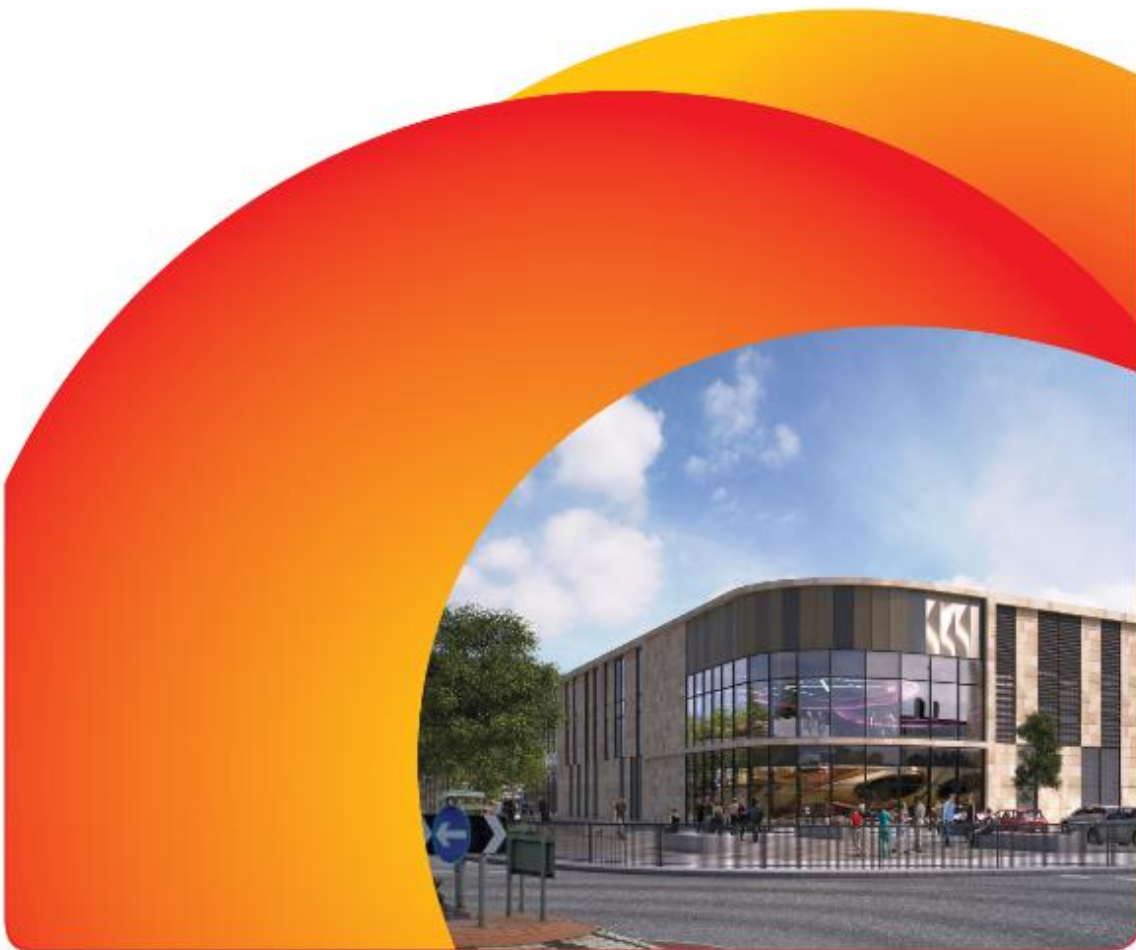


Statement of Accounts 2016/2017



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Introduction to the Statement of Accounts

The Accounts and Audit Regulations 2015 require the Council to produce a Statement of Accounts for each financial year.

This Statement of Accounts has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (The Code), which is based on International Financial reporting Standards.

The Statement of Accounts contains a number of sections and statements and these are explained below:

- Page 5 **The Independent Auditor's Report** – This gives the auditor's opinion of the financial statements and of the Council's arrangements for securing economy, efficiency and effectiveness in the use of its resources.
- Page 6 **Narrative Report of the Chief Finance Officer** - The purpose of the narrative report is to give the reader an understanding of the most significant matters reported in the accounting statements, as well as a review of the Council's financial performance and economy, efficiency and effectiveness in its use of resources over the financial year.
- Page 36 **Statement of Responsibilities for the Statement of Accounts** – This summarises the responsibilities of the Council and the Chief Finance Officer in relation to the Statement of Accounts.
- Page 107 **The Annual Governance Statement** – The Council is required to conduct an annual review of the effectiveness of its system of corporate governance and to publish a statement on the adequacy of the system with its annual accounts. This statement is referred to as the Annual Governance Statement (AGS). The AGS explains our governance arrangements, the review of the governance framework against the Local Code of Governance and future plans to improve and strengthen the governance environment.

Independent Auditors Report

This page is intentionally blank and will be filled with the Independent Auditor's Report on conclusion of the audit.

Narrative Report of the Chief Financial Officer

Introduction

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

This Statement of Accounts presents the financial results of the Council's activities for the year ended 31st March 2017 and provides a picture of the Council's overall financial position as at that date. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

The purpose of the narrative report is to give the reader an understanding of the most significant matters reported in the accounting statements, as well as a review of the Council's financial performance and economy, efficiency and effectiveness in its use of resources over the financial year.



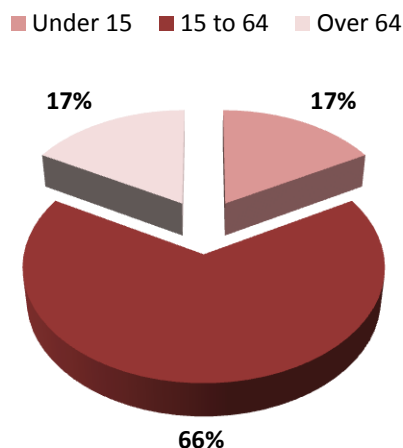
Key Facts about Chorley Borough

Chorley Borough is located in Lancashire at the centre of the North West region, situated on the M61, M6 and M65 motorways with easy access to the West Coast mainline and airports at Manchester and Liverpool. These good links make it an attractive area to live in for people working across the North West, and this is reflected in its population, which is steadily expanding. The Borough extends to about 205km² and is the 5th largest shire district in Lancashire.

Population

There are 113,000 people living in 46,000 households with an age profile as presented below:

Composition of Chorley Borough



It is estimated that between 2014 and 2039 the population of Chorley will increase by 18.1%, the highest predicted growth rate by far across Lancashire.

Economy

Chorley Borough has a strong economy and large potential for further economic growth. This is illustrated through:

- the unemployment rate in Chorley Borough is 4.2%, lower than the North West average of 5.2% and lower than the UK yearly unemployment rate of 4.8% for the year ending December 2016;
- the median weekly earnings for residents in Chorley is £428.10, the 3rd highest in the Lancashire area;
- the 2015 Indices of Deprivation reveals that Chorley has generally low levels of deprivation when compared to other areas of Lancashire;
- the percentage of the population in Chorley with NVQ 2 and above (2016) is 84.2%, which is better than both the North West (73.0%) and national (74.3%) averages;
- the authority is in an excellent business location and Chorley's local economy continues to go from strength-to-strength. The Council works hard to attract new businesses and has realised over £1 million of private investment in the Borough. The Council has supported over 130 businesses through its grant support programme. The Council welcomed over 500 business delegates to its business networking events in 2016/17;
- the Council won the 'Best Business Enabler of the Year 2016' award in the Downtown Lancashire Business Awards;
- the Council acquired 33.7 acres of land in 2016/17, the majority of which has been identified as development for employment purposes. The Council has set aside over £900k to develop income generation projects including the development of this employment land;
- Chorley town centre continues to grow with the sustained success of its markets and a record low number of void units. The Council is ambitious and seeks to further develop a town centre that gives the residents of the whole borough a place where they want to spend their leisure time and do their shopping rather than going to neighbouring towns and cities. In September 2016 the Council agreed to invest a further £17m to develop the town centre and complement the variety of independent traders it already has.

Key Achievements 2016/17

Our events programme continues to be a great success and has seen thousands of people attending various attractions and activities across the year. The introduction of our 'Check out Chorley' website enables visitors and residents of Chorley to discover Chorley, providing information about things to do and events being held and provide inspiration for great days out.

More people have been encouraged and enabled to get online this year through the provision of digital access sessions across the borough, with a 44% increase in the number of digital access points available for people to use. More people are contacting the Council using online technology with a total of 46% of service requests received online at the end of 2016/17.

Our leisure centres continue to play a big role in getting people to be healthy and active and this year they have had over 1.1million visitors. Our community centres also play a big role in our local areas and this year has seen the development of a new centre, Lancaster Way in Buckshaw Village.

Volunteering remains a key way in which residents can get involved in their local area and more people are engaged with and giving up their time to volunteer through our Time Credits scheme which continues to reward people for contributing towards their local communities. This year has seen a 63% increase in the number of volunteering hours earned.

The Council continues to develop innovative strategies and solutions to ensure that we are in a good position to respond to the challenges we face as an organisation. This has included delivering the actions which were outlined within our Transformation Strategy and progressing our partnership working through the Chorley Public Service Reform Partnership which aims to provide an opportunity

to transform the way public services are delivered locally and to explore public service integration, particularly around vulnerability and health and wellbeing.

The Council has continued to provide support to retain much needed services in the local area through funding a number of local bus services following cuts to local services, ensuring people remain connected. We have also continued to provide funding for three libraries across the borough, the funding has allowed the libraries to remain open following the announcement that they were due to close in 2016.

CHORLEY BOROUGH COUNCIL

Corporate Strategy

The overall aim of the Medium Term Financial Strategy (MTFS) is to identify resources to meet the objectives, targets and measures contained in the Corporate Strategy. The Corporate Strategy vision and our strands of focus are set out below:

Our vision:

A proactive community leader, supporting the borough and all its residents to reach their full potential through working in partnership to deliver services that achieve the best outcomes and protect vulnerable people



Involving residents in improving their local area and equality of access for all



Clean, safe and healthy communities



A strong local economy



An ambitious council that does more to meet the needs of residents and the local area

The delivery of the Corporate Strategy is supported through a series of key projects and service level projects contained within the business plans. In each case, the resources required to deliver the projects and plans were broadly developed through the business planning process, and resources identified during the budget planning process.

Performance of Corporate Strategy Projects

The following tables outline the performance of the Council's Corporate Strategy Priorities as at the end of December 2016.

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

Develop a new community centre for Buckshaw Village	Complete
<p>This project has delivered The Lancaster Way Community Centre for Buckshaw Village. The community centre compliments the village in providing a facility for the village with state of the art sports facilities and a large hall and smaller meeting room available for hire, all for the benefit and use of the local community. The centre was opened in Spring 2017 and will be managed by the Council and will work in partnership with the local community to develop and design the service offer centre pending transition into community management.</p>	
Deliver the Community Action Plans	Green
<p>The Community Action plan project has provided focused projects in each of the local areas delivered in with partnership with local agencies to coordinate, integrate and deliver local change based on need. Plans were developed and established in Clayton Brook, Astley Village, Chorley East and rural areas. Each of the CAP's has been evaluated and it has been found that positive outcomes have been achieved.</p> <p>Further work will be undertaken to consider how CAP's and neighbourhood priorities delivery and reporting methods can combine to enhance community and neighbourhood working delivery in the future. This project will be carried over through the new Corporate Strategy project 'Improve the look and feel of local neighbourhoods across the borough'.</p>	
Explore and deliver an integrated sports offer for the Westway area	Amber
<p>This project aimed to explore the options for an integrated sports offer at Westway and work this year has included preparation (such as relevant surveys being completed, a public consultation exercise being undertaken and pre- application meetings being held) for the next phase of the development.</p> <p>The project will provide enhanced sports facilities for Chorley, which will include the delivery of enhanced playing pitches, an artificial grass pitch and events car parking at Westway playing fields. This project will be carried over for delivery through the new Corporate Strategy project 'Progress the delivery of the Westway integrated sports facility'.</p>	
Improve connectivity in rural areas	Complete
<p>This project has brought together three strands of work all of which involved activity to ensure that rural areas of Chorley are connected to wider activity across the borough including digital accessibility and awareness, transport and connectivity initiatives and subsidised transport solutions.</p> <p>Some key achievements of the project include:</p> <ul style="list-style-type: none"> • The Council has stepped in to fund a number of local bus services due to end as a result of Lancashire County Council budget reductions to give time for more sustainable solutions to be established, ensuring that services have remained available for local residents. • Delivering digital access sessions for hard to reach groups; helping people to get online and do more online, the addition of two internet self-service points at our Union Street offices and providing support for the development of a community interest company to set up in Tatton Community Centre with the aim of providing lost cost technology by repairing and recycling electrical items. 	

CLEAN, SAFE AND HEALTHY COMMUNITIES

Deliver improvements to the Astley Walled Garden	Complete
<p>This project has delivered a new Victorian style Glass House in Astley Park and further developments including pathways to link the Glass House to other areas of the park and providing the internal furniture, fittings and water storage.</p> <p>The Glass House has been built to create a more authentic experience of the Walled Garden and to provide an enhanced recreational and educational visitor experience. It also provides additional internal space for growing plants and community food initiatives. The Glass House was unveiled to the public as the show piece of the Chorley Flower Show on Saturday 31 July 2016 with very positive comments received from members of the public. It will now be promoted as a key attraction within the park as part of a diverse borough-wide visitor offer.</p>	
Deliver improved CCTV provision	Complete
<p>This project has seen an upgrade of the CCTV control room and replacement of all cameras to HD across the borough. The updated system will provide better quality images and full digital recording availability for images captured. This will support police in crime detection and provision of evidence.</p>	
Progress the delivery of the Friday Street Health Centre	Red
<p>This project is to develop a new health centre in Chorley East (Friday Street).The current project is on hold, this is because the process for gaining approval from NHS England for new health facilities required that Friday Street underwent a further consideration as part of a review by the Clinical Commissioning Group to gain approval from NHS England and access to finance via the Estates and Technology Fund. The project team are in regular dialogue and continue to work to ensure that Friday Street Health Centre is recognised as a high priority by the Clinical Commissioning Group to gain approval from the NHS. The Council has removed the project from its capital programme, as alternative funding models to deliver the centre are now being pursued.</p>	
Deliver the Extra Care facility for Chorley	Green
<p>This project will see the delivery of an extra care scheme for Chorley which will increase the affordable housing offer in the borough, provide more housing options for older people. Work over 2016/17 has included ensuring the funding for the scheme is in place, the undertaking of further design and consultation work, securing full planning permission and site acquisitions, all of which has been vital to ensure that the delivery of the scheme progresses. The scheme's name has now also been approved and will be 'Primrose Gardens Retirement Village'.</p> <p>This project will be carried over for delivery through the new Corporate Strategy Project 'Deliver the Primrose Gardens Retirement Village for Chorley'. This will deliver apartments for older people in Chorley town centre providing purpose built accommodation to support older residents when they need it most.</p>	

A STRONG LOCAL ECONOMY

Deliver the Market Walk extension	Green
<p>The Market Walk project will improve the retail and leisure offer in the town centre providing benefits attracting national retailers and more visitors to Chorley. This will create growth and opportunities for the future, enabling the town centre to thrive over the coming years.</p> <p>Work has continued over 2016/17, and has been focused on securing interest from prospective tenants to ensure that the project was given approval to progress. The project will continue to be delivered through the new Corporate Strategy project 'Deliver the extension to Market Walk' and will see the beginning of the build of the scheme, which is planned for completion in 2018/19.</p>	
Develop an economic masterplan for the Botany Bay area	Complete
<p>The Botany masterplan has been delivered and will support a key priority of the economic development strategy by promoting and increasing levels of inward investment in Chorley. This will maximise the best use of employment land and buildings in the borough in order to support economic growth and provide a mix of well paid, high and low skilled jobs.</p> <p>The delivery of the masterplan will maintain and grow the business rate base which will be fundamental to the Council's future financial stability. This project will be taken forward through the new Corporate Strategy project 'Deliver economic opportunities at Botany'.</p>	
Improve the look and feel of the town centre	Green
<p>This project aims to continue the public realm improvements in line with the town centre masterplan and Market Walk extension. The work contained within this project sits alongside the desire to improve the connectivity across the town centre, especially with the car parks and improving the gateways into the town to provide a cohesive town centre identity.</p> <p>The full town centre proposal was taken to full Council in November where Members approved the adoption of the masterplan for consultation. This project will be taken forward through the new Corporate Strategy Project 'Deliver street level improvements in the town centre'.</p>	
Develop Chorley's town and rural tourism economy	Green
<p>The 'Check out Chorley' website has been launched successfully. This project has enabled the website's content to be improved, marketing the website through social media and collaborating with Botany Bay to promote Chorley as a destination for all. The 'Check out Chorley' website enables visitors or residents of Chorley to discover Chorley, providing information about things to do and events being held and provide inspiration for great days out.</p> <p>The promotion of Chorley as a visitor destination will continue through the delivery of the new Corporate Strategy project 'Develop activity to promote Chorley as a visitor destination including the Chorley Flower Show'.</p>	

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


Reform public services in Chorley	Green
<p>This project is focused on delivering the work plan of the Chorley Public Service Reform Partnership. The delivery of this project provides an opportunity to transform the way public services are delivered locally and to explore public service integration, particularly around vulnerability and health and wellbeing.</p> <p>This year, the forward plan for the next year of delivery of the project has been confirmed which supports the principles of the project including reducing demand, developing integration of services, focusing on prevention, adding social value and improving wellbeing outcomes. This project will continue through the new Corporate Strategy project 'Integrate public services through the Chorley Public Service Reform Partnership'.</p>	
Progress the delivery of the Chorley Youth Zone	Green
<p>The Youth Zone will provide a purpose built facility for Chorley's young people aged 8-19 years and up to the age of 25 with disabilities. The Zone will provide a safe environment where young people can raise aspirations, grow in confidence and engage in healthy activities. There are over 15,000 young people aged 8-19 years who live in Chorley whom this development will benefit. The Youth Zone project has progressed significantly over the last year, with the scheme now fully developed and funded and demolition works have commenced on site. This has enabled the construction element of the project which will continue to be taken forward through the new Corporate Strategy project 'Deliver the Youth Zone'.</p>	
Review the way the Council operates and make changes	Complete
<p>This project implemented key actions contained within the Transformation Strategy to ensure that our organisation is best placed to meet future financial and organisational challenges, including effective leadership and governance structures, key actions achieved include:</p> <ul style="list-style-type: none"> • Development of models and agreement of proposals for the governance arrangements and structures to support the Integrated Community Wellbeing service • Implementation of a changed senior management structure and subsequent structural change for the organisation • Development of a new organisational development plan, identifying skill requirements including for a new management team, frontline workers and partnership working. Including the implementation of training schemes to meet identified organisational need. • The progression of the Transformation Strategy to embed key principles and deliver a series of enabling projects, overseen by the Transformation Team drawn from across the organisation. 	
Deliver the skills framework for Chorley	Amber
<p>This project commenced the delivery of a three year action plan to respond to the supply and demand issues in the labour market, opportunities and challenges identified in the recently commissioned Chorley Skills Framework.</p> <p>The Chorley Skills Framework will help to drive the skills agenda forward, supporting local businesses to access the workforce they need to support change and growth and ensure that residents are equipped with the skills required by employers. The skills board was established and met twice and an action plan agreed. This work will continue into business as usual for the Employment, Skills and Business Support Team.</p>	


Performance of Corporate Strategy Key Measures – 2016/17
















The Corporate Strategy includes key measures to make it possible to monitor progress towards achieving priorities and long term outcomes, the measures were selected to demonstrate the progress made in achieving the ambitions of the council.

