed for individual services are 1.135% lower after the replacement of employer's contributions by current service costs and Net Operating Expenditure is 1.086% lower than it would otherwise have been
- the requirement to recognise the net pensions liability in the balance sheet has reduced the reported net worth of the Authority by 8.8%

## 15. INVESTMENTS/INTEREST IN COMPANIES

Of the £56,810 long term investment recorded in the consolidated balance sheet, £50,000 are at cost and £6,810 at market value.

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 2004/05 had no interest in any company that undertook any trading activity during the period.

# statement of internal control



## STATEMENT ON INTERNAL CONTROL

### 1. The Council's Responsibility

- 1.1 Chorley Borough 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.
- 1.2 In discharging this overall responsibility, the Council must also ensure that there is a sound system of internal control which facilitates the effective exercise of its functions and which includes arrangements for the management of risk.

### 2. The Purpose of the Internal Control System

- 2.1 The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it 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 economically, efficiently and effectively.

### 3. The Council's Internal Control Environment

- 3.1 Chorley Borough Council is a large organisation, employing over 500 people and has a gross budget in excess of £40 million. Given its responsibility for the proper stewardship of public funds, the Council has striven to develop a sound internal control framework, a fact acknowledged by the Audit Commission who rate Chorley as a low-risk authority. In their most recent Annual Audit & Inspection Letter the Audit Commission stated that:

*"Systems of internal control are generally sound and risk management continues to be embedded into the Council's planning and performance management arrangements".*

*"Internal Audit continues to provide an effective service. We are pleased to report that once again we are able to rely on the work undertaken by the section, and that the work undertaken provides an effective component of the Council's control environment and governance arrangements".*

- 3.2 Moreover, the Audit Commission have recently facilitated a detailed review of the Council's corporate governance arrangements against the best practice framework established by CIPFA (Chartered Institute of Public Finance & Accountancy) and SOLACE (Society of Local Authority Chief Executives) and found that:

*"A number of the CIPFA/SOLACE framework key elements are already in place and the Council is working to develop others, mainly through the Corporate Improvement Plan".*

- 3.3 The key elements of the Council's control and governance arrangements are described in the paragraphs below: These arrangements have been in place for the year ended 31 March 2005 and up to the date of approval of the financial statement.

#### **Establishing & Monitoring the Achievement of Objectives**

- 3.4 The Council's priorities are derived from consultation on the Borough's first Community Plan and the approved Corporate Plan clearly sets out the Council's organisational objectives and priorities.
- 3.5 The Council has developed integrated business planning guidelines for individual services, which require links to be demonstrated with corporate priorities and statutory obligations. Business plan monitoring reports are produced on a quarterly basis. This is supported by a system of individual performance and development reviews.

# statement of internal control



## ***Policy & Decision Making***

- 3.6 The Council has adopted a constitution, which sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people.
- 3.7 Policy and decision-making is facilitated through the Executive Cabinet. Meetings are open to the public except where personal or confidential matters are being disclosed. In addition, individual executive members of the Council can make decisions under delegated authority.
- 3.8 The Council has an Overview and Scrutiny Committee and three subsidiary panels which can call for reconsideration of any executive decision which has been made by the Executive Cabinet, an individual executive member, a committee of the Executive Cabinet or an officer.
- 3.9 The Council publishes a Forward Plan which contains details of key decisions on executive matters to be made by the Executive Cabinet, a committee of the Executive Cabinet and officers. The Council has specified what is significant expenditure in terms of the definition of a key decision.
- 3.10 The Council has an approved Corporate Plan which sets out organisational objectives and priorities, derived from consultation on the Community Plan.

## ***Compliance***

- 3.11 The Council aims to ensure compliance with established policies, procedures, laws and regulations through a variety of mechanisms, including:
- Performance management system;
  - Internal Audit;
  - External Audit;
  - Monitoring Officer;
  - Section 151 Officer.
- 3.12 The Council has designated the Director of Legal Services as Monitoring Officer, who plays a key role in ensuring compliance. After consulting with the Chief Executive, the Monitoring Officer will report to the full Council if 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.

## ***Risk Management***

- 3.13 The Council has introduced a robust structure and system for identifying and evaluating all significant business risks at both the strategic and operational / service levels. The key elements of which are:
- A member approved Risk Management Policy Statement;
  - Risk Management Board (chaired by Group Director) reporting to Management Team;
  - Executive Member for Risk Management;
  - An Integrated Strategic Risk Register / Corporate Improvement Plan;
  - Service level risk assessments built into the business planning process.
- 3.14 The Risk Management Board has clearly defined Terms of Reference to further develop, improve and embed the Council's risk management framework.

# statement of internal control



## ***Economy, Efficiency & Effectiveness***

- 3.15 The Council has constantly sought ways of ensuring the economical, effective and efficient use of resources, and for securing continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness as required by the Best Value duty. These now include:
- Efficiency Steering Group;
  - E-Workforce Group;
  - Improve4U Steering Group and Focus Teams;
  - Corporate Procurement Working Group;
  - Overview & Scrutiny Committee & its three Panels;
  - External Audit & Inspection (inc. best value);
  - Internal Audit.
- 3.16 The Efficiency Steering Group has a particularly important role to play in securing the delivery of value for money services and been established to:
- Act as the co-ordinating body for the efficiency programme in support of the Council's corporate plans and priorities;
  - Champion efficiency both within the Council and externally with partners, suppliers and customers;
  - Meet government & Council reporting requirements regarding Annual Efficiency Statements;
  - Monitor and review the efficiency programme on an ongoing basis to ensure that it is meeting objectives;
  - Fully integrate efficiency into the 3-year business planning and budgeting cycle.

## ***Financial Management***

- 3.17 The Council has designated the Director of Finance as the officer responsible for the administration of its financial affairs under Section 151 of the Local Government Act 1972.
- 3.18 The financial management of the Council is conducted in accordance with the Financial Procedure Rules set out in the Council's Constitution. The Council has also adopted and implemented the relevant financial codes of practice covering such areas as treasury management and the Prudential Code.
- 3.19 The Council has in place a three-year Financial Strategy, updated annually, to support the medium-term aims of the Corporate Plan.
- 3.20 The Council maintains a sound Internal Audit function which operates to the standards set out in the 'Code of Practice for Internal Audit in Local Government in the UK'. Internal Audit report three times annually to the Audit Committee and are a prime source of assurance to the authority regarding its financial management (including the adequacy of its financial systems, budgetary control and the efficient and effective use of resources). Internal Audit also provides assurance in the areas of governance, risk management and compliance.
- 3.21 The Council has an objective and professional relationship with its external auditors and statutory inspectors.

## ***Performance Management***

- 3.22 The Council has a Performance Management Framework as set out in the document 'Our Corporate Planning and Performance Management Framework'. The system is driven by a Community Plan and the new Community Strategy which will be adopted by the Chorley Partnership (LSP) in September 2005. The Community Plan and the new Community Strategy articulate the shared vision of the Council and its Partners. Derived from this is a Corporate Plan which articulates our corporate priorities. This is cascaded through Unit Business Plans and individual performance and development reviews to ensure that everyone understands their individual and unit contribution to corporate goals.
- 3.23 Separate detailed guidance exists for Business Planning and the Performance Review process. Performance against targets in priority areas is monitored by Management Team, the Executive Cabinet and the Overview and Scrutiny Committee. Where necessary corrective action is identified and implemented.

# statement of internal control



3.24 The Council uses a bespoke performance management software system, Performance Plus. The system uses a traffic light system to monitor not only individual performance indicators, but also their combined effect on the achievement of corporate objectives. These reports are produced every two months to ensure that trends in performance can be identified and corrective action introduced if appropriate.

## 4. Reviewing of Effectiveness of the Internal Control System

4.1 The Council's extensive control framework has not emerged by accident. A variety of corporate review mechanisms are in place to ensure that its policies, procedures and processes are continuously evaluated and updated. The main review vehicles are listed below:

### **Corporate Governance Group**

4.2 To oversee the production of the SIC itself, the Council has established a Corporate Governance Group with the following membership.

- Director of Finance (S.151 Officer);
- Director of Legal Services (Monitoring Officer);
- Head of Corporate & Policy Services;
- Audit & Risk Manager.

4.3 Using the detailed guidance provided by CIPFA as the basis, the Group have produced a Schedule of Controls Assurance & Evidence; a process which also aims to identify any significant internal control or compliance issues within the authority. Although the cumulative knowledge and experience of the Group is the prime source of information, reference is made to independent sources of controls assurance wherever possible; including:

- Comprehensive Performance Assessment (CPA);
- Audit Commission facilitated corporate governance assessment;
- Audit Commission Annual Audit Letter;
- Audit Commission Best Value Reviews;
- Internal corporate risk assessment (including emerging risks);
- Results of service level business risk assessments;
- Annual Report of Internal Audit.

4.4 The Schedule of Controls Assurance and Evidence is reviewed and challenged by the Council's corporate Management Team who agree the form and content of the draft SIC itself, including the significant control issues to be disclosed. The draft SIC and supporting evidence is subsequently submitted to the Audit Committee for approval prior to formal sign-off and publication.

### **Risk Management Board**

4.5 The corporate Risk Management Board meets on a quarterly basis to monitor developments in the risk management arena and to ensure that the Council's in-house arrangements continue to represent best practice. It's principal terms of reference are to:

- Oversee the regular review of strategic risks and ensure that any significant emerging risks are addressed via the Corporate Improvement Plan;
- Monitor the effectiveness of service level risk management within the Council's integrated business planning process;
- Analyse individual service level business risk assessments to identify any cross-departmental issues that need to be addressed corporately;
- Oversee the effective application of risk management within all significant partnership / partnering arrangements, contracts and projects;
- Oversee the execution of the Council's responsibilities in respect of civil resilience, business continuity planning and disaster recovery;
- Provide oversight of the arrangements for managing health and safety risks within the Council;
- Analyse accident, insurance claim and other incident data generated throughout the Council and co-ordinate action in respect of significant risk issues;



# statement of internal control



- Form risk management sub-groups to investigate and act upon specific issues which require resolution;
- Develop training on risk management for all levels of people connected to the Council, including officers and members;
- Disseminate information on risk management developments within the Council to the general public, members, Management Team, senior officers and employees;
- Advise managers of any changing requirements on the reporting or assessment of risk, arising from private or public sector best practice or any other relevant source.

4.6 The Risk Management Board regularly reports to Management Team on the management of risk throughout the Council.

#### ***Monitoring Officer***

4.7 The Director of Legal Services (Monitoring Officer) has a duty to monitor and review the operation of the Constitution to ensure its aims and principles are given full effect. The Council adopts the revised Constitution each year at its Annual Meeting.

#### ***Overview and Scrutiny Committee***

4.8 The Council has an Overview and Scrutiny Committee and three subsidiary panels which can call for reconsideration of an executive decision which has been made by the Executive Cabinet, an individual executive member, a committee of the Executive Cabinet or an officer to enable them to consider whether the decision is appropriate.

#### ***Audit Committee***

4.9 The Council has appointed an Audit Committee whose terms of reference extend to reviewing the adequacy of internal controls, monitoring the performance of internal audit and agreeing to the external audit plan.

#### ***Internal Audit***

4.10 Internal Audit is responsible for monitoring the quality and effectiveness of the systems of 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 head of service. The report includes recommendations for improvements that are included within a Management Action Plan and require agreement or rejection by service managers. The process includes follow-up reviews of agreed recommendations to ensure that they are acted upon.

4.11 A significant element of the necessary controls assurance is therefore taken from the work of Internal Audit. Internal Audit provides independent and objective assurance across a wide range of the authority's activities and Internal Audit plans are now constructed around the key business risk issues facing the authority.

4.12 The Internal Audit Annual Report (for 2004/5) 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).

4.13 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***

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

4.15 During 2004/5 the Council invited the Audit Commission to facilitate a review of its Corporate Governance arrangements. The actions arising from this review are incorporated within the Corporate Improvement Plan.

