Statement of Accounts 2017/18

Chorley Borough Council

chorley.gov.uk

Contents

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 2017/18 (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:

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

Narrative Report of the Chief Financial Officer

Introduction

Gary Hall BA CPFA
Chief Finance Officer

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 31 March 2018 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 2017/18.

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.

The narrative report is structured as follows:

- Key facts about Chorley Borough and Chorley Borough Council
- Chorley Council Corporate Strategy, its achievements, future projects, performance and risks
- Major Changes to Services
- Context for 2017/18 Accounts
- Financial Performance in 2017/18
- Looking ahead to the future including the challenges and opportunities facing Chorley Council

KEY FACTS ABOUT

CHORLEY

Chorley's population of **114,000** mostly live in **urban areas**

Chorley is a borough covering **205 square kilometres**

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

There are approximately **49,000 Households** within the borough of **Chorley**

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 of **Chorley** benefits from a vibrant **voluntary and community sector network** (**VCFS**) that supports and enhances the community

The borough of **Chorley** consists of **20 wards** represented by **47** elected **councillors** and a **member of parliament**

CHORLEY BOROUGH COUNCIL

Chorley Borough **Council** consists of **four** directorates

There are **47 Councillors** within the Borough of Chorley

Chorley is a labour led council with an Administration Electorate of **85,575**

Throughout **Chorley**, the council have hosted a number of successful events, such as the **Grand Prix** and **Flower Show** that have increased visitor numbers to the town, and promoted health and wellbeing throughout the community.

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:

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.

The Corporate Strategy for 2017/18 was approved by Council in November 2016. It includes 14 key projects, with a particular focus on delivering some of the large scale, ambitious schemes that will have a significant impact on local outcomes. Key performance measures for each service have been set so that targets remain challenging and reflective of the Council's ambitions.

The following pages outline the council's achievements in 2017/18 against the delivery of the Corporate Strategy and key performance indicators up to the end of 2017/18.

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

Our Achievements:

Develop new ways to deliver services

The council's aim is to understand and develop new approaches to delivering services within communities to support new models of working alongside residents and the third sector. The project is now complete and has delivered a final report and tool kit which set out approaches to build capacity within communities. Volunteering remains a key way in which residents can get involved in their local area and through the Time Credits scheme 2017/18 has seen 34,968 of volunteering hours earned.

Improve the look and feel of local neighbourhoods

The Council invests £50,000 a year towards delivering neighbourhood priority projects, identified by the community, to improve their local neighbourhood. A programme of 24 projects have included delivering sessions with Homestart to support residents in Chorley Town West and working with partners to create new footpaths in Western parishes.

Support easy access to high quality public services

In 2017/18 the council has invested over £40,000 in digital inclusion, supporting residents from across the borough to access services online by delivering digital training sessions at venues across the borough including new hubs located in our community centres.

Looking Ahead:

Develop Astley Hall and Park as a visitor destination

The Council's ambitious capital programme includes significant investment to deliver an 'Astley 2020' vision, commitments include:

- £80k investment in expanding and improving the Hallgate car park
- £200k match funding as part of a £1.8m bid to Heritage Lottery Fund to significantly enhance the hall as well as the visitor experience
- £140k investment in footpath lighting
- £100k investment in making Astley Park a high quality setting in which to host events

Clean, Safe and Healthy Communities

Our Achievements:

High quality play areas, parks & open spaces & quality recreational activities

In 2017/18 the council has made over £600k of improvements to the borough's parks and open spaces with new play equipment, better access and facilities including over £200k to improve car parking at Yarrow Valley.

Residents have been encouraged to be healthier with the number of visitors to Council leisure centres continuing to increase this year with over 1 million visits for 2017/18. There have also been over 20,000 young people taking part in 'Get Up and Go' activities this year.

Integrated Community Wellbeing

Lancashire Care Foundation Trust and Chorley Council have joined together to create an Integrated Community Wellbeing Service. The council has invested over £100k in the redesign of office accommodation at Union Street office. This has enabled the physical collocation of over 150 staff at the Union Street office.

By integrating and reshaping services already provided by Lancashire Care Foundation Trust and Chorley Council, the focus of existing and future services will be more on prevention and early intervention, and achieve future savings.

Looking Ahead:

Primrose Gardens Retirement Village

Chorley Council has spent £3.3m in 2017/18 delivering the £10m Primrose Gardens retirement village development in Chorley town centre. The development is dedicated to improving the local area by providing a unique space for local residents.

The flagship, high quality purpose-built accommodation scheme, will house 65 high quality self-contained apartments across a 3 storey living space of 1 and 2 bedroom apartments and will also include community facilities such as a dance studio and café. The development aims to provide a space where people aged 55 and over can live independently whilst also having access to help when needed. It is expected to open in April 2019.

A strong local economy

Our Achievements:

A vibrant town centre and villages

The events programme for 2017/18 has continued to attract visitors to our town centre and surrounding areas with events that have attracted over 64,000 people. These events have included What's Your Story Chorley, Picnic in the Park, the Chorley Flower Show, Chorley Grand Prix, Chorley Live and Astley Park Bonfire and Fireworks, Astley Illuminated and various Christmas events. In total the council invested over £150k in the 2017/18 events programme and this has resulted in Chorley continuing to be an excellent destination for visitors as well as creating a vibrant town centre.

checkoutchorley.com

The 'Check out Chorley' website continues to enable visitors and residents of Chorley to discover Chorley, with around a total of 45,000 visitors to the website for 2017/18.

The website provides information about things to do, events being held in and around Chorley and provides inspiration for great days out. This enables potential visitors to access information and promotion around Chorley as a visitor destination.

Looking Ahead:

Market Walk Extension and Town Centre Development

The Council invested £3.106m in 2017/18 in its ambitious £16m scheme to deliver the extension to Market Walk Shopping Centre and enhance the town centre parking provision. Expenditure in 2017/18 related to the design of the extension, creating a fully serviced site and upgraded car park. This project builds on the already successful acquisition of the town centre shopping parade.

Once built and fully occupied the extension is estimated to generate an additional £300k net annual income to the Council.

A strong local economy

The council is progressing plans to develop employment sites throughout the borough including the acquisition of approximately 30 acres of employment land with £700,000 set aside to develop the masterplans and works to bring these sites into use, unlocking their potential with scope to deliver over 1,000 local jobs

The Council has been instrumental in bringing forward the Botany Bay masterplan & subsequent outline planning application that gained approval in July 2017. The plan will develop a mixed site for retail and housing.

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

Our Achievements:

Chorley Youth Zone

The centre, named by young people as ‘Inspire’, is a purpose-built facility for the borough’s young people aged 8 to 19, and up to 25 for those with disabilities. The Youth Zone will offer up to 20 activities every evening, including; dance, sport, art, music and media.

Chorley Council has invested £1.2m to this facility in partnership with On Side and LCC. The construction of the Youth Zone is almost complete and is due to open in May 2018. The Council will continue to support the Youth Zone by contributing £100k per annum to meet its running costs.

Looking Ahead:

Work Smart and Improved Efficiency

The council continues to deliver its Work Smart programme which aims to improve access to council services and to make these services more user friendly and efficient. Improvements to working environments to encourage smarter working and optimise office space have now been completed for two council services and surveys have been completed to enable the council to develop new options for making better use of its assets. Progress has been made in improving the current ICT system with £400k investment in ICT infrastructure in 2017/18.

Chorley Public Service Reform Programme

Through the Chorley Public Service Reform Partnership the council has invested £100k to develop new, innovative ways of working including establishing an Integrated Community Wellbeing Service in partnership with Lancashire Care Foundation Trust to support resident’s to stay well and tackle issues at the earliest possible stage.

We’ve supported the provision of a Primary Care User Support Team (PCUST) to identify and support patients who frequently use primary care services with the aim to reduce demand. This innovative approach provides a strong commitment to patient centred care. A multi-agency service hub has also been set up and has supported over 100 vulnerable individuals and achieving savings to public services of £700,000 over a 6 month period

Performance of Corporate Strategy Key Measures – 2017/18

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 2017/18 was good, with most indicators performing above target. Areas of underperformance are generally where more challenging targets have been set and where there are significant external influences.

★ **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%	**22.8%**	★
Overall employment rate	Bigger is better	80%	**86.5%**	★
Number of projected jobs created through targeted interventions	Bigger is better	150	**105**	▲
Number of projected jobs created through inward investment	Bigger is better	60	**2**	▲
The % of 16-17 year olds who are not in education, employment or training (NEET)	Smaller is better	4.6%	**2.7%**	★
The number of visits to Council's leisure centres	Bigger is better	1 million	**1,117,553**	★
Number of young people taking part in 'Get Up and Go' activities	Bigger is better	20,000	**23,417**	★
Number of affordable homes delivered	Bigger is better	100	**166**	★
Number of long term empty properties in the borough	Smaller is better	180	**164**	★
% service requests received online	Bigger is better	20%	**24.2%**	★
% customers dissatisfied with the service they have received from the council	Smaller is better	20%	**19.86%**	★
% of the population with NVQ level 3 and above	Bigger is better	57%	**59.9%**	★
% increase in digital access points across the borough	Bigger is better	11%	**56%**	★
Growth in business rate base	Bigger is better	1%	**1.18%**	★
Number of employment sites being brought forward	Bigger is better	2	**2**	★

For those performance indicators that are worse than the target performance, the following reasons and action plans will be proposed to Executive Cabinet in June 2018:

Performance Indicator		Target	Performance
▲	Number of projected jobs created through targeted interventions	150	105
Reason below target	This indicator is a combined potential job creation total for the retail grants programme which includes the Starting in Business grant programme, Chorley BIG and Chorley Works. The changes to criteria for the retail grant programme and the reduction in the amount of start-up funding available has impacted on the number of grant applications which have been received over 2017/18. This has resulted in fewer grant applications being received and the number of projected jobs created being less than anticipated.		
Action required	For 2018/19 the Chorley BIG grant will continue to be promoted as part of the targeted interventions. All of the Council's funding programmes will continue to be clearly identified on both the Council's website and the Choose Chorley website. The programmes are also discussed with businesses either at networking events or in 1:1 meetings.		
Trend:	↓ Performance in 2016/17 was 159 against a target of 150. Outturn for 2017/18 is 105 against a target of 150, therefore performance is worse than last year.		