Performance at quarter four 2016/17 was good, with the majority of indicators performing above target. Areas of underperformance are generally where more challenging targets have been set and where there are significant external influences such as overall employment rate.



 **Performance is better than target**



 **Worse than target but within threshold**


 **Worse than target, outside threshold**


Indicator Name	Polarity	Target	Performance Quarter 4	Symbol
% increase in the number of volunteering hours earned	Bigger is better	20%	63%	
% of the population with NVQ level 3 and above	Bigger is better	57%	58%	
% increase in digital access points across the borough	Baseline	11%	44%	
Overall employment rate	Bigger is better	80%	74.8%	
Number of projected jobs created through targeted interventions	Bigger is better	150	159	
Number of projected jobs created through inward investment	Bigger is better	60	25	
Number of employment sites being brought forward	Bigger is better	2	3	
The number of visits to Council's leisure centres	Bigger is better	1million	1,139,070	
Number of young people taking part in 'Get Up and Go' activities	Bigger is better	20,000	24,856	
Number of Homelessness Preventions and Reliefs	Bigger is better	600	659	
Number of affordable homes delivered	Bigger is better	100	87	
Number of long term empty properties in the borough	Smaller is better	190	161	
% service requests received online	Bigger is better	18%	57.8%	
% customers dissatisfied with the service they have received from the council	Smaller is better	20%	18.3%	
Growth in business rate base	Bigger is better	1%	-0.145%	

For those performance indicators that are worse than the target performance, the following reasons and action plans have been proposed to Executive Cabinet in June 2017:

Performance Indicator		Target	Performance
	Overall employment rate	80%	74.8%
Reason below target	Whilst Chorley's employment rate is considered to be high compared to North West (71.6%) and national (74.0%) averages, performance in this area has declined when compared to the same period last year (when performance was at 80.8%). DWP state that reasons for this decline in performance in Chorley include the fact that there has been a steady negative impact from Universal Credit which allows claimants to remain on benefit whilst being able to work up to 24 hours per week and not classed as in work.		
Action required	Whilst we will continue with our successful Chorley Works programme, our employability service will expand through our Chorley Futures programme; subject to the award of European Social Funding. The Chorley Futures programme aims to support people to move towards the labour market and therefore closer towards employment opportunities, enabling people with multiple and complex barriers to move towards employment, training or education.		
Trend:	 Performance at the end of quarter three 16/ 2017 was 77.6%		

Performance Indicator		Target	Performance
	Number of projected jobs created through inward investment	60	25
Action Reason below target	Our Choose Chorley grant is the main driver for attracting business to re-locate to Chorley and therefore provide inward investment jobs. There are a number of reasons for underperformance in this area with regards to company re-locations and they include demand, competition from surrounding areas, lead in timescales and eligibility of those companies coming forward to access the grant. This year, one company has re-located to Chorley, bringing with it a total of 25 jobs.		
Action required	Investor development will be a main priority for the Employment and Skills Team in the coming year which should impact on a greater number of inward investment relocations. A number of potential re-locations are in the pipeline and will be progressed over the next quarter. Promotion of the Choose Chorley Grant will continue through the Council website, promotional signage on the M61 and continued delivery and coordination of the Choose Chorley business events, the next of which will be held on 13 July at Runshaw Business Centre.		
Trend:	 Performance at the end of quarter three 2016/2017 was 0 with a target of 11		

Performance Indicator		Target	Performance
	Number of affordable homes delivered	100	87
Reason below target	National welfare reform measures including the social rent reduction has led to significant reductions in Registered Providers' appetite to develop new social housing. The pending regulations for the Housing and Planning Act including the detail regarding starter homes has resulted in developers not wanting to finalise Section 106 agreements because a high percentage of starter homes has resulted in providers being unwilling to accept intermediate home ownership units on section 106 sites.		
Action required	Action which will be taken over the next quarter to improve performance will include proactively and robustly negotiating section 106 sites and challenging viability claims for reduced affordable contributions and maintaining engagement with Registered Providers to maximise opportunities for grant funded scheme. Clawback clauses on section 106 agreements will also be introduced where there has been a deviation to the policy for affordable contributions proactively working with the Homes and Communities Agency and other partners to bring forward appropriate allocated housing which includes affordable housing. The Council is developing its own affordable housing scheme, Primrose Gardens (65 units) which will be completed in 2019.		
Trend:	↑ Performance at the end of quarter three 2016/17 was 60, with a target of 75 (20% off target). Out turn this quarter is 13% off target, meaning that for quarter four, the difference between the target and actual has reduced, creating a positive trend although indicator is still off target		

Performance Indicator		Target	Performance
	Growth in business rate base	1%	-0.145%
Action Reason below target	A revaluation of rateable values came into effect in England and Wales on 1 April 2017. At revaluation, the Valuation Office Agency (VOA) adjusts the rateable value of business properties to reflect changes in the property market. The 2017 revaluation has resulted in this reduction in gross rateable value.		
Action required	An external organisation, Capacity Grid, is working on behalf of Chorley Council to identify new non-domestic assessments. This, along with our internal inspections regime which is carried out as and when we are notified of new business properties or alternatively on a monthly basis and identifies any new properties subject to business rates, should increase the gross rateable value by 31 March 2018.		
Trend:	↓ Performance at the end of quarter four 2015/2016 was 0.64% against a target of 2%		

Strategic Risk Register (Draft)

The Strategic Risk Register (SRR) is the vehicle by which the Council aims to identify and address any potential risks to the organisation and the delivery of its functions which therefore need to be managed strategically. The Council does not exist in a vacuum and the political, economic and financial environment in which it operates is constantly changing. The SRR is therefore a live document and needs to be updated to reflect any new or emerging strategic risks facing the Council.

Risk management is a cornerstone of good corporate governance and the Council has established a system of risk management which involves the creation of risk registers at a strategic level, service level and individual project levels. The risk register is continually reviewed and currently, the majority of risk categories remain stable with six of these identified as 'high risk', six 'medium risk' and three 'low risk'.

The table below describes each of the risks outlined in the 2016 risk register, this will be updated and presented to Governance Committee in June 17.

No new risks have been added to the register. The risk scores for four risks have been changed as highlighted in the table below. All changes to these risks have seen the risk score increase rather than decrease, demonstrating a higher level of risk in these areas for the Council this year.

Risk No.	Description of Risk	Matrix Score	Change in risk level from June 2016
R1	Failure to realise the value of large budget investments and achieve return on investments	16 (High)	↑
R2	Failure to achieve desired outcomes through partnership working and deterioration in relationships	16 (High)	→
R3	Budget cuts in key public and third sector partners having a negative impact on local level service delivery	16 (High)	→
R4	Failure to optimise opportunities for new ways of working and alternative business models including options for income generation	16 (High)	↑
R5	Lack of resources to deliver the Council's priorities due to public sector funding cuts (financial & staff capacity)	12 (High)	→
R6	Failure to react to changing service demand	12 (High)	→
R7	Reduction in satisfaction with the Council	9 (Medium)	↑
R8	Failure to sustain our performance in light of budget cut	9 (Medium)	→
R9	External legislative and policy change affecting service delivery, particularly future changes as a result of Welfare Reform	8 (Medium)	→
R10	Failure to fully realise the benefits of new technology and related impact on driving organisational change.	8 (Medium)	→
R11	Reduction in staff satisfaction and morale with the Council including increase in sickness absence	6 (Medium)	→
R12	Incidents affecting service delivery/business continuity or even widespread damage, injury or risk to the public including cyber-attack.	6 (Medium)	↑
R13	Damage to the council's reputation and potential reduction in resident satisfaction in relation to high profile planning applications, consultations and decisions.	4 (Low)	→
R14	Failure to build and maintain strong relationships of trust and confidence between officers and each party to promote good and open relationships between political parties	4 (Low)	→
R15	Failure of Shared Service arrangements	4 (Low)	→

Score Key

Major	4	4 Low	8 Medium	12 High	16 High
Serious	3	3 Low	6 Medium	9 Medium	12 High
Minor	2	2 Low	4 Low	6 Medium	8 Medium
Insignificant	1	1 Low	2 Low	3 Low	4 Low
		1	2	3	4
		Rarely – there is a slight possibility that the event will occur	Unlikely - there is a possibility that the event will occur or there is a history of occasional occurrence within the authority	Likely – There is a strong possibility that the event will occur or there is history or regular occurrence within the Authority	Highly likely -there is little doubt that the event will occur

The highest scoring risks, R1-5, continue to focus on delivering council priorities and maintaining local services in the light of budget cuts. The Future Governance Models report and Transformation Strategy 2016 set out how the council would meet challenges in future years through the development of new business models. Enabling actions have now been completed and the Transformation Strategy will be refreshed to set out a framework to achieve the financial savings that need to be made towards a sustainable operational and financial position, informing the corporate planning process.

The risk score for R1 ‘failure to realise the value of large budget investments and achieve return on these investments’ has increased considerably since 2016 and is now considered to be the highest rated risk for the Council. This risk is now scored at 16 and categorised as ‘high’, compared to a risk level of ‘medium’ in 2016. The reason for this increase includes the Council’s investment into large scale commercial developments, particularly in the town centre, and the need to see a return on this long term investment to assist the Council in achieving a sustainable financial position in future years

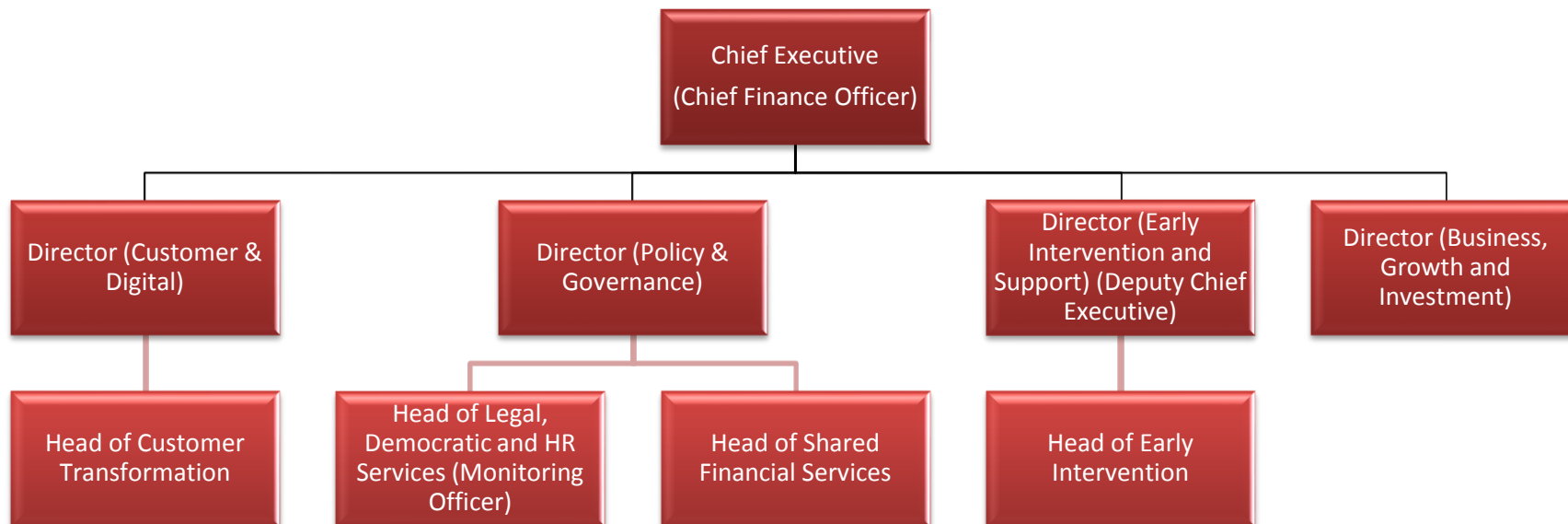
Risk R3 refers to budget cuts in key public and third sector partners having a negative impact on local level service delivery. Despite strong controls and mitigating actions, the financial pressures on service delivery partners have meant that anticipated cuts have now started to take effect, most recently in the changes to local bus services by the County Council and challenges in local health services. The score has therefore been increased to the highest level, prioritising the risk and also taking into account the ongoing activity by the County Council regarding changes to Children’s and Youth Services and supported housing

Major Changes to Services

In January 2016 a review of the management structure at Chorley Council was undertaken and approved at Full Council with the aims to:

- achieve savings in management costs and ensure the maximum amount is available to spend on priority services;
- ensure that public service reform and integration is more straightforward;
- align functions to fit with the future governance models and approaches to service delivery; and
- group functions with similar characteristics to promote an organisation-wide approach to service delivery;
- develop a flatter management structure, with fewer reporting lines to the Chief Executive;
- target and embed resources to priority areas.

The new structure was implemented in May 2016 and the new Senior Management Team is outlined below:



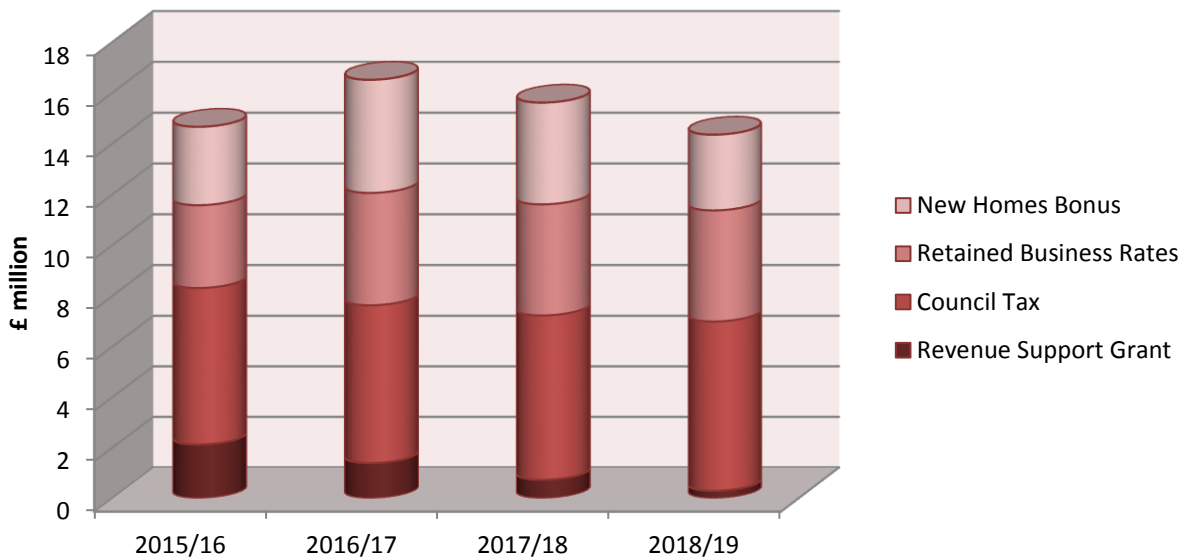
The Senior Management Team is responsible for developing, identifying resources, delivering and reviewing the delivery of the Council's corporate priorities.

Context for the 2016-17 Accounts

Ongoing austerity measures remain the largest financial challenge for the Council. In February 2016 the government published the Local Government Finance Settlement for the period 2016/17 to 2019/20. The Council will continue to experience large reductions in Revenue Support Grant until it is eventually phased out and replaced with an additional business rates tariff in 2019/20. The reduction in RSG in 2016/17 was £735k. Despite the large reductions in funding, the Council agreed to accept the 4 year settlement. In accordance with Government requirements, an Efficiency Plan was agreed at Full Council in September 2016. This document is published on the Council's [website](#) and outlines its approach to meeting the budgetary challenges it faces in the coming years. On 16th November 2016 the Council received confirmation from DCLG on its four year RSG settlement.

The 2016/17 Medium Term Financial Strategy (MTFS) identified a projected budget gap over the period 2016/17 to 2018/19 of £3m and continued to plan a route by which the budget deficit would be bridged in order to deliver the Council's Corporate Strategy priorities. In addition, the MTFS identified other areas of uncertainty including the proposed reductions in New Homes Bonus allocations and the change to 100% business rates retention towards the end of the planning period. As per the chart below, the Council will receive significant reductions in New Homes Bonus and Revenue Support Grant putting increased pressure on the Council to increase Council Tax and Business Rates as well as realising significant budget savings.

Major Sources of Council Funding



As a result of these uncertainties and in order for the Council to manage the changes required over the medium term, the Council agreed to increase general balances to £4m by 2018/19.

This Council is part of the Lancashire Business Rates Pool which began on 1 April 2016. The Lancashire Business Rates Pool, which includes most but not all of the local authorities in Lancashire, has been designated by the Secretary of State for Communities and Local Government and the retained levy in Lancashire has been distributed as follows:

- Lancashire County Council is paid 10% of the overall retained levy;
- Each district within the pool retains 90% of their levy.

With regard to this council, the retained levy would be £918,171, hence under pooling we have benefited from extra income of £826,354. Lancashire County Council has received the remaining 10% of retained levy.

Financial Performance in 2016-17

Despite the financial challenges outlined above, the financial standing of the Council is robust, with sound budget setting and monitoring practices. The Council's 2016/17 Revenue Budget, Capital Programme, MTFS and Treasury Management Strategy were approved at Special Council on 1st March 2016. Thereafter, budget monitoring reports were submitted at quarterly intervals to the Executive Cabinet. The reports are available on the Council's website.

In 2016/17, the Council continued its successful track record in achieving budgetary savings whilst also maintaining services. The 2017/18 budget setting process identified a further £0.856m of efficiencies that will be delivered. The following year-on-year budget efficiency savings and additional income has been achieved over the past four years:

	2014/15 £m	2015/16 £m	2016/17 £m	2017/18 £m	TOTAL £m
Productivity Gains	0.331	0.017	0.085	0.140	0.573
Pay Policy	0.036	-	-	-	0.036
Review of Contracts	0.035	0.200	-	0.369	0.604
Income Generation (incl. Market Walk)	0.442	0.446	-	0.050	0.938
Review of the Base Budget	0.094	0.045	0.128	0.100	0.367
Review of the Management Structure	-	-	0.229	0.067	0.296
Lancashire Business Rates Pooling	-	-	0.725	-	0.725
Debt Restructuring	-	-	-	0.130	0.130
SAVINGS AND ADDITIONAL INCOME	0.938	0.708	1.167	0.856	3.669

Council Spending in 2016/17

The Council's provisional revenue outturn for 2016/17 forecasts a £320k underspend against a provisional final budget of £16.570m. A proposal will be made to Executive Cabinet in June 2017 to transfer:

- £222k underspend to fund projects that require additional funding in 2017/18
- £49k underspend to the Change Management and £49k underspend to the Buildings Maintenance Reserves to further fund any unavoidable expenditure relating to the implementation of the Council's Transformation Strategy

The surplus £320k underspend is analysed below.

	Provisional Adjusted (Income)/ Expenditure Budget	Outturn	Underspend/ (Overspend)
<u>Expenditure</u>	£'000s	£'000s	£'000s
Customer & Digital	6,618	6,639	(21)
Policy & Governance	4,306	4,234	72
Early Intervention	2,641	2,547	94
Business, Development & Growth	1,332	1,338	(6)
Directorate Total	14,897	14,758	139
Pension Account & Deficit Recovery	1,196	1,176	20
Benefit Payments	(47)	(106)	59
Market Walk Shopping Centre	(1,756)	(1,786)	30
Investment Properties	(67)	(67)	0
LCC Transition Fund	141	141	0
Net Financing Transactions & Contributions to Capital	1,674	1,660	13
Parish Precepts	533	533	0
Total Expenditure	16,570	16,309	261

Financing

Council Tax	(6,906)	(6,906)	0
Business Rates	(3,794)	(3,771)	(23)
Government Grants	(6,531)	(6,589)	58
Use of Earmarked Reserve	161	183	(22)
Budgeted Contribution to General Balances	500	500	0
Other Miscellaneous Balances	0	(46)	46
Total Financing	(16,570)	(16,629)	59
Total Variance Reported in Budget Monitoring Report	0	(320)	320

The Directorate underspends were mostly driven by temporary staffing vacancies. Underspends generated through the renegotiation of ICT contracts were offset in 2016/17 by a shortfall in planning income. It is expected that planning income will be higher in 2017/18 as large sites in the borough are developed.