# statement of internal control



## 5. Significant Internal Control Issues

5.1 The significant internal control issues currently being addressed or still to be addressed by the Council are noted below. Few of the issues identified are completely new as they were also raised in the Council's Comprehensive Performance Assessment (CPA) and specific actions are already contained in the Corporate Improvement Plan (CIP) to address them. Therefore, where applicable, the "Planned Action" column below gives the appropriate references in the CIP, the latest version of which (version 6) is available on the Council's web site at [www.chorley.gov.uk](http://www.chorley.gov.uk) under "Your Council".

| No | ISSUE  | PLANNED ACTION  |
|----|--|---|
|    | <b><i>Establishing &amp; Monitoring the Achievement of Objectives</i></b>  |   |
| 1  | Further improving the engagement of communities and other stakeholders.  | <ul style="list-style-type: none"> <li>▪ CIP (actions 4 &amp; 6)</li> </ul>   |
| 2  | Clarifying the Council's ambition in terms of specific, measurable and sustainable outcomes.   | <ul style="list-style-type: none"> <li>▪ CIP (actions 1 &amp; 2)</li> </ul>   |
| 3  | Raising the profile of equality and diversity issues within the Council.   | <ul style="list-style-type: none"> <li>▪ CIP (action 3)</li> <li>▪ Embed the equality and diversity agenda across the organisation.</li> </ul>  |
|    | <b><i>Policy &amp; Decision Making</i></b>   |   |
| 4  | Enabling elected members to more effectively fulfil their roles and responsibilities within the modern local government environment. | <ul style="list-style-type: none"> <li>▪ CIP (actions 4b &amp; 9)</li> </ul>  |
|    | <b><i>Compliance</i></b>   |   |
| 5  | Establishing a member level mechanism to oversee the implementation of a best practice governance framework.                         | <ul style="list-style-type: none"> <li>▪ Extend the Audit Committee's remit to cover governance &amp; risk issues.</li> <li>▪ Adopt a local code of corporate governance consistent with the CIPFA/SOLACE framework.</li> <li>▪ Implement best practice policies and procedures in whistle blowing, codes of conduct and anti-money laundering.</li> <li>▪ Ensure that all changes to governance &amp; constitutional documents are clearly communicated to staff.</li> </ul> |
| 6  | Introducing formalised procedures to identify and comply with legislative change.  | <ul style="list-style-type: none"> <li>▪ Introduce a centralised capture and monitoring mechanism in Legal Services.</li> </ul>   |
| 7  | Implementing appropriate project management disciplines across the Council to facilitate the achievement of corporate objectives.    | <ul style="list-style-type: none"> <li>▪ Adopt a risk-based approach to the application of project management methodology.</li> </ul>   |
|    | <b><i>Risk Management</i></b>  |   |
| 8  | Effectively managing the risks associated with partnerships and partnering arrangements.   | <ul style="list-style-type: none"> <li>▪ Identify the Council's key partners &amp; partnering arrangements &amp; adopt a structured approach to partnership risk management.</li> </ul>   |
|    | <b><i>Economy, Efficiency &amp; Effectiveness</i></b>  |   |
| 9  | Systematically implementing the Council's Procurement Strategy.  | <ul style="list-style-type: none"> <li>▪ CIP (action 14)</li> <li>▪ Implement the Procurement Strategy Action Plan.</li> </ul>  |
| 10 | Systematically capturing and utilising management information to facilitate the achievement of corporate objectives.                 | <ul style="list-style-type: none"> <li>▪ Progressively develop and integrate the management information system.</li> </ul>  |



# statement of internal control



| <i>Performance Management</i> |  |
|-------------------------------|--|
| 11                            | Embedding a more effective and consistent approach to performance management across the Council. <ul style="list-style-type: none"><li>▪ CIP (actions 8a &amp; 15)</li></ul> |

DRAFT

JG Wilson  
Leader of the Council

JW Davies  
Chief Executive

G Hall  
Director of Finance (Section 151 Officer)

RA Lyon  
Director of Legal Services (Monitoring Officer)

# consolidated revenue account



## CONSOLIDATED REVENUE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2005

| 2003/04<br>Net<br>Expenditure<br>£ | DESCRIPTION OF SERVICE  | 2004/05<br>Gross<br>Expenditure<br>£ | 2004/05<br>Gross<br>Income<br>£ | 2004/05<br>Net<br>Expenditure<br>£ | Notes |
|------------------------------------|---|--------------------------------------|---------------------------------|------------------------------------|-------|
| 1,686,809                          | Central Services to the Public  | 7,324,995                            | (5,547,479)                     | 1,777,516                          |       |
| 8,832,284                          | Cultural, Environmental and Planning Services                         | 14,140,247                           | (2,539,041)                     | 11,601,206                         |       |
| 285,737                            | Highways, Roads and Transport Services                                | 1,571,515                            | (1,424,031)                     | 147,484                            |       |
| 4,280,131                          | Housing Services (including Council Dwellings)                        | 25,712,049                           | (21,050,490)                    | 4,661,558                          |       |
| 2,301,607                          | Central and Democratic Core Costs                                     | 2,658,393                            | (47,819)                        | 2,610,574                          |       |
| 600,696                            | Non Distributed Costs   | 285,244                              | (43,277)                        | 241,967                            | 12    |
| <b>17,987,264</b>                  | <b>TOTAL CONTINUING OPERATIONS</b>                                    | <b>51,692,443</b>                    | <b>(30,652,138)</b>             | <b>21,040,305</b>                  |       |
| 176,490                            | Discontinued operations   | 0                                    | 0                               | 0                                  | 16    |
| <b>18,163,754</b>                  | <b>NET COST OF SERVICES</b>   | <b>51,692,443</b>                    | <b>(30,652,138)</b>             | <b>21,040,305</b>                  |       |
| 350,110                            | Precepts Paid to Parish Councils                                      |                                      |                                 | 364,025                            |       |
| 305,351                            | Net costs on Trading undertakings                                     |                                      |                                 | 101,591                            | 8     |
| (2,856,953)                        | Asset Management Revenue Account                                      |                                      |                                 | (4,083,853)                        | 4     |
| 559,800                            | Amortised Premia & Discounts on Debt Refinancing                      |                                      |                                 | 64,732                             |       |
| (510,505)                          | Interest and Investment Income  |                                      |                                 | 39,745                             |       |
| <b>16,011,556</b>                  | <b>NET OPERATING EXPENDITURE</b>                                      |                                      |                                 | <b>17,526,545</b>                  |       |
|                                    | <b>Appropriations</b>   |                                      |                                 |                                    |       |
| 45,563                             | Surplus/(Deficit) transferred to/(from) HRA Balances                  |                                      |                                 | 132,058                            | a)    |
| (1,031,352)                        | Contributions to/(from) reserves not attributable to cost of services |                                      |                                 | (439,767)                          | 13    |
| 286,994                            | Capital expenditure financed from revenue                             |                                      |                                 | 51,697                             |       |
| (2,824,501)                        | Transfer from Capital Reserves  |                                      |                                 | (3,920,474)                        |       |
| (598,210)                          | Provision for Repayment of External Loans                             |                                      |                                 | (711,220)                          | 5     |
| 183,000                            | Pension related transfers   |                                      |                                 | (508,000)                          |       |
| <b>12,073,050</b>                  | <b>AMOUNT TO BE MET FROM GOVERNMENT GRANT AND LOCAL TAXPAYERS</b>     |                                      |                                 | <b>12,130,839</b>                  |       |
|                                    | <b>Sources of Finance</b>   |                                      |                                 |                                    |       |
| (3,182,875)                        | General Government Grants   |                                      |                                 | (3,508,166)                        |       |
| (3,508,493)                        | Non-Domestic Rates redistribution                                     |                                      |                                 | (2,759,830)                        |       |
| (5,185,012)                        | Precept Demanded from Collection Fund                                 |                                      |                                 | (5,713,876)                        | b)    |
| (102,670)                          | Collection Fund Transfer in respect of (Surpluses)/Deficits           |                                      |                                 | (148,967)                          |       |
| <b>94,000</b>                      | <b>NET GENERAL FUND (SURPLUS)/DEFICIT FOR THE YEAR</b>                |                                      |                                 | <b>0</b>                           |       |
|                                    | <b>MOVEMENT IN GENERAL FUND RESERVES:</b>                             |                                      |                                 |                                    |       |
| 3,547,569                          | Balance on General Fund brought forward                               |                                      |                                 | 2,483,300                          | 13    |
| <b>2,483,300</b>                   | <b>Balance on General Fund carried forward</b>                        |                                      |                                 | <b>2,304,862</b>                   | c)    |

### NOTES

4,5,8,12,13, 16 see "notes to the consolidated revenue account" on the following pages.

- (a) See "Housing Revenue Account" for additional information.  
 (b) See "Collection Fund" for additional information.  
 (c) See Note 18 to the Consolidated Balance Sheet.

# notes to the consolidated revenue account



## 1. AGENCY AGREEMENTS

- (a) Chorley Borough Council's Highways agency agreement with Lancashire County Council ceased on 30 June 2003. Since this date Chorley has been part of the Lancashire Highways Partnership.
- (b) Chorley Borough Council's Sewerage and Rodent Control agency agreement with United Utilities ceased on 31 March 2004.

## 2. SECTION 137, LOCAL GOVERNMENT ACT 1972 (AMENDED)

Section 137, as amended by Section 36 of the Local Government and Housing Act 1989, empowers local authorities to incur expenditure which in their opinion is in the interest of and will bring direct benefit to their area or any part of it, or all or some of its inhabitants. The current limit on expenditure is £5.00 per head of population per annum.

The Council was permitted to spend £389,500 under this power in 2004/05 and its actual expenditure was £70,056, incurred largely on grants to voluntary organisations.

## 3. SECTION 5(i), LOCAL GOVERNMENT ACT 1986

Set out below, under the requirements of this Act, is the Council's spending on publicity:

|                         | 2003/04        | 2004/05        |
|-------------------------|----------------|----------------|
|                         | £              | £              |
| Recruitment advertising | 68,499         | 123,655        |
| Other advertising       | 15,299         | 18,863         |
| Promotions/publicity    | 83,344         | 150,005        |
|                         | <u>167,142</u> | <u>292,523</u> |

## 4. ASSET MANAGEMENT REVENUE ACCOUNT

The Asset Management Revenue Account is credited with notional charges made to service committees for the capital employed in the delivery of services. It is debited with the actual financing costs incurred during the year. The balance on the account is then transferred back to the Consolidated Revenue Account to ensure that the notional charges for capital do not impact on the level of Council Tax.

|  | 2003/04            | 2004/05            |
|--|--------------------|--------------------|
|  | £                  | £                  |
| <b>INCOME</b>                                      |                    |                    |
| Capital Charges:                                   |                    |                    |
| - Notional General Fund and Direct Labour Services | (1,480,776)        | (1,562,633)        |
| - Housing Revenue Account                          | (3,490,659)        | (4,119,147)        |
| Government Grants Deferred                         | (88,876)           | (129,875)          |
|  | <u>(5,060,311)</u> | <u>(5,811,655)</u> |
| <b>EXPENDITURE</b>                                 |                    |                    |
| Provision for depreciation                         | 1,379,550          | 1,702,920          |
| Impairment   | 0                  | 0                  |
| External interest charges                          | 823,808            | 24,882             |
|  | <u>2,203,358</u>   | <u>1,727,802</u>   |
| <b>Transfer to Consolidated Revenue Account</b>    | <u>(2,856,953)</u> | <u>(4,083,853)</u> |

# notes to the consolidated revenue account



## 5. PROVISION FOR REPAYMENT OF EXTERNAL LOANS

|  | 2003/04<br>£    | 2004/05<br>£    |
|--|-----------------|-----------------|
| Housing amount   | 112,382         | 0               |
| Non-housing amount   | 335,295         | 391,984         |
|  | <hr/> 447,677   | <hr/> 391,984   |
| Less adjustment for loss on grant commutation  | (562,611)       | (391,984)       |
|  | <hr/> (114,934) | <hr/> 0         |
| Excess allocated as Supplementary Credit Approval  | 115,887         | 0               |
| Loss on grant commutation not covered by SCA   | (953)           | 0               |
|  | <hr/> 0         | <hr/> 0         |
| From Capital Financing Reserve to cancel depreciation charge in Asset Management Revenue Account | (598,210)       | (711,220)       |
| Provision for Repayment of External Loans  | <hr/> (598,210) | <hr/> (711,220) |

## 6. LOCAL AUTHORITIES (GOODS AND SERVICES) ACT 1970

The Council on occasions is commissioned by other public bodies to undertake work on their behalf. During the financial year 2004/05 the total of work commissioned and the financial impact was immaterial.

## 7. PENSION COSTS

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 – this is a funded 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.