Performance Indicator		Target	Performance
▲	Number of projected jobs created through inward investment	60	2
Reason below target	This idicator includes the number of projected jobs created through work with inward investors under the Welcome Grant and as part of the Chorley Employment Charter process. There have been 2 jobs created for 2017/18 against a target of 60. Jobs created through inward investment are reliant primarily on availability of land and/or premises for business to relocate to in Chorley. We continue to receive grant enquiries, however the availability of this land is at present limited and therefore the needs of businesses enquiring about grants cannot always be met.		
Action required	The grants will continue to be made available as part of the inward investment offer. Over the next year, the 2017/18 Corporate Strategy will be delivering a project to bring forward land for development across three sites to deliver more available land in the medium to long term. This will enable more available land/premises for businesses to relocate to in Chorley.		
Trend:	↓ Performance in 2016/17 was 25 against a target of 60. Outturn for 2017/18 is 2 against a target of 60; therefore performance is worse than last year.		

Strategic Risk Register

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 strategic risk register is now recorded on the council's online risk management system called GRACE.

A strategic risk report was last presented to Governance Committee in June 2017 and refreshed to reflect residual and target risk in October 2017.The table below describes the major strategic risks facing the council as at the end of 2017/18, this is a summarised version of the risks that have been presented to Governance Committee on 30 May 2018. The table outlines what the inherent risk without any controls would be to the council and what the current risk rating is given the controls the council currently has in place.

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

Risk No.	Description of Risk	Current Inherent Risk	Current Residual Risk	206/17 Residual Risk	Controls
R1	Failure to realise the value of large budget investments and achieve return on investments	16 High	9 Medium	9 Medium	Ongoing monitoring of investment projects through quarterly monitoring and Corporate Strategy Programme Board
R2	Failure to achieve desired outcomes through partnership working and deterioration in relationships	16 High	6 Medium	6 Medium	Members and Officers to work to manage relationships Delivery of year 3 of public sector reform Executive Continue to support the development of the ICWS and deliver tasks allocated to the team including the Pathway development projects initiated in 2017
R3	Budget cuts in key public and third sector partners having a negative impact on local level service delivery	16 High	8 Medium	8 Medium	Officers and Members to lobby and influence key public sector partners Delivery of the Transformation Board forward plan
R4	Failure to optimise opportunities for new ways of working and alternative business models including options for income generation	16 High	8 Medium	8 Medium	Review key strategic partnership framework Refresh of the Transformation Strategy Delivery of MTFS
R5	Lack of resources to deliver the Council's priorities due to public sector funding cuts (financial & staff capacity)	12 High	8 Medium	8 Medium	Focus on business growth and generating additional income to make the council financially self sufficient Delivery of the Transformation Board forward plan Delivery of MTFS

The majority of strategic risk levels have remained similar to 2017 as mitigating actions have ensured that the risks have been effectively managed and have therefore not escalated across the year.

Analysis of Risks

The highest scoring risks, R1 to R5, continue to focus on delivering Council priorities, including new ways of working such as partnership working to address the future budget deficit. There are significant challenges facing the organisation within the coming year including budgetary pressures and internal and external change, coupled with an ever increasing demand for our services. The council faces significant financial challenges as we move towards 2020/21 and preparing for these challenges means the council must continue to transform the way it delivers services to reduce costs and generate income.

The work of the Transformation Board continues to achieve the financial savings that need to be made towards a sustainable operational and financial position, informing the corporate planning process and is listed as a control/action measure against many of the highest scoring strategic risks
The risk score for R1 'failure to realise the value of large budget investments and achieve return on these investments' continues to be the highest rated risk for the Council. This risk 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 and as such remains high priority and high risk.

Risk R2 refers to failure to achieve desired outcomes through partnership working and deterioration in relationships. Although established working relationships are in place (Public Service Reform and Integrated Community Wellbeing Service) this risk continues to be rated as one of the highest risks facing the council given the reliance we have on partnership working to support our sustainability in light of reductions in government funding and to work effectively in partnership with other organisations to provide joined up support for our most vulnerable residents. Work continues to deliver established partnerships already in place and strong control measures are listed to mitigate this risk over the coming months.

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 in place internally to mitigate this risk, external financial pressures at both a national and county wide level still exist meaning that further budget cuts may be imminent; therefore the risk score is maintained.

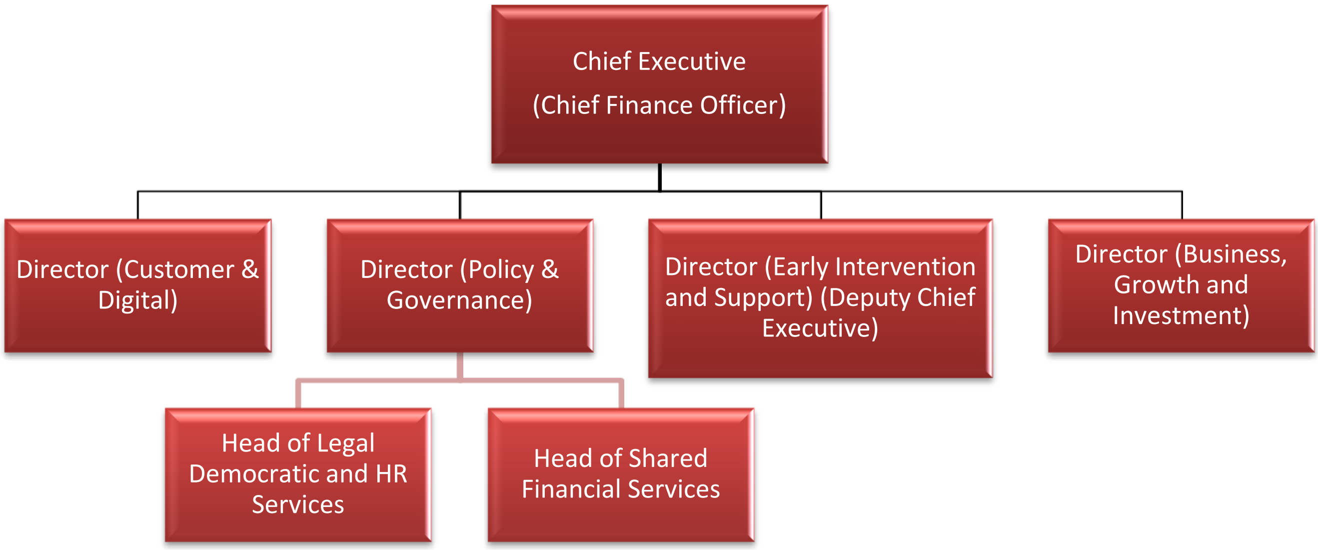
Risk R4, 'failure to optimise opportunities for new ways of working and alternative business models including options for income generation' remains at a high risk rating. Good progress has been made towards exploring opportunities for new ways of working including looking at options for income generation through the work of the Transformation Board. Given the impact and budgetary reliance we have on exploring income generation as an organisation as outlined within our Medium Term Financial Strategy (MTFS), this risk score remains high for 2018.

Major Changes to Services

In May 2016 a new management structure at Chorley Council was implemented 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 Current Senior Management Team



Senior Management Team

The senior management team consist of the Chief Executive (currently with Chief Finance Officer responsibilities), the four Directors, the Head of Legal Democratic and HR Services (monitoring officer) and the Head of Shared Financial Services. The senior management team meets every fortnight and is responsible for developing, identifying resources, delivering and reviewing the delivery of the Council's corporate priorities.

The Transformation Board

Since February 2017 the Council has continued working towards delivering the transformation strategy. A Transformation Board has been set up to oversee this delivery. The purpose of the Transformation Board is to:

- Monitor project progress and issues
- Ensure proposals meet with the overall objectives of the Transformation Strategy and anticipated savings
- Consider dependencies between projects to make sure that activity is coordinated (particularly with regard to consultation/service reviews) and monitor overall demands on capacity

There are currently over 16 separate projects that the transformation board monitors and supports in order to deliver the transformation strategy.

Integrated Community Wellbeing Service

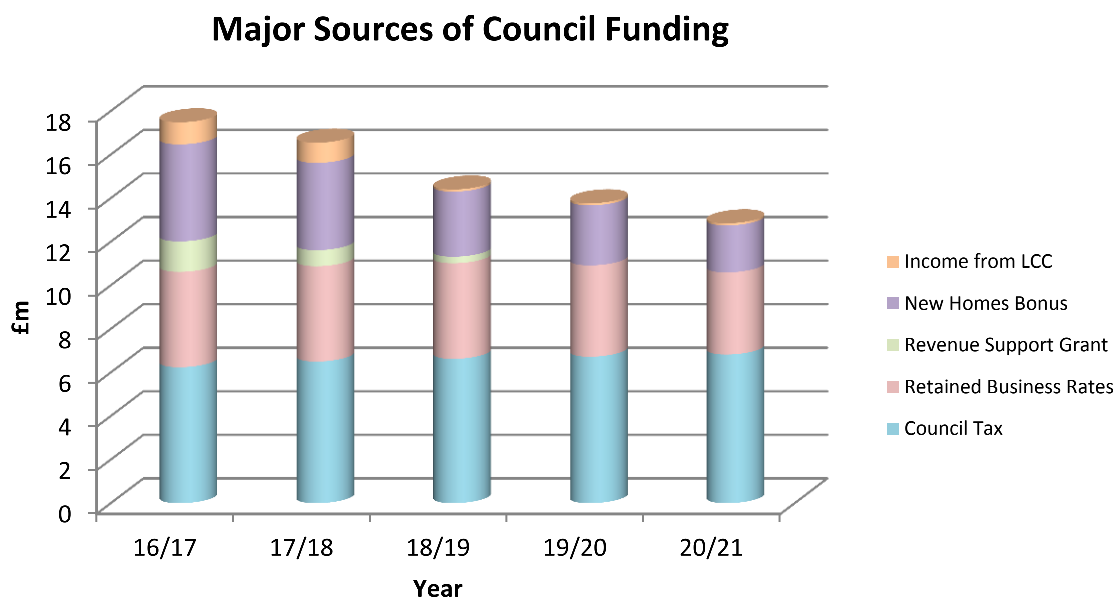
Lancashire Care Foundation and Chorley Council have joined together to create an Integrated Community Wellbeing Service. The council has invested over £100k in the redesign of office accommodation at Union Street office that has resulted in the physical collocation of over 150 staff. The new service promotes early intervention and prevention to support better health and wellbeing outcomes for our residents and stronger, more resilient communities.