The Council has generated additional income over the budgeted level in 2016/17. The continued success of Market Walk Shopping Centre has resulted in a record high level of occupation of its units and led to an overachievement of income. The additional income received in housing benefits subsidy payments for 2016/17 reflects the specific work done over the year in aiming to reduce fraud and errors in Housing Benefit claims.

The (surplus) on general fund balance, noted in the expenditure and funding analysis (page 37), is £924k. This relates to the 2016/17 in-year underspend as well as other movements in reserves described below:

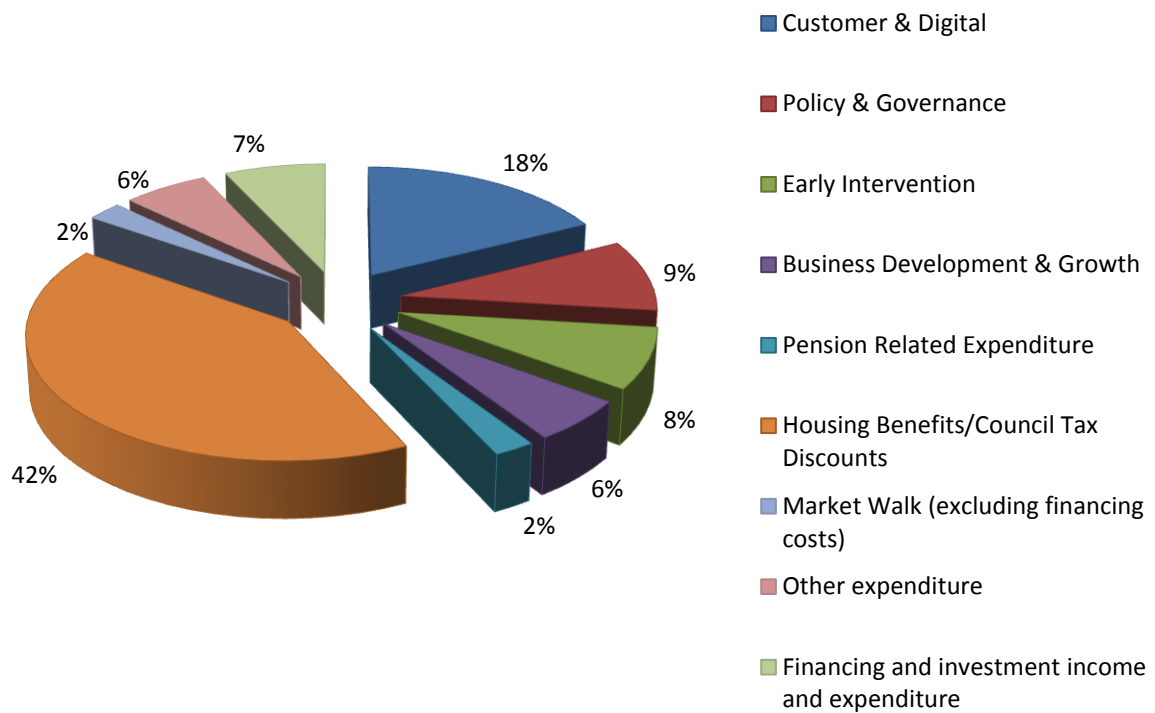
	£'000s
2016/17 Revenue Budget (Underspend)	(320)
Budgeted Contribution to General Balances	(500)
Use of Business Rates Retention Reserve	79
Net Transfer to Earmarked Reserves	(183)
(Surplus)/Less Deficit on General Fund Balance in Year	(924)

The net transfer to earmarked reserves is the net result of drawing down and (adding to) earmarked reserves. This includes (£573k) carry forward of investment project budgets to be spent in future years. Of this, (£183k) relates to business grants that have been committed but not yet claimed. The net transfer to earmarked reserves is outlined further in note 10.

The outturn for the Council, outlined in the expenditure and funding analysis (page 37), identifies balances of £10.468m. Of these balances £7.280m are earmarked general balances that will be used to deliver Corporate Strategy priorities and the remaining £3.188m is set aside to enable the Council to manage the peaks and troughs in expenditure and income it may experience throughout the MTFs period.

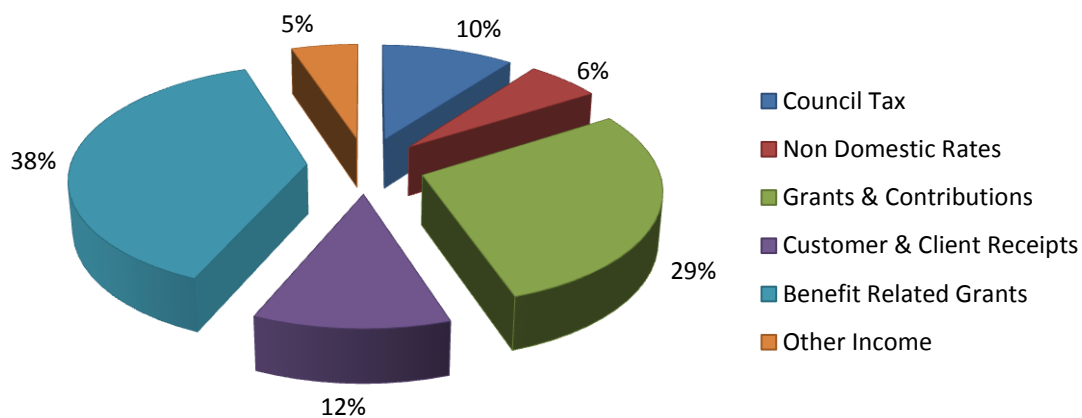
Where the Council's budget was spent

The gross expenditure for the Council is detailed in the Comprehensive Income and Expenditure Statement (page 38). In 2016/17 it consisted of:



How the Council's spend was funded

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



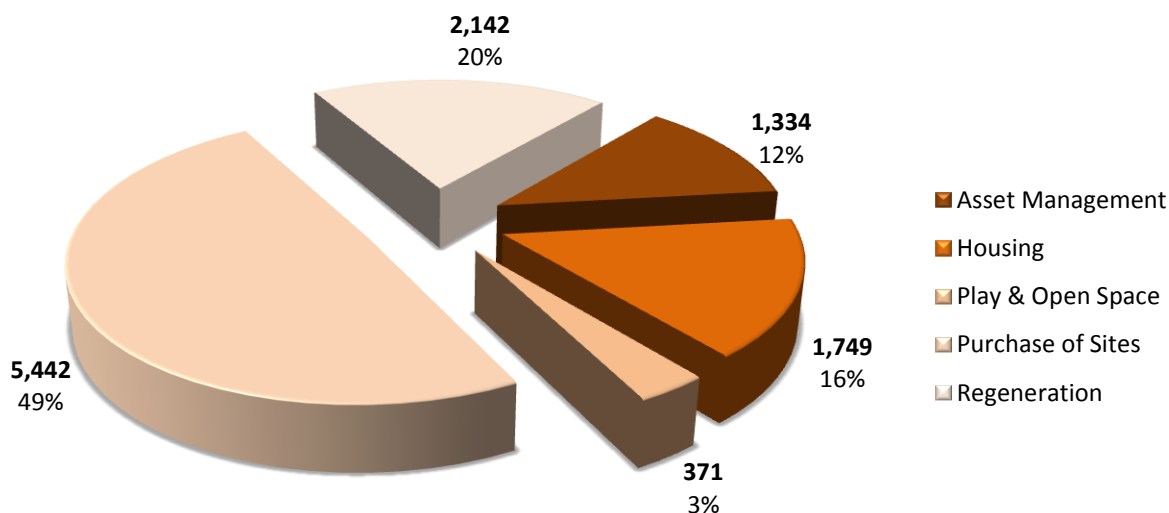
Capital Programme 2016/17 – 2019/20

The Council has an ambitious four year capital programme of £48m for 2016/17 to 2019/20 that was approved at Full Council 28th February 2017. The investment will complete a range of projects that will deliver the Council's Corporate Strategy priorities, including;

- a £9m extension to the current Market Walk Shopping Centre that will include a cinema and major national retailers. The new site will create employment opportunities as well as complementing the current shopping provision in Chorley town centre. As the Council is the landlord of Market Walk Shopping Centre, the new development will generate new income streams for the Council;
- a new £8m Digital Office Park that will provide a 5,000 m² bespoke digital office and start up accommodation with car parking. Co-located with the high output data processing centre, all businesses will benefit from a high capacity data link, and the centre will provide a hub for digital businesses and other high growth sector businesses;
- a £1m capital contribution to the £5m construction of the Chorley Youth Zone. The youth zone will provide a safe environment where young people can come and enjoy themselves and will enable young people to raise their aspirations and confidence to create a happier and healthier generation. Once completed in 2017/18 this will be owned and operated by Chorley Youth Zone Trust with an ongoing £100k annual revenue contribution from Chorley Council;
- a £9m budget for the construction of the Primrose Gardens Retirement Living extra care facility. In conjunction with a £3m HCA grant and a £1m LCC contribution, this project will create a 65 room facility that will house tenants with low level care needs and meet the future demand for such services that has been identified in the Chorley area.

The chart below outlines the key areas the Council invested its capital expenditure in 2016/17

Capital Expenditure 2016/17 (£000's)



The £5.4m purchase of sites relates to the following purchases:

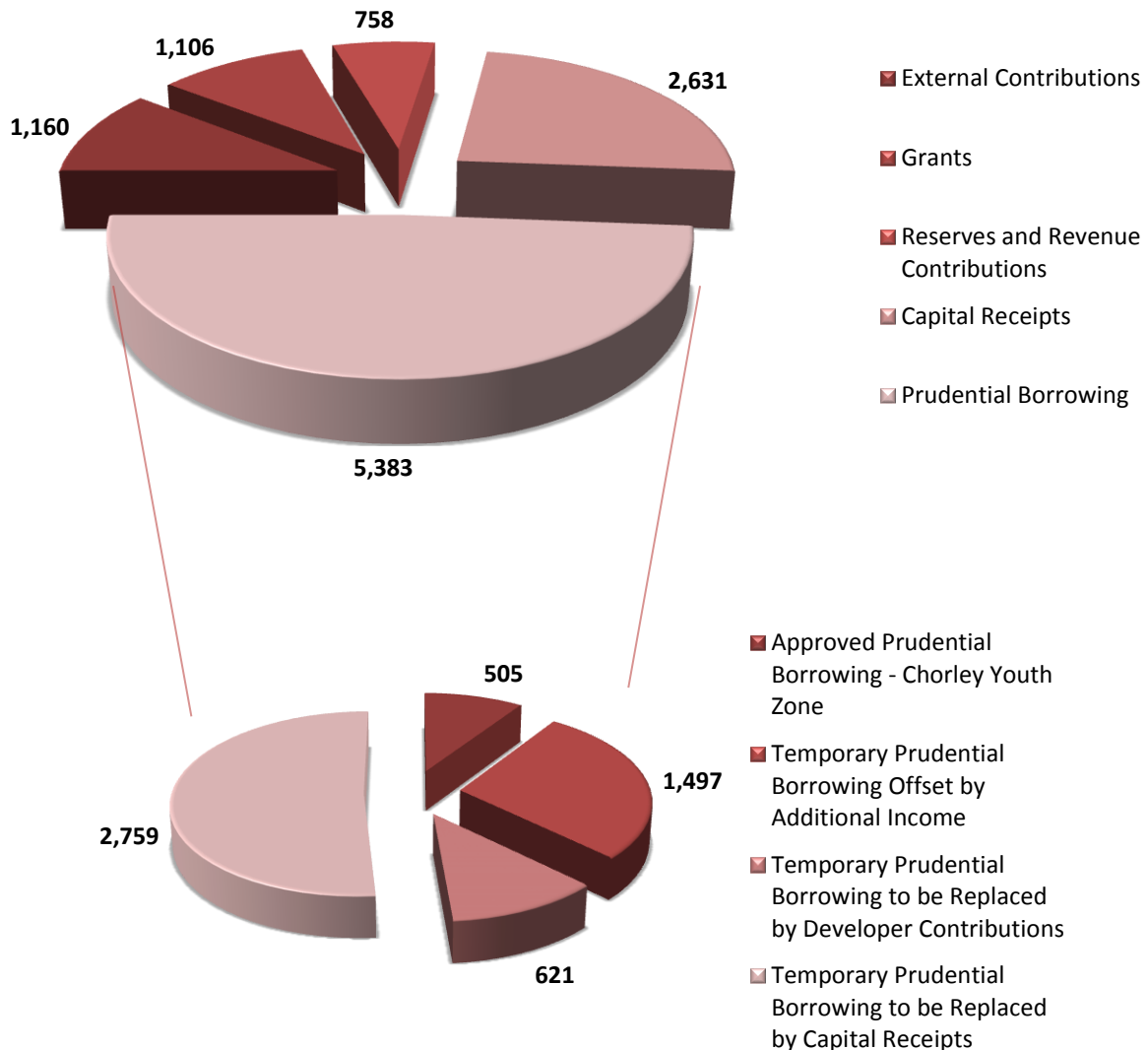
- a £3m land swap whereby the Council exchanged residential land for other land in the borough, the majority of which is designated to be developed for employment purposes. The Council will develop the newly acquired employment land realising employment and income generation opportunities;
- the £2m purchase of further land in the town centre to be developed into public realm space as well as the £0.2m purchase of Victory Park Football Ground where the Council will act as landlord.

The Council invested £1.7m in Housing in 2016/17. The Council secured £658k external funding for the extension of Cotswold House supported housing for homeless families and individuals, £600k was spent in 2016/17. The Council purchased the necessary sites to begin work on Primrose Retirement Living supported housing; a total of £600k was spent in 2016/17 regarding these purchases and additional preliminary works.

Over £2m was invested in regeneration projects including £500k contributions to the Chorley Youth Zone project, £400k for the further development of Market Walk Shopping Centre and £475k for the completion of the Buckshaw Community Centre. In December 2016 the Council completed the purchase of land in Euxton that will enable the construction of a Digital Office Park. The total spend on this project, 50% funded through European funding, was £700k.

As has been demonstrated above, the Council has invested in a number of key areas including purchase of employment sites, economic regeneration and housing. The Council has financed this expenditure through a number of different sources outlined in the charts below.

Capital Financing 2016/17 (£000's)



The Council has been successful in securing total grants of £658k from the HCA and £4.05m from the remaining tranche of European Regional Development funding. These grants along with other smaller grants have funded over £1m of capital expenditure in 2016/17.

The purchase of land from the HCA for £3m was part funded through the sale of Council owned land valued at £2.3m.

The Council used £5.383m of prudential borrowing to fund capital expenditure in 2016/17 (see note 35). The majority of this funding is temporary and will be replaced by other sources:

- Borrowing to fund works to the Digital Office Park, Market Walk Extension and the purchase of employment land will be funded through future income streams generated from these sites.
- The purchase of new bins relating to the introduction of subscription based garden waste collections will be funded through the income generated by the new scheme.
- The works to Primrose Garden Retirement Village are to be funded through developer contributions that have been identified but are not yet payable to the Council.
- The £2.3m purchase of land in the Town Centre and Victory Park will be funded through the sale of land at Southport Rd Chorley that completed in May 2017.

Reserves and Balances Summary

The Council's 2016/17 Medium Term Financial Strategy specified that general balances should be increased to £4.0m by 2018/19. At the start of 2016/17 general balances were £2.685m with further contributions of £0.503m in 2016/17 bringing general fund working balances to £3.188m. Further contributions to general reserves will bring this total to £4.0m by 2018/19.

Total earmarked reserves for specific purposes were £5.859m as at 31st March 2016 (Note 10). Some of the changes in year are as follows:

- There are a number of directorate initiatives which span more than one financial year or for which funds have been budgeted but not yet started. These reserves will ensure that such initiatives can be completed. The majority of these initiatives relate to ICT Services and include funding for specific ICT projects and infrastructure review.
- There is £1.4m of earmarked reserves that will finance the delivery of specific investment packages included in the Council's annual revenue budget aimed at delivering Corporate Strategy priorities over more than one year. These investments include funding businesses in the borough that wish to apply for grants, the development of the Town Centre and Steeley Lane and £40k contribution to SPICE time credits in 2017/18 and 2018/19.
- £199k was set aside from in-year underspends to supplement the £151k Change Management Reserve to fund any unavoidable expenditure relating to implementing the Council's Transformation Strategy. Of this, £297k was used to finance the costs of staffing restructures in 2016/17 leaving £54k to be rolled forward to supplement the additional budgeted contribution of £200k to the reserve in 2017/18.

The combination of these factors and other movements to and from earmarked reserves has resulted in general fund earmarked reserves of £7.280m as at 31st March 2017 (see MIRS page 39 and Note 10). Coupled with general balances of £3.188m, the closing general fund balance at 31 March 2017 as outlined in the expenditure and funding analysis (page 37) is £10.468m.

Treasury Management

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

The key facts for 2016/17 were:

- Investments were short-term, the maximum period permitted by the Council's Treasury Strategy being one year.
- Cash and cash equivalents were £1.837m at year-end, having peaked at £11.1m during the year. The average invested of £4.653m per day was lower than the average for 2015/16 of £5.756m. The Council repaid £1.263m borrowing and did not take any new long-term loans. Prudential borrowing of £5.383m to finance capital expenditure was from internal cash balances, though additional external loans will be required from 2017/18 as cash balances are depleted.
- The return on investments was 0.29%, a reduction compared to the 0.44% achieved in 2015/16. Cash balances were invested short-term at lower interest rates, but use of internal cash for capital financing rather than taking external borrowing achieved savings.

- External borrowing including temporary loans increased from £14.4m to £18.6m. Scheduled loan repayment instalments were made, but no new long-term loans were taken.
- In determining Council Tax charges authorities have to make a specific provision for the financing of capital expenditure. The outstanding amount for which provision has to be made is known as the Capital Financing Requirement (CFR). During the year the CFR increased from £34.4m to £39.3m, reflecting the use of Prudential Borrowing to finance capital expenditure less statutory and voluntary provision for debt repayment. (Note 35 providing more detail). This increase will generate a charge to Council Tax (known as Minimum Revenue Provision – MRP) in future years.
- Note 18 Financial Instruments presents details of treasury operations, and the management of risk.

Pension Fund Liability

The deficit position of the Pension Fund has increased by £12.1m, from £37.7m to £49.8m being the net pension liabilities. This reflects the value of pension liabilities which the Council is required to pay in the future when they fall due, offset by the value of assets invested in the pension fund. In addition, the Council's pension fund has to be revalued every three years to set future contributions into the fund. The last valuation was in 2016 which reported a funding level of 90%. The Council has a deficit recovery plan in place to reach a full 100% funding level by making additional Deficit Recovery Contributions into the fund over the next 16 years.

This deficit figure is very much an estimate, being the actuary's assessment of the present value of the liabilities to be met by the fund over a long period less its current assets and anticipated future receipts. Note 37 presents detailed information about the Defined Benefit Pension Scheme.

Council Tax Base

The revision to the 2016/17 Tax Base, resulting in an increase of 677.50 to the number of Band D equivalent properties (as shown in the Table below), produced a net increase in Council Tax income of circa. £0.121m. This reflects the Council's support for local housebuilding and the regeneration of the borough in line with its local plan.