We recognise 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 we are required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the CRA after Net Operating Expenditure. The following transactions have been made in the CRA during the year:

|   | 2003/04<br>£'000 | 2004/05<br>£'000 |
|---|------------------|------------------|
| <b>Local Government Pension Scheme</b>                              |                  |                  |
| Net Cost of Services:   |                  |                  |
| Current service cost  | (1,207)          | (1,532)          |
| Past service costs  | (264)            | (927)            |
| Net Operating Expenditure:  |                  |                  |
| Interest cost   | (2,915)          | (3,261)          |
| Expected return on assets in the scheme                             | 2,373            | 2,980            |
| Amounts to be met from Government Grants and Local Taxation:        |                  |                  |
| Movement on pensions reserve  | 5,643            | (13,173)         |
| Actual amount charged against council tax for pensions in the year: |                  |                  |
| Employers' contribution payable to scheme                           | <hr/> 1,830      | <hr/> 1,851      |

Note 20 to the Consolidated Balance Sheet contains details of the assumptions made in estimating the figures included in this note. The Statement of Total Movements in Reserves details the costs that have arisen through the year.

# notes to the consolidated revenue account



## 8. TRADING OPERATIONS

- (a) The Council owns two public markets. The turnover of these undertakings was £309,413 in 2004/05 and a surplus of £127 was made (2003/04 £341,737 and a surplus of £37,155).
- (b) The Council owns commercial land and premises in the Borough. The turnover of these undertakings was £260,987 in 2004/05 and a surplus of £36,166 was made (2003/04 £252,893 and a deficit of £227,703, this includes a one-off deferred charges write-off of £250,000 for the Bus Station premium).
- (c) The DSO Maintenance of Grounds and Highways Services had a turnover of £2,413,942 in 2004/05 and a net cost of £65,490 (2003/04 £2,589,984 and a net cost of £114,803. This includes payment of £71,000 in respect of expenditure incurred in previous years).

The Street Lighting Operation was transferred to LCC on 1 April 2004, though costs were incurred in 2004/05 as part of the wind up operations. The net cost incurred in 2004/05 was £72,394.

## 9. FINANCE AND OPERATING LEASES

The Council uses cars, plant and vehicles, computer equipment and software, and office equipment under the terms of operating leases. The amount paid under these arrangements in 2004/05 was £638,804 (2003/04 £674,061).

The future payments required under these leases are:

|                 |         |
|-----------------|---------|
|                 | £       |
| 2005/06         | 572,496 |
| 2006/07 onwards | 597,929 |

## 10. OFFICERS' EMOLUMENTS

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

| <i>Remuneration Band</i> | <i>Number of Employees</i> |                |
|--------------------------|----------------------------|----------------|
|                          | <b>2003/04</b>             | <b>2004/05</b> |
| £50,000 - £59,999        | 2                          | 2              |
| £60,000 - £69,999        | 2                          | 3              |
| £70,000 - £79,999        | 1                          | 0              |
| £80,000 - £89,999        | 0                          | 1              |

## 11. MEMBERS' ALLOWANCES

Allowances paid to Members in 2004/05 totalled £262,031 (2003/04 £253,602).

## 12. NON DISTRIBUTED COSTS

Non Distributed Costs Consist of pension-related costs not allocated to service accounts.

The payments made are:-

|         |         |
|---------|---------|
|         | £       |
| 2003/04 | 600,696 |
| 2004/05 | 241,967 |

# notes to the consolidated revenue account



## 13. MOVEMENTS IN GENERAL FUND RESERVES

The movements in General Fund Reserves are as follows:

|  | General Reserve<br>£ | Earmarked Reserves<br>£ | Total<br>2004/05<br>£ |
|--|----------------------|-------------------------|-----------------------|
| <b>Balance on General Fund brought forward</b>   | 1,000,000            | 1,483,300               | 2,483,300             |
| Less financing of General Fund deficit   | 0                    | 0                       | 0                     |
| Less net contribution from reserves not attributable to cost of services                                   | 0                    | (439,767)               | (439,767)             |
| Add other transfers to/(from) reserves   | 0                    | 261,329                 | 261,329               |
| <b>Balance on General Fund carried forward</b>   | <b>1,000,000</b>     | <b>1,304,862</b>        | <b>2,304,862</b>      |
| The £439,767 'contribution from reserves not attributable to cost of services' can be analysed as follows: |                      |                         |                       |
|  |                      |                         | £                     |
| Transfer to Service Units' Earmarked reserves (net)  | 0                    | 135,404                 | 135,404               |
| Transfer to e-Workforce Reserve (net)  | 0                    | 109,375                 | 109,375               |
| Transfer to Job Evaluation Reserve   | 0                    | 200,000                 | 200,000               |
| Transfer to Stock Transfer Reserve   | 0                    | 250,000                 | 250,000               |
| Transfer to Insurance Reserve  | 0                    | 147,411                 | 147,411               |
|  | 0                    | 842,190                 | 842,190               |
| Less:  |                      |                         |                       |
| Transfer from other reserves and provisions (net)  | 0                    | (222,255)               | (222,255)             |
| Transfer from Change Management Reserve  | 0                    | (650,330)               | (650,330)             |
| Transfer from Capital and Development Reserves   | 0                    | (179,853)               | (179,853)             |
| Transfer from Building Control Reserve   | 0                    | (2,064)                 | (2,064)               |
| Transfer from Buildings Fund   | 0                    | (227,455)               | (227,455)             |
|  | 0                    | (1,281,957)             | (1,281,957)           |
| <b>Net contribution to reserves not attributable to cost of services</b>                                   | <b>0</b>             | <b>(439,767)</b>        | <b>(439,767)</b>      |
| Reallocation of Reserves and provisions  | 0                    | 261,329                 | 261,329               |
|  | <b>0</b>             | <b>261,329</b>          | <b>261,329</b>        |

## 14. RELATED PARTY TRANSACTIONS

A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a charge is made. Related parties include:

- central government
- other local authorities and precepting bodies
- subsidiary and associated companies
- joint ventures and joint venture partners
- members and chief officers

Most transactions involving related parties are disclosed elsewhere in the Financial Statement, as follows:

- **Central Government**

Grants from the Government are included in the Cash Flow Statement and its Note 3.

# notes to the consolidated revenue account



- **Other Local Authorities and Precepting Bodies**

Payments to the Lancashire County Council Superannuation Fund are indicated in Note 7 above.

The precepts and demands paid to Lancashire County Council and Lancashire Police Authority are shown in the Collection Fund.

Details of the road and street lighting maintenance agency with Lancashire County Council are presented in Note 1 above.

Grants to improve and maintain amenities were made to Parish Councils as follows:

|                     | 2003/04<br>£ | 2004/05<br>£ |
|---------------------|--------------|--------------|
| Revenue expenditure | 70,396       | 62,311       |
| Capital expenditure | 0            | 0            |
|                     | <hr/> 70,396 | <hr/> 62,311 |

- **Subsidiary and Associated Companies**

Economic development grants were awarded to the following organisations:

|                                   | 2003/04<br>£  | 2004/05<br>£  |
|-----------------------------------|---------------|---------------|
| Chorley Partnership               | 500           | -             |
| Business Link N & W Lancashire    | 13,750        | 11,000        |
| Lancashire West Partnership       | 20,000        | 20,000        |
| Wigan Groundwork Trust            | 43,391        | 69,711        |
| South Lancashire Arts Partnership | 28,574        | 6,955         |
| Chorley Citizen Advice Bureau     | 83,413        | 86,750        |
|                                   | <hr/> 189,628 | <hr/> 194,416 |

The Council has in prior years had an interest in Chorley Business Solutions Limited, in which we have had a 50% stake. This company has been wound up and no longer trades but the Council is awaiting the sale proceeds and an appropriate debtor provision has been made in the 2003/04 accounts.

- **Members and 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 Chief Officers with related parties are not material.

# notes to the consolidated revenue account



## 15. 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:

|                                | 2002/03<br>£ | 2003/04<br>£ | 2004/05<br>£ | Total<br>£ |
|--------------------------------|--------------|--------------|--------------|------------|
| Income received                | 246,367      | 332,728      | 301,367      | 880,462    |
| Less expenditure incurred      | (243,849)    | (266,831)    | (303,431)    | (814,111)  |
| (Deficit)/Surplus for the year | 2,518        | 65,897       | (2,064)      | 66,351     |

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, income has exceeded expenditure by £66,351.

## 16. DISCONTINUED OPERATIONS

During 2004/05 there were no discontinued operations other than Happy Days Nursery which closed on 31 May 2004. The net cost of the service during the financial year was immaterial.

## 17. DISCLOSURE OF AUDIT COSTS

In 2004/05 Chorley Borough Council made the following payments to the Audit Commission.

|  | 2003/04<br>£   | 2004/05<br>£   |
|--|----------------|----------------|
| Fees payable in respect of statutory inspection                | 15,200         | 3,420          |
| Fees payable in respect of the audit of accounts               | 62,756         | 100,820        |
| Fees payable for the certification of grant claims and returns | 24,385         | 25,571         |
|  | <u>102,341</u> | <u>129,811</u> |



# housing revenue account



HOUSING REVENUE ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2005

| ACTUALS<br>2003/04<br>£ |   | ACTUALS<br>2004/05<br>£ |
|-------------------------|---|-------------------------|
|                         | <b>INCOME</b>   |                         |
| (6,768,317)             | Dwelling Rents  | (6,791,893)             |
| (80,533)                | Non-dwelling Rents  | (98,698)                |
| (106,926)               | Charges for Services and Facilities                                   | (109,840)               |
| (342,520)               | Contributions towards expenditure                                     | (356,004)               |
| (2,117,183)             | Housing Revenue Account Subsidy                                       | 0                       |
| (9,415,479)             | <b>TOTAL INCOME</b>   | (7,356,435)             |
|                         | <b>EXPENDITURE</b>  |                         |
| 1,556,765               | Repairs and Maintenance   | 1,644,524               |
|                         | Supervision and Management:-  |                         |
| 1,098,442               | - General   | 1,244,780               |
| 646,387                 | - Special   | 732,709                 |
| 24,279                  | Rents, rates, taxes and other charges                                 | 20,461                  |
| 3,726,759               | Rent Rebates  | (2,166)                 |
| 0                       | Negative HRA Subsidy  | 1,464,661               |
| 95,627                  | Increased provision for bad or doubtful debts                         | 11,538                  |
| 2,676,549               | Cost of Capital Charge  | 3,099,540               |
| 781,340                 | Depreciation and Impairment   | 991,700                 |
| 32,770                  | Amortisation of Deferred Charges                                      | 40,551                  |
| 35,983                  | Debt Management Costs   | 37,071                  |
| 0                       | Contribution to Benefits Costs  | 179,244                 |
| 10,674,901              | <b>TOTAL EXPENDITURE</b>  | 9,464,613               |
| <b>1,259,422</b>        | <b>Sub-total: Net Cost of Services</b>                                | <b>2,108,178</b>        |
| (2,514,390)             | Net HRA income or expenditure on the Asset Management Revenue Account | (3,012,294)             |
| 78,985                  | Amortised Premiums and Discounts                                      | 58,167                  |
| (21,073)                | HRA Investment Income   | (15,386)                |
| (1,197,056)             | <b>Net Operating Expenditure</b>                                      | (861,335)               |
| -                       | Revenue contribution to capital expenditure                           | 0                       |
| 112,382                 | Contribution to Minimum Revenue Provision                             | 0                       |
| 1,023,237               | Transfer to /(from) Major Repairs Reserve                             | 818,207                 |
| 15,874                  | Transfer to/(from) Pensions Reserve                                   | (88,930)                |
| (45,563)                | <b>(Surplus) / Deficit for the Year</b>                               | (132,058)               |
| (265,227)               | <b>Balance Brought Forward from Previous Year</b>                     | (310,790)               |
| (310,790)               | <b>Balance Carried Forward to Next Year</b>                           | (442,848)               |

# notes to the housing revenue account



## 1. HOUSING STOCK

The number of dwellings managed by the Council at 31 March 2005 was 2,987 (31 March 2004, 3,090), and can be analysed as follows:

| 31/03/04     |   | 31/03/05     |
|--------------|---|--------------|
| 1,240        | One bedroom houses, flats and bungalows   | 1,233        |
| 807          | Two bedroom houses, flats and bungalows   | 768          |
| 968          | Three bedroom houses, flats and bungalows | 913          |
| 75           | Four bedroom houses, flats and bungalows  | 73           |
| <u>3,090</u> | Total                                     | <u>2,987</u> |

## 2. RENT ARREARS

At 31 March 2005 cumulative arrears of rent were £190,540, for which a bad debt provision of £112,827 has been provided.