All staff within the service remain employees of their respective organisations, as such the boundaries of both organisations' governance arrangements do not overlap. However 2017/18 was only the first stage of the Integrated Community Wellbeing Service, plans will be developed to further gains from the integration of services for both organisations.

Context for the 2017/18 Accounts

The challenge to balance the budget continues over the short term and becomes increasingly difficult in the medium term. On 6 February 2018 the Government published the Final Local Government Finance Settlement of 2018/19. The Government will continue with the removal of the Revenue Support Grant (RSG) and include an additional tariff on business rates (negative RSG) in 2019/20. Allocations of New Homes Bonus will be reduced to 4 years in 2018/19 onwards with a further reduction through the 'deadweight adjustment'. The greatest uncertainty comes from the expected change to business rates retention in 2020/21 and review of the fair funding formula.

Chorley Council has experienced, and will continue to experience in the coming 3 years, large reductions in its major funding sources. The reductions in the largest funding sources are outlined in the chart below.



The 2018/19 Medium Term Financial Strategy (MTFS) identified a projected net budget gap over the period 2018/19 to 2020/21 of £2.213m 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 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. Through setting the budget and utilising underspends in 2017/18 the Council has achieved, a year earlier than budgeted, its MTFS target of having £4m set aside in general balances, see page 42 for more details.

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 £843,563, hence under pooling we have benefited from extra income of £759,207. Lancashire County Council has received the remaining 10% of retained levy. See note 14a for more details.

Financial Performance in 2017/18

Despite the financial challenges outlined above, the financial standing of the Council is robust, with sound budget setting and monitoring practices. The Council's 2017/18 Revenue Budget, Capital Programme, MTFS and Treasury Management Strategy were approved at Special Council on 28 February 2017. Thereafter, budget monitoring reports were submitted at quarterly intervals to the Executive Cabinet. The reports are available on the Council's website.

In 2017/18, the Council continued its successful track record in achieving budgetary savings whilst also maintaining services. The 2018/19 budget setting process identified a further £0.345m of efficiencies that will be delivered. The following year-on-year budget efficiency savings and additional income has been achieved over the past five years:

	14/15 £m	15/16 £m	16/17 £m	17/18 £m	18/19 £m	TOTAL £m
Productivity Savings	0.367	0.017	0.314	0.207	0.220	**1.125**
Review of Contracts	0.035	0.200	-	0.059	-	**0.294**
Review of Income Streams (including Market Walk)	0.442	0.446	-	0.050	0.050	**0.988**
Review of Base Budget	0.094	0.045	0.128	0.100	0.075	**0.442**
Lancashire Business Rates Pooling	-	-	0.725	-	-	**0.725**
SAVINGS AND ADDITIONAL INCOME	**0.938**	**0.708**	**1.167**	**0.416**	**0.345**	**3.574**

Council Spending in 2017/18

The Council's provisional revenue outturn for 2017/18 forecasts a £610k underspend against a provisional final budget of £15.461m. A proposal will be made to Executive Cabinet in June 2018 to transfer:

- £300k underspend to the Change Management Reserve and
- £100k underspend to the Buildings Maintenance Reserve

These reserves are required to further fund any unavoidable expenditure relating to the implementation of the council's Transformation Strategy.

A proposal will be also made to Executive Cabinet in June 2018 to transfer:

- £157k underspend to the Business Rates Income Equalisation Reserve to better enable the council to manage the risk to its retained business rates over the MTFS period including the introduction of the new funding regime in 2020/21

- £53k underspend to General Fund Balances to bring balances to £4m at the end of 2017/18 in line with the council's MTFS and one year earlier than proposed.

The surplus £610k underspend is analysed below.

	Provisional Adjusted (Income)/ Expenditure Budget	Outturn	Underspend/ (Overspend)
Expenditure	£'000s	£'000s	£'000s
Customer & Digital	5,447	5,241	206
Policy & Governance	4,579	4,512	67
Early Intervention	2,219	2,075	144
Business, Development & Growth	943	980	(37)
Directorate Total	**13,187**	**12,808**	**379**
Pension Account & Deficit Recovery	1,011	1,006	5
Benefit Payments	(63)	(138)	75
Market Walk Shopping Centre (excluding borrowing costs)	(1,752)	(1,749)	(4)
Investment Properties	(67)	(67)	0
LCC Transition Fund	378	378	(0)
Primrose Gardens	16	16	0
Net Financing Transactions & Contributions to Capital	2,108	1,913	196
Parish Precepts	643	643	0
Total Expenditure	**15,461**	**14,810**	**651**
Financing			
Council Tax	(7,225)	(7,225)	0
Business Rates	(4,383)	(4,384)	1
Government Grants	(4,788)	(4,823)	34
CIL Admin	(63)	(91)	28
Use of Earmarked Reserve	240	239	1
Contribution to General Balances	759	759	0
Slippage to 2018/19		105	(105)
Total Financing	**(15,461)**	**(15,420)**	**(41)**
Total Variance Reported in Budget Monitoring Report	**0**	**(610)**	**610**

Analysis of Outturn

The Directorate underspends were mostly driven by temporary staffing vacancies in particular in areas such as ICT, Streetscene and Customer Services.

Underspend against non-staffing expenditure budgets were also experienced during 2017/18. Areas of underspend include ICT license fees, supplies for grounds maintenance and highways, vandalism repairs and members allowances.

The council has generated additional income over the budgeted level in 2017/18. Income was higher than budgeted for bereavement and building control services. The council utilised more of the disabled facilities grant than budgeted as well as more community infrastructure levy funding for administrative purposes. The council however experienced a shortfall in planning income due to a reduction in the number of applications received in 2017/18. The council received unbudgeted grant income such as the Flexible Homelessness Support Grant, Property Searches New Burdens Grant and DWP Housing Benefit Funding.

The Council has received additional net income of around £75k in 2017/18 in relation to Housing Benefit payments. By reducing the level of benefit overpayments due to fraud and claimant error, the Council is able to increase the amount of eligible benefits subsidy it receives and also reduce the burden of outstanding debts and the level of bad debts provision.

The council has experienced a £196k underspend against the budgets set aside to fund its capital financing requirement (borrowing). Of this underspend £176k relates to the use of a £2.2m capital receipts the council received from the sale of land at Southport Rd. Rather than use this receipt to meet the cost of the purchase of the Oak House site, the council used the receipt to pay off the borrowing used to fund other assets with shorter useful lives such as vehicles and bins. The council will use borrowing to fund the purchase of Oak House and spread the cost over the life of this asset. The net result of using the receipt in this manner meant a reduction in the cost of borrowing in 2017/18 of £176k.

Requests to carry forward underspends in 2018/19 are approved by the Chief Finance Officer. In 2017/18 there has been £105k of approved 'slippage' requests. These include funds identified for further tree works at the council's cemeteries, additional play and CCTV equipment and funding for the meals on wheels service.

The (surplus) on general fund balance noted in the expenditure and funding analysis (page 40) is £1,854k. This relates to the 2017/18 in-year underspend as well as other movements in reserves described below

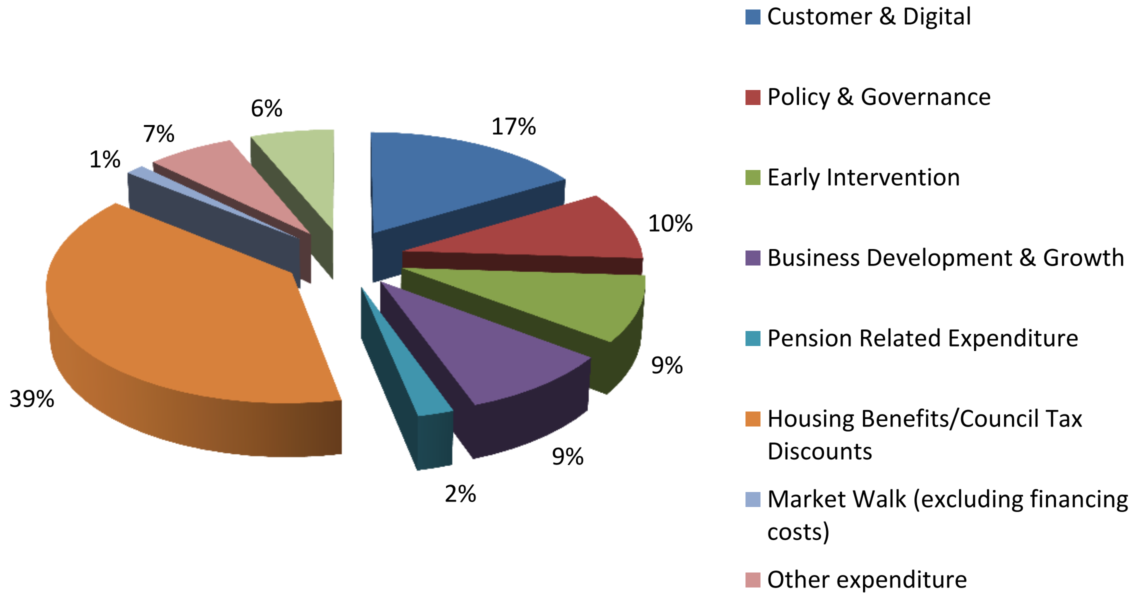
	General Balances £'000s	Earmarked Reserves £'000s	Total General Fund Balance £'000s
Balance at 31 March 2017	**(3,188)**	**(7,280)**	**(10,468)**
Transfers (to) from General Balances			
Budgeted Contribution to General Balances	(500)		(500)
In year contribution approved by Full Council on 19 Sep 2017	(259)		(259)
Final contribution to General Balances in 2018/19 to bring balances to £4m	(53)		(53)
Transfers (to) from Earmarked Reserves			
Rephasing of expenditure (slippage)		(105)	(105)
Change Management Reserves		(300)	(300)
Buildings Maintenance Reserve		(100)	(100)
Transfer to Business Rates Income Equalisation Reserve		(157)	(157)
Transfer of Revenue Budget Underspend	**0**	**(662)**	**(662)**
Transfer to Business Rates Retention Reserve		(30)	(30)
Transfers to Other Earmarked Reserves		(350)	(350)
Net Transfer to Earmarked Reserves	**0**	**(1,042)**	**(1,042)**
(Surplus) on General Fund Balance in Year	**(812)**	**(1,042)**	**(1,854)**
Net Movement in Year	(812)	(1,042)	(1,854)
Balance at 31 March 2017	**(4,000)**	**(8,322)**	**(12,322)**