	2014/15	2015/16	2016/17
Number of Band D equivalent dwellings	33,244.78	34,504.22	35,181.72
Change from previous year		1,259.44	677.50

Income Recovery

Note 19 analyses debtors by type, and note 18 further analyses the risk of default by debtors included within financial instrument.

The following table shows the in-year collection rates of local taxes.

	2013/14	2014/15	2015/16	2016/17
Council Tax	97.7%	97.8%	97.9%	98.0%
Business Rates	97.1%	98.0%	97.9%	97.9%

Collection Fund

Payments out of the Collection Fund for in-year Council Tax from 2014/15 to 2016/17 are set out below showing the funding for each Precepting Body. Further detail is available within the Collection Fund Statement on page 103 of this document.

	2014/15 £000	2015/16 £000	2016/17 £000
Lancashire County Council	36,826	38,982	41,334
Chorley Council	6,463	6,655	6,775
Police and Crime Commissioner	5,185	5,488	5,707
Lancashire Fire and Rescue	2,116	2,238	2,304
Total	50,590	53,363	56,120

Payments out of the collection fund for in-year business rates from 2014/15 to 2016/17 are set out below showing the funding for each precepting body prior to the top up and tariff adjustments being applied. As the collecting body, the tariff reduces Chorley Council's receipt and top ups increase the amount received by Lancashire County Council and Lancashire Fire and Rescue. Further detail is available within the Collection Fund Statement on page 103 of this document.

	2014/15 £000	2015/16 £000	2016/17 £000
Central Government	13,496	14,190	14,550
Lancashire County Council (before Top-Up grant received)	2,429	2,554	2,619
Chorley Council (prior to Tariff deduction)	10,797	11,352	11,640
Police and Crime Commissioner (not part of BRR regime)	n/a	n/a	n/a
Lancashire Fire and Rescue (before Top-Up grant received)	270	284	291
Total	26,992	28,380	29,100

Looking Ahead – Future Challenges & Opportunities

Challenges

- **Changing population** – it is estimated that between 2014 and 2039 the population of Chorley will increase by 18.1%, the highest predicted growth rate by far across Lancashire. Over the same period, the borough's population will grow older, with the percentage of the population aged over 75 years doubling.
- **Effective partnership working** – all public service organisations serving Chorley face significant challenges over the coming years. Increasing and changing demand, coupled with reducing budgets mean that all public service organisations will need to transform how they work. The council will need to maintain its focus on strong partnership working to lead that transformation and protect the interests of the borough and its residents.
- **Financial climate** – the Council will continue to experience reductions in funding as the government's austerity measures continue. The 2017/18 MTFS identifies a cumulative gross budget shortfall of £3.333m by 2019/20.
- **Business Rates**
 - The revaluation of business rates in 2016 resulted in a decrease, on average, in rateable values for the Council. As a result the government has reduced the Council's tariff to create a budget neutral effect of the revaluations. There remains uncertainty however as the consultation regarding the tariff adjustments suggests there will be further adjustments in 2018/19 that may impact positively or negatively on the Council's retained business rates. In addition, the new valuations may lead to a significant increase in appeals with a further possible erosions of the retained business rates base;
 - the move to 100% business rate retention is likely to be implemented in 2020/21. The fair funding review will re-evaluate the Council's baseline funding need and will be compared to the Council's ability to generate business rate income. As well as this uncertainty the split of retained income between the Council and other preceptors may also change under the new regime.

Opportunities

- Current levels of **interest rates** for borrowing are low due to the stability of the base rate. This provides the opportunity for the Council to invest significantly in capital projects to deliver Corporate Strategy priorities including the generation of new income streams.
- The **acquisition of new employment sites** provides the Council with the opportunity to deliver employment and income generating opportunities, possibly through new service delivery models such as joint ventures with other public or private entities.
- In 2017/18 the Council, in partnership with Lancashire Care Foundation Trust, has implemented an **Integrated Community Wellbeing Service**. The partnership integrates public services that relate to promoting health and wellbeing of individuals or communities and are aimed particularly around prevention and early intervention. The partnership is currently in the enabling phase but when implemented is anticipated to generate opportunities for efficiencies over the long-term

- The Council has a strong track record in successfully implementing shared services. In the coming years the Council will seek to expand its portfolio of services delivered in partnership with other councils. This will lead to more effective service delivery, through the sharing of best practise, with the efficiency benefits that economies of scale are expected to generate.

Receipt of Further Information

If you would like to receive any further information about these accounts, please do not hesitate to contact Chorley Borough Council on 01257 515151.

Accounting Policy Changes

There have been some accounting changes implemented in this Statement of Accounts for 2016/17 as described below:

The standards introduced by the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 include:

- Amendments to IAS 19 Employee Benefits (Defined Benefit Plans: Employee Contributions) – issued November 2013
- Annual Improvements to IFRSs 2010–2012 Cycle – issued December 2013
- Amendment to IFRS 11 Joint Arrangements (Accounting for Acquisitions of Interests in Joint Operations) – May 2014
- Amendment to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets (Clarification of Acceptable Methods of Depreciation and Amortisation) – May 2014
- Amendment to IAS 16 and IAS 41 Agriculture (Bearer Plants) issued June 2014. This amendment does not apply to local authorities
- Amendment to IAS 27 Separate Financial Statements (Equity Method in Separate Financial Statements) – issued September 2014. The Code has interpreted IAS 27 such that this amendment to IAS 27 does not apply to local authorities
- Annual Improvements to IFRSs 2012–2014 Cycle – issued September 2014
- Amendment to IAS 1 Presentation of Financial Statements (Disclosure Initiative) – issued December 2014

Application of these standards is not expected to have a material impact on the Authority's financial statements.

Following the "Telling the Story" changes to the CIPFA Code of Practice on Local Authority Accounting 2016/17 a number of amendments have been made to the Council's core financial statements and supporting disclosure notes. This includes a simplified Movement in Reserves Statement and a Comprehensive Income and Expenditure Statement presented in the Council's reporting format where previously the Net Cost of Services has been reported by SeRCOP classification. In line with International Financial Reporting Standards a full retrospective restatement of the 2015/16 Comprehensive Income and Expenditure Statement has been included within the 2016/17 Statement of Accounts.

The Expenditure and Funding Analysis has been introduced to reconcile the Council's financial performance based on the General Fund to the Surplus and Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. It can be found on page 37. Notes 7 to the Income and Expenditure Account and note 8 - Income and Expenditure Analysed by Nature have been introduced to support the Expenditure and Funding Analysis and replace the Segmental Reporting note previously published.

Financial Statements

Page 37 **Expenditure and Funding Analysis** – The Expenditure and Funding Analysis note shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement

The core financial statements consist of the following:

Page 38 **Comprehensive Income and Expenditure Statement** – This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices.

Page 39 **Movement in Reserves Statement** – Levels of reserves, and movements therein, are indicators of the financial strength of the organisation. This statement distinguishes usable from unusable reserves. The distinction is explained in the Balance Sheet comment below.

The Movement in Reserves Statement shows the surplus or deficit arising in the year on the Provision of Service. This is the true economic cost of providing the authority's services (as detailed in the Comprehensive Income and Expenditure Statement). For the purposes of council tax setting, however, a series of statutory adjustments are then made, resulting in a line entitled "Net Increase/Decrease before transfers to Earmarked Reserves." The final line shows any such discretionary transfers to or from earmarked reserves.

Page 41 **The Balance Sheet** – this shows the value of the assets and liabilities recognised by the authority. The total of these, the Net Assets, is matched by the authority's reserves, as shown in the lower part of the Balance Sheet.

Reserves are categorised into "Usable", i.e. available to fund expenditure or reduce local taxation, and "Unusable". The latter includes the Revaluation Reserve (holding unrealised gains in property values), and other reserves holding amounts arising from differences between the accounting basis used in compiling the Comprehensive Income and Expenditure Statement and statutory basis prescribed for taxation purposes.

Page 42 **Cash Flow Statement** – this shows the changes in cash and cash equivalents during the reporting period. It shows how cash and cash equivalents are generated and used by classifying cash flows into operating, investment and financing activities.

Page 43 **Notes to the Main Financial Statements** – these add to and interpret the individual statements.

SUPPLEMENTARY FINANCIAL STATEMENTS

Page 103 **Collection Fund** – this is an agents statement that reflects the statutory obligation for billing authorities to record transactions relating to the collection of Council Tax and Non-Domestic Rates, and their distribution to precepting authorities, the Government, and the Council itself.

Statement of Responsibilities

This statement defines the responsibility of the Council and the Responsible Financial Officer in respect of the Authority's financial affairs.

The Council's responsibilities

The Council shall:

- make arrangements for the proper administration of its financial affairs and secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Chief Finance Officer;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- approve the Statement of Accounts.

The Chief Finance Officer's Responsibilities

The Chief Finance Officer is responsible for preparing the Authority's Statement of Accounts in accordance with proper practices as set out in the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code).

In preparing this Statement of Accounts, he has:

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent; and
- complied with the local authority Code.

He has also:

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

Certificate

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Authority at 31 March 2017 and its Income and Expenditure for the year ended 31 March 2017.

Gary Hall BA CPFA
Chief Finance Officer
Date 30 June 2017

Expenditure and Funding Analysis

The Expenditure and Funding Analysis, which is a note to the Main Financial Statements, shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's directorates. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2015/16				2016/17		
Net Expenditure Chargeable to the General Fund Balance	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement		Net Expenditure Chargeable to the General Fund Balance	Adjustments between the Funding and Accounting Basis	Net Expenditure in the Comprehensive Income and Expenditure Statement
£'000	£'000	£'000	Directorate	£'000	£'000	£'000
6,838	1,383	8,221	Customer & Digital	6,639	437	7,076
3,994	70	4,064	Policy & Governance	4,234	3	4,237
2,544	699	3,243	Early Intervention	2,547	869	3,416
183	330	513	Business, Development & Growth	1,338	516	1,854
			Budgets excluded from Directorate monitoring			
1,058	(240)	818	<ul style="list-style-type: none"> Pensions-related 	1,176	261	1,437
(108)	0	(108)	<ul style="list-style-type: none"> Housing Benefits/Council Tax Discounts 	(106)	0	(106)
(1,832)	460	(1,372)	<ul style="list-style-type: none"> Market Walk (excluding financing costs) 	(1,786)	1,179	(607)
99	0	99	<ul style="list-style-type: none"> Other expenditure 	141	0	141
12,776	2,702	15,478	Net Cost of Service	14,183	3,265	17,448
(14,163)	(3,237)	(17,400)	Other Income and Expenditure	(15,107)	(7,213)	(22,320)
(1,387)	(535)	(1,922)	(Surplus)/Deficit in year	(924)	(3,948)	(4,872)
(8,152)			Opening General Fund Balance at 1 April	(9,544)		
(1,387)			Add (Surplus)/Less Deficit on General Fund Balance in Year	(924)		
(5)			Transfers to/(from) other usable reserves	0		
(9,544)			Closing General Fund Balance at 31 March	(10,468)		

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices. This is not the amount to be funded from taxation, since authorities raise taxation to cover expenditure in accordance with regulations. The taxation position is shown in the Expenditure and Funding Analysis and the Movement in Reserves Statement.

2015/16				2016/17		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000		£'000	£'000	£'000
11,850	(3,629)	8,221	Customer & Digital	10,846	(3,770)	7,076
5,479	(1,415)	4,064	Policy & Governance	5,739	(1,502)	4,237
4,667	(1,424)	3,243	Early Intervention	4,949	(1,533)	3,416
2,765	(2,252)	513	Business, Development & Growth	3,507	(1,653)	1,854
			Budgets excluded from Directorate monitoring			
818	0	818	<ul style="list-style-type: none"> Pensions-related 	1,437	0	1,437
26,772	(26,880)	(108)	<ul style="list-style-type: none"> Housing Benefits/Council Tax Discounts 	25,717	(25,823)	(106)
818	(2,190)	(1,372)	<ul style="list-style-type: none"> Market Walk (excluding financing costs) 	1,491	(2,098)	(607)
99	0	99	<ul style="list-style-type: none"> Other expenditure 	141	0	141
53,268	(37,790)	15,478	Cost of Services	53,827	(36,379)	17,448
702	(766)	(64)	Other operating expenditure (note 11)	3,531	(383)	3,148
4,771	(2,645)	2,126	Financing and investment income and expenditure (note 12)	4,340	(2,882)	1,458
8,177	(27,639)	(19,462)	Taxation and non-specific grant income (note 13)	7,949	(34,875)	(26,926)
		(1,922)	(Surplus)/deficit on provision of services			(4,872)
		(6,646)	(Surplus)/deficit on revaluation of Property, Plant and Equipment assets			(1,373)
		(7,682)	Re-measurement of the net defined benefit liability (note 37d)			10,917
		(14,328)	Other Comprehensive (Income) and Expenditure			9,544
		(16,250)	Total Comprehensive (Income) and Expenditure			4,672

Movement in Reserves Statement

The Movement in Reserves Statement shows the movement from the start of the year to the end on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Statement shows how the movements in year of the authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The Net Increase/Decrease line shows the statutory General Fund Balance movement in the year following those adjustments.

	General Fund Working Balance £'000	General Fund Earmarked Reserves £'000	Total General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Reserves £'000
Current Year								
Balance at 31 March 2016	(2,685)	(6,859)	(9,544)	(1,064)	(8,639)	(19,247)	5,244	(14,003)
Movement in reserves during 2016/17								
Total Comprehensive Income and Expenditure	(4,872)	0	(4,872)	0	0	(4,872)	9,544	4,672
Adjustments between accounting basis and funding basis under regulations (Note 9)	3,948	0	3,948	(171)	(3,690)	87	(87)	0
Increase or decrease in 2016/17 before transfers to/(from) earmarked reserves	(924)	0	(924)	(171)	(3,690)	(4,785)	9,457	4,672
Transfers to/(from) earmarked reserves (Note 10)	421	(421)	0	0	0	0	0	0
Increase or decrease in 2016/17	(503)	(421)	(924)	(171)	(3,690)	(4,785)	9,457	4,672
Balance at 31 March 2017 carried forward	(3,188)	(7,280)	(10,468)	(1,235)	(12,329)	(24,032)	14,701	(9,331)

	General Fund Working Balance £'000	General Fund Earmarked Reserves £'000	Total General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Reserves £'000
Comparative Year								
Balance at 31 March 2015	(2,288)	(5,864)	(8,152)	(531)	(5,700)	(14,383)	16,630	2,247
Movement in reserves during 2015/16								
Total Comprehensive Income and Expenditure	(1,922)	0	(1,922)	0	0	(1,922)	(14,328)	(16,250)
Adjustments between accounting basis and funding basis under regulations (Note 9)	535	0	535	(533)	(2,944)	(2,942)	2,942	0
Increase or decrease in 2015/16 before transfers to/(from) earmarked reserves	(1,387)	0	(1,387)	(533)	(2,944)	(4,864)	(11,386)	(16,250)
Transfers to/(from) earmarked reserves (Note 10)	990	(995)	(5)	0	5	0	0	0
Increase or decrease in 2015/16	(397)	(995)	(1,392)	(533)	(2,939)	(4,864)	(11,386)	(16,250)
Balance at 31 March 2016 carried forward	(2,685)	(6,859)	(9,544)	(1,064)	(8,639)	(19,247)	5,244	(14,003)

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. It shows the net assets of the authority which are matched by the reserves held. Reserves are reported in two categories. 'Usable Reserves' includes reserves available to provide services and other reserves which may only be used to fund capital expenditure or repay debt. 'Unusable Reserves' fall into two categories. The first consists of the Revaluation Reserve which holds unrealised gains and losses in asset values. The second category holds amounts resulting from the "adjustments between the accounting basis and the funding basis", as shown in the Movement in Reserves Statement (MiRS).

31 March 2016 £'000		Notes	31 March 2017 £'000
61,198	Property, Plant & Equipment	14	67,919
1,667	Heritage Assets	15	2,394
775	Investment Property	16	887
91	Intangible Assets	17	17
354	Long-Term Debtors	18	399
64,085	Long-Term Assets		71,616
2,858	Assets Held for Sale	21	2,592
15	Inventories		17
6,787	Short-Term Debtors	19	10,035
1,278	Cash and Cash Equivalents	20	1,837
10,938	Current Assets		14,481
(414)	Bank overdraft	20	(834)
(2,903)	Short-Term Borrowing	18	(8,418)
(6,664)	Short-Term Creditors	22	(5,778)
(1,011)	Provisions	23	(673)
(10,992)	Current Liabilities		(15,703)
(502)	Long-Term Creditors	18	(680)
(11,537)	Long-Term Borrowing	18	(10,252)
(37,724)	Other Long-Term Liabilities – pensions	37	(49,829)
(15)	Other Long-Term Liabilities – other		(16)
(250)	Grant Receipts in Advance - Capital	35	(286)
(50,028)	Long Term Liabilities		(61,063)
14,003	Net Assets		9,331
19,247	Usable Reserves	MiRS	24,032
(5,244)	Unusable Reserves	25	(14,701)
14,003	Total Reserves		9,331

The unaudited accounts were issued on 30 June 2017.

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

2015/16 £'000		2016/17 £'000
1,922	Net surplus or (deficit) on the provision of services (CI&ES page 38)	4,872
5,132	Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 26a)	1,391
(4,834)	Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities (Note 26b)	(7,501)
2,220	Net cash flows from Operating Activities (Note 26)	(1,238)
2,205	Investing Activities (Note 27)	(2,907)
(5,029)	Financing Activities (Note 28)	4,284
(604)	Net increase or (decrease) in cash and cash equivalents	139
1,468	Cash and cash equivalents at the beginning of the reporting period	864
864	Cash and cash equivalents at the end of the reporting period (Note 20)	1,003

Cash and Cash Equivalents at the beginning and end of the 2016/17 reporting period have been defined to be net of the Bank Overdraft.

Notes to the Main Financial Statements

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

1 ACCOUNTING POLICIES

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

1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2016/17 financial year and its position at the year end of 31 March 2017. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015 which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Chartered Institute of Public Finance and Accountancy/Local Authority (Scotland) Accounts Advisory Committee 2016/17 Code of Practice on Local Authority Accounting in the United Kingdom (the Code), supported by International Financial Reporting Standards (IFRS).

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

1.2 Accruals of Income and Expenditure

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

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

1.3 Cash and Cash Equivalents

Cash consists of cash in hand and deposits repayable without penalty on notice of not more than 24 hours. Cash Equivalents consists of investments which mature in less than three months. In the Cash Flow Statement cash and cash equivalents are shown net of bank overdrafts that are repayable on demand. These form an integral part of the Council's cash management.

Longer-term investments are not reclassified if the outstanding period falls below three months at the date of account.

1.4 Charges to Revenue for Non-Current Assets

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

The Council is not required to raise council tax to meet these charges. Instead it has to make an annual contribution from revenue towards the reduction in its overall borrowing requirement, equal to an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance. Depreciation, revaluation and impairment losses, and amortisation are replaced by the contribution in the General Fund Balance, which is achieved by means of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement (MIRS) for the difference between the two.

1.5 Contingent Assets and Liabilities

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

1.6 Exceptional Items

When items of income or expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on their significance.

1.7 Employee Benefits

Benefits payable during employment

These are charged to the Surplus or Deficit on the Provision of Service. The charge includes an accrual for any untaken leave and holiday entitlement. This accrual does not affect council tax since it is reversed by transfer from the General Fund Balance to the Accumulating Compensated Absences Account (in the Movement in Reserves Statement).