## 3. HRA SUBSIDY FOR THE FINANCIAL YEAR

|                                      | 2003/04<br>£     | 2004/05<br>£       |
|--------------------------------------|------------------|--------------------|
| Management Allowance                 | 1,025,119        | 1,020,730          |
| Maintenance Allowance                | 1,843,500        | 2,157,300          |
| Major Repairs Allowance              | 1,804,577        | 1,809,910          |
| Charges for Capital                  | 613,966          | 464,476            |
| Rent Rebates                         | 3,554,760        | -                  |
| Defective Housing Grant              | 2,215            | 2,215              |
| Guideline Rent                       | (6,816,890)      | (6,993,260)        |
| Interest on Receipts                 | (7,804)          | (4,997)            |
| Admissible Allowance                 |                  | 8,664              |
| <b>Entitlement for the Year</b>      | <b>2,019,443</b> | <b>(1,534,962)</b> |
| Prior Year Adjustment                | 97,740           | 70,301             |
| <b>Total Subsidy in the Accounts</b> | <b>2,117,183</b> | <b>(1,464,661)</b> |

# notes to the housing revenue account



## 4. BALANCE SHEET VALUE – LAND, HOUSES AND OTHER PROPERTY

| 31/03/04   |                               | 31/03/05   |
|------------|-------------------------------|------------|
| £          |                               | £          |
|            | <b>Operational Assets</b>     |            |
| 0          | Land                          | 0          |
| 73,999,833 | Houses                        | 85,418,241 |
| 1,053,488  | Other Property                | 1,028,579  |
| 75,053,321 |                               | 86,446,820 |
|            | <b>Non-operational Assets</b> |            |
| 540,270    | Land                          | 550,270    |
| 0          | Houses                        | 0          |
| 0          | Other Property                | 0          |
| 540,270    |                               | 550,270    |
| 75,593,591 |                               | 86,997,090 |

## VACANT POSSESSION VALUE – PROPERTY

| 31/03/04    |                                | 31/03/05    |
|-------------|--------------------------------|-------------|
| £           |                                | £           |
| 125,315,235 | Operational Assets (dwellings) | 144,940,256 |

## EXPLANATION OF VACANT POSSESSION VALUE

The vacant possession value of assets represents the stock value of prevailing market rents, adjusted for the fact that there are probably sitting tenants who will also have an option to buy. In other words the valuation assumes a market rent rather than a sub-market rent payable by a Housing Tenant. The difference between the existing social use valuation (£85,418,241) and the vacant possession value (£144,940,256) of £59,522,015 represents the economic cost or opportunity cost to the Government and Council of providing social housing for which they receive less income from rent and sales than they would otherwise have achieved.

## 5. MOVEMENTS ON THE MAJOR REPAIRS RESERVE

|   | £           |
|---|-------------|
| <b>Balance at 1 April 2004</b>  | Nil         |
| Transfer into Major Repairs Reserve in the year                       | 1,809,907   |
| Transfer from the Major Repairs Reserve in the year                   | 0           |
| Debits in the year in respect of HRA Capital Expenditure on dwellings | (1,809,907) |
| <b>Balance at 31 March 2005</b>                                       | Nil         |

# notes to the housing revenue account



## 6. CAPITAL EXPENDITURE ON LAND, HOUSES AND OTHER PROPERTY

|                            | 2003/04<br>£ | 2004/05<br>£ |
|----------------------------|--------------|--------------|
| <b>Capital Expenditure</b> |              |              |
| Land                       | 0            | 0            |
| Houses                     | 2,064,525    | 2,350,322    |
| Other Property             | 106,308      | 40,619       |
|                            | 2,170,833    | 2,390,941    |

### Sources of Financing

|                         |           |           |
|-------------------------|-----------|-----------|
| Borrowing               | 0         | 0         |
| Usable capital receipts | 318,554   | 581,034   |
| Revenue contributions   | 0         | 0         |
| Major Repairs Reserve   | 1,852,279 | 1,809,907 |
|                         | 2,170,833 | 2,390,941 |

### CAPITAL RECEIPTS FROM DISPOSALS

|                |           |           |
|----------------|-----------|-----------|
| Land           | 80,000    | 144,400   |
| Houses         | 4,018,431 | 3,588,574 |
| Other Property | 48,089    | 36,060    |
|                | 4,146,520 | 3,769,034 |

## 7. CAPITAL CHARGE AND CAPITAL ASSET CHARGES ACCOUNTING ADJUSTMENT

The Council is required by statute (Capital asset charges under item 8) to charge the cost of capital (3.5% of the rate of HRA operational assets) into the Housing Revenue Account. The charge represents the notional cost to the Council of retaining the Housing Stock, as opposed to using the asset value to attract a return from other investments. It is purely an accounting adjustment to show the costs of using Council funds to maintain a Housing Revenue Account. The notional charge is reversed out through the Asset Management Revenue Account (below the cost of service line) so that no charge is then made to tenants. In other words the adjustment has a zero effect in expenditure terms on the Housing Revenue Account.

## 8. CHARGE FOR DEPRECIATION

|                                      | 2003/04<br>£ | 2004/05<br>£ |
|--------------------------------------|--------------|--------------|
| <b>Operational Assets</b>            |              |              |
| Dwellings                            | 777,620      | 978,960      |
| Other land and buildings             | 3,720        | 12,740       |
| <b>Non-operational Assets</b>        | 0            | 0            |
| <b>Total Charge for Depreciation</b> | 781,340      | 991,700      |

# notes to the housing revenue account



## 9. IMPAIRMENT CHARGES

Impairment charges represent the reduction in the value of a fixed asset where something has happened to the asset or to the economic environment to cause a reduction. Examples of this include:

- a significant decline in demand for social housing
- evidence of obsolescence or physical damage to the asset
- a significant adverse change in statutory or other regulatory environment commitment by the Authority to undertake a significant housing reorganisation.

During 2004/05 Chorley Borough Council's HRA dwellings there were no impairments as a result of physical damage and economic obsolescence.

## 10. DEFERRED CHARGES

Deferred charges arise from capital expenditure that does not result in the acquisition of, or improvement to, fixed assets. An example is the acquisition of computer software. Deferred charges are amortised to revenue over an appropriate period. The Housing Revenue Account incurred such expenditure to the value of £15,326 in 2004/05 (2003/04 - £42,845).

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# consolidated balance sheet

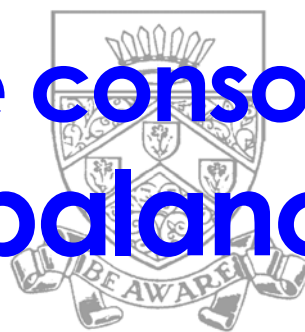


CONSOLIDATED BALANCE SHEET

AS AT 31 MARCH 2005

| 31.03.04            |   |              |                     | Notes   |
|---------------------|---|--------------|---------------------|---------|
| £                   |   | £            | £                   |         |
|                     | Intangible Fixed Assets                             |              | 609,830             |         |
| 99,686,606          | Tangible Fixed Assets                               |              | 112,062,522         | 1,3,4,5 |
| 1,051,431           | Deferred Charges                                    |              | 0                   | 2       |
| 56,810              | Long-term Investments                               |              | 56,810              |         |
| 1,614,665           | Long-term Debtors                                   |              | 1,503,793           | 7       |
| <b>102,409,512</b>  | <b>Total long-term assets</b>                       |              | <b>114,232,955</b>  |         |
| 318,602             | Stocks and work in progress                         | 306,564      |                     | 9       |
| 3,688,129           | Debtors   | 4,564,159    |                     | 8       |
| 3,920,354           | Investments   | 0            |                     |         |
| 229,420             | Cash in hand  | 213,291      |                     |         |
| <b>8,156,505</b>    | <b>Total current assets</b>                         |              | <b>5,084,014</b>    |         |
| (3,000,000)         | Short-term borrowing                                | 0            |                     | 10      |
| (7,073,540)         | Creditors   | (6,129,624)  |                     | 8       |
| (147,821)           | Bank overdraft                                      | (1,411,037)  |                     |         |
| <b>(10,221,361)</b> | <b>Total current liabilities</b>                    |              | <b>(7,540,661)</b>  |         |
| <b>100,344,656</b>  | <b>Total assets less current liabilities</b>        |              | <b>111,776,308</b>  |         |
| 0                   | Long-term borrowing                                 | 0            |                     | 10      |
| (5,712,744)         | Deferred liabilities                                | (5,612,452)  |                     | 11      |
| (1,548,920)         | Deferred capital receipts                           | (912,860)    |                     |         |
| (12,852)            | Provisions  | 0            |                     | 13      |
| (8,161,000)         | Liability related to defined benefit pension scheme | (22,223,000) |                     |         |
| <b>(15,435,516)</b> |   |              | <b>(28,748,312)</b> |         |
| <b>84,909,140</b>   | <b>TOTAL ASSETS LESS LIABILITIES</b>                |              | <b>83,027,996</b>   |         |
| 59,860,179          | Fixed asset restatement account                     |              | 69,061,490          | 14      |
| 25,751,291          | Capital financing account                           |              | 28,727,585          | 15      |
| 588,796             | Government grants-deferred account                  |              | 958,710             | 12      |
| 3,569,458           | Usable capital receipts reserve                     |              | 3,231,249           | 17      |
| (8,161,000)         | Pensions reserve                                    |              | (22,223,000)        |         |
| 506,326             | Earmarked reserves                                  | 524,252      |                     |         |
| 2,483,300           | General Fund balance                                | 2,304,862    |                     |         |
| 310,790             | Housing Revenue Account balance                     | 442,848      |                     |         |
| 0                   | Major Repairs Reserve                               | 0            |                     |         |
|                     |   |              | 3,271,962           | 18      |
| <b>84,909,140</b>   | <b>TOTAL EQUITY</b>                                 |              | <b>83,027,996</b>   |         |

# notes to the consolidated balance sheet



## 1. FIXED ASSETS

|   | Council Dwellings<br>£'000 | Other Land and Buildings<br>£'000 | Vehicles, Equipment, Plant, etc<br>£'000 | Infra-structure<br>£'000 | Community Assets<br>£'000 | Non-Operational Assets<br>£'000 | Total<br>£'000 |
|---|----------------------------|-----------------------------------|--|--------------------------|---------------------------|---------------------------------|----------------|
| Certified valuation at 31 March 2004    | 77,255                     | 18,420                            | 1,332                                    | 55                       | 1,823                     | 5,323                           | 104,208        |
| Accumulated depreciation and impairment | (2,347)                    | (1,614)                           | (313)                                    | (55)                     | (86)                      | (106)                           | (4,521)        |
| Net book value at 31 March 2004         | 74,908                     | 16,806                            | 1,019                                    | 0                        | 1,737                     | 5,217                           | 99,687         |
| <i>Movement in 2004/05</i>              |                            |                                   |  |                          |                           |                                 |                |
| Additions and Appropriations            | 0                          | 509                               | 632                                      | 0                        | 0                         | 0                               | 1,141          |
| Disposals                               | (3,033)                    | 0                                 | (39)                                     | 0                        | 0                         | 0                               | (3,072)        |
| Revaluations                            | 15,388                     | 163                               | 165                                      | 0                        | 222                       | 50                              | 15,988         |
| Depreciation                            | (979)                      | (448)                             | (215)                                    | 0                        | (22)                      | (18)                            | (1,682)        |
| Net book value at 31 March 2005         | 86,284                     | 17,030                            | 1,562                                    | 0                        | 1,937                     | 5,249                           | 112,062        |

The net assets employed by the General Fund and Housing Revenue Account are as follows:

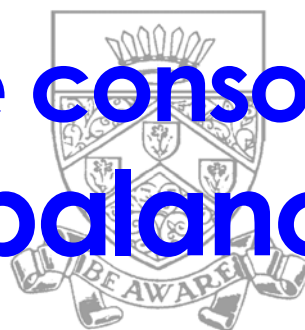
|                         | Net Book Value as at 31 March 2004<br>£ | Net Book Value as at 31 March 2005<br>£ |
|-------------------------|---|---|
| General Fund            | 24,093,015                              | 25,065,432                              |
| Housing Revenue Account | 75,593,591                              | 86,997,090                              |
|                         | <u>99,686,606</u>                       | <u>112,062,522</u>                      |

a) See note 4 to the Housing Revenue Account for additional analysis of HRA asset values.