The net transfer to earmarked reserves is the net result of drawing down and (adding to) earmarked reserves. The net transfer to earmarked reserves is outlined further in note 11.

The outturn for the Council, outlined in the Expenditure and Funding Analysis note 1 on page 40, identifies balances of £12.322m. Of these balances £8.322m are earmarked general balances that will be used to deliver Corporate Strategy priorities and the remaining £4.000m is set aside to enable the Council to manage the peaks and troughs in expenditure and income it may experience throughout the MTFS period.

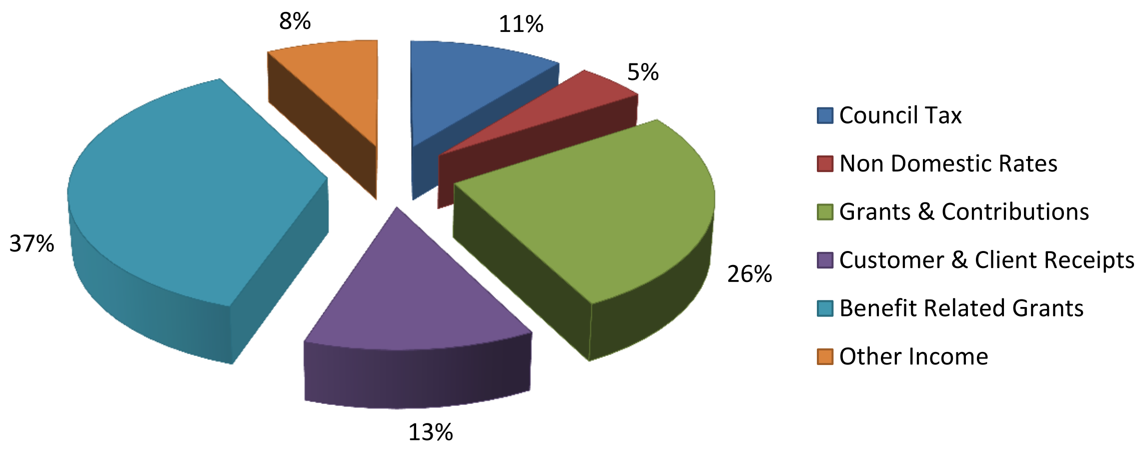
Where the Council's budget was spent

The gross expenditure for the Council is detailed in the Comprehensive Income and Expenditure Statement (page 41). In 2017/18 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 2017/18 to 2019/20

The Council has an ambitious four year capital programme totalling £48m for 2017/18 to 2020/21 that was approved at Full Council 27th February 2018. The investment will complete a range of projects that will deliver the Council's Corporate Strategy priorities.

The capital programme includes a number of schemes that will generate revenue to meet the annual cost of borrowing required to complete the project. These include the three major capital schemes:

- the completion of the £10m extension to the current Market Walk Shopping Centre that will include a cinema. 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. The centre will provide a hub for digital businesses and other high growth sector businesses. The project is 50% financed through ERDF grant funding as a result of the council's successful grant bid in 2016/17.

- a £10m 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 project is expected to complete in March 2019.

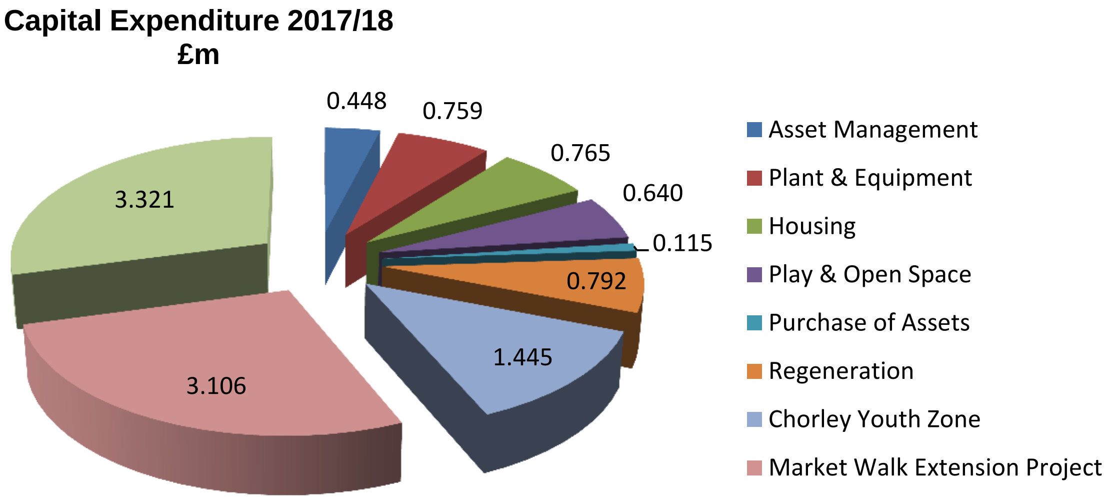
Other major schemes include:

- the £4.5m construction of Chorley Youth Zone of which the council has contributed £1.2m. The youth zone that 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. The youth zone opened on 5th May 2018 and will be owned and operated by Chorley Youth Zone Trust with a £100k annual revenue contribution from Chorley Council;

- major investment in the council's play, pitches and open spaces. This includes over £600k budgeted investment in Coronation and Harpers Lane Recreation Ground as well as over £1m further budgeted investment in other sites across the borough.

Capital 2017/18

The chart below outlines the key areas the Council invested its capital expenditure in 2017/18



In addition to the £3.321m investment in Primrose Gardens Retirement Village, the council invested £0.765m in Housing in 2017/18. 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 with an additional £142k in 2017/18 to complete the successful refurbishment and extension. The council continues to adapt the homes of its residents with disabilities, committing £500k of disabled facilities grants in 2017/18.

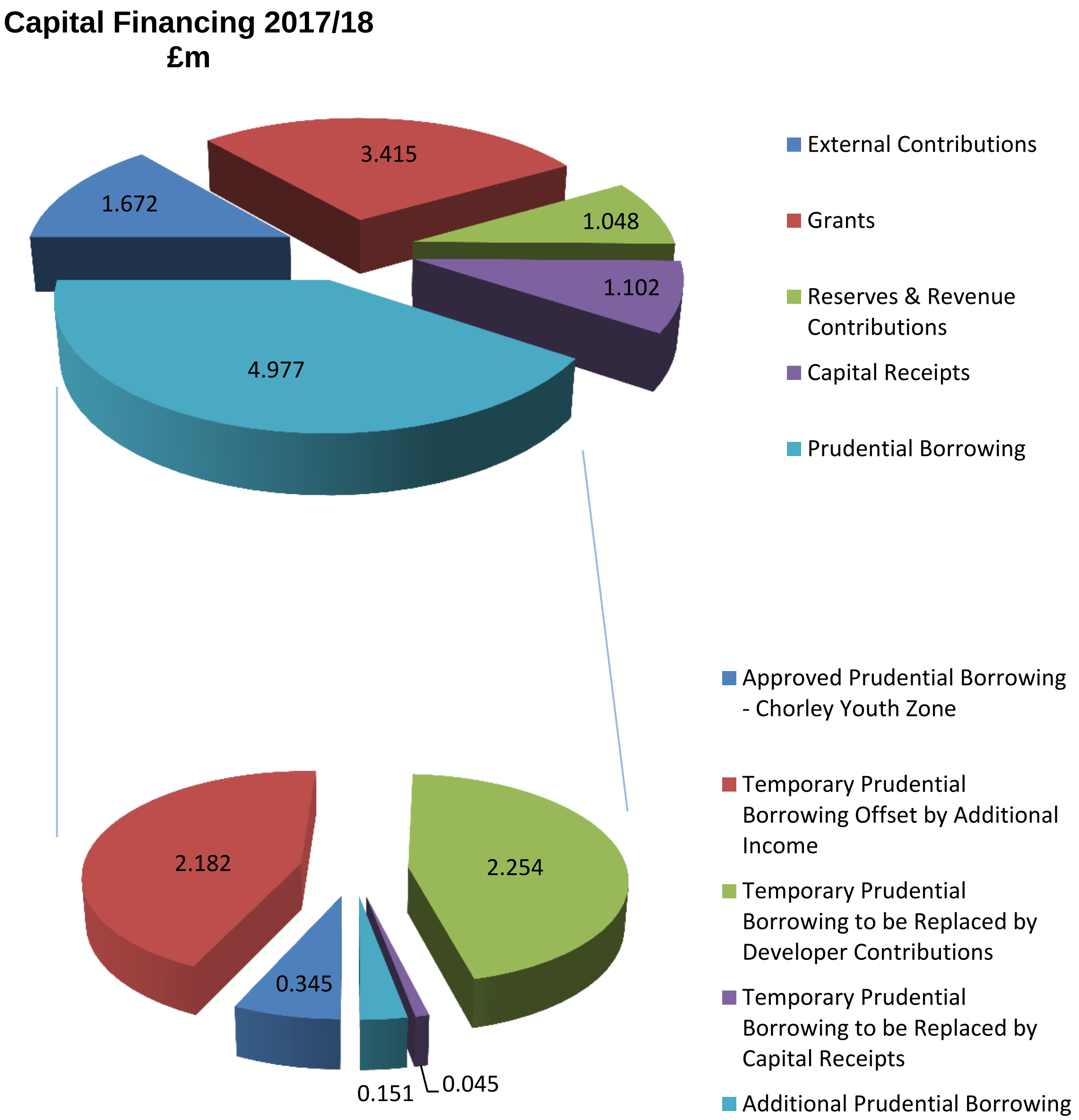
The total capital expenditure for the Market Walk Extension project was £3.106m in 2017/18. Significant works have been undertaken to the Flat Iron Car Park in 2017/18 including new drainage, paving and incoming services in order to prepare the site for commencement of the main build of the new shopping centre during 2018/19. The demolition of Oak House began in March 2018 and will create new car park spaces and ultimately a flexible event space for the town centre. Work also began on Friday Street car park to allow the construction of a decked car park, again adding additional car parking to support the town centre and new development.