Termination benefits

These are amounts payable as a result of a decision to terminate an officer's employment before the normal retirement date or a decision by an officer to accept voluntary redundancy. The costs are recognised when the Council commits itself to terminate the employment of an officer or group of officers or makes an offer to encourage voluntary redundancy. The charge is made to the relevant service line in the Comprehensive Income and Expenditure Statement.

Post-employment benefits

Employees are members of the Local Government Pension Scheme which provides defined benefits to members. An explanation of the methodology is provided below:

- The liabilities of the fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc. and projections of earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 4.9% (based on the indicative rate of return on high quality corporate bonds)
- The assets of the fund attributable to the Authority are included in the Balance Sheet at their fair value:
 - quoted securities – current bid price
 - unquoted securities – professional estimate
 - unitised securities – current bid price
 - property – market value
- The change in net pension liability is analysed into seven components:
 - Current service cost – the increase in liabilities as a result of years of service earned this year. This is allocated in the Comprehensive Income & Expenditure Statement to the services for which employees worked.
 - Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years. These are charged to the Comprehensive Income & Expenditure Statement as part of Non Distributed Costs.
 - Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid. This is charged to Comprehensive Income & Expenditure Statement within the Financing & Investment Income and Expenditure line
 - Expected return on assets – the annual investment return on the fund assets attributable to the Authority, based on an average of the expected long-term return. This is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income & Expenditure Statement.
 - Gains or losses on settlements and curtailments – the result of actions to relieve the Authority of liabilities, or events that reduce the expected future service or accrual of benefits of employees. These are charged to Non Distributed Costs within the Comprehensive Income and Expenditure Statement.
 - Re-measurements of the net defined benefit liability – changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions. These are debited to the Pension Reserve.
 - Contributions paid to the pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities. These are not accounted for as an expense.

Statutory provisions require the General Fund balance to be charged with the amount payable to the pension fund, not the amount calculated according to the relevant accounting standards. This is achieved by transfers between the Pensions Reserve and the General Fund to remove the actuarial debits and credits and replace them with amounts actually paid and those accrued at the year-end. The negative balance on the Pension Reserve thus measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities thus arising are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme

1.8 Events After the Reporting Period

Where an event occurring after the Balance Sheet date provides evidence of conditions existing at the Balance Sheet date, the amounts recognised in the Statement of Accounts are adjusted. Where an event that occurs after the Balance Sheet date is indicative of conditions that arose after the Balance Sheet date, the amounts recognised in the Statement of Accounts are not adjusted. The “non-adjusting event”, and an estimate of the financial effect, is however disclosed in the notes to the accounts.

1.9 Financial Liabilities

Borrowings are initially measured at fair value and carried at their amortised cost. The annual charge to the Comprehensive Income & Expenditure Statement (CI&ES) is based on the carrying amount multiplied by the effective rate of interest. The amount presented in the balance sheet is the outstanding principal payable plus interest accrued at 31 March.

Gains or losses on premature redemption are charged to the Comprehensive Income & Expenditure Statement unless they are the result of a restructure in which case they are added to the amortised cost and charged over the life of the modified loan. However, Regulations require discounts to be amortised over the shorter of the life of the original loan or ten years. Greater discretion applies to premia: they can be amortised over the life of the original or replacement loan, or a shorter period. A transfer is done from the General Fund Balance to the Financial Instruments Adjustment account to give effect to these regulations.

1.10 Financial Assets

Loans and receivables

These are initially measured at fair value and carried at amortised cost. The annual credit to the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement is based on the carrying amount multiplied by the effective rate of interest. The amount presented in the balance sheet is the outstanding principal receivable plus interest accrued at 31 March.

Where assets are identified as impaired because of a likelihood from a past event that payments will not be received, the asset is written down and a charge made to the relevant service, or the Financing and Investment Income and expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

1.11 Going Concern

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

1.12 Government Grants and Other Contributions

Government grants and other contributions for both revenue and capital purposes are accounted for on an accruals basis and recognised in the accounts when the conditions for their receipt have been complied with. If compliance has not been achieved, cash received is held on the Balance Sheet as a creditor.

The postings in the Comprehensive Income and Expenditure Statement relating to capital grants and contributions are reversed out of the General Fund balance in the Movement in Reserves Statement. If the monies have not been used they are credited to the Grants Unapplied Reserve. If they have been applied to fund capital expenditure they are credited to the Capital Adjustment Account.

Community Infrastructure Levy

The authority has elected to charge a Community Infrastructure Levy (CIL). The levy will be charged on new builds with appropriate planning consent. The Authority charges for and collects the levy, which is a planning charge. The levy income will be used to fund a number of infrastructure projects to support the development of the area. CIL received is limited by regulations. It is therefore recognised at the commencement date of the development in the Comprehensive Income and Expenditure Statement in accordance with the above core accounting policy for grants and contributions. CIL charges will be largely to fund capital expenditure with a small proportion used to fund revenue.

1.13 Heritage Assets

Heritage assets are assets held principally for their contribution to culture and knowledge.

1.14 Intangible assets

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Council (e.g. software licences), is capitalised at cost if it will bring benefits to the Council for more than one financial year. Internally generated assets are capitalised where it is demonstrable that the Council will generate future economic benefits.

The cost is amortised over the economic life to reflect the pattern of consumption, the first year of charge being that in which the expenditure is incurred. The charge is made to the relevant service line in the Comprehensive Income and Expenditure Statement.

The postings in the Comprehensive Income and Expenditure Statement are reversed from the General Fund balance in the Movement in Reserves Statement and charged to the capital Adjustment Account.

1.15 Investment Properties

Investment properties are those held solely to earn rentals or for capital appreciation.

They are measured initially at cost and subsequently at fair value. They are not depreciated but are re-valued annually by a RICS-qualified valuer. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal. Gains and losses on revaluation and disposal are not permitted by statute to impact on the council tax. A reversal is therefore done between the General Fund Balance and the Capital Adjustment Account (or, in the case of sale proceeds exceeding £10,000 to the capital receipts Reserve).

Income and expenditure from investment properties are charged to the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement.

1.16 Leasing

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the asset from the lessor to the lessee. All other leases are classified as operating leases.

If the lease covers both land and buildings, then the land and building elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Authority as lessee

Operating leases

Rentals are charged to the Comprehensive Income and Expenditure Statement as an expense of the service benefitting from the asset.

The Authority as lessor

Finance Leases

Where the Authority grants a finance lease over an asset, it is written out of the Balance Sheet and charged to the "gain or loss on disposals" line in Other Operating Expenses in the Comprehensive Income and Expenditure Statement. The Authority's net investment in the lease is credited to the same line, matched by a Long-Term Debtor in the balance Sheet.

Lease rental receipts are split between finance income (credited to the Financing and Investment Income line in the Comprehensive Income and Expenditure Statement), and the principal element applied to write down the Long-Term Debtor.

Operating leases

Where the Authority grant an operating lease over an asset it remains on the Balance Sheet, and the income is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

1.17 Non-Current Assets Held for Sale

Accounting treatment is detailed in the Property Plant and Equipment, Disposal and Non-Current Assets Held for Sale policy.

1.18 Overheads

The costs of overheads and support services are charged to service segments in accordance with the authority's arrangements for accountability and financial performance.

1.19 Prior Period Adjustments, Changes in Accounting Policies, and Estimates and Errors

Changes in estimates are accounted for prospectively, i.e. in the current and future years affected by the change, and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practice or if the change provides more reliable or relevant information about the effect of transactions on the Council's financial performance. Where a change is made it is applied retrospectively by adjusting opening balances and comparative amounts from prior periods.

Material errors also will require a prior period adjustment.

1.20 Property Plant and Equipment (PPE)

All expenditure on the acquisition, creation, or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided it exceeds the 'de minimis' threshold of £5,000 and provides benefits to the Council for a period of more than one year.

Measurement

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

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

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

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

Valuations are provided by RICS-qualified valuers, are on the basis recommended by CIPFA, and accord with the Statement of Asset Valuation Principles and Guidance Notes issued by the RICS. Assets held in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years.

Increases in valuations are credited to the Revaluation Reserve unless they reverse previous losses charged to the Comprehensive Income and Expenditure Statement, in which case the gain shall be credited to that account. A fall in value will be charged firstly against any balance held in the Revaluation Reserve. If this is insufficient or non-existent, the charge is made to the relevant service line in the Comprehensive Income and Expenditure Statement.

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

Depreciation

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

Other property is depreciated over its useful life on a straight line basis. Depreciation is based on the opening value of assets, weighted for part-year acquisitions or disposals if appropriate. Components are separately depreciated if:

- The total value of the host asset (excluding land) exceeds £0.5m and
- The value of the component exceeds 20% of the asset value (excluding land)

Depreciation periods are as follows:

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

Revaluation gains are also depreciated by transfer of the difference between the current value depreciation charge and the historic cost depreciation charge, from the Revaluation Reserve to the Capital Adjustment Account.

Impairment

All assets are reviewed annually for impairment. If the recoverable amount of an asset is estimated to be less than its carrying amount, an impairment loss is recognised for the shortfall. Impairment losses are charged against revaluation gains held in the Revaluation Reserve. If these are inadequate the loss is charged to the relevant service line in the Comprehensive Income and Expenditure Statement.

If an impairment loss is subsequently reversed, the reversal, up to the amount of the original loss adjusted for depreciation, is credited to the relevant service line in the Comprehensive Income and Expenditure Statement.

Disposal and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through continuing use, it is reclassified as an Asset Held for Sale and shown within current assets. The asset is re-valued immediately and carried at the lower of this amount and fair value less costs to sell. If assets subsequently fail to meet the criteria to be classified as Assets Held for Sale, they revert and are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale (adjusted for depreciation, amortisation or revaluations) and their recoverable amount at the date of the decision not to sell.

On disposal the carrying amount of an asset is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts exceeding £10,000 from disposal are credited to the same line; lesser receipts are included as service income in cost of services. Any revaluation gains accumulated in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Capital Charges and Council Tax

The postings in the Comprehensive Income and Expenditure Statement in respect of depreciation, impairment, disposals and revaluation are reversed in the Movement in Reserves Statement to avoid impacting on council tax. Capital Receipts exceeding £10,000 are reversed to the Capital Receipts Reserve. Other reversals are to the Capital Adjustment Account

1.21 Provisions

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing is uncertain. Provisions are charged to the appropriate revenue account. Expenditure, when incurred, is charged directly to the provision.

1.22 Reserves

Reserves are created by appropriating amounts from the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from the reserve is incurred, it is charged to the relevant service in the Comprehensive Income and Expenditure Statement, and the reserve is appropriated back into the General Fund Balance through the Movement in Reserves Statement.

1.23 Revenue Expenditure Funded From Capital Under Statute

Expenditure incurred during the year that may be capitalised under statutory provision but does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement.

If the Authority has determined to use capital resources to meet the cost (as opposed to funding from revenue), a transfer is done in the Movement in Reserves Statement, from the General Fund Balance to the Capital Adjustment Account so that there is no impact on the council tax.

1.24 Value Added Tax

VAT is included in the accounts only to the extent that it is irrecoverable.

1.25 Fair Value Measurement

The Council measures some of its non-financial assets such as investment properties at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

Valuations of non-financial assets are provided by Royal Institution of Chartered Surveyors (RICS)-qualified valuers, are on the basis recommended by CIPFA, and accord with the Statement of Asset Valuation Principles and Guidance Notes issued by the RICS.

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities that the Council can access at the measurement date
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for that asset or liability, either directly or indirectly
- Level 3 - unobservable inputs for the asset or liability

2 ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of the accounting change that will be required by a new standard that has been issued but not yet adopted. Recent changes required in the reporting of pension fund scheme transactions are not relevant to Chorley Borough Council and have, therefore, not been included in this statement.

3 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

- There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that its assets might be impaired as a result of a need to close facilities or to reduce levels of service expenditure.
- Commuted sums due from developers in order to fulfil obligations of S106 Agreements have been accrued and added to the Capital Grants and Contributions Unapplied Reserve. The commuted sums become receivable when trigger stages defined in the S106 Agreements have been reached. Judgement has been applied in deciding whether each development had reached the trigger stage by 31 March 2017.
- Judgement has been applied in accounting for the leasing by the Council to tenants of offices, industrial units and sites, and retail units in Market Walk Shopping Centre as operating leases. The Code defines operating leases as a lease other than a finance lease; whereas a finance lease transfers substantially all the risks and rewards incidental to ownership of an asset, potentially including title. The accounts have been prepared by applying the judgement that ownership of such leased assets would not transfer to the lessees.
- The Authority does not consider that the preparation of group accounts is required.

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

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

Item	Uncertainty	Effect if actual results differ
Pensions liability	The estimated liabilities depend on a number of complex judgements. These include future retirement ages, mortality rates, salary increases, returns on investments and discount rates. A firm of consulting actuaries is engaged to provide advice on these assumptions.	Sensitivity to the factors contributing to this estimate is shown in Note 37j. Small changes have major impacts on the pension deficit.

Debtors	<p>Note 19 shows non-public sector debtors of £8.5m This total debtors figure includes Housing benefit debtors of £1.5m (i.e. recovery of overpayments).</p> <p>Changes in the administration of benefits are pending which may affect recovery in future years. The provision made for these debts has therefore been maintained at 70% to reflect this.</p>	Any additional impairment will be a charge to the Comprehensive Income and Expenditure Statement.
Asset valuations	<p>Note 14 shows that fixed assets valued at £68m are carried at either fair value or current value. The valuations have been carried out by qualified valuers in accordance with Royal Institution of Chartered Surveyors Guidance</p>	<p>The values are only estimates and thus could over or understate the actual values realisable if sale actually occurred.</p> <p>A fall in the value of the Council's investment properties will result in a charge to the CIES. Every 10% fall in the total value of the Council's investment properties would result in a £88k charge to the CIES.</p>
Provisions	<p>The Authority has made a provision of £0.660m for its share of the cost of backdated appeals against overcharging of business rates. The estimate has been calculated using the Valuation Office Agency (VOA) ratings list of appeals and the analysis of successful appeals to date when providing the estimate of total provision up to and including 31 March 2017. See note 23.</p>	If the value of successful appeals exceeded the provision there would be a reduction in the local share of business rates income available to fund the Authority's services.
Fair value measurements	<p>When the fair values of financial assets and financial liabilities cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using valuation techniques (e.g. quoted prices for similar assets or liabilities in active markets). Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. However, changes in the assumptions used could affect the fair value of the Council's assets and liabilities. Where Level 1 inputs are not available, the Council employs relevant experts to identify the most appropriate valuation techniques to determine fair value (for example for investment properties, the Council's Senior Valuer). Information about the valuation techniques and inputs used in determining the fair value of the Council's assets and liabilities are disclosed in note 1.25 and note 18.</p>	The Council uses the market approach to value of some of its investment properties and financial assets. The unobservable inputs used in the fair value measurement include management assumptions regarding rent yield and growth, vacancy levels (for investment properties). Significant changes in any of the unobservable inputs would result in a lower or higher fair value measurement for the investment properties and financial assets.

5 MATERIAL ITEMS OF INCOME AND EXPENSE

This note identifies material items of income and expenditure. For the purposes of this note the Council considers material items to be those greater than £0.8m

Acquisition	£m
Acquisition of Royal Oak site	2.050
Acquisition of Shady Lane, Leyland Lane/ Wigan Road Lane and Euxton Lane/ Alker Lane sites	2.925

6 EVENTS AFTER THE REPORTING PERIOD

The Statement of Accounts was authorised for issue by the Chief Finance Officer on xx June 2017.

Subsequent events are not reflected in the financial statements or in the notes. Where events taking place before this date provided information about conditions existing at 31 March 2017, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

There are no non-adjusting events after the Balance Sheet date.

7 NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

This note provides a reconciliation of the main adjustments to the Net Expenditure Chargeable to the General Fund Balance to arrive at the amounts in the Comprehensive Income and Expenditure Statement. The relevant transfers between reserves are explained in the Movement in Reserves Statement.

	Adjustments between Funding and Accounting Basis 2016/17			
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes £'000	Net change for Pensions Adjustments £'000	Other Differences £'000	Total Adjustments £'000
Customer & Digital	653	(204)	(12)	437
Policy & Governance	111	(86)	(22)	3
Early Intervention	963	(84)	(10)	869
Business Development & Growth	541	(31)	6	516
Budgets Excluded from Directorate Monitoring	0	0	0	0
- Pensions-related	0	261	0	261
- Housing Benefits/Council Tax Discounts	0	0	0	0
- Market Walk (excluding financing costs)	1,179	0	0	1,179
- Other expenditure	0	0	0	0
Net Cost of Services	3,447	(144)	(38)	3,265
Other Income and Expenditure from the Expenditure and Funding Analysis	(8,365)	1,332	(180)	(7,213)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(4,918)	1,188	(218)	(3,948)

	Adjustments between Funding and Accounting Basis 2015/16			
Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes £'000	Net change for Pensions Adjustments £'000	Other Differences £'000	Total Adjustments £'000
Customer & Digital	1,598	(220)	5	1,383
Policy & Governance	162	(107)	15	70
Early Intervention	728	(42)	13	699
Business Development & Growth	351	(24)	3	330
Budgets Excluded from Directorate Monitoring	0	0	0	0
- Pensions-related	0	(240)	0	(240)
- Housing Benefits/Council Tax Discounts	0	0	0	0
- Market Walk (excluding financing costs)	460	0	0	460
- Other expenditure	0	0	0	0
Net Cost of Services	3,299	(633)	36	2,702
Other Income and Expenditure from the Expenditure and Funding Analysis	(5,206)	1,441	528	(3,237)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(1,907)	808	564	(535)

Adjustments for Capital Purposes

This column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.

Financing and investment income and expenditure – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.

Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Net Change for the Pensions Adjustments

Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

For **services** this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.

For **Financing and investment income and expenditure** - the net interest on the defined benefit liability is charged to the CI&ES.

Other Differences

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

The charge under **Taxation and non-specific grant income and expenditure** represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

8 EXPENDITURE AND INCOME ANALYSED BY NATURE

The authority's expenditure and income is analysed as follows

	2015/16 £'000	2016/17 £'000
Expenditure/Income		
Expenditure		
Employee benefits expenses	11,435	11,913
Other service expenses	39,802	39,021
Depreciation, amortisation, impairment	2,031	2,892
Interest payments	4,369	4,526
Precepts and levies	533	533
Payments to Housing Capital Receipts Pool	1	0
Loss on the disposal of assets	0	2,615
Total expenditure	58,171	61,500
Income		
Fees, charges and other service income	(8,590)	(7,723)
Interest and investment income	(2,244)	(3,068)
Income from council tax and non-domestic rates	(9,078)	(10,776)
Government grants and contributions	(33,689)	(36,342)
Other grants and contributions	(5,894)	(8,463)
Gain on the disposal of assets	(598)	0
Total income	(60,093)	(66,372)
Surplus or Deficit on the Provision of Services	(1,922)	(4,872)

9 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the authority in the year in accordance with proper accounting practice to arrive at the resources that are specified by statutory provisions as being available to the authority to meet future capital and revenue expenditure.