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

|  | 2004/05<br>£ |
|--|--------------|
| Council dwellings and estate improvements          | 2,418,148    |
| Improvements to offices, depots and other premises | 1,180,864    |
| Waste collection and recycling                     | 429,023      |
| Extension and upgrade of CCTV network              | 175,725      |

# notes to the consolidated balance sheet



The Council has authorised expenditure on fixed assets in 2005/06 of £7.463 million, which is made up as follows:

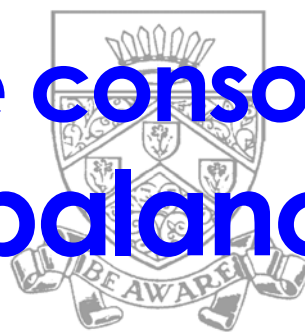
|  | Expenditure<br>Approved to<br>proceed and<br>Contracted at<br>31 March 2005 | Expenditure<br>Approved to<br>proceed but not<br>Contracted at<br>31 March 2005 |
|--|---|---|
|  | £'000   | £'000   |
| Council dwellings and estates                            | 21  | 2,068   |
| Astley Hall and Park improvements                        | 1,334   | 1,472   |
| Town Hall disabled access and refurbishment              | 236   | 813   |
| Other improvements to offices, depots and other premises | 324   | 774   |
| Enhancement Schemes                                      | 111   | 296   |
| Transport and car park improvements                      | 111   | 14  |
| Recycling sites and equipment                            | 111   | 14  |
|  | 2,026   | 5,437   |

## 2. DEFERRED CHARGES

|   | £           | £           |
|---|-------------|-------------|
| Balance as at 1 April 2004                          |             | 1,051,431   |
| Less transferred to other accounts                  |             |             |
| - Intangible Fixed Assets                           | (451,709)   |             |
| - Long term Debtors                                 | (599,716)   |             |
|   | (1,051,425) | 1,051,425   |
| Capital expenditure in the year                     |             |             |
| - Improvement Grants and other housing expenditure  | 959,352     |             |
| - Other capital and revenue expenditure             | 2,864,511   |             |
|   | 3,823,863   | 3,823,863   |
| Amounts written off to Consolidated Revenue Account |             |             |
| - Capitalised expenditure                           |             | (3,823,869) |
|   |             | 0           |
| Balance as at 31 March 2005                         |             | 0           |



# notes to the consolidated balance sheet



## 3. CAPITAL EXPENDITURE AND FINANCING

The capital expenditure for the year was financed as follows:

|                                  | 2003/04<br>£         | 2004/05<br>£         |
|----------------------------------|----------------------|----------------------|
| <b>Capital Expenditure</b>       |                      |                      |
| Fixed Assets                     | 3,837,794            | 4,878,749            |
| Deferred Charges (a)             | 2,893,094            | 4,427,468            |
|                                  | <u>6,730,888</u>     | <u>9,306,217</u>     |
|                                  | <b>2003/04<br/>£</b> | <b>2004/05<br/>£</b> |
| <b>Sources of Finance</b>        |                      |                      |
| Long-term borrowing              | 932,055              | 0                    |
| Capital receipts                 | 1,910,011            | 4,088,623            |
| Capital grants and contributions | 1,501,167            | 3,182,794            |
| Revenue                          | 2,139,273            | 1,905,104            |
| Other (b)                        | 248,382              | 129,696              |
|                                  | <u>6,730,888</u>     | <u>9,306,217</u>     |

a) See note 2 above.

b) 'Other' includes temporary borrowing pending the receipt of Government capital grants in the following year; and net movement in capital creditors.

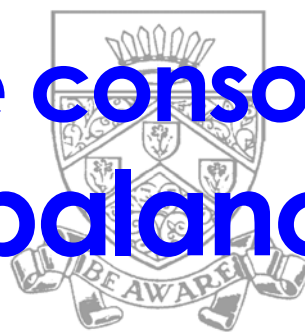
## 4. FIXED ASSET VALUATION

The following statement shows the progress of the Council's rolling programme for the revaluation of fixed assets. The valuations are carried out by qualified staff under Mr R P Handscombe, FRICS, the Council's Head of Property Services, in accordance with the Statements of Asset Valuation Practice and Guidance Notes of The Royal Institution of Chartered Surveyors.

|                             | Council<br>Dwellings | Other Land<br>and<br>Buildings | Vehicles,<br>Plant, etc | Infrastructure | Community<br>Assets | Non-<br>Operational<br>Assets | Total          |
|-----------------------------|----------------------|--------------------------------|-------------------------|----------------|---------------------|-------------------------------|----------------|
|                             | £'000                | £'000                          | £'000                   | £'000          | £'000               | £'000                         | £'000          |
| Valued at historic cost     | 0                    | 26                             | 923                     | 0              | 0                   | 173                           | 1,122          |
| Valued at current value in: |                      |                                |                         |                |                     |                               |                |
| Current year                | 88,622               | 672                            | 797                     | 0              | 222                 | 50                            | 90,363         |
| 2003/04                     | 0                    | 9,250                          | 370                     | 0              | 0                   | 1,711                         | 11,331         |
| 2002/03                     | 6                    | 389                            | 0                       | 0              | 0                   | 57                            | 452            |
| 2001/02                     | 982                  | 1,629                          | 0                       | 0              | 0                   | 71                            | 2,682          |
| 2000/01 and earlier         | 0                    | 7,126                          | 0                       | 55             | 1,823               | 3,311                         | 12,315         |
| <b>Total</b>                | <b>89,610</b>        | <b>19,092</b>                  | <b>2,090</b>            | <b>55</b>      | <b>2,045</b>        | <b>5,373</b>                  | <b>118,265</b> |

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 Head of Property Services. The total depreciation charge for 2004/05 was £1,702,920, compared to £1,377,880 in 2003/04.

# notes to the consolidated balance sheet



The estimated useful lives used in the calculation of depreciation are in the following ranges:

|                                     |                |
|-------------------------------------|----------------|
| Council dwellings                   | 80 years       |
| Other traditionally built buildings | 15 to 80 years |
| Portable office facilities          | 10 to 15 years |
| Vehicles                            | 10 years       |
| IT and other equipment              | 5 years        |

The cumulative amount of provisions for depreciation is as follows:

|                          | Balance as at<br>31 March 2004 | Depreciation<br>for the year | Disposals<br>in the year | Balance as at<br>31 March 2005 |
|--------------------------|--------------------------------|------------------------------|--------------------------|--------------------------------|
|                          | £                              | £                            | £                        | £                              |
| Council Dwellings        | 2,347,319                      | 978,960                      | 0                        | 3,326,279                      |
| Other land and buildings | 1,613,745                      | 447,860                      | 0                        | 2,061,605                      |
| Vehicles, Plant etc      | 312,791                        | 236,050                      | (20,980)                 | 527,861                        |
| Infrastructure           | 55,228                         | 0                            | 0                        | 55,228                         |
| Community assets         | 85,880                         | 21,830                       | 0                        | 107,710                        |
| Non-operational assets   | 106,300                        | 18,220                       | 0                        | 124,520                        |
|                          | <u>4,521,263</u>               | <u>1,702,920</u>             | <u>(20,980)</u>          | <u>6,203,203</u>               |

## 5. FINANCE LEASES

Vehicles acquired through finance leases which have been depreciated in full in previous years are excluded from the Fixed Assets total in the balance sheet. There are no outstanding primary rental obligations in respect of these leases as at 31 March 2005, and there were no secondary lease rental payments for the year 2004/05. (2003/04 - £515).

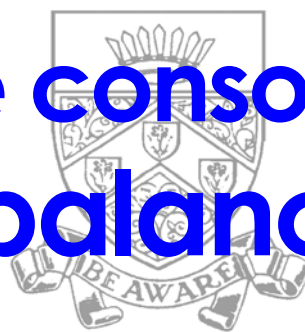
In addition, the Council uses other vehicles and equipment financed under the terms of operating leases. Such vehicles and equipment are not the property of the Council and are not included in the Consolidated Balance Sheet. Details of payments in the year and obligations outstanding for future years are given under note 9 to the Consolidated Revenue Account.

## 6. FIXED ASSETS ANALYSIS

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

|   | 31 March 2004 |                | 31 March 2005 |                |
|---|---------------|----------------|---------------|----------------|
|   | number        | area           | number        | area           |
| Council dwellings                       | 3,090         |                | 2,987         |                |
| Town Hall (including Lancastrian Room)  | 1             |                | 1             |                |
| Other administrative buildings          | 3             |                | 3             |                |
| Depots and workshops                    | 3             |                | 3             |                |
| Off-street car parks (charged weekdays) | 11            | (1,295 Spaces) | 11            | (1,295 Spaces) |
| Leisure centres and pools               | 4             |                | 4             |                |
| Museum                                  | 1             |                | 1             |                |
| Allotments                              | 104           | (8 Acres)      | 104           | (8 Acres)      |
| Parks and recreation grounds            |               | (357 Acres)    |               | (357 Acres)    |
| Amenity open spaces                     |               | (454 Acres)    |               | (454 Acres)    |
| Markets                                 | 2             |                | 2             |                |
| Cemeteries                              | 2             |                | 2             |                |
| Community Centres                       | 4             |                | 4             |                |
| Golf Course                             | 1             |                | 1             |                |
| Public conveniences                     | 5             |                | 5             |                |

# notes to the consolidated balance sheet



## 7. LONG TERM DEBTORS

The analysis of the loans for house purchase and improvement and miscellaneous debtors is:

|                                    |    | Balance at<br>1 April<br>2004 | Advances/<br>Additions | Repayments/<br>Reductions | Balance at<br>31 March<br>2005 |
|------------------------------------|----|-------------------------------|------------------------|---------------------------|--------------------------------|
|                                    |    | £                             | £                      | £                         | £                              |
| Mortgages (sale of Council houses) |    | 92,589                        | 0                      | (36,060)                  | 56,529                         |
| Sale of Assets                     | a) | 1,456,331                     | 0                      | (600,000)                 | 856,331                        |
|                                    | b) | 1,548,920                     | 0                      | (636,060)                 | 912,860                        |
| Housing Act Advances               |    | 19,528                        | 0                      | (5,064)                   | 14,464                         |
| Car Loans                          |    | 28,437                        | 10,570                 | (12,111)                  | 26,896                         |
| Other Advances                     |    | 17,780                        | 387                    | (1,433)                   | 16,734                         |
| Premiums on debt refinancing       | c) | 0                             | 599,716                | (66,877)                  | 532,839                        |
|                                    |    | 1,614,665                     | 610,673                | (721,545)                 | 1,503,793                      |

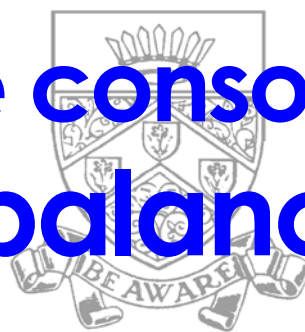
- a) This sum relates to the Gillibrand Link Road and Housing Development, Chorley. The sum of £856,331 is expected in 2006 from the joint developers. Of this total, approximately 70 per cent less deductibles will be paid to English Partnerships, the Council's development partner for this project.
- b) See deferred capital receipts.
- c) Transferred from deferred charges – see note 2 to the consolidated balance sheet.

## 8. REVENUE AND CAPITAL ACCRUALS

|   | Creditors             |                       | Debtors               |                       |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
|   | 31 March<br>2004<br>£ | 31 March<br>2005<br>£ | 31 March<br>2004<br>£ | 31 March<br>2005<br>£ |
| Analysis of Creditors and Debtors:          |                       |                       |                       |                       |
| Government departments                      | 825,322               | 1,130,999             | 913,473               | 698,215               |
| Other local authorities                     | 71,396                | 0                     | 12,584                | 210,001               |
| Sundry creditors/debtors                    | 3,720,930             | 3,132,978             | 2,816,061             | 2,552,006             |
| Capital creditors                           | 740,438               | 875,422               | 0                     |                       |
| Housing tenants, including net rent arrears | 0                     | 0                     | 132,383               | 38,992                |
| Rate and Taxpayers                          | 1,521,231             | 959,105               | 2,127,232             | 2,192,556             |
| Payments in advance                         | 0                     | 0                     | 517,526               | 475,466               |
| Receipts in advance                         | 194,223               | 31,120                | 0                     | 0                     |
|   | 7,073,540             | 6,129,624             | 6,519,259             | 6,167,236             |
| <u>Less provision for doubtful debts</u>    |                       |                       | (2,831,130)           | (1,603,077)           |
|   | 7,073,540             | 6,129,624             | 3,688,129             | 4,564,159             |

- a) The total for Housing tenants debtors is net of prepayments of rent for Council dwellings.