The council spent £792k on regeneration projects in the borough including £120k works to Steeley Lane gateway, £165k expenditure relating to the new Digital Office park and £506k towards the restoration of Bank Hall which is a Heritage Lottery funded project.

To enable the organisation to deliver its corporate and transformation strategies the council has invested £391k in new ICT infrastructure and approximately £100k in creating more ‘Worksmart’ space at Union St offices enabling more productive use of council assets.

The council has invested £640k in its play and open spaces including improvements to play areas, bowling greens and multi-use games areas right across the borough. This also consists of £207k improvements to Yarrow Valley car park and £63k works to Yarrow Valley footpaths.

The Council has invested in a number of key areas including housing, economic regeneration and play and open space. The Council has financed this expenditure through a number of different sources outlined in the charts below.



£12m Grant Funding

£3.4m utilised in 2017/18

The Council has been successful in securing total grants of £658k and £3.2m from Homes England towards the costs of improvements to Cotswold House and the Primrose Gardens development. A further £4.05m has been secured from the remaining tranche of European Regional Development funding to part fund the Digital Office Park. The council will receive up to £2.2m from the Heritage Lottery Fund towards the renovation of Bank Hall in Bretherton. In addition the council has received £1.1m from LCC towards the Chorley Youth Zone projects and will receive an additional £1m towards the development of Primrose Gardens.

£1.6m External Contributions in 2017/18

The council has utilised over £400k of s106 contributions received from developers to fund improvements in various projects. These include £63k of improvements at Yarrow Meadows, play area improvements in Adlington, Whittle-le-Woods, Croston and many other sites across the borough. As at the start of 2017/18 the council had collected over £2.2m of community infrastructure levies (CIL) through the development of housing in the borough. £1.3m of this CIL has been allocated to the Market Walk Extension project and £1.1m has been utilised in 2017/18.

£4.9m Prudential Borrowing in 2017/18

The Council used £4.977m of prudential borrowing to fund capital expenditure in 2017/18 (see note 36). The majority of this funding is temporary and will be replaced by other sources. £80k borrowing to fund works to the Digital Office Park and £1.9m borrowing to fund the Market Walk Extension project will be funded through future income streams generated from these sites. The purchase of £175k of new bins relating to the introduction of subscription based garden waste collections will be funded through the income generated by the new scheme. £2.2m of prudential borrowing towards 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.

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 2017/18 general balances were £3.187m, included in the 2017/18 budget was a £0.500m contribution to reserves however in addition, the council has transferred a further £0.312m of in year unallocated resources to bring the balance to £4m, one year earlier than first budgeted.

Total earmarked reserves for specific purposes were £7.280m as at 31 March 2017 (Note 11). 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. In addition, there remains £700k set aside to deliver projects that will generate income for the council as part of its MTFS to bridge the budget gap in future years.

- There is over £2m of reserves set aside to finance the capital programme. £1m relates to reserves set aside to fund the Market Walk Extension project in the town centre. In addition £141k is carried forward to part-fund Astley 2020, £270k toward play and open space and £615k relates to the Oak House site reverse premium that will also fund the Market Walk Extension project.

- £200k budget was set aside for 2017/18 as well as £400k from in-year underspends to supplement the Change Management Reserve to fund any unavoidable expenditure relating to implementing the Council's Transformation Strategy. Of this, £241k was used to finance the costs of staffing restructures in 2017/18 leaving £412k to be utilised in future years.

The combination of these factors and other movements to and from earmarked reserves has resulted in general fund earmarked reserves of £8.322m as at 31 March 2018 (see MIRS page 42 and Note 11). Coupled with general balances of £4m, the closing General Fund Balance at 31 March 2018 as outlined in the Expenditure and Funding Analysis note 1 on page 40 is £12.322m.

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 2017/18 were:

- Investments were short-term, in call accounts and money market funds. The maximum period permitted by the Council's Treasury Strategy for term deposits in banks and building societies is one year.
- Cash and cash equivalents net of bank overdraft (note 21) were £1.356m at year-end (2016/17 - £1.003m), having peaked at £12.7m during the year (£11.1m 2016/17). The average invested of £4.858m per day was higher than the average for 2016/17 of £4.653m. The Council repaid £8.285m borrowing including repay temporary borrowing (£1.263m 2016/17) and took £5.000m new long-term loans to finance capital investment (2016/17 – nil).
- The return on investments was 0.26%, a reduction compared to the 0.29% achieved in 2016/17. Cash balances were invested short-term at low interest rates, but use of internal cash for capital financing helped to minimise the use of external borrowing which achieved savings in net interest.
- External borrowing reduced from £18.670m to £15.403m. A temporary loan of £7m was repaid, £1.3m long-term borrowing repaid, and new long term borrowing of £5m was taken out.
- 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 £39.2m to £41.5m, reflecting the use of Prudential Borrowing to finance capital expenditure less statutory and voluntary provision for debt repayment, including use of capital receipts. (Note 36 providing more detail). This increase will generate a charge to Council Tax (known as Minimum Revenue Provision – MRP) in future years.
- Note 19 Financial Instruments presents details of treasury operations, and the management of risk.

Pension Fund Liability

The deficit position of the Pension Fund has decreased by £4.6m, from £49.8m to £45.2m being the net pension liabilities, this is outlined in note 26d on page 88. 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 following the 2016 valuation.

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 38 presents detailed information about the Defined Benefit Pension Scheme.

Council Tax Base

The revision to the 2017/18 Tax Base, resulting in an increase of 751.92 to the number of Band D equivalent properties (as shown in the Table below), produced a net increase in Council Tax income of circa. £0.136m. This reflects the council's support for local housebuilding and the regeneration of the borough in line with its local plan.

	2015/16	2016/17	2017/18
Number of Band D equivalent dwellings	34,504.22	35,181.72	35,933.64
Change from previous year	1,259.44	677.50	751.92

Income Recovery

Note 20 analyses debtors by type, and note 19 further analyses the risk of default by debtors.

The following table shows the in-year collection rates of local taxes that indicates a steady improvement in collection rates for both council tax and business rates.

	2014/15	2015/16	2016/17	2017/18
Council Tax	97.8%	97.9%	98.0%	98.2%
Business Rates	98.0%	97.9%	97.9%	98.9%

Collection Fund

Payments out of the Collection Fund for in-year Council Tax from 2015/16 to 2017/18 are set out below showing the funding for each Precepting Body. Further detail is available within the Collection Fund Statement on page 110 of this document.

	2015/16 £000	**2016/17 £000**	**2017/18 £000**
Lancashire County Council	38,982	41,334	43,901
Chorley Council	6,655	6,775	7,146
Police and Crime Commissioner	5,488	5,707	5,945
Lancashire Fire and Rescue	2,238	2,304	2,354
Total	**53,363**	**56,120**	**59,346**

Payments out of the collection fund for in-year business rates from 2015/16 to 2017/18 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 110 of this document.

	2015/16 £000	**2016/17 £000**	**2017/18 £000**
Central Government	14,190	14,550	12,411
Lancashire County Council (before Top-Up grant received)	2,554	2,619	2,234
Chorley Council (prior to Tariff deduction)	11,352	11,640	9,929
Police and Crime Commissioner (not part of BRR regime)	n/a	n/a	n/a
Lancashire Fire and Rescue (before Top-Up grant received)	284	291	248
Total	**28,380**	**29,100**	**24,822**

Looking Ahead – Future Challenges, Opportunities and Financial Outlook

Challenges

- **A growing and aging 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.
- **Council Tax increase** – the increase in Council Tax as part of the 2018/19 budget by 2.99%, and any ongoing increases, will not prevent the need for continued efficiencies, but will put pressure upon resident household budgets.
- **Lancashire County Council Budget constraints** – as LCC prepares to make savings of £442m by 2021/22, the impact of financial restrictions upon LCC and the future reduction in service provision by the County, will undoubtedly put pressure upon the council and potential considerations around supporting services or assets that have been reduced or removed. In the short term the biggest impact will be on Chorley Council's budget including the continued funding of bus services that is estimated at approximately £85k per annum.
- **Supporting Communities** – the council continues to face challenges, in supporting neighbourhoods under stress, and concentrations of unemployment to promote social and economic growth. Our challenge will be to support this activity, alongside reduced public sector funding.
- **Brexit –** the UK's withdrawal from the European Union in March 2019 will have implications for the council over the coming year. The key impacts for our council will be around the potential for a reduction in economic growth and the implications for our local economy, the impact on the national workforce and reductions in the supply of local labour and the uncertainty around the replacement for the current EU funding programmes which have previously been vital in the creation of jobs and boosting local growth.
- **Effective partnership working** – The ongoing increase and changing demand placed upon the council, coupled with reducing budgets will increase the need for all public sector organisations to transform the way they work. The council will need to support, invest and maintain its focus on partnership working, ensuring the capacity exists to generate savings, and protect the interest of the borough and residents.
- **Financial climate** – the Council will continue to experience reductions in funding as the government's austerity measures continue. The 2018/19 MTFS identifies a cumulative net budget shortfall of £2.213m by 2020/21. The impact of this deficit will influence the work of the transformation programme that will deliver efficiency savings in services, drive down the cost of its contracts as well as identifying additional income through charging for the services the council provides and generating additional income streams.