2016/17	Usable Reserves			Unusable Reserves £'000
	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	
Adjustments to the Revenue Resources Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements				
Pensions costs (transferred to (or from) the Pensions Reserve)	(1,188)	0	0	1,188
Council Tax and NDR (transfers to or from Collection Fund Adjustment Account)	178	0	0	(178)
Holiday pay (transferred to the Accumulated Absences Reserve)	39	0	0	(39)
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	3,255	0	(4,288)	1,033
Total Adjustments to Revenue Resources	2,284	0	(4,288)	2,004
Adjustments between Revenue and Capital Resources				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	383	(383)	0	0
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	522	72	0	(594)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	758	0	0	(758)
Total Adjustments between Revenue and Capital Resources	1,663	(311)	0	(1,352)
Adjustments to Capital Resources				
Use of the Capital Receipts Reserve to finance capital expenditure	0	141	0	(141)
Application of capital grants to finance capital expenditure	0	0	598	(598)
Cash payments in relation to deferred capital receipts	1	(1)	0	0
Total Adjustments to Capital Resources	1	140	598	(739)
Total Adjustments	3,948	(171)	(3,690)	(87)

2015/16	Usable Reserves			Unusable Reserves £'000
	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	
Adjustments to the Revenue Resources Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements				
Pensions costs (transferred to (or from) the Pensions Reserve)	(808)	0	0	808
Council Tax and NDR (transfers to or from Collection Fund Adjustment Account)	(528)	0	0	528
Holiday pay (transferred to the Accumulated Absences Reserve)	(36)	0	0	36
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(222)	0	(3,638)	3,860
Total Adjustments to Revenue Resources	(1,594)	0	(3,638)	5,232
Adjustments between Revenue and Capital Resources				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	766	(766)	0	0
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	(1)	1	0	0
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	490	48	0	(538)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	874	0	0	(874)
Total Adjustments between Revenue and Capital Resources	2,129	(717)	0	(1,412)
Adjustments to Capital Resources				
Use of the Capital Receipts Reserve to finance capital expenditure	0	185	0	(185)
Application of capital grants to finance capital expenditure	0	0	694	(694)
Cash payments in relation to deferred capital receipts	0	(1)	0	1
Total Adjustments to Capital Resources	0	184	694	(878)
Total Adjustments	535	(533)	(2,944)	2,942

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

General Fund Balance

The General Fund is the statutory fund into which all the receipts of the Council are required to be paid, and out of which all liabilities of the Council are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year.

Capital Receipts Reserve

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

Capital Grants Unapplied

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

10 TRANSFERS TO/FROM EARMARKED RESERVES

The movements in reserves during the year were as follows

	Balance			Balance			Balance
	1 April	Transfers		31 March	Transfers		
	2015	Out	(In)	2016	Out	(In)	2017
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Rephasing of planned expenditure	(822)	168	(405)	(1,059)	642	(925)	(1,342)
Rephasing New Investment Projects	(686)	673	(878)	(891)	885	(1,458)	(1,464)
Grants reserved for specific expend	(278)	258	(96)	(116)	47	(75)	(144)
Financing of capital expenditure	(2,246)	700	(1,464)	(3,010)	1,252	(967)	(2,725)
Planning purposes including appeals	(39)	12	(37)	(64)	32	(72)	(104)
Restructuring of services	(384)	692	(459)	(151)	297	(199)	(53)
Retail Investment	(110)	111	(107)	(106)	106	(112)	(112)
Apprenticeships for young people	(39)	39	(104)	(104)	40	0	(64)
Resource equalisation	(534)	92	(465)	(907)	80	(50)	(877)
Maintenance of Council buildings	(275)	234	(107)	(148)	43	(104)	(209)
Maintenance of Grounds	(72)	25	(10)	(57)	38	(10)	(29)
Elections	(58)	29	0	(29)	29	0	0
Other	(321)	168	(64)	(217)	67	(7)	(157)
Total	(5,864)	3,201	(4,196)	(6,859)	3,558	(3,979)	(7,280)

Purpose of Earmarked Reserves

- **Rephasing of planned expenditure** – there are a number of directorate initiatives which span more than one financial year or for which funds have been budgeted but not yet started. These reserves will ensure that such initiatives can be completed. They include ICT projects and infrastructure £400k, LCC Transition Fund £359k, Transformation Challenge funding £135k, Slippage from 2016/17 £222k.
- **Rephasing Investment Projects** – there are a number of specific investment packages included in the Council's annual revenue budget aimed at delivering corporate priorities. As delivery on these schemes will be made over more than one year, these reserves enable unspent balances to be carried forward to future years. They include investment budgets carried forward to 2017/18 (£1,037k) and an investment fund for realising income generation (£402k).
- **Grants reserved for specific expenditure** – this represents income from Government Grants received which have no conditions attached or where no expenditure has yet been incurred.
- **Financing of capital expenditure** – these reserves represent financing of the capital programme from revenue resources. £1m relates to reserves set aside to fund public realm works in the town centre. In addition £160k is carried forward to part-fund Astley 2020 and £600k relates to the Oak House site reverse premium that will fund public realm works in the town centre.
- **Planning purposes including appeals** – this reserve has been established to mitigate future costs of planning appeals.
- **Restructuring of services** – this reserve is provided to support the one-off staffing cost implications of service transformation programmes.

- **Retail Investment** – this reserve represents the Council’s investment in the borough through the Retail Grants Programme which provides specific funding for local businesses in the form of refurbishment grants and business rate subsidy.
- **Apprenticeships for young people** – this reserve provides funding over a two year period for apprenticeships within the Customer Transformation service.
- **Resource equalisation** – this represents the Business Rates Retention reserve £627k and Market Walk income equalisation reserve £250k established to minimise the risk of fluctuations in future income levels from Business Rates and the Council owned shopping precinct.
- **Maintenance of Council buildings** – this reserve has been established to provide funding for future asset improvement works in relation to the Council owned Market Walk retail precinct and other Council properties.
- **Maintenance of Grounds** - this reserve provides for future investment in the Council’s parks and open spaces.
- **Elections** – this has been established to equalise the costs of holding local elections over the Council’s four year election cycle.
- **Other** – this represents other balances set aside in reserves to mitigate the impact of various issues including potential future bad debts on Council Tax Summons/Liability Orders and changes in the Council’s pay policy.

11 OTHER OPERATING EXPENDITURE

2015/16 £'000		2016/17 £'000
533	Parish council precepts	533
1	Payments to the Government’s Capital Receipt Pool	0
168	(Gains)/losses on disposal of non-current assets	2,998
(137)	Capital receipts from the sale of previously transferred housing stock	(154)
(629)	Other capital receipts	(229)
(64)	Total	3,148

During the year the Authority carried out a land swap transaction with the Homes and Community Agency (HCA) resulting in land with a value of £2.49 million being de-recognised from the balance sheet.

12 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2015/16 £'000		2016/17 £'000
460	Interest payable and similar charges	412
1,441	Net interest on the net defined benefit liability (asset)	1,332
(105)	Interest receivable and similar income	(32)
330	Income and Expenditure in relation to investment properties and changes in their fair value	(254)
2,126	Total	1,458

13 TAXATION AND NON-SPECIFIC GRANT INCOME & EXPENDITURE

2015/16 £'000		2016/17 £'000
(6,748)	Council Tax income	(6,881)
(2,331)	Non-Domestic Rates Income and Expenditure	(3,895)
(6,679)	Non ring-fenced Government Grants (Note 33)	(6,589)
(3,704)	Capital Grants and Contributions (Note 33)	(9,561)
(19,462)	Total	(26,926)

13(a) LANCASHIRE BUSINESS RATES POOL

This Council is part of the Lancashire Business Rates Pool which began on 1 April 2016. In a Business Rate Pool, tariffs, top-ups, levies and safety nets can be combined. This can result in a significantly lower levy rate or even a zero levy rate meaning that more or all of the business rate growth can be retained within the pool area instead of being payable to the Government.

The Lancashire Business Rates Pool, which includes most but not all of the local authorities in Lancashire, has been designated by the Secretary of State for Communities and Local Government and the retained levy in Lancashire has been distributed as follows:

- Lancashire County Council is paid 10% of the overall retained levy;
- Each district within the pool retains 90% of their levy.

With regard to this council, the retained levy would be £918,171, hence under pooling we have benefited from extra income of £826,354. Lancashire County Council has received the remaining 10% of retained levy.

As part of the pool arrangements, one authority must be designated as lead authority, which in the case of the Lancashire Business Rates Pool is Ribble Valley Borough Council. As part of this arrangement a fee of £2,000 is payable by each pool member to Ribble Valley Borough Council in their role as lead.

In the Lancashire Business Rates Pool each council bears its own risk and takes its own reward under the pool agreement, i.e. no sharing of a volatility reserve.

Below is a summary of the Lancashire Business Rates Pool members and relevant transactions.

Lancashire Business Rates Pool Members 2016/17	Authority Type	10% Retained			
		Tariffs and Top-ups 2016/17 £	Retained Levy on Growth 2016/17 £	Levy payable to / receivable by LCC £	Net Retained Levy 2016/17 £
Burnley Borough Council	Tariff	7,173,471	(678,064)	67,806	(610,258)
Chorley Borough Council	Tariff	7,856,662	(918,171)	91,817	(826,354)
Hyndburn Borough Council	Tariff	5,063,238	(305,161)	30,516	(274,645)
Pendle Borough Council	Tariff	4,093,827	(530,870)	53,087	(477,783)
Ribble Valley Borough Council	Tariff	4,361,492	(376,131)	37,613	(338,518)
Rossendale Borough Council	Tariff	3,305,780	(400,847)	40,085	(360,762)
South Ribble Borough Council	Tariff	11,954,757	(1,116,335)	111,633	(1,004,702)
West Lancashire Borough Council	Tariff	9,633,376	(482,066)	48,207	(433,859)
Wyre Borough Council	Tariff	7,352,522	(319,521)	31,952	(287,569)
Lancashire County Council (LCC)	Top-up	(140,072,421)	0	(512,716)	(512,716)
Pool Total		(79,277,296)	(5,127,166)	0	(5,127,166)
Central Government	-	79,277,296	0	0	0
Total		0	(5,127,166)	0	(5,127,166)

The Net Retained Levy for the council is included within Non-Domestic Rates Income and Expenditure in the Taxation and Non-Specific Grant Income and Expenditure section of the Comprehensive Income and Expenditure Statement, along with the council's own share of growth achieved in the year.

14 PROPERTY PLANT AND EQUIPMENT

	Other land & Buildings £'000	Vehicles & Plant etc. £'000	Infra-structure £'000	Community Assets £'000	Surplus Assets £'000	Assets under constructi on £'000	Total £'000
<u>Cost or valuation</u>							
At 1 April 2016	60,763	5,163	563	3,101	249	311	70,150
Additions	7,464	1,219	0	179	390	645	9,897
Donations	612	0	0	0	0	0	612
Revaluations recognised in Revaluation Reserve (RR)	430	0	0	0	748	0	1,178
Revaluations recognised in CI&ES	(2,262)	0	0	0	0	0	(2,262)
De-recognition – disposals	0	(1,166)	0	0	0	0	(1,166)
Assets reclassified within PPE	191	0	0	0	0	(191)	0
Assets reclassified (to)/from Investment Properties	75	0	0	0	0	0	75
Assets reclassified (to)/from Assets Held for Sale	(1,950)	(72)	0	0	(540)	0	(2,562)
At 31 March 2017	65,323	5,144	563	3,280	847	765	75,922
<u>Depreciation and Impairment</u>							
At 1 April 2016	(3,506)	(4,382)	(317)	(747)	0	0	(8,952)
Depreciation charge	(1,313)	(167)	(20)	(123)	0	0	(1,623)
Depreciation written out of RR	0	18	0	0	0	0	18
Depreciation written out of CI&ES	1,421	0	0	0	0	0	1,421
De-recognition – disposals	0	1,165	0	0	0	0	1,165
Impairment losses recognised in CI&ES	(46)	(1)	0	0	0	0	(47)
Other movements in depreciation and impairment	15	0	0	0	0	0	15
At 31 March 2017	(3,429)	(3,367)	(337)	(870)	0	0	(8,003)
<u>Net Book Value</u>							
At 31 March 2017	61,894	1,777	226	2,410	847	765	67,919

Comparative Movements in 2015/16	Other land & Buildings £'000	Vehicles & Plant etc. £'000	Infra- structure £'000	Community Assets £'000	Surplus Assets £'000	Assets under constructi on £'000	Total £'000
<u>Cost or valuation</u>							
At 1 April 2015	55,345	5,005	563	3,022	836	0	64,771
Additions	1,635	206	0	80	0	311	2,232
Revaluations recognised in Revaluation Reserve (RR)	3,593	0	0	0	2,845	0	6,438
Revaluations recognised in CI&ES	(392)	0	0	(1)	0	0	(393)
De-recognition – disposals	(52)	0	0	0	(62)	0	(114)
De-recognition – other	(30)	(48)	0	0	(20)	0	(98)
Assets reclassified within PPE	492	0	0	0	(492)	0	0
Assets reclassified (to)/from Investment Properties	172	0	0	0	0	0	172
Assets reclassified (to)/from Assets Held for Sale	0	0	0	0	(2,858)	0	(2,858)
At 31 March 2016	60,763	5,163	563	3,101	249	311	70,150
<u>Depreciation and Impairment</u>							
At 1 April 2015	(2,640)	(4,203)	(297)	(634)	0	0	(7,774)
Depreciation charge	(1,162)	(193)	(20)	(113)	0	0	(1,488)
Depreciation written out of RR	208	0	0	0	0	0	208
Depreciation written out of CI&ES	58	0	0	0	0	0	58
De-recognition – other	30	14	0	0	0	0	44
At 31 March 2016	(3,506)	(4,382)	(317)	(747)	0	0	(8,952)
<u>Net Book Value</u>							
At 31 March 2016	57,257	781	246	2,354	249	311	61,198

Fixed Assets Valuations

During 2016/17 the valuations were carried out by the District Auditor's RICS-qualified Surveyors. The basis of valuation is set out in the Accounting Policies note.

	Other land & Buildings £'000	Vehicles & Plant etc. £'000	Infra-structure £'000	Community Assets £'000	Surplus Assets £'000	Assets under Construction £'000	Total £'000
Carried at historical cost	10,232	5,045	563	3,033	390	765	20,028
Valued at fair value as at:							
31 March 2017	22,923	0	0	0	214	0	23,137
31 March 2016	9,377	0	0	0	0	0	9,377
31 March 2015	3,421	0	0	218	0	0	3,639
31 March 2014	6,791	99	0	3	11	0	6,904
31 March 2013	12,579	0	0	26	232	0	12,837
Total cost or valuation	65,323	5,144	563	3,280	847	765	75,922

The Authority has considered whether the carrying value of PPE assets that have not been revalued in the year is materially different to fair value. In revaluing assets during 2016/17, the Council's Surveyor has considered the effect any significant movement in the value of revalued assets on the remaining assets not scheduled for revaluation, and has confirmed that no further adjustments are required.

Capital Commitments

At 31 March 2017 the Authority has entered into Pre-Construction Services Agreements for two major contracts under Property, Plant and Equipment in 2017/18 and future years. The values of these agreements are:

Market Walk Extension - £2.082 million
Primrose Gardens - £0.319 million

Impairment Losses

During 2016/17, the Authority has recognised impairment losses of £0.047 million.

Of these impairments £0.001 million relates to a "Talking Bob" piece of playground equipment that is still in-situ but no longer works as intended. The recoverable amount of the equipment has been reduced to nil and the impairment loss charged to the Customer and Digital line in the Comprehensive Income and Expenditure Statement.

The remaining impairment of £0.046 million relates to the Station House/Leigh Arms Public House. The building was purchased as a site for the Chorley Youth Zone and has been demolished. As such an impairment has been recorded and the recoverable amount has been reduced. The impairment loss has been charged to the Business Development and Growth line in the Comprehensive Income and Expenditure Statement.

15 HERITAGE ASSETS

Cost or Valuation	2015/16 £'000	2016/17 £'000
As at 1 April	1,667	1,667
Additions	99	44
Donations	0	550
Revaluations recognised in Revaluation Reserve		177
Impairment	(99)	(44)
As at 31 March	1,667	2,394

HERITAGE ASSETS – FIVE YEAR SUMMARY OF TRANSACTIONS

There were no disposals or acquisitions during the five years 2012/13 to 2016/17. Two assets already held by the authority were recognised as donated heritage assets during 2016/17 and revalued accordingly.

HERITAGE ASSETS – FURTHER INFORMATION

The assets included within Heritage assets are as follows:

Civic Regalia

This mainly consists of mayoral badges, chains of office, and other regalia used in civic activities. It was last re-valued in 2016.

Astley Hall

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

Astley Hall furniture and art collection

A large part of the collection was gifted to the Council with the house, but it has been added to by gifts and purchases in the following years. The collection consists of numerous minor works of art and furniture. It is included in the statement of accounts at the 2017 insurance value of £1.723m.

Astley Park Entrance

Astley Park was given, along with the Hall, to Chorley Council in 1922 in memory of those who died in the Great War. After this transfer the arch, formally of nearby Gillibrand Hall, was rebuilt as the main entrance, which it still serves as today. Close to the main gates and arch is a former drinking fountain, inscribed with the words "Erected by Ann Pollard AD 1861". It is included in the statement of accounts at the 2017 insurance value of £0.550m.

Preservation and management

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

16 INVESTMENT PROPERTIES

The following items of income have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

	2015/16 £'000	2016/17 £'000
Rental Income from investment property	72	67
Direct operating expenses arising from investment property	0	0
Net gain/(loss)	72	67

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or its right to receipt of income or the proceeds of disposal. The authority has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

The assets are comprehensively re-valued every five years, and annually reviewed for any indications that changes in yields or void levels warrant a review of fair values. The following table summarises the movement in the fair value of these properties over the past years.

	2015/16 £'000	2016/17 £'000
Fair value at the start of the year	1,348	775
Disposals	(500)	0
Net gain/(loss) from fair value adjustments	98	187
Transfers: (To)/From Property, Plant and Equipment	(171)	(75)
Value at year-end	775	887

Fair Value Hierarchy

All the Council's investment property portfolio has been assessed as Level 2 for valuation purposes.

Transfers between Levels of the Fair Value Hierarchy

There has been a transfer from Level 3 to Level 2 in the valuation technique used during the year for investment properties. The change in valuation techniques is due to a change in Valuer. During 2016/17 the valuations were carried out by the Valuation Office (VOA) who, in addition to their own records, have obtained information from Estates Gazette, Interactive (EGI), Residential Data, Essential Information Group (EIG) and Focus Co Star. These are subscription based property websites which provide details of deals, auction sales and property availability.

Valuation techniques used to determine Level 2 fair values for investment properties

The fair value for the investment properties has been measured using the market approach. The approach is described at paras B5 to B7 of IFRS 13; it uses prices and other relevant information generated by market transactions involving identical or comparable (i.e. similar) assets.

The inputs to this technique constitute **Level 2 inputs** in each instance. Level 2 inputs are inputs that are observable for the asset, either directly or indirectly. The inputs used took the form of analysed and weighted market evidence such as sales, rentals and yields in respect of comparable properties in the same or similar locations at or around the valuation date.

Highest and Best Use of Investment Properties

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

Valuation Techniques

There has been a change from an income based approach to a market based approach in valuing investment property during 2016/17. See "Transfers between Levels of the Fair Value Hierarchy" for details.

Valuation Process for Investment Properties

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

17 INTANGIBLE ASSETS

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

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Authority. Useful lives assigned to the major software suites used by the Authority are:

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

Amortisation is on a straight line basis. In 2016/17 the amortisation charge of £0.087m was charged principally to the Customer & Digital directorate.