# notes to the consolidated balance sheet



## 9. VALUATION OF STOCKS

Included in the total value of stocks and work in progress at 31 March 2005 is an amount of £99,727, representing stocks valued at the estimated current replacement cost (2003/04 £83,151). The remaining value of stocks totalling £175,044 is shown at cost price (2003/04 £181,455). The requirement of the SSAP9 is that the value of stocks should be the lower of cost and net realisable value.

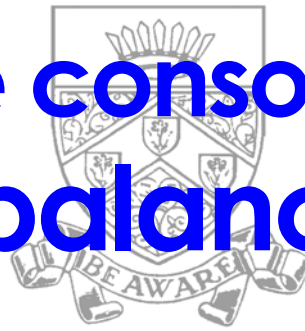
## 10. LOANS OUTSTANDING

|                                | Total outstanding 31 March |           |
|--------------------------------|----------------------------|-----------|
|                                | 2004<br>£                  | 2005<br>£ |
| Analysis of Loans by Source:   |                            |           |
| Public Works Loan Board        | 0                          | 0         |
| Temporary Loans                | 3,000,000                  | 0         |
| <b>Total Outstanding</b>       | <b>3,000,000</b>           | <b>0</b>  |
| Analysis of loans by maturity: |                            |           |
| Less than 1 year               | 3,000,000                  | 0         |
| Between 1 and 2 years          | 0                          | 0         |
| Between 2 and 5 years          | 0                          | 0         |
| Between 5 and 10 years         | 0                          | 0         |
| In 10 years or more            | 0                          | 0         |
| <b>Long Term Borrowing</b>     | <b>0</b>                   | <b>0</b>  |
| <b>Total Outstanding</b>       | <b>3,000,000</b>           | <b>0</b>  |

## 11. DEFERRED LIABILITIES

|                                  | Balance at<br>1 April 2004<br>£ | Additions<br>£ | Reductions<br>£  | Balance at<br>31 March 2005<br>£ |
|----------------------------------|---------------------------------|----------------|------------------|----------------------------------|
| Private Street Works             | 12,499                          | 387            | 0                | 12,886                           |
| Discount on refinancing of loans | 23,550                          | 0              | (2,146)          | 21,404                           |
| s106 Developers' Contributions   | 5,676,695                       | 352,907        | (451,440)        | 5,578,162                        |
|                                  | <b>5,712,744</b>                | <b>353,294</b> | <b>(453,586)</b> | <b>5,612,452</b>                 |

# notes to the consolidated balance sheet



## 12. 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.

|  | £ | £              |     |
|--|---|----------------|-----|
| Balance at 31 March 2004                           |   | 588,796        |     |
| Add; grants and contributions applied in year      |   | 499,789        |     |
| Less: Transfer to Asset Management Revenue Account |   | (129,875)      | (a) |
| <b>Balance at 31 March 2005</b>                    |   | <b>958,710</b> |     |

(a) See Note 4 to the Consolidated Revenue Account.

## 13. PROVISIONS

The analysis of the miscellaneous provisions total is:

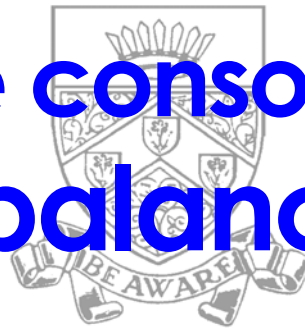
|                               | Balance at<br>1 April 2004<br>£ | Additions<br>£ | Reductions or<br>use of<br>Provisions<br>£ | Balance at<br>31 March 2005<br>£ |
|-------------------------------|---------------------------------|----------------|--|----------------------------------|
| Bond guarantee – homelessness | 7,500                           | 0              | (7,500)                                    | 0                                |
| Staff regrading Appeals       | 0                               | 0              | 0  | 0                                |
| Unit Slippage                 | 0                               | 0              | 0  | 0                                |
| Stock write off               | 5,352                           | 0              | (5,352)                                    | 0                                |
|                               | 12,852                          | 0              | (12,852)                                   | 0                                |

## 14. FIXED ASSET RESTATEMENT ACCOUNT

|                                     | £           | £          |
|-------------------------------------|-------------|------------|
| Balance as at 31 March 2004         |             | 59,860,179 |
| Revaluation of fixed assets in year | 12,251,993  |            |
| Disposal of fixed assets in year    | (3,050,682) |            |
|                                     |             | 9,201,311  |
| Balance at 31 March 2005            |             | 69,061,490 |

The Fixed Asset Restatement Reserve has been established as a requirement of the new system of capital accounting. The balance represents the difference between the valuation of assets under the previous system of capital accounting and the revaluation as at 1 April 1994. The reserve is reduced by the net book value of assets as they are disposed of, and increases or decreases by the amount of surplus of deficits arising from revaluations.

# notes to the consolidated balance sheet



## 15. CAPITAL FINANCING ACCOUNT

|  | £                 |
|--|-------------------|
| Balance at 31 March 2004   | 25,751,291        |
| 2004/05 Capital financing - Capital receipts                                   | a) 4,088,623      |
| - Revenue  | a) 1,905,104      |
| 2004/05 Minimum Revenue Provision (less depreciation provision and impairment) | b) (1,702,920)    |
| <u>Less:</u>   |                   |
| Write down of deferred charges   | (4,258,256)       |
| Write down of deferred debtors   | (5,897)           |
| Write down of deferred liabilities   | 2,949,640         |
| Balance at 31 March 2005   | <u>28,727,585</u> |

The Capital Financing Reserve contains the amounts which are required by statute to be set aside from capital receipts for the repayment of external loans, and the amount of capital expenditure financed from revenue and capital receipts. It also contains the difference between amounts provided for depreciation and that required to be charged to revenue to repay the principal element of external loans. The balance on the reserve is reduced as loan debt is repaid. It does not represent a resource available to the Council for financing additional capital expenditure.

- a) See note 3 above.  
b) See note 5 to the Consolidated Revenue Account.

## 16. LONG TERM INVESTMENTS

Long-term investments at 31 March 2005 are as follows:

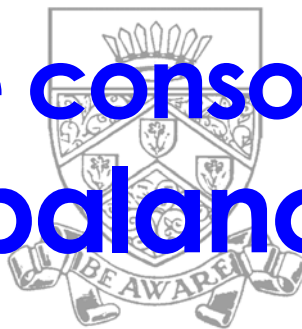
|   | £             |
|---|---------------|
| Association of District Councils (Properties) Limited Stock | 50,000        |
| 4% Manchester Corporation Stock                             | 6,810         |
|   | <u>56,810</u> |

## 17. USABLE CAPITAL RECEIPTS RESERVE

|  | £         | £                |
|--|-----------|------------------|
| Usable Capital Receipts as at 1 April 2004                             |           | 3,569,458        |
| Capital receipts during year from sales of assets                      | 4,380,459 |                  |
| Less pooled housing capital receipts                                   | (672,723) |                  |
| Other capital receipts   | 42,678    |                  |
|  |           | <u>3,750,414</u> |
| <u>Less:</u> Capital receipts applied in capital financing during year |           | a) (4,088,623)   |
| Balance at 31 March 2005   |           | <u>3,231,249</u> |

- a) See note 3 above.

# notes to the consolidated balance sheet

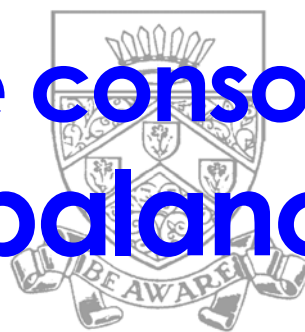


## 18. FUND BALANCES AND RESERVES

|  | Balance at<br>31 March 2004 | Receipts in year | Payments in<br>year | Balance at<br>31 March 2005 |
|--|-----------------------------|------------------|---------------------|-----------------------------|
|  | £                           | £                | £                   | £                           |
| These can be analysed over the various funds,<br>as follows: |                             |                  |                     | 0                           |
| General Fund   |                             |                  |                     |                             |
| general reserves   | 1,000,000                   | 0                |                     | 1,000,000                   |
| - earmarked reserves   |                             |                  |                     |                             |
| - future revenue expenditure                                 |                             |                  |                     |                             |
| - planned maintenance of assets                              | 304,286                     | 628,344          | (277,782)           | 654,848                     |
| - new developments   | 257,368                     | 0                | (227,455)           | 29,913                      |
| - change management  | 271,316                     | 158,131          | (206,757)           | 222,690                     |
| - insurance reserve (a)                                      | 650,330                     | 0                | (650,330)           | 0                           |
| - stock transfer   | 0                           | 147,411          | 0                   | 147,411                     |
|  | 0                           | 250,000          | 0                   | 250,000                     |
|  | 1,483,300                   | 1,183,886        | (1,362,324)         | 1,304,862                   |
|  | 2,483,300                   | 1,183,886        | (1,362,324)         | 2,304,862                   |
| Housing Revenue Account                                      |                             |                  |                     |                             |
| general reserves   | 310,790                     | 132,058          | 0                   | 442,848                     |
| major repairs reserve  | 0                           | 1,809,907        | (1,809,907)         | 0                           |
|  | 310,790                     | 1,941,965        | (1,809,907)         | 442,848                     |
| Earmarked Reserves   |                             |                  |                     |                             |
| collection fund  | 506,326                     | 524,252          | (506,326)           | 524,252                     |
|  | 506,326                     | 524,252          | (506,326)           | 524,252                     |
|  | 3,300,416                   | 3,650,103        | (3,678,557)         | 3,271,962                   |

- a) The insurance reserve (£147,141) has been created to explore the opportunity of self insuring some of the Council's insurance risk.

# notes to the consolidated balance sheet



## 19. TRUST FUNDS

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<br>1 April 2004 | Revaluation of<br>Investments | Income       | Expenditure     | Balance at<br>31 March<br>2005 |
|---|----------------------------|-------------------------------|--------------|-----------------|--------------------------------|
|   | £                          | £                             | £            | £               | £                              |
| HT Parke's Baths Fund<br>(Maintenance of Brinscall Baths)                                 | 2,438                      | (10)                          | 0            | 0               | 2,428                          |
| William Cocker Charity<br>(Provision of recreation grounds in Chorley)                    | 2,267                      | 181                           | 187          | (94)            | 2,541                          |
| WB Park's Charity<br>(Extend of Infectious Diseases Hospital, Withnell))                  | 1,705                      | 0                             | 0            | 0               | 1,705                          |
| Proceeds of Sale of Former Free Library<br>(General benefit of Chorley Borough residents) | 75,891                     | 5,965                         | 5,606        | (11,703)        | 75,759                         |
| Edward McKnight Memorial Fund<br>(Educational lectures in memory of E McKnight)           | 3,929                      | 0                             | 175          | 0               | 4,104                          |
| Mayor of Chorley's Charity Accounts<br>(Fundraising for various charitable purposes)      | 2,940                      | 0                             | 0            | (2,940)         | 0                              |
| <b>Total</b>  | <b>89,170</b>              | <b>6,136</b>                  | <b>5,968</b> | <b>(14,737)</b> | <b>86,537</b>                  |

The total value of these funds at 31 March 2005\* was £86,537 (2003/04 £89,170), of which £77,580 was invested in external listed securities (2003/04 £71,445). The funds are not assets of the Council so the external investments are not included in the Consolidated Balance Sheet.

\* External investments valuation as at 5 April 2005.

## 20. PENSIONS

Note 7 to the Consolidated Revenue Account contains details of the Authority's participation in the Local Government Pensions Scheme administered by Lancashire County Council.