  Over the past year, the Council has successfully responded to the significant financial restrictions that have been imposed on local government. Since 2014/15 the council has made savings and generated additional income of £3.574m.

- **Business Rates -** starting in 2021, the revaluations of business rates will take place every three years and with new valuations there is a potential for a significant increase in appeals. This change in revaluation frequency and increased appeals could potentially result in further decrease in rateable values and a subsequent erosion of any growth the Council can retain. The largest risk to the value of business rates that the council retains comes in 2020/21 when a new funding methodology is expected to be introduced. The new system includes a revised calculation as to how much of the retained business rates income the council ‘needs’ relative to other councils, this could result in the council receiving less of the national ‘pool’ of business rates income. In addition the new system could revise the split of retained business rates between borough councils, county councils and other preceptors. It is possible that more of the income collected by district councils will be redistributed to county councils.

Opportunities

- Current levels of **interest rates** for borrowing are low due to the stability of the base rate (currently at 0.5%). This provides the opportunity for the Council to invest in capital projects to deliver Corporate Strategy priorities including the generation of new income streams, and may stimulate further economic growth. The November 2017 increase is not perceived to be the start of a period of large increases, but a gradual pace, meaning that this opportunity to invest may present longer-term opportunities.

- The development of the **£8m Digital Health Park** will bring growth, jobs and opportunities to the borough, potentially injecting a further £18.5m into the Chorley economy.

- The **development 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.

- The newly created **Integrated Community Wellbeing Service** continues to focus public services that relate to promoting health and wellbeing of individuals, tackling prevention and early intervention.

- Workforces from a range of partners, who deliver reform within Chorley are working collectively to drive forward **new ways of working**, and delivering efficiencies, particularly in the support of the health agenda. This work is now delivering a range of projects that will seek to achieve savings across the public sector through reduced duplication, reduced demand and increased preventative activity.

- **Enterprise** - The Localism Act 2011 enabled councils to seek and develop new income generation opportunities. In 2017/18 the Council identified a number of opportunities for future income generation that will be supported in future years. These include the extension of Market Walk Shopping Centre, the provision of rental properties through a wholly owned housing company and the development of council owned employment land.

Delivering Chorley Council's Priorities – The Medium Term Financial Strategy

These challenges and risks can have both a significant positive or negative effect on the council's resources and its ability to deliver services to residents. The council's annually approved Medium Term Financial Strategy (MTFS) provides a clear and concise view of the council's future sustainability and the strategies the council will pursue to address any budget gaps whilst translating the Council's corporate strategy into deliverable options for the future.

A balanced budget for 2018/19 was approved at Full Council on 27 February 2018. Despite the budget savings identified in the MTFS there remains a net forecast budget deficit of £1.614m in 2019/20 and £2.213m in 2020/21. To achieve a sufficient reduction in net expenditure the Council's strategy, to be overseen by the Transformation Board, will be:

1. **To realise savings through the procurement of its contracts**
2. **To identify the efficiencies through shared services and alternative delivery models that will enable the Council to balance the budget whilst seeking to minimise the impact on front line service users**
3. **To make the Council more financially self-sufficient with specific emphasis on creating investment that generates income. This includes the extension to Market Walk, developing council owned affordable housing available to rent and the development of council owned employment sites to generate commercial income.**

The council has 16 separate projects that the transformation board monitors and supports in order to deliver the transformation strategy. As per the table below these projects have been grouped into the following headings with savings and additional net income targets.

	2019/20 £m	2020/21 £m
Forecast Budget Deficit	**1.614**	**2.213**
Renegotiate Contracts	(0.574)	(0.673)
Transformation – Productivity Gains including shared services	(0.790)	(1.040)
Income Generation – Delivering Market Walk Extension	(0.150)	(0.300)
Income Generation – Delivering Council Owned Housing Stock	(0.100)	(0.100)
Income Generation – Developing Council Owned Employment Land	-	(0.100)
Forecast Adjusted Medium Term Budget Deficit	**(0.000)**	**(0.000)**

The Council will continue to keep the MTFS under review given:

- the level of efficiency savings and income generation required to balance the budget over the medium term. The timing of the delivery of these targets will need to be closely managed and where necessary reserves utilised to meet temporary delays in transformation strategy net budget reductions.

- the high degree of uncertainty surrounding the changes to Government policy such as business rates retention and the fair funding review.

Going Concern

Chorley Council's MTFS outlines the strategies it will pursue to meet current and future funding shortfalls. The approval of a balanced budget for 2018/19 has already been given and there is no reason to believe that the risks to the approval of the council's budget in future years will not be entirely mitigated through the transformation programme. We have accordingly considered it appropriate to adopt a going concern basis for the preparation of these financial statements.

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

Appendix D of the 2017/18 Code of Practise lists the new or amended international financial reporting standards or international accounting standards introduced to the 2017/18 code. These are as follows:

Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investments in Associates and Joint Ventures: Investment Entities – Applying the Consolidation Exception (issued on 18 December 2014).

It is noted in the code that the amendments to these standards do not apply to local authorities as they are not investment entities.

Financial Statements

Page 40 **Expenditure and Funding Analysis note 1 –** This 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 41 **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 42 **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 44 **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 45 **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 46 **Notes to the Main Financial Statements** – these add to and interpret the individual statements.

SUPPLEMENTARY FINANCIAL STATEMENTS

Page 110 **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 2017/18 (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 2018 and its Income and Expenditure for the year ended 31 March 2018.

Gary Hall BA CPFA
Chief Finance Officer
Date xx May 2018

Expenditure and Funding Analysis – Note 1 to Main Financial Statements

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.

2016/17				2017/18		
Net Expenditure Chargeable to the General Fund Balance £'000	Adjustments between the Funding and Accounting Basis £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000	**Directorate**	Net Expenditure Chargeable to the General Fund Balance £'000	Adjustments between the Funding and Accounting Basis £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
6,639	437	7,076	Customer & Digital	5,241	786	6,027
4,234	3	4,237	Policy & Governance	4,511	110	4,621
2,547	869	3,416	Early Intervention	2,075	904	2,979
1,338	516	1,854	Business, Development & Growth	980	2,707	3,687
			Budgets excluded from Directorate monitoring			
1,176	261	1,437	• Pensions-related	1,006	368	1,374
(106)	0	(106)	• Housing Benefits/Council Tax Discounts	(138)	0	(138)
(1,786)	1,179	(607)	• Market Walk (excluding financing costs)	(1,748)	525	(1,223)
141	0	141	• Other expenditure	395	0	395
14,183	**3,265**	**17,448**	**Net Cost of Service**	**12,322**	**5,400**	**17,722**
(15,107)	(4,809)	(19,916)	Other Income and Expenditure	(14,176)	(6,945)	(21,121)
(924)	**(1,544)**	**(2,468)**	**(Surplus)/Deficit in year**	**(1,854)**	**(1,545)**	**(3,399)**
(9,544)			Opening General Fund Balance at 1 April	**(10,468)**		
(924)			Add (Surplus)/Less Deficit on General Fund Balance in Year	(1,854)		
(10,468)			**Closing General Fund Balance at 31 March**	**(12,322)**		

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.

2016/17				**2017/18**		
Gross Expenditure £'000	**Gross Income £'000**	**Net Expenditure £'000**		**Gross Expenditure £'000**	**Gross Income £'000**	**Net Expenditure £'000**
10,846	(3,770)	7,076	Customer & Digital	10,338	(4,311)	6,027
5,739	(1,502)	4,237	Policy & Governance	6,007	(1,386)	4,621
4,949	(1,533)	3,416	Early Intervention	5,811	(2,832)	2,979
3,507	(1,653)	1,854	Business, Development & Growth	5,843	(2,156)	3,687
			Budgets excluded from Directorate monitoring			
1,437	0	1,437	• Pensions-related	1,374	0	1,374
25,717	(25,823)	(106)	• Housing Benefits/Council Tax Discounts	24,568	(24,706)	(138)
1,491	(2,098)	(607)	• Market Walk (excluding financing costs)	887	(2,110)	(1,223)
141	0	141	• Other expenditure	395	0	395
53,827	**(36,379)**	**17,448**	**Cost of Services**	**55,223**	**(37,501)**	**17,722**
3,531	(383)	3,148	Other operating expenditure (note 12)	3,707	(2,813)	894
4,340	(2,882)	1,458	Financing and investment income and expenditure (note 13)	3,927	(2,390)	1,537
7,949	(32,471)	(24,522)	Taxation and non-specific grant income (note 14)	6,917	(30,469)	(23,552)
		(2,468)	**(Surplus)/deficit on provision of services**			**(3,399)**
		(1,373)	(Surplus)/deficit on revaluation of Property, Plant and Equipment assets			(2,589)
		10,917	Re-measurement of the net defined benefit liability (note 38d)			(6,411)
		9,544	**Other Comprehensive (Income) and Expenditure**			**(9,000)**
		7,076	**Total Comprehensive (Income) and Expenditure**			**(12,399)**