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

	2015/16 £'000	2016/17 £'000
<u>Balance at the start of the year</u>		
Gross carrying amount	1,529	1,529
Accumulated amortisation	(1,328)	(1,438)
Net carrying amount at year start	201	91
<u>Movements in the year</u>		
Additions in year	0	12
Disposals in year	0	(384)
Amortisation in year	(110)	(87)
Amortisation in respect of disposals	0	384
Net carrying amount at the year-end	91	16

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

18 FINANCIAL INSTRUMENTS

18a Categories of Financial Instruments

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

	Long-term		Current	
	31 March 2016 £'000	31 March 2017 £'000	31 March 2016 £'000	31 March 2017 £'000
<u>Investments</u>				
Cash in hand and at Bank, less Bank Overdraft (Note 20)	0	0	864	1,003
<u>Debtors</u>				
Loans and receivables	354	399	5,701	8,115
Debtors that are not Financial Instruments	0	0	1,086	1,920
Total Debtors	354	399	6,787	10,035
<u>Borrowings</u>				
Financial liabilities at amortised cost - Principal	(11,537)	(10,252)	(2,763)	(8,286)
Financial liabilities at amortised cost – Accrued Interest			(140)	(132)
	(11,537)	(10,252)	(2,903)	(8,418)
<u>Creditors</u>				
Financial liabilities carried at contract amount	(502)	(680)	(3,246)	(2,595)
Creditors that are not Financial Instruments	0	0	(3,418)	(3,183)
Total Creditors	(502)	(680)	(6,664)	(5,778)

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

18b Income, Expense, Gains and Losses

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

	2015/16			2016/17		
	Financial Liabilities at Amortised Cost £'000	Financial Assets Loans & Receivables £'000	Total £'000	Financial Liabilities at Amortised Cost £'000	Financial Assets Loans & Receivables £'000	Total £'000
Interest expenses	458	0	458	412	0	412
Impairment	0	0	0	0	0	0
	458	0	458	412	0	412
Interest income	0	(103)	(103)	0	(32)	(32)
Interest income accrued on impaired assets	0	0	0	0	0	0
Total income	0	(103)	(103)	0	(32)	(32)
Net (gain)/loss for the year			355			380

18c Fair Values of Assets and Liabilities

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

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

The fair values calculated are as follows:

Financial Liabilities	2015/16		2016/17	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
PWLB Debt	(12,801)	(14,393)	(11,537)	(13,564)
Short Term Borrowing	(1,500)	(1,500)	(7,000)	(7,001)
Short Term Creditors	(3,246)	(3,246)	(2,595)	(2,595)
Long Term Creditors	(502)	(502)	(680)	(680)
Total Liabilities	(18,049)	(19,641)	(21,812)	(23,840)

The fair value of the liabilities is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date. This shows a notional future loss (based on economic conditions at 31 March 2017) arising from a commitment to pay interest to lenders above current market rates.

The fair value of Public Works Loan Board (PWLB) loans of £13.564m measures the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value measures the additional interest that the authority will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at the new borrowing rates from the PWLB.

Financial Assets	2015/16		2016/17	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Cash and Cash Equivalents	864	864	1,003	1,003
Short Term Debtors	5,701	5,701	8,115	8,115
Long Term Debtors	354	427	399	450
Total Assets	6,919	6,992	9,517	9,568

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

NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Key risks

The authority's activities potentially expose it to a variety of financial risks:

- Credit risk – that other parties might fail to pay amounts due to the Council.
- Liquidity risk – that the Authority might not have liquid funds available to make payments when due.
- Market risk – the possibility of financial loss arising from movements in interest rates.

Overall procedures for managing risk

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

Prudential indicators specifying

- Maximum and minimum exposure to fixed and variable rates;
- Limits on the maturity structure of the debt portfolio;
- Limits on total borrowing.

An Investment Strategy specifying

- The use that should be made of credit ratings and other indicators to determine the financial standing of counterparties;
- The use of sovereign ratings to limit investments to specific countries;
- The maximum amounts that might be deposited with any institution;
- The lengths of time for which deposits can be made.

Credit risk

This exists in relation to debtors, and investments made as a result of the Council's treasury operations. The following table analyses relevant investments and debtors as at the date of account.

Sundry Debtors

The sundry debtors (note 18a) are analysed by age and risk in the following table.

	Gross £'000	Default risk £'000	Net £'000
Not yet past due date	2,477	(7)	2,470
Up to three months past due date	1,980	(198)	1,782
Three to six months past due date	84	(21)	63
Six months to one year past due date	378	(94)	284
Beyond one year	6,335	(2,819)	3,516
Total	11,254	(3,139)	8,115

The £6.3m of debts beyond one year by age include £4.9m of s106 contributions which the council has calculated are owed by housing developers. The Council is pursuing these payments

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

Liquidity risk

The authority has ready access to borrowing from the Public Works Loan Board, other Local Authorities and the money markets. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. The Council manages its liquidity position through the risk management procedures outlined above as well as through cash flow management procedures required by the Council. Interest rates on its borrowings vary between 0.4% and 4.34%, and the maturity analysis of its borrowing is as follows:

	31 March 2016 £'000	31 March 2017 £'000
Less than 1 year	2,903	8,418
Between 1 and 2 years	1,285	1,083
Between 2 and 5 years	2,329	1,807
More than 5 years	7,923	7,362
Total	14,440	18,670

Market risk

Interest rate risk – The Council has limited exposure to interest rate movements on its borrowings and investments. Borrowings and short-term investments are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings and investments do not impact on the Comprehensive Income and Expenditure Statement. To mitigate risk the Council's annual Treasury Strategy reviews interest rate forecasts and fixes prudential indicators for fixed and variable interest rate exposure.

If all interest rates had been 1% higher (with all other variables held constant) the financial effect would have been as shown in the following table:

	£'000
Loss - Increase in interest payable on variable rate borrowings	0
Gain - Increase in interest receivable on variable rate investments	(47)
Gain - Impact on Comprehensive Income and Expenditure Statement	(47)
Gain - Decrease in fair value of fixed rate borrowing (no impact on Comprehensive Income & Expenditure Statement)	(1,128)

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

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

19 SHORT TERM DEBTORS

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

	31 March 2016 £'000	31 March 2017 £'000
Central government bodies	252	3,377
Other local authorities	575	1,110
NHS bodies	1	3
Other entities and individuals	8,930	8,494
	9,758	12,984
Less provision for bad debts	(2,971)	(2,949)
Net carrying amount at the year-end	6,787	10,035

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

20 CASH AND CASH EQUIVALENTS

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

	31 March 2016 £'000	31 March 2017 £'000
Cash held by the Authority	326	609
Bank current and call accounts	952	1,228
Total within Current Assets	1,278	1,837
Bank Overdraft	(414)	(834)
Total within Current Liabilities	(414)	(834)
Total Cash and Cash Equivalents	864	1,003

21 ASSETS HELD FOR SALE

	2015/16 £'000	2016/17 £'000
Balance outstanding at start of year	0	2,858
Assets newly classified as held for sale: Property, Plant and Equipment	2,858	2,562
Revaluation Losses	0	(266)
Revaluation Gains	0	0
Impairment Losses	0	0
Assets declassified as held for sale: Property, Plant and Equipment	0	0
Assets Sold	0	(2,562)
Balance outstanding at year-end	2,858	2,592

22 SHORT TERM CREDITORS

	31 March 2016 £'000	31 March 2017 £'000
Central government bodies	(2,099)	(591)
Other local authorities	(1,412)	(1,705)
NHS bodies	(6)	(2)
Other entities and individuals	(3,147)	(3,480)
Net carrying amount at the year-end	(6,664)	(5,778)

23 PROVISIONS

The movements in provisions during the year were as follows

	Balance	Movements		Balance
	31 March 2016 £'000	Used £'000	Added £'000	31 March 2016 £'000
Municipal Mutual Insurance	(19)	27	(21)	(13)
Business rates appeals	(982)	322	0	(660)
Town Centre Development	(10)	10	0	0
Total	(1,011)	359	(21)	(673)

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

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

24 USABLE RESERVES

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement (page 39). The purpose of General Fund Earmarked Reserves is detailed in Note 10.

25 UNUSABLE RESERVES

	31 March 2016 £'000	31 March 2017 £'000
Revaluation Reserve (Note 25a)	(12,370)	(10,813)
Capital Adjustment Account (Note 25b)	(20,641)	(24,629)
Deferred Capital Receipts Reserve (Note 25c)	(289)	(289)
Pensions Reserve (Note 25d)	37,724	49,829
Collection Fund Adjustment Account (Note 25e)	635	457
Accumulated Absences Account (Note 25f)	185	146
Total Unusable Reserves at year-end	5,244	14,701

25a Revaluation Reserve

The Revaluation Reserve holds the gains arising from increases in the valuation of Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The Reserve holds only gains accumulated since 1 April 2007. Gains prior to that date were consolidated in the Capital Adjustment Account.

	2015/16 £'000	2016/17 £'000
Balance at 1 April	(5,845)	(12,370)
Upward revaluation of assets	(6,764)	(1,530)
Difference between fair value and historic cost depreciation	92	123
Downward revaluation and impairment not charged to the Comprehensive Income & Expenditure Statement	118	157
Accumulated gains/losses on assets sold or scrapped	29	2,807
Balance at 31 March	(12,370)	(10,813)

25b Capital Adjustment Account

This account contains the following:

- Sums set aside to finance capital expenditure
- Accumulated gains and losses on Investment Properties
- Revaluation gains on Property, Plant and Equipment accumulating prior to 1 April 2007
- The difference between the charges required by accounting practice for the amortisation of assets (depreciation and impairment) and the de-recognition of assets, and the capital charges required by statute.

	2015/16 £'000	2016/17 £'000
Balance at 1 April	(22,088)	(20,641)
<u>Adjustments between accounting and regulatory funding bases (see note 9)</u>		
<i>Items relating to capital charges</i>		
Charges for depreciation of non-current assets	1,488	1,607
Charges for impairment of non-current assets	0	47
Revaluation losses on Property, Plant and Equipment	434	1,151
Amortisation of intangible assets	109	87
Revenue expenditure funded from capital under statute	1,268	555
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	668	73
Gain from recognition of donated assets credited to the CIES	0	(1,162)
<i>Movements in the market value of Investment Properties</i>	(98)	(187)
<u>Capital financing applied in the year</u>		
Capital receipts used to finance new capital expenditure	(185)	(141)
Capital expenditure charged to the General Fund Balance	(874)	(758)
Statutory & voluntary provision for the repayment of debt	(538)	(594)
Grants used in the year to fund capital expenditure	(704)	(1,736)
<u>Adjustments with the Revaluation Reserve (see note 25a)</u>		
Difference between fair value and historic cost depreciation	(92)	(123)
Accumulated gains/losses on assets sold or scrapped	(29)	(2,807)
Balance at 31 March	(20,641)	(24,629)

25c Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

	2015/16 £'000	2016/17 £'000
Balance at 1 April	(290)	(289)
Transfer to Capital Receipts Reserve on receipt of cash	1	0
Balance at 31 March	(289)	(289)

25d Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The authority accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	2015/16 £'000	2016/17 £'000
Balance at 1 April	44,598	37,724
Remeasurement of the net defined benefit liability	(7,682)	10,917
Reversal of charges posted to the Comprehensive Income & Expenditure Statement	3,304	3,621
Employers contributions and direct payments to pensioners payable in the year	(2,496)	(2,433)
Balance at 31 March	37,724	49,829

25e Collection Fund Adjustment Account

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

	2015/16 £'000	2016/17 £'000
Balance at 1 April	107	635
Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	528	(178)
Balance at 31 March	635	457

25f Accumulated Absences Account

The cost of compensated absences (e.g. leave entitlement) not taken by employees during the year of account, is charged to the Comprehensive Income and Expenditure Statement. Statutory arrangements require however that the impact on the General Fund Balance is neutralised by transfers to or from this account.

	2015/16 £'000	2016/17 £'000
Balance at 1 April	148	185
Settlement or cancellation of accrual made at the end of the preceding year	(148)	(185)
Amounts accrued at the end of the current year	185	146
Amount by which officer remuneration charged to the CI&ES on accruals basis differs from remuneration chargeable in year in accordance with statutory requirements	37	(39)
Balance at 31 March	185	146

26 CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

	2015/16 £'000	2016/17 £'000
Interest received	63	57
Interest paid	(510)	(419)
	(447)	(362)

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

Note 26a: Non-cash movements	2015/16 £'000	2016/17 £'000
Depreciation	1,488	1,607
Impairment and downward valuations	434	1,198
Amortisation	109	87
Increase/(decrease) in creditors	955	(1,669)
(Increase)/decrease in debtors	385	(566)
(Increase)/decrease in inventories	(2)	(2)
Movement in pension liability	808	1,188
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	668	73
Other non-cash items charged to the net surplus or deficit on the provision of services	287	(525)
	5,132	1,391

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

Note 26b: Investing and financing activities	2015/16 £'000	2016/17 £'000
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(766)	(383)
Any other items for which the cash effects are investing or financing cash flows	(4,068)	(7,118)
	(4,834)	(7,501)

27 CASH FLOW STATEMENT – INVESTING ACTIVITIES

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

	2015/16 £'000	2016/17 £'000
Purchase of property, plant & equipment, investment property and intangible assets.	(1,470)	(6,556)
Other payments for investing activities	(14)	(48)
Proceeds from the sale of assets.	767	366
Other receipts from investing activities	2,922	3,331
Net cash flows from investing activities	2,205	(2,907)

28 CASH FLOW STATEMENT – FINANCING ACTIVITIES

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

	2015/16 £'000	2016/17 £'000
Cash receipts from short- and long-term borrowing	1,500	7,000
Repayments of short- and long-term borrowing	(6,242)	(2,763)
Other receipts from financing activities	13	47
Other payments for financing activities	(300)	0
Net cash flows from financing activities	(5,029)	4,284

29 MEMBERS ALLOWANCES

	2015/16 £'000	2016/17 £'000
Allowances	296	300
Expenses	4	4
Total	300	304

30 OFFICERS REMUNERATION

Remuneration of Senior Employees was as follows:

Senior Employees Post Title	Year	Salary £'000	Expenses Allowance £'000	Benefits in Kind £'000	Compensation for loss of Office £'000	Total Remuneration (excl. Pension contributions) £'000	Pension Contribution £'000	Total Remuneration (incl. Pension contributions) £'000
Chief Executive	2016/17	107		1		108	12	120
	2015/16	106		0		106	12	118
Deputy Chief Executive/Director (Early Intervention and Support) Director (Public Protection, Streetscene and Communities) (a)	2016/17	83		0		83	9	92
	2015/16	83		0		83	9	92
Director (Customer and Digital) (b)	2016/17	64		6		70	7	77
	2015/16	0		0		0	0	0
Director (Policy and Governance) (b)	2016/17	65		8		73	7	80
	2015/16	0		0		0	0	0
Director (Business, Development and Growth) (b) (e)	2016/17	18		0		18	2	20
	2015/16	0		0		0	0	0
Head of Shared Financial Services (c)	2016/17	64		7		71	7	78
	2015/16	59		8		67	6	73
Head of Legal, Democratic and HR Services (b)	2016/17	54		5		59	6	65
	2015/16	0		0		0	0	0
Head of Governance (d)	2016/17	0		0		0	0	0
	2015/16	53		5		58	6	64
Director (Customer and Advice Services) (d)	2016/17	3		0	43	46	0	46
	2015/16	83		0		83	9	92
Project Director (d)	2016/17	0		0		0	0	0
	2015/16	59		1		60	6	66
Head of Policy and Communications/Project Manager (d)	2016/17	0		0		0	0	0
	2015/16	49		4		53	5	58
Head of Economic Development (d)	2016/17	0		0		0	0	0
	2015/16	49		6		55	5	60

Note a: The post Director (Public Protection, Streetscene and Communities) was re-designated as Deputy Chief Executive/Director (Early Intervention and Support) following a Senior Management restructure during 2016/17.

Note b: New post created following a Senior Management restructure during 2016/17.

Note c: The cost of Head of Shared Financial Services post is shared between Chorley and South Ribble Borough Councils. Additional payments were made for acting up duties to the Section 151 role at South Ribble Council.

Note d: The post was deleted following a Senior Management restructure during 2016/17.

Note e: The post holder started mid-year during 2016/17.

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

Remuneration band	2015/16 Number of employees	2016/17 Number of employees
£50,000 - £54,999	1	1
£55,000 - £59,999	4	4
£60,000 - £64,999	-	-
£65,000 - £69,999	-	-
£70,000 - £74,999	-	-
£75,000 - £79,999	-	-
£80,000 - £84,999	-	-
£85,000 - £89,999	-	-
£90,000 - £94,999	-	-
£95,000 - £99,999	-	-
£100,000 - £104,999	-	-
£105,000 - £109,999	-	-
£110,000 - £114,999	-	-
£115,000 - £119,999	-	-
£120,000 - £124,999	-	-
£125,000 - £129,999	-	-
£130,000 - £134,999	-	-
£135,000 - £139,999	-	-

31 TERMINATION BENEFITS

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

Packages banded by cost	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band £'000	
	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17
£0 - £20,000	0	2	6	8	6	10	67	88
£20,001 - £40,000	0	0	2	2	2	2	57	69
£40,001 - £60,000	0	0	0	2	0	2	0	104
£60,001 - £80,000	0	0	1	2	1	2	61	140
£80,001 - £100,000	0	0	2	0	2	0	172	0
£100,001 - £150,000	0	0	1	2	1	2	110	223
£150,001 - £200,000	0	0	0	0	0	0	0	0
£200,001 - £250,000	0	0	0	0	0	0	0	0
£250,001 - £300,000	0	0	0	0	0	0	0	0
£300,001 - £350,000	0	0	1	0	1	0	335	0
Total	0	2	13	16	13	18	802	624

Exit package costs are higher than would usually be expected due to a major restructure during the year. This restructure will enable the delivery of key corporate strategies and provide future budget savings.

The value of exit packages can be analysed by the following costs:

	2015/16 £'000	2016/17 £'000
Redundancy	190	180
PILON	9	30
Long Service Award	0	1
Pension Strain Costs	603	413
Total	802	624

32 EXTERNAL AUDIT COSTS

The fees due from the Council to the external auditors for works carried out relating to the year of account 2016/17 were as follows.

	2015/16 £'000	2016/17 £'000
Fees for statutory inspection and audit	45	45
Fees for the certification of grant claims and returns	7	7
Total	52	52

33 GRANT INCOME

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

	2015/16 £'000	2016/17 £'000
<u>Credited to Taxation and Non-Specific Grant Income & Expenditure</u>		
Revenue Support Grant (RSG)	(2,132)	(1,397)
New Homes Bonus grant	(3,388)	(4,461)
Other revenue grants	(1,159)	(731)
Capital Contributions – S106 Contributions/Community Infrastructure Levy	(3,695)	(1,773)
Capital other grants and contributions	(9)	(3,701)
Donations	0	(1,162)
Exchanged Assets	0	(2,925)
Total	(10,383)	(16,150)
<u>Credited to Services</u>		
Grants – benefits related	(26,515)	(25,606)
Grants – other	(486)	(495)
Contribution – County Council reimbursement	(1,702)	(1,711)
Contributions – other	(497)	(844)
Total	(29,200)	(28,656)

The Authority has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached that could require the monies to be returned to the giver. The balances at year-end, shown separately on the balance sheet as Grant Receipts in Advance - Capital, are as follows:

Grant Receipts in Advance - Capital	2015/16 £'000	2016/17 £'000
Grant – Regional Housing Pot	(113)	(113)
Grant – HCA	(10)	(61)
Other Government Grants	(115)	(100)
Other grants and contributions	(12)	(12)
Total	(250)	(286)

34 RELATED PARTIES

The financial statements must disclose material transactions with related parties, to draw attention to the possible extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the council.

- **Central Government**

Central government has effective control over the general operations of the council as it provides the statutory framework within which the Authority operates and the majority of its funding in the form of grants. Details of government grants received are given in note 35.

- **Members of the Council**

Members have direct control over the council's financial and operating policies. Elected members are required to complete a Notice of Registerable Interests and notify the council of any changes within 28 days. Declarations of interests in items relating to the personal interest of partners, relatives or friends, are also recorded in the minutes of the meeting and the member will leave the meeting. Declarations are open to public inspection.