### Local Government Pension Scheme

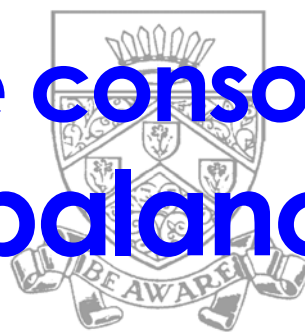
|                                 | 2003/04<br>£'000 | 2004/05<br>£'000 |
|---------------------------------|------------------|------------------|
| Estimated liabilities in scheme | (51,705)         | (70,456)         |
| Estimated assets in scheme      | 43,544           | 48,233           |
| <b>Net asset/(liability)</b>    | <b>(8,161)</b>   | <b>(22,223)</b>  |

The liabilities show the underlying commitments that the Authority has in the long-run to pay retirement benefits. The total liability has a substantial impact on the net worth of the Authority as recorded in the balance sheet.

The deficit on the Local Government Scheme can be made good by increased contribution over the remaining working life of employees, as assessed by the scheme actuary. The lowest actuarial valuation will be effective from 1 April 2005.



# notes to the consolidated balance sheet



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 the County Council Fund being based on the latest full valuation of the scheme as at 1 April 2001.

The main assumptions used in their calculations have been:

| Local Government Pension Scheme                                 |              |              |
|---|--------------|--------------|
|   | 2003/04<br>% | 2004/05<br>% |
| Rate of inflation   | 2.8          | 2.9          |
| Rate of increase in salaries                                    | 4.3          | 4.65         |
| Rate of increase in pensions                                    | 2.8          | 2.9          |
| Rate for discounting scheme liabilities (NB based on 3.5% real) | 6.3          | 5.4          |

Assets in the County Council Pension Fund are valued at fair value, principally market value for investments, and consist of the following categories, by proportion of the total assets held by the Fund:

|                    | Long-term<br>Return<br>% | 2003/04<br>% | 2004/05<br>% |
|--------------------|--------------------------|--------------|--------------|
| Equity Investments | 7.5                      | 68.8         | 65.0         |
| Government Bonds   | 4.7                      | 9.7          | 9.0          |
| Other Bonds        | 5.4                      | 12.8         | 15.0         |
| Property           | 6.5                      | 6.4          | 5.0          |
| Cash/Liquidity     | 4.75                     | 2.3          | 3.0          |
| Other Assets       | 7.5                      | 0.0          | 3.0          |
|                    |                          | 100          | 100          |

## 21. CONTINGENT ASSETS

An amount of £636,000 is being claimed by the Council from Customs and Excise in relation to VAT charged on car parking over the last six financial years, that due to recent case law should have been retained by the Authority rather than reimbursed. However the ruling is subject to a judicial review, which will determine the validity of the claim.

# statement of total movements in reserves 2004/2005



## Statement of Total Movements in Reserves

| 2003/04<br>£'000 |   | £'000    | 2004/05<br>£'000 | Notes |
|------------------|---|----------|------------------|-------|
|                  | Surplus/(deficit) for the year  |          |                  |       |
| (94)             | - General Fund  | 0        |                  | 1     |
| 46               | - Housing Revenue Account   | 132      |                  | 1     |
| (183)            | Deduct appropriation to pensions reserve  | (889)    |                  | 1     |
| 5,643            | Actuarial gains/(losses) relating to pensions                                       | (13,173) |                  | 1, 6  |
| (1,480)          | Add back/(deduct) movements on specific revenue reserves                            | (160)    |                  |       |
| 3,932            | <b>Total increase/(decrease) in revenue resources</b>                               |          | (14,090)         | 1     |
| 1,373            | Increase/(decrease) in usable capital receipts                                      | (338)    |                  | 2     |
| 1,373            | <b>Total increase/(decrease) in realised capital resources</b>                      |          | (338)            | 2     |
| 14,837           | Gains/(losses) on revaluation of fixed assets                                       | 12,252   |                  | 3     |
| 14,837           | <b>Total increase/(decrease) in unrealised value of fixed assets</b>                |          | 12,252           | 3     |
| (4,120)          | <b>Value of assets sold, disposed of or decommissioned</b>                          |          | (3,051)          | 4     |
| 3,942            | Capital receipts set aside  | 2,976    |                  | 5     |
| 246              | Movement on Government Grants Deferred  | 370      |                  | 5     |
| 4,188            | <b>Total increase/(decrease) in amounts set aside to finance capital investment</b> |          | 3,346            | 5     |
| 20,210           | <b>Total recognised gains and losses</b>  |          | (1,881)          |       |

# statement of total movements in reserves 2004/2005



## Notes to the Statement of Total Movements in Reserves

### 1. Movements in Revenue Resources

|   | General Fund Balances<br>£'000 | HRA Balances<br>£'000 | Earmarked Reserves<br>£'000 | Pensions Reserve<br>£'000 |
|---|--------------------------------|-----------------------|-----------------------------|---------------------------|
| Surplus/(deficit) for 2004/05                   | 0                              | 132                   |                             |                           |
| Appropriations to/(from) revenue                | 0                              | 0                     | (160)                       | (889)                     |
| Actuarial gains and losses relating to pensions |                                |                       |                             | (13,173)                  |
|   | 0                              | 132                   | (160)                       | (14,062)                  |
| Balance brought forward at 1 April 2004         | 1,000                          | 311                   | 1,990                       | (8,161)                   |
| Balance carried forward at 31 March 2005        | 1,000                          | 443                   | 1,830                       | (22,223)                  |

### 2. Movements in realised capital resources

|   | Usable capital receipts<br>£'000 | Unapplied Capital grants & contributions<br>£'000 |
|---|----------------------------------|---|
| Amounts receivable in 2004/05   | 3,750                            |   |
| Amounts applied to finance new capital investment in 2004/05              | (4,088)                          |   |
| <b>Total increase/(decrease) in realised capital resources in 2004/05</b> | (338)                            | 0   |
| Balance brought forward at 1 April 2004                                   | 3,569                            |   |
| <b>Balance carried forward at 31 March 2005</b>                           | a) 3,231                         | b)  |

(a) See Note 17 to the Consolidated Balance Sheet – Usable Capital Receipts Reserve.

(b) Capital grants and contributions totalling £439,752 are included within Sundry Creditors (2003/04 £104,463). See Note 8 to the Consolidated Balance Sheet. S106 contributions from various developers totalling £5,578,162 are included within Deferred Liabilities (2003/04 £5,676,695). See Note 11 to the Consolidated Balance Sheet.

### 3. Movements in unrealised value of fixed assets

|   | Fixed asset restatement account<br>£'000 |
|---|--|
| Gains/(losses) on revaluation of fixed assets in 2004/05                    | 12,252                                   |
| <b>Total increase/(decrease) in unrealised capital resources in 2004/05</b> | 12,252                                   |

# statement of total movements in reserves 2004/2005



## 4. Value of Assets sold, disposed of or decommissioned

|   |               |
|---|---------------|
| Amounts written off fixed asset balances for disposals in 2004/05 | (3,051)       |
| Total movement on reserve in 2004/05                              | 9,201         |
| Balance brought forward at 1 April 2004                           | 59,860        |
| <b>Balance carried forward at 31 March 2005</b>                   | <b>69,061</b> |

c) See Note 14 to the Consolidated Balance Sheet – Fixed Asset Restatement Account

## 5. Movements in amounts set aside to finance capital investment

|   | Capital<br>Financing<br>Account<br>£'000 | Government<br>grants<br>deferred<br>£'000 | Total<br>£'000 |
|---|--|---|----------------|
| Capital receipts set aside in 2004/05   |  |   |                |
| - reserved receipts   | 0  |   | 0              |
| - usable receipts applied   | 4,089                                    |   | 4,089          |
| - write down of deferred debtors  | (6)                                      |   | (6)            |
| <b>Total capital receipts set aside in 2004/05</b>                                  | <b>4,083</b>                             | <b>0</b>                                  | <b>4,083</b>   |
| Revenue resources set aside in 2004/05  |  |   |                |
| - capital expenditure financed from revenue   | 1,905                                    |   | 1,905          |
| - reconciling amount for provisions for loan repayment                              | (1,703)                                  |   | (1,703)        |
| <b>Total revenue receipts set aside in 2004/05</b>                                  | <b>202</b>                               | <b>0</b>                                  | <b>202</b>     |
| Grants applied to capital investment in 2004/05                                     | 2,949                                    | 500                                       | 3,449          |
| Amounts credited to the asset management revenue account in 2004/05                 | (4,258)                                  | (130)                                     | (4,388)        |
| <b>Movement on Government Grants Deferred</b>                                       | <b>(1,309)</b>                           | <b>370</b>                                | <b>(939)</b>   |
| <b>Total increase/(decrease) in amounts set aside to finance capital investment</b> | <b>2,976</b>                             | <b>370</b>                                | <b>3,346</b>   |
| Balance brought forward at 1 April 2004   | 25,751                                   | 589                                       |                |
| <b>Balance carried forward at 31 March 2005</b>                                     | <b>28,728</b>                            | <b>959</b>                                | <b>e)</b>      |

d) See Note 15 to the Consolidated Balance Sheet – Capital Financing Account.

e) See Note 12 to the Consolidated Balance Sheet – Deferred Government Grants and Contributions.

# statement of total movements in reserves 2004/2005



## 6. Actuarial Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2004/05 can be analysed into the following categories, measured as absolute amounts and as a percentage of assets or liabilities at 31 March 2005:

|   | £'000s          | %    |                |
|---|-----------------|------|----------------|
| Differences between the expected and actual returns on assets                     | 2,249           | 4.7  | of assets      |
| Differences between actuarial assumptions about liabilities and actual experience | (3,517)         | 5.0  | of liabilities |
| Changes in the demographic and financial assumptions used to estimate liabilities | (11,905)        | 16.9 | of liabilities |
|   | <u>(13,173)</u> | 18.7 | of liabilities |
| Comparative total for 2003/04   | <u>5,643</u>    |      |                |

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# cash flow statement



## CASH FLOW STATEMENT

FOR YEAR ENDED 31 MARCH 2005

| 2003/04<br>£'000 | Revenue Activities                                      | 2004/05<br>£'000 | Notes |
|------------------|---|------------------|-------|
|                  | <b>Cash Outflows</b>                                    |                  |       |
| 12,307           | Cash paid to and on behalf of employees                 | 11,820           |       |
| 13,882           | Other operating cash payments                           | 22,562           |       |
| 8,843            | Housing benefit paid out                                | 8,386            |       |
| 16,072           | National non-domestic rate payments to national pool    | 16,097           |       |
| 35,382           | Precepts paid   | 38,018           |       |
|                  | <b>Income</b>   |                  |       |
| (3,574)          | Rents (after rebates)                                   | (3,392)          |       |
| (36,607)         | Council tax income                                      | (38,979)         |       |
| (3,509)          | National non-domestic rate receipts from national pool  | (2,760)          | 3     |
| (15,795)         | Non-domestic rate receipts                              | (16,288)         |       |
| (3,183)          | Revenue support grant                                   | (3,508)          | 3     |
| (7,988)          | DSS grants for benefits                                 | (11,806)         | 3     |
| (8,216)          | Other government grants                                 | (3,893)          | 3     |
| (6,087)          | Cash received for goods and services                    | (9,951)          |       |
| (2,705)          | Other revenue cash payments/income                      | (4,187)          |       |
| (1,178)          |   | 2,119            | 1     |
|                  | <b>Servicing of Finance</b>                             |                  |       |
|                  | <b>Cash Outflows</b>                                    |                  |       |
| 1,056            | Interest paid   | 26               |       |
| 1                | Interest element of finance lease rental payments       | -                |       |
| (979)            | <b>Income</b>   | (258)            |       |
| 78               | Interest received                                       | (232)            |       |
|                  | <b>Capital Activities</b>                               |                  |       |
|                  | <b>Cash Outflows</b>                                    |                  |       |
| 4,658            | Purchase of fixed assets and other capital expenditure  | 7,319            |       |
| (6,410)          | <b>Income</b>   | (3,837)          |       |
| (1,363)          | Sale of fixed assets                                    | (2,951)          | 3     |
| (229)            | Capital grants received                                 | (218)            |       |
| (3,344)          | Other capital cash income                               | 313              |       |
| (4,444)          | <b>Net cash (inflow)/outflow before financing</b>       | 2,200            |       |
|                  | <b>Financing</b>  |                  |       |
|                  | <b>Cash Outflows</b>                                    |                  |       |
| 17,213           | Repayments of amounts borrowed                          | 3,000            |       |
| -                | Capital element of finance lease rental payments        | -                |       |
| (3,143)          | <b>Income</b>   | -                |       |
| 14,070           | New loans raised  | 3,000            |       |
| 9,626            | <b>Decrease/(increase) in cash and cash equivalents</b> | 5,200            | 2     |