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 (note 11) £'000	Total General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves (note 26) £'000	Total Reserves £'000
Current Year								
Balance at 31 March 2017	**(3,188)**	**(7,280)**	**(10,468)**	**(1,235)**	**(9,925)**	**(21,628)**	**14,701**	**(6,927)**
Movement in reserves during 2017/18								
Total Comprehensive Income and Expenditure	(3,399)	0	**(3,399)**	0	0	**(3,399)**	(9,000)	**(12,399)**
Adjustments between accounting basis and funding basis under regulations (Note 10)	1,545	0	**1,545**	(263)	(4,041)	**(2,759)**	2,759	**0**
Increase or decrease in 2017/18 before transfers to/(from) earmarked reserves	**(1,854)**	**0**	**(1,854)**	**(263)**	**(4,041)**	**(6,158)**	**(6,241)**	**(12,399)**
Movement in Earmarked Reserves (Note 11)	1,042	(1,042)	**0**	0	0	**0**	0	**0**
Increase or decrease in 2017/18	**(812)**	**(1,042)**	**(1,854)**	**(263)**	**(4,041)**	**(6,158)**	**(6,241)**	**(12,399)**
Balance at 31 March 2018 carried forward	**(4,000)**	**(8,322)**	**(12,322)**	**(1,498)**	**(13,966)**	**(27,786)**	**8,460**	**(19,326)**

	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 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	(2,468)	0	**(2,468)**	0	0	**(2,468)**	9,544	**7,076**
Adjustments between accounting basis and funding basis under regulations (Note xx)	1,544	0	**1,544**	(171)	(1,286)	**87**	(87)	**0**
Increase or decrease in 2016/17 before transfers to/(from) earmarked reserves	**(924)**	**0**	**(924)**	**(171)**	**(1,286)**	**(2,381)**	**9,457**	**7,076**
Movement in Earmarked Reserves (Note xx)	421	(421)	**0**	0	0	**0**	0	**0**
Increase or decrease in 2016/17	**(503)**	**(421)**	**(924)**	**(171)**	**(1,286)**	**(2,381)**	**9,457**	**7,076**
Balance at 31 March 2017 carried forward	**(3,188)**	**(7,280)**	**(10,468)**	**(1,235)**	**(9,925)**	**(21,628)**	**14,701**	**(6,927)**

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 2017 £'000		Notes	31 March 2018 £'000
67,919	Property, Plant & Equipment	15	74,257
2,394	Heritage Assets	16	2,452
887	Investment Property	17	887
17	Intangible Assets	18	70
399	Long-Term Debtors	19	412
71,616	**Long-Term Assets**		**78,078**
2,592	Assets Held for Sale	22	0
17	Inventories		0
10,171	Short-Term Debtors	20	9,617
1,003	Cash and Cash Equivalents	21	1,356
13,783	**Current Assets**		**10,973**
(8,418)	Short-Term Borrowing	19	(1,413)
(5,914)	Short-Term Creditors	23	(5,991)
(673)	Provisions	24	(896)
(15,005)	**Current Liabilities**		**(8,300)**
(680)	Long-Term Creditors	19	(664)
(10,252)	Long-Term Borrowing	19	(13,990)
(49,829)	Other Long-Term Liabilities – pensions	38	(45,239)
(16)	Other Long-Term Liabilities – other		(15)
(2,690)	Grant Receipts in Advance - Capital	34	(1,516)
(63,467)	**Long Term Liabilities**		**(61,424)**
6,927	**Net Assets**		**19,327**
21,628	Usable Reserves	MiRS	27,787
(14,701)	Unusable Reserves	26	(8,460)
6,927	**Total Reserves**		**19,327**

The unaudited accounts were issued on 30 May 2018.

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.

2016/17 £'000		**2017/18 £'000**
2,468	Net surplus or (deficit) on the provision of services (CI&ES page 41)	3,399
229	Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 27a)	9,125
(3,935)	Adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities (Note 27b)	(11,940)
(1,238)	Net cash flows from Operating Activities (Note 27)	584
(2,907)	Investing Activities (Note 28)	2,479
4,284	Financing Activities (Note 29)	(2,710)
139	Net increase or (decrease) in cash and cash equivalents	353
864	Cash and cash equivalents at the beginning of the reporting period	1,003
1,003	**Cash and cash equivalents at the end of the reporting period (Note 21)**	**1,356**

Cash and Cash Equivalents at the beginning and end of the 2017/18 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 EXPENDITURE AND FUNDING ANALYSIS – NOTE TO MAIN FINANCIAL STATEMENT

The Expenditure and Funding Analysis note 1 is presented on page 40.

2 ACCOUNTING POLICIES

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

2.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2017/18 financial year and its position at the year end of 31 March 2018. 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 (CIPFA) 2017/18 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.

2.2 Accruals of Income and Expenditure (Revenue Recognition)

Activity of the Council is accounted for in the year that it takes place, not simply when cash payments are made 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 Council Tax and Business Rates is measured at the full amount receivable (net of impairment losses) as they are non-contractual, non-exchange transactions. 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.

2.3 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 are highly liquid investments which mature in three months or less from the date of acquisition, and which are readily convertible to known amounts of cash with insignificant risk of change in value.

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.

2.4 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 fund depreciation, revaluation and impairment losses or amortisation. However, it is required 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 Council in accordance with statutory guidance). Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the Minimum Revenue Provision (MRP) contribution, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

2.5 Council Tax and Non-Domestic Rates

Billing authorities such as Chorley Borough Council act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

Accounting for Council Tax and National Non-Domestic Rates
The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the authority's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the authority's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the authority's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

2.6 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.

2.7 Exceptional Items

When items of income and 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 how significant the items are to an understanding of the Council's financial performance.

2.8 Employee Benefits

Benefits payable during employment

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees and are recognised as an expense for services in the year in which employees render service to the authority. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

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.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pension Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post-employment benefits

Employees are members of the Local Government Pension Scheme which provides defined benefits to members. Full details of transactions are given in Note 38. The following notes explain the methodology.

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.

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 the following components:

Service cost comprising:

- current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked;
- past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years will be debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs;
- net interest on the net defined benefit liability i.e. net interest expense for the Council - the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability at the beginning of the period, taking into account any changes in the net defined benefit liability during the period as a result of contribution and benefit payments;

Re-measurement comprising:

- the return on plan assets – excluding amounts included in net interest on the net defined benefit liability – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure;
- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

Contributions paid to the pension fund:

- cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby 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 Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff 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.

2.9 Events after the Reporting Period

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

2.10 Financial Instruments

Financial Liabilities

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

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

Financial Assets

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

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

2.11 Going Concern

The accounts have been prepared on the assumption that the Council will continue in existence for the foreseeable future. Transfers of services under combinations of public sector bodies (such as local government reorganisation) do not negate the presumption of going concern.

2.12 Government Grants and Other Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the authority when there is reasonable assurance that:

- the authority will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-specific Grant Income and Expenditure (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the

<u>Community Infrastructure Levy</u>
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.

2.13 Heritage Assets

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

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

Other Heritage Assets

The council's other heritage assets are all are reported in the Balance Sheet at insurance valuation. The assets are as follows:

- Civic Regalia
- Astley Hall furniture and art collection
- Astley Park Entrance
- Benjamin Disraeli Statue

The carrying amounts of Heritage Assets are reviewed where there is evidence of impairment for Heritage Assets, for example where an item has suffered physical deterioration or breakage. Any impairment is recognised and measured in accordance with the Council's general policies on impairment.

The Council disposed of heritage assets in 2017/18. The proceeds of these items are accounted for in accordance with the authority's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts.

2.14 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.

2.15 Investment Properties

Investment properties are those held solely to earn rentals or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

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).

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance.

2.16 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.

2.17 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.

2.18 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.

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

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. 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 position or financial performance. Where a change is made it is applied retrospectively by adjusting opening balances and comparative amounts from prior periods. Material errors will also require a prior period adjustment. Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the period.

2.20 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.

<u>Measurement</u>
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.

<u>Depreciation</u>
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:

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

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

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

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

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

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

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

2.21 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.

2.22 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.

2.23 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.

2.24 Value Added Tax

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

2.25 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

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

The 2017/18 Code requires changes in accounting policy to be applied retrospectively unless alternative transitional arrangements are specified in the Code. The code requires an authority to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code for the relevant financial year.

The standards that may be relevant for additional disclosures that will be required in the 2017/18 and 2018/19 financial statements in respect of accounting changes that are introduced in the 2018/19 Code are:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers including amendments to IFRS 15 Clarifications
- amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses
- amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative.

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

4 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 2, 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 2018.
- 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.

5 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 38j. Small changes have major impacts on the pension deficit.
Debtors	Note 20 shows non-public sector debtors of £12.1m This total debtors figure includes Housing benefit debtors of £1.5m (i.e. recovery of overpayments). 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.	Any additional impairment will be a charge to the Comprehensive Income and Expenditure Statement.
Asset valuations	Note 15 shows that fixed assets valued at £74m 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. Assets subject to review had a valuation date of 31st March 2013 or earlier. The Council also revalued a number of assets where it was deemed a material change in value may have occurred.	The values are only estimates and thus could over or understate the actual values realisable if sale actually occurred. 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.
Provisions	The Authority has made a provision of £0.882m 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 2018. See note 24.	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 measure-ments	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	The Council uses the market approach to value of some of its investment properties and financial assets. The

	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 2 and note 19.	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.

6 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 £1.077m.

Sale of Land at Southport Road
During 2017/18 Chorley Council sold land at Southport Road to Miller Homes Ltd for £2.5m excluding VAT. The net receipt included in the 2017/18 accounts is £2.383m due to the deduction of professional fees related to the sale as well as a £0.127m deposit paid in 2016/17.