Note 29 refers to the allowances paid to members. The amounts paid to individual members are reported on the Council's web site.

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

- **Officers**

The staff Code of Conduct requires declaration, to the departmental Chief Officer, of close personal relationships with Councillors and Contractors, financial and non-financial interests in, or membership of, external organisations, and all hospitality or gifts. These arrangements are subject to monitoring and reporting by the Council's HR Department. There were no material related party transactions in respect of officers.

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

In 2006/07 the Council's housing stock was transferred to CCH. The Council receives a proportion of the receipts from the preserved right to buy sales of dwellings to former Chorley council tenants (see note 39 Contingent Assets). In 2016/17 this totalled £0.154m (2015/16 £0.137m).

- **Partnerships, Companies and Trusts**

Financial & Assurance Shared Services Partnership – In January 2009 this partnership was established under an Administrative Collaboration Agreement entered into by South Ribble

and Chorley Borough Councils. This provides for the provision of accountancy, exchequer, treasury management, procurement and assurance services across the administrative areas of the two Councils.

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

In 2016/17 gross expenditure of £1.53m (2015/16 £1.43m) was incurred on the shared services, which was fully funded by recharges to the two Councils.

Chorley Youth Zone

Chorley contributed £0.505m in 2016/17 towards the demolition and build costs for the Chorley Youth Zone. Completion of this project is due late 2017/18. Total cost is estimated at £4.7m shared as CBC £0.8m, LCC £1.1m and Onside will arrange other funding for the remaining £2.7m. In addition, CBC has agreed to underwrite a further £0.2m contribution with the expectation that this will be replaced with other funding realised through Onside in the future. Once built the Youth Zone shall be owned and operated the Chorley Youth Zone Charitable Trust (CYZCT) with Chorley Council as land owner leasing the land to CYZCT over a 125 year lease at a peppercorn rate.

Jamie Carson, Director Chief Executive at Chorley Council is one of six directors to CYZCT and therefore does not have a controlling interest.

35 CAPITAL EXPENDITURE AND FINANCING

The total capital expenditure in the year is shown in the following table, together with the resources that have been used to finance it.

Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the authority that has yet to be financed. The CFR is analysed in the second part of this note.

	2015/16 £'000	2016/17 £'000
Opening Capital Financing Requirement	33,200	34,497
Capital investment		
Property, Plant and Equipment (Note 14)	2,232	9,897
Intangible Assets (Note 17)	0	12
Heritage Assets (Note 15)	99	44
Revenue Expenditure Funded from Capital under Statute	1,688	1,084
Sources of finance		
Capital Receipts	(185)	(2,631)
Government Grants and Other Contributions	(1,125)	(2,264)
Sums set aside from revenue		
Revenue Financing (Note 25b)	(874)	(758)
Minimum Revenue Provision – statutory (Note 25b)	(490)	(522)
Capital receipts applied to reduce Capital Financing Requirement	(48)	(72)
Closing Capital Financing Requirement	34,497	39,287
Explanation of movements in year		
Increase in prudential borrowing	1,835	5,384
Provision made for debt repayment	(538)	(594)
Increase/(Decrease) in Capital Financing Requirement	1,297	4,790

The capital financing requirement includes a £23.341 million investment in to Property, Plant and Equipment during the 2013/14 financial year. This was to purchase the Market Walk shopping centre which continues to generate income for the authority. The financing requirement is offset annually by a provision for debt repayment.

36 LEASES

36a Authority as lessee

Finance leases

The Council has no finance leases

Operating leases

The Authority operates plant, vehicles and office equipment under operating leases. There are also lease arrangements embedded in the refuse contract. The future minimum payments, and sub-lease minimum receipts, are as follows:

	31 March 2016		31 March 2017	
	Payments £'000	Receipts £'000	Payments £'000	Receipts £'000
Not later than 1 year	601	(43)	574	(43)
Later than 1 year, not later than 5	1,084	(170)	797	(170)
Later than 5 years	360	(298)	254	(241)
Minimum lease payments	2,045	(511)	1,625	(454)

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

	2015/16 £'000	2016/17 £'000
Minimum lease payments	728	690
Sub-lease payments receivable	(43)	(43)
Total payable rentals	685	647

36b Authority as Lessor

Finance leases

The Council has leased two properties, each for periods of 125 years.

The authority has a gross investment in the lease, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the property when the lease comes to an end. The minimum lease payments comprise settlement of the long-term debtor for the interest in the property acquired by the lessee and finance income that will be earned by the authority in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

	31 March 2016 £'000	31 March 2017 £'000
Finance lease debtor (present value of minimum lease payments)		
• Current	0	0
• Non-Current	289	289
Unearned finance income	2,211	2,187
Gross investment in the lease	2,500	2,476

The gross investment in the lease and the minimum lease payments will be received over the following periods:

	Gross investment in the lease		Minimum lease payments	
	31 March 2016 £'000	31 March 2017 £'000	31 March 2016 £'000	31 March 2017 £'000
Not later than 1 year	24	24	24	24
Later than 1 yr. not later than 5	95	95	95	95
Later than 5 years	2,381	2,357	2,381	2,357
Total	2,500	2,476	2,500	2,476

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

Operating leases

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

	31 March 2016 £'000	31 March 2017 £'000
Not later than one year	2,132	2,087
Later than one year and not later than five years	5,996	5,784
Later than five years	10,334	11,346
Total receivable rentals	18,462	19,217

No contingent rents were received by the authority.

37 DEFINED BENEFIT PENSION SCHEME

37a Governance

As part of the terms and conditions of employment of its officers and other employees, the Authority offers retirement benefits through the Local Government Pension Scheme. This scheme is administered by Lancashire County Council who have appointed a Pension Fund Committee (comprising a mix of County Councillors and representatives from other employers) to manage the Fund. The Committee is assisted by an investment panel which advises on investment strategy and risk management. The scheme is funded and pays defined benefits based on how long employees are active members, and their salary when they leave (a “final salary” scheme) for service up to 31 March 2014 and on revalued average salary (a “career average” scheme) for service from 1 April 2014 onwards.

37b Funding the liabilities

Regulations require actuarial fund valuations to be carried out every 3 years. Contributions for each employer are set having regard to their individual circumstances. Contributions must be set with a view to targeting the Funds solvency (the detailed provisions are set out in the Fund’s Funding Strategy Statement). The latest valuation, carried out as at 31 March 2016, showed a shortfall for all employers of £690m or 10%. Employers are paying additional contributions over 19 years to meet the shortfall, commencing in 2014/15.

In 2017/18 the Council will pay a contribution of 14.4% of pensionable pay, estimated to cost £1.167m, plus a deficit recovery contribution of £0.791m.

37c Risks

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

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

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

Sensitivity to these risks is estimated in note 37j.

37d Transactions relating to retirement benefits

The Council recognises the cost of retirement benefits in the revenue account in the Cost of Services, when they are earned by employees, rather than when the benefits are actually paid as pensions. However, the charge required to be made against Council Tax is based on the cash payable to the fund during the year. An adjustment is therefore made to the General Fund via the Movement in Reserves Statement. The following table shows the transactions made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

	2015/16 £'000	2016/17 £'000
<u>Comprehensive Income & Expenditure Statement</u>		
Cost of Services:		
Administration	30	38
Current service cost	1,816	1,653
Past service cost	0	0
Settlement and curtailment	17	598
Net interest on the net defined benefit liability		
Interest costs	3,909	4,115
Expected return on scheme assets	(2,468)	(2,783)
Total post-employment benefit charged to the (Surplus)/Deficit on the Provision of Service	3,304	3,621
<u>Other post-employment benefit charged to the Comprehensive Income & Expenditure Statement</u>		
Re-measurement of the net defined benefit liability		
Return on plan assets, excluding amount included in interest expense	(1,141)	(12,589)
Actuarial experience gains & losses		(4,498)
Actuarial gains & losses from changes in demographic assumptions	0	(907)
Actuarial gains & losses from changes in financial assumptions	(6,541)	28,911
Total re-measurements recognised in Other Comprehensive Income	(7,682)	10,917
Total post-employment benefit charged to the Comprehensive Income & Expenditure Statement	(4,378)	14,538
<u>Movement in Reserves Statement</u>		
Reversal of net charges made to the (Surplus)/Deficit on the Provision of Services	(3,304)	(3,621)
Actual employer contributions to the scheme	2,496	2,433

37e Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the balance sheet arising from the Authority's obligation in respect of its defined benefit plans is as follows

	Scheme Liabilities	
	Local Government Pension Scheme	
	2015/16 £'000	2016/17 £'000
Present value of the defined benefit obligation	(116,228)	(142,195)
Fair value of plan assets	77,875	92,067
Net liability arising from defined benefit obligation	(38,353)	(50,128)

37f Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets

	Scheme Assets	
	Local Government Pension Scheme	
	2015/16 £'000	2016/17 £'000
Opening fair value of scheme assets	75,272	77,875
Interest income	2,468	2,783
Re-measurement gain/(loss)		
Return on plan assets, excluding amount included in interest expense	1,141	12,589
Employer contributions	1,914	2,763
Employee contributions	507	497
Benefits paid	(3,397)	(4,402)
Other	(30)	(38)
Closing fair value of scheme assets	77,875	92,067

37g Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

	Scheme Liabilities	
	Local Government Pension Scheme	
	2015/16 £'000	2016/17 £'000
Opening Balance at 1 April	(119,917)	(116,228)
Current service cost	(1,816)	(1,653)
Interest cost	(3,909)	(4,115)
Contributions by scheme participants	(507)	(497)
Re-measurement gains and (losses)		
Changes in demographic assumptions	0	907
Changes in financial assumptions	6,541	(28,911)
Other	0	4,498
Benefits paid	3,397	4,402
Curtailement	(17)	(598)
Past service costs	0	0
Closing Balance at 31 March	(116,228)	(142,195)

37h Impact on the Authority's Future Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over 19 years. Funding levels are monitored on an annual basis. The next triennial valuation is due as at 31 March 2019.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31st March 2014. The Act provides for scheme regulations to be made

within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The authority anticipates paying £2.091m expected contributions to the scheme in 2017/18.

The weighted average duration of the defined benefit obligation for scheme members is 17 years.

37i Local Government Pension Scheme assets comprised

	Fair value of scheme assets			
	2015/16	Percentage total of asset	2016/17	Percentage total of asset
	£'000	%	£'000	%
Cash				
Cash and cash equivalents	2,632	3.4%	956	1.0%
Net Current Assets	46	0.1%	0	0.0%
	2,678	3.5%	956	1.0%
Equity investments (by industry type)				
Consumer	8,461	10.9%	0	0.0%
Energy	334	0.4%	0	0.0%
Financial institutions	4,723	6.1%	0	0.0%
Health and care	2,826	3.6%	0	0.0%
Information technology	4,793	6.2%	0	0.0%
Industrials	3,374	4.3%	0	0.0%
Other	2,255	2.9%	0	0.0%
Sub total equity	26,766	34.4%	0	0.0%
Bonds				
UK corporate	1,119	1.4%	336	0.4%
Overseas corporate	467	0.6%	1,176	1.3%
Government	1,565	2.0%	1,822	2.0%
Sub total bonds	3,151	4.0%	3,334	3.7%
Property				
Retail	2,668	3.4%	2,506	2.7%
Commercial	4,817	6.2%	5,605	6.1%
Sub total property	7,485	9.6%	8,111	8.8%
Private equity				
UK	1,270	1.6%	1,044	1.1%
Overseas	9,631	12.4%	45,584	49.5%
Sub total private equity	10,901	14.0%	46,628	50.6%
Other				
Infrastructure	6,223	8.0%	11,109	12.1%
Property	1,075	1.4%	1,298	1.4%
Credit funds	19,596	25.1%	20,631	22.4%
Sub total alternatives	26,894	34.5%	33,038	35.9%
	77,875	100%	92,067	100%

37j Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The liabilities have been assessed by Mercer's, an independent firm of actuaries. Estimates for the County Council Fund are based on the latest full valuation of the scheme as at 31 March 2016.

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

	Local Government Pension Scheme	
	2015/16	2016/17
Mortality assumptions		
Longevity at 65 for current pensioners		
Men	23.0 yrs	22.6 yrs
Women	25.6 yrs	25.2 yrs
Longevity at 65 for future pensioners		
Men	25.2 yrs	24.9 yrs
Women	27.9 yrs	27.9 yrs
Rate of inflation (CPI)	2.0%	2.3%
Rate of increase in salaries	3.5%	3.8%
Rate of increase in pensions	2.0%	2.3%
Rate for discounting scheme liabilities	3.6%	2.5%
Take up option to convert pension into lump sum	0.0%	0.0%

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

	Impact on the defined benefit obligation in the scheme £'000
Longevity (increase 1 year)	2,832
Rate of inflation (increase of 0.1% p.a.)	2,491
Salary inflation (increase of 0.1% p.a.)	453
Rate for discounting scheme liabilities (increase of 0.1%)	(2,447)

38 CONTINGENT LIABILITIES

On transferring its housing stock in 2006/07, the Council gave warranties to Chorley Community Housing Limited against certain environmental risks. The Council's liability is restricted to a maximum loss of £18m arising over a period of 18 years. It has paid a single premium to insure against claims of up to £15m for a period of 10 years, and is covering the remaining 8 years by payment of an additional annual premium. At 31 March 2017 there are 8 years of the liability period outstanding.

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

39 CONTINGENT ASSETS

The Council submitted a claim to HM Revenue and Customs regarding VAT overpaid over many years, mainly at its leisure centres. This has been settled save for outstanding claims for compound interest, which could total £0.400m.

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

Collection Fund

The Collection Fund (England) is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers, and distribution to local authorities and the Government, of Council Tax and Non-Domestic Rates (Business Rates).

2015/16		Collection Fund	2016/17	
Business Rates £'000	Council Tax £'000		Business Rates £'000	Council Tax £'000
		INCOME		
27,855	54,360	Council Tax Receivable		57,191
		Business Rates Receivable	29,042	
		Contribution towards previous year's estimated Deficit		
447		Central Government		
358		Chorley Council (Note 13)		
80		Lancashire County Council		
9		Lancashire Combined Fire Authority		
894	0		0	0
28,749	54,360	Total amounts to be credited	29,042	57,191
		EXPENDITURE		
		Apportionment of previous year's estimated Surplus		
		Central Government	61	
	135	Chorley Council (Note 13)	49	82
	769	Lancashire County Council	11	483
	44	Lancashire Combined Fire Authority	1	28
	108	Police & Crime Commissioner for Lancashire		68
0	1,056		122	661
		Precepts, Demands and Shares		
14,190		Central Government	14,550	
11,352	6,655	Chorley Council (Note 13)	11,640	6,775
2,554	38,982	Lancashire County Council	2,619	41,334
284	2,238	Lancashire Combined Fire Authority	291	2,304
	5,488	Police & Crime Commissioner for Lancashire		5,707
28,380	53,363		29,100	56,120

2015/16		Collection Fund	2016/17	
Business Rates £'000	Council Tax £'000		Business Rates £'000	Council Tax £'000
		Charges to Collection Fund		
	159	Write offs of uncollectable amounts		313
398	87	Increase/(Decrease) in Bad Debt Provision	100	(121)
1,054		Increase/(Decrease) in Provision for Appeals	(804)	
134		Cost of Collection	137	
1,586	246		(567)	192
29,966	54,665	Total amounts to be debited	28,655	56,973
(1,217)	(305)	Surplus/(Deficit) arising during the year	387	218
		Collection Fund Balance		
(606)	1,059	Balance brought forward at 1 April	(1,823)	754
(1,217)	(305)	Surplus/(Deficit) for the year	387	218
(1,823)	754	Balance carried forward at 31 March	(1,436)	972
		Allocated to		
(729)	94	Chorley Council - Collection Fund Adjustment Account (Note 25e)	(574)	117
(911)		Central Government	(718)	
(164)	551	Lancashire County Council	(129)	717
(19)	32	Lancashire Combined Fire Authority	(15)	40
	77	Police & Crime Commissioner for Lancashire		98
(1,823)	754	Surplus/(Deficit) at 31 March	(1,436)	972

ACCOUNTING FOR COUNCIL TAX

The amount of Council Tax to be credited to the Comprehensive Income and Expenditure Statement for both billing authorities and major preceptors is their share of the accrued income. However, statute requires that the amount to be credited to the General Fund should be the authority's precept or demand for the year plus its share of the previous year's Collection Fund surplus or deficit. The difference between this regulatory charge and the accrued income is taken to the Collection Fund Adjustment Account, as revealed in the Movement in Reserves Statement. See also Note 9.

Since the collection of Council tax is an agency arrangement, debtor and creditor balances belong proportionately to the billing authority and the major preceptors. This results in a debtor or creditor position between the billing authority and each major preceptor.

COUNCIL TAX DETAILS OF CHARGE

For the purpose of calculating Council Tax, residential properties are classified into eight valuation bands. Each valuation band is proportionate to the central Band D property. This enables calculation of the total tax base. The Council Tax Base for 2016/17 was calculated as follows:

Band	Dwellings	Dwellings adj. for discounts & exemptions	Proportion of Band D Charge	Band D Equivalent
A (disabled)	0	15	5/9	8.33
A	14,682	12,432	6/9	8,288.00
B	11,148	9,927	7/9	7,721.00
C	9,259	8,441	8/9	7,503.11
D	6,524	6,087	9/9	6,088.45
E	4,639	4,370	11/9	5,340.81
F	2,001	1,903	13/9	2,749.50
G	860	819	15/9	1,365.00
H	65	49	18/9	97.50
Total	49,178	44,043		39,161.70
Less adjustments for anticipated losses on collection				(572.66)
Add adjustment for new properties/technical changes to discounts				406.28
Less local Council Tax Support Scheme discounts				(3,813.60)
Band D Equivalent Number of Properties				35,181.72

Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by the precepting authorities for the forthcoming year and dividing this by the council tax base. This results in an average Band D charge (excluding Parish Precepts) of £1,595.14 for 2016/17 (£1,531.11 for 2015/16). The other valuation bands are proportionate to this.

ACCOUNTING FOR BUSINESS RATES (NNDR)

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

The surplus apportioned in 2016/17 was £0.122m, whereas the actual cumulative deficit in the previous year was £1.823m. Regulations require the deficit or surplus estimated in the annual National Non Domestic Rates (NNDR) 1 Return to be apportioned. The sum apportioned was therefore the estimate included in NNDR1 2016/17.

Note 13 Taxation and Non-Specific Grant Income and Expenditure shows net Non-Domestic Rates Income and Expenditure for 2016/17 to be £3.895m (2015/16 £2.331m). This can be reconciled to Chorley Council's share of Business Rates Income in the Collection Fund statement in the following table:

2015/16 £'000		2016/17 £'000
11,352	Chorley Council share of Business Rates	11,640
(7,792)	Tariff payable to Central Government Tariff payable to Lancashire Business Rates Pool	(7,857)
(384)	Levy payable to Central Government Levy payable to Lancashire Business Rates Pool	(92)
(487)	Chorley Council share of surplus or (deficit) for year (transferred to Collection Fund Adjustment Account - Note 25e)	155
(358)	Chorley Council share of previous year's surplus or (deficit)	49
2,331	NNDR net income per Note 13	3,895

NNDR DETAILS OF CHARGE

Business Rates are organised on a national basis. In 2005/06 the Government introduced a Small Business Rate Relief Scheme. This results in there being two multipliers in England – one for small businesses at 48.4p in 2016/17 and one for larger businesses at 49.7p.

The Business Rates Income, after reliefs and provisions, was £29.0m for 2016/17 (£27.8m for 2015/16).

The rateable value for the Council's area at the end of the financial year 2016/17 was £71.05m (£71.15m in 2015/16).

Annual Governance Statement

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