# notes to the cash flow statement



## 1. RECONCILIATION OF REVENUE DEFICIT TO NET CASH FLOW

|                                  | £'000        | £'000          |
|----------------------------------|--------------|----------------|
| Deficit for the year             |              |                |
| Non-Cash Transactions:           |              |                |
| Capital                          | (1,863)      |                |
| Contribution from Reserves       | 1,880        |                |
| Contribution from Provisions     | (1,166)      |                |
| Government Grants Deferred       | <u>(130)</u> | (1,279)        |
| Items on an Accrual Basis        |              |                |
| Decrease in Creditors            | (799)        |                |
| Decrease in Debtors              | 176          |                |
| Decrease in Stocks and WIP       | <u>15</u>    | (608)          |
| Items in Another Classification  |              |                |
| Servicing of Finance             |              | <u>(232)</u>   |
| Net cash from revenue activities |              | <u>(2,119)</u> |

2. The net decrease in cash and cash equivalents of £5.200 million is reconciled to the Consolidated Balance Sheet on the following basis:

|                                       | Balance at<br>31/03/04<br>£'000 | Balance at<br>31/03/05<br>£'000 | Movement<br>in the year<br>£'000 |
|---------------------------------------|---------------------------------|---------------------------------|----------------------------------|
| Cash in hand                          | 230                             | 213                             | (17)                             |
| Bank                                  | (148)                           | (1,411)                         | (1,263)                          |
| Short term investments                | 3,920                           | -                               | <u>(3,920)</u>                   |
| Increase in cash and cash equivalents |                                 |                                 | <u>(5,200)</u>                   |

3. The Council has received the following Government grants during the year:

|                                   | £'000      | £'000         |
|-----------------------------------|------------|---------------|
| Revenue                           |            |               |
| NNDR Receipt from Pool            |            | 2,760         |
| Revenue Support Grant             |            | 3,508         |
| DSS Grants for Benefits           |            | 11,806        |
| Other Government Grants:          |            |               |
| • Council Tax Benefits            | (4,407)    |               |
| • Housing Revenue Account Subsidy | 1,508      |               |
| • Benefits Administration         | (698)      |               |
| • NNDR Administration             | (119)      |               |
| • Home Office Community Safety    | (139)      |               |
| • DEFRA Paper Collection          | (30)       |               |
| • Supporting People Admin         | (7)        |               |
| • Cycling Projects Fund           | -          |               |
| • House Renovation Grant Subsidy  | <u>(1)</u> | (3,893)       |
| Capital                           |            |               |
| Housing Capital Grants            | 153        |               |
| Other Capital Grants              | 2,798      |               |
| Lottery Grant                     | <u>-</u>   | 2,951         |
| Total Government Grants Received  |            | <u>17,132</u> |

# collection fund



## THE COLLECTION FUND REVENUE ACCOUNT

FOR YEAR ENDED 31 MARCH 2005

| Actuals<br>2003/04<br>£ |   | £          | £                 | Note |
|-------------------------|---|------------|-------------------|------|
|                         | <b>Income</b>                                     |            |                   |      |
| 36,007,461              | Income from Council Tax                           |            | 38,207,491        |      |
| 4,048,691               | <i>Transfers from General Fund:</i>               |            |                   |      |
| (2,175)                 | Council Tax Benefits                              | 4,521,696  |                   |      |
| 4,046,516               | Transitional Relief                               | (1,270)    | 4,520,426         |      |
|                         | Contributions Towards Council Tax Benefits        |            | -                 |      |
| 16,092,226              | Income Collectable from Business Ratepayers       |            | 17,283,421        | 2    |
| <b>56,146,203</b>       | <b>Total Income</b>                               |            | <b>60,011,338</b> |      |
|                         | <b>Expenditure</b>                                |            |                   |      |
|                         | <i>Precepts and Demands:</i>                      |            |                   |      |
| 31,352,907              | Lancashire County Council                         | 31,796,680 |                   |      |
| 5,185,012               | Chorley Borough Council                           | 5,713,876  |                   |      |
| 2,928,066               | Lancashire Police Authority                       | 3,453,681  |                   |      |
| -                       | Lancashire Combined Fire Authority                | 1,702,572  |                   |      |
| 39,465,985              |   |            | 42,666,809        |      |
|                         | <i>Business Rate:</i>                             |            |                   |      |
| 15,972,510              | Payment to National Pool                          | 17,163,895 |                   |      |
| 119,716                 | Costs of Collection to the General Fund           | 119,526    |                   |      |
| 16,092,226              |   |            | 17,283,421        | 2    |
|                         | Bad and Doubtful Debts                            |            |                   |      |
| 103,041                 | Write Offs  | 110,095    |                   |      |
| 41,218                  | Provision   | (916,359)  |                   |      |
| 144,259                 |   |            | (806,264)         |      |
|                         | <i>Contributions:</i>                             |            |                   |      |
| 852,615                 | Distribution of Estimated Collection Fund Surplus | 801,070    |                   |      |
| -                       | Adjustment of Previous Years Community Charges    | 48,376     |                   | 5    |
| 852,615                 |   |            | 849,446           |      |
| <b>56,555,085</b>       | <b>Total Expenditure</b>                          |            | <b>59,993,412</b> |      |
| (408,882)               | SURPLUS/(DEFICIT) FOR YEAR                        |            | 17,926            |      |
| 915,208                 | SURPLUS BROUGHT FORWARD AS AT 31 MARCH 2004       |            | 506,326           |      |
| 506,326                 | SURPLUS CARRIED FORWARD AS AT 31 MARCH 2005       |            | 524,252           |      |



# notes to the collection fund



## 1. GENERAL

These accounts contain the transactions of the Collection Fund. 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 Council Tax and non-domestic rates. Collection fund balances are consolidated in the Consolidated Balance Sheet.

## 2. INCOME FROM BUSINESS RATES

The Council collects non-domestic rates from local businesses, which are based on the rateable values of business premises multiplied by a uniform business rate. 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 rates income back to local authorities as a standard amount per head of local adult population. The total rateable value of business premises in the Council's area on 31 March 2005 is £43,764,995 and the uniform business rate for the 2004/05 financial year is 45.6 pence. The payment to the national pool is calculated as follows:

|   | £           |
|---|-------------|
| Non-Domestic Rateable Value at 1 April 2004 | 44,424,063  |
| Multiplied by Uniform Business Rate         | 0.456       |
| Gross Rates Due                             | 20,257,373  |
| Less Allowances and Other Adjustments       | (2,854,426) |
| Less Allowance for Costs of Collection      | (119,526)   |
| Payment to National Pool                    | 17,283,421  |

## 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 Inland Revenue. 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 £1,233.44. 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             | 13,801                 | 11,538.75                           | 7,690.50           |
| B   | 7/9             | 9,642                  | 8,621.50                            | 6,705.60           |
| C   | 8/9             | 8,136                  | 7,484.75                            | 6,653.10           |
| D   | 1               | 5,283                  | 4,925.25                            | 4,925.30           |
| E   | 11/9            | 4,082                  | 3,882.25                            | 4,745.00           |
| F   | 13/9            | 1,609                  | 1,540.75                            | 2,225.50           |
| G   | 15/9            | 707                    | 667.00                              | 1,111.70           |
| H   | 18/9            | 61                     | 42.25                               | 84.50              |
|   |                 | 43,321                 | 38,702.50                           | 34,141.20          |
| Plus adjustments for anticipated changes to the base and losses on collection |                 |                        |                                     | 155.20             |
| Band D Equivalent Number of Properties  |                 |                        |                                     | 34,296.40          |

# notes to the collection fund



## 4. BAND D COUNCIL TAX

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

|  | £                 |
|--|-------------------|
| Lancashire County Council Precept          | 31,796,680        |
| Lancashire Police Authority Precept        | 3,453,681         |
| Lancashire Combined Fire Authority Precept | 1,702,572         |
| Chorley Borough Council Requirement        | 5,349,850         |
| <b>TOTAL TO BE MET FROM COUNCIL TAX</b>    | <b>42,302,783</b> |
| Divided by Council Tax Base                | 34,296.40         |
| Band D Council Tax                         | 1,233.44          |

The Chorley Borough Council requirement on the Collection Fund excludes parish precepts.

## 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 on 31 March, it has to be shared between the Council and the major precepting authorities during the following financial year. Chorley Borough Council estimated there would be a Collection Fund surplus of £801,070 on 31 March 2005 which was distributed in 2004/05 as follows:

|                             | £              |
|-----------------------------|----------------|
| Chorley Borough Council     | 99,551         |
| Lancashire County Council   | 601,968        |
| Lancashire Police Authority | 99,551         |
|                             | <b>801,070</b> |

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# glossary



## ACCOUNTING STANDARDS BOARD

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.

## AGENCY SERVICES

Services provided by the Council, as an agent on behalf of the responsible body, where the principal reimburses the Council for the cost of the work carried out.

## ASSET MANAGEMENT REVENUE ACCOUNT

An account which the Council is required to maintain under the new capital accounting arrangements, which apply from 1994/95 onwards. All principal repayments and interest charges on loans are charged to the account.

## 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.

## 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 of assets either directly by the Council or indirectly in the form of grants to other persons or bodies. Section 40 of the *Local Government and Housing Act 1989* defines 'expenditure for capital purposes'. Expenditure that does not fall within the definition must be charged to a revenue account.

## 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.

## 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.

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# **glossary**



## **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.

## **CONSOLIDATED BALANCE SHEET**

The combined fund balance sheets of the Council.

## **CONTINGENCY SUM**

A sum set aside to provide for foreseen but unquantifiable future commitments or for unforeseen expenditure that may become necessary during the year.

## **COST OF MANAGEMENT AND ADMINISTRATION**

An allocation to service accounts of the net cost of the administrative and professional departments which 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.

## **DEFERRED CHARGES**

Expenditure which may properly be deferred, but which does not result in, or remain matched with, tangible assets. An example of a deferred charge is expenditure on items such as improvement grants.

## **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, set out the accounting treatment for retirement benefits such as pensions and medical care during retirement.

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# glossary



## **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 which 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.

## **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.

## **MAJOR REPAIRS ALLOWANCE**

Since April 2001, local authorities have received from the Government an annual Major Repairs Allowance (MRA) to cover depreciation and ongoing major repairs, but which is not intended to cover the backlog in repairs to Council dwellings. The MRA can be accumulated year on year, to allow authorities flexibility in spending on their Housing Revenue Account stock.

## **MAJOR REPAIRS RESERVE**

The Major Repairs Reserve holds any unspent balances of the annual Major Repairs Allowances, to be carried forward to future years in order to fit in with the planning approach to asset management.

## **MINIMUM REVENUE PROVISION**

The minimum amount which must be charged to the Council's revenue account each year and set aside as provision for credit liabilities, as required by the *Local Government and Housing Act 1989*.

## **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, ie, their historical cost of current value, less the cumulative amounts provided for depreciation.

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# glossary

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## 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.

## RENT REBATE

A subsidy payable by the Council to low income tenants in Council houses.

## 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.

## SECTION 137 EXPENDITURE

Section 137 of the Local Government Act 1972, as amended by Section 36 of the *Local Government and Housing Act 1989*, empowers authorities to incur expenditure for the benefit of some or all of their inhabitants that is not authorised under other powers.

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# glossary

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## STATEMENT OF RECOMMENDED PRACTICE

A Statement of Recommended Practice (SORP) on Accounting Practices for local authorities is prepared regularly to assist in the determination of recommended accounting practices and the SORP's form enables it to be related to the Financial Reporting Standards issued by the Accounting Standards Board. In England and Wales, the SORP constitutes 'proper accounting practice' under the terms of Section 66(4) of the *Local Government and Housing Act 1989*. The Chartered Institute of Public Finance and Accountancy (CIPFA) is the recognised SORP setting body for local government in England and Wales. To be applicable in Scotland the SORP requires approval by the Local Authority (Scotland) Accounts Advisory Committee (LASAAC). A Joint Committee (CIPFA/LASAAC) has been established to enable the SORP to be recognised in England, Wales and Scotland.

## 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).

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