Oak House revaluation
During 2017/18 the council revalued the Oak House site resulting in a revaluation loss of £1.762m charged to the Surplus or Deficit on the Provision of Services. As this not a proper charge to the General Fund the amount has been transferred to the Capital Adjustment Account and reported in the Movement in Reserves Statement.

The asset was purchased in 2016/17 comprising of two office units, a former public house, additional office units and a car park. The majority of the purchase has been funded through borrowing. The town centre masterplan provides for a multi-functional civic square in the area and the council has received planning permission to demolish the public house and office units in order to first extend the car park in order to provide essential town centre parking with future potential to build the civic square. The final tenant moved out in October 2017 and work began during 2017/18 and is due to complete during the 2018/19 financial year. The Council purchased the land in full knowledge of the proposed use and likely impact on the valuation of the site weighing the financial consequences against the longer term benefits to the Town of delivering the multi-functional space.

The revaluation reflects the use as a town centre car park rather than previous use and as such the value has reduced.

7 EVENTS AFTER THE REPORTING PERIOD

8 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 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.

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments between Funding and Accounting Basis 2017/18			
	Adjustments for Capital Purposes £'000	**Net change for Pensions Adjustments £'000**	**Other Differences £'000**	**Total Adjustments £'000**
Customer & Digital	696	96	(6)	786
Policy & Governance	34	67	9	110
Early Intervention	866	38	0	904
Business Development & Growth	2,684	24	(1)	2,707
Budgets Excluded from Directorate Monitoring	0	0	0	0
- Pensions-related	0	368	0	368
- Housing Benefits/Council Tax Discounts	0	0	0	0
- Market Walk (excluding financing costs)	524	1	0	525
- Other expenditure	0	0	0	0
Net Cost of Services	**4,804**	**594**	**2**	**5,400**
Other Income and Expenditure from the Expenditure and Funding Analysis	(8,155)	1,226	(16)	(6,945)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**(3,351)**	**1,820**	**(14)**	**(1,545)**

	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	(5,961)	1,332	(180)	(4,809)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**(2,514)**	**1,188**	**(218)**	**(1,544)**

9 EXPENDITURE AND INCOME ANALYSED BY NATURE

The authority's expenditure and income is analysed as follows

	2016/17 £'000	2017/18 £'000
Expenditure/Income		
Expenditure		
Employee benefits expenses	11,913	12,386
Other service expenses	38,836	35,758
Depreciation, amortisation, impairment	2,892	7,080
Interest payments	4,526	3,926
Precepts, tariffs and levies	8,482	7,560
Loss on the disposal of assets	2,998	3,064
Total expenditure	**69,647**	**69,774**
Income		
Fees, charges and other service income	(7,725)	(8,457)
Interest and investment income	(2,881)	(2,390)
Income from council tax and non-domestic rates	(18,725)	(17,444)
Government grants and contributions	(33,938)	(32,521)
Other grants and contributions	(8,463)	(9,548)
Gain on the disposal of assets	(383)	(2,813)
Total income	**(72,115)**	**(73,173)**
Surplus or Deficit on the Provision of Services	**(2,468)**	**(3,399)**

10 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.

2017/18	Usable Reserves			
	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Unusable Reserves £'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	(1,821)	0	0	1,821
Council Tax and NDR (transfers to or from Collection Fund Adjustment Account)	16	0	0	(16)
Holiday pay (transferred to the Accumulated Absences Reserve)	(1)	0	0	1
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)	(997)	0	(5,588)	6,585
Total Adjustments to Revenue Resources	**(2,803)**	**0**	**(5,588)**	**8,391**
Adjustments between Revenue and Capital Resources				
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	2,813	(2,813)	0	0
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	487	2,270	0	(2,757)
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	1,048	0	0	(1,048)
Total Adjustments between Revenue and Capital Resources	**4,348**	**(543)**	**0**	**(3,805)**
Adjustments to Capital Resources				
Use of the Capital Receipts Reserve to finance capital expenditure	0	280	0	(280)
Application of capital grants to finance capital expenditure	0	0	1,548	(1,548)
Total Adjustments to Capital Resources	**0**	**280**	**1,548**	**(1,828)**
Total Adjustments	**1,545**	**(263)**	**(4,040)**	**2,758**

2016/17	Usable Reserves			
	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Unusable Reserves £'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)	851	0	(1,884)	1,033
Total Adjustments to Revenue Resources	**(120)**	**0**	**(1,884)**	**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	**1,544**	**(171)**	**(1,286)**	**(87)**

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.

11 TRANSFERS TO/FROM EARMARKED RESERVES

The movements in reserves during the year were as follows

	Balance 1 April 2016 £'000	Transfers Out £'000	Transfers (In) £'000	Balance 31 March 2017 £'000	Transfers Out £'000	Transfers (In) £'000	Balance 31 March 2018 £'000
Rephasing of planned expenditure	**(1,059)**	642	(925)	**(1,342)**	1,121	(1,000)	**(1,221)**
Rephasing New Investment Projects	**(891)**	885	(1,458)	**(1,464)**	1,010	(1,040)	**(1,494)**
Grants reserved for specific expenditure	**(116)**	47	(75)	**(144)**	50	(70)	**(164)**
Financing of capital expenditure	**(3,010)**	1,252	(967)	**(2,725)**	539	(516)	**(2,702)**
Planning purposes including appeals	**(64)**	32	(72)	**(104)**	156	(272)	**(220)**
Restructuring of services	**(151)**	297	(199)	**(53)**	241	(600)	**(412)**
Retail Investment	**(106)**	106	(112)	**(112)**	111	(114)	**(115)**
Apprenticeships for young people	**(104)**	40	0	**(64)**	12	0	**(52)**
Resource equalisation	**(907)**	80	(50)	**(877)**	0	(237)	**(1,114)**
Maintenance of Council buildings	**(148)**	43	(104)	**(209)**	74	(360)	**(495)**
Maintenance of Grounds	**(57)**	38	(10)	**(29)**	25	(10)	**(14)**
Elections	**(29)**	29	0	**0**	0	(90)	**(90)**
Other	**(217)**	67	(7)	**(157)**	39	(111)	**(229)**
Total	**(6,859)**	**3,558**	**(3,979)**	**(7,280)**	**3,378**	**(4,420)**	**(8,322)**

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 £263k, slippage from 2017/18 and earlier years £224k, transformation challenge and public service reform £71k and neighbourhood working £63k.

- **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 2018/19 (£776k) and an investment fund for realising income generation (£712k).

- **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 the Market Walk Extension project in the town centre. In addition £141k is carried forward to part-fund Astley 2020, £270k toward play and open space and £615k relates to the Oak House site reverse premium that will also fund the Market Walk Extension project.

- **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 £814k and Market Walk income equalisation reserve £300k 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.

12 OTHER OPERATING EXPENDITURE

2016/17 £'000		2017/18 £'000
533	Parish council precepts	643
2,998	(Gains)/losses on disposal of non-current assets	3,064
(154)	Capital receipts from the sale of previously transferred housing stock	(249)
(229)	Other capital receipts	(2,564)
3,148	**Total**	**894**

During the year the Authority finalised the sale of land at Southport Rd to Miller Homes resulting in a capital receipt of £2.4m in 2017/18. This land had been held at nil value until 2015/16 when it was recognised through the revaluation reserve at a value of £2.8m. The land was then recognised as an asset held for sale with a subsequent downward revaluation to £2.5m during the 2016/17 financial year.

This land was derecognised in the 2017/18 accounts resulting in a net loss on disposal of £0.2m. As this is not proper charge to the General Fund it has been transferred from the General Fund to the Capital Adjustment Account and reported in the Movement in Reserves Statement.

13 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2016/17 £'000		2017/18 £'000
412	Interest payable and similar charges	413
1,332	Net interest on the net defined benefit liability (asset)	1,226
(32)	Interest receivable and similar income	(36)
(254)	Income and Expenditure in relation to investment properties and changes in their fair value	(67)
1,458	**Total**	**1,536**

14 TAXATION AND NON-SPECIFIC GRANT INCOME & EXPENDITURE

2016/17 £'000		2017/18 £'000
(6,881)	Council tax income	(7,233)
(3,895)	Non-domestic rates income and expenditure	(3,294)
(6,589)	Non ring-fenced government grants (Note 34)	(5,951)
(7,157)	Capital grants and contributions (Note 34)	(7,074)
(24,522)	**Total**	**(23,552)**

14(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 total retained levy is £843,563 (£918,171 in 2016/17), hence under pooling we have benefited from extra income of £759,207 (£826,354 in 2016/17). 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 2017/18	Authority Type	Tariffs and Top-ups 2017/18 £	Retained Levy on Growth 2017/18 £	10% Retained Levy payable to / receivable by LCC £	Net Retained Levy 2017/18 £
Chorley Borough Council	Tariff	6,073,147	(843,563)	84,356	(759,207)
Fylde Borough Council	Tariff	7,565,517	(664,723)	66,472	(598,251)
Hyndburn Borough Council	Tariff	3,706,620	(432,570)	43,257	(389,313)
Pendle Borough Council	Tariff	3,164,521	(518,196)	51,820	(466,376)
Ribble Valley Borough Council	Tariff	4,026,300	(661,344)	66,134	(595,210)
Rossendale Borough Council	Tariff	2,534,068	(518,640)	51,864	(466,776)
South Ribble Borough Council	Tariff	9,644,242	(1,236,560)	123,656	(1,112,904)
West Lancashire Borough Council	Tariff	8,123,116	(669,688)	66,969	(602,719)
Wyre Borough Council	Tariff	6,385,329	(466,171)	46,617	(419,554)
Lancashire County Council (LCC)	Top-up	(147,643,257)	0	(601,145)	(601,145)
Pool Total		(96,420,397)	(6,011,455)	0	(6,011,455)
Central Government		96,420,397	0	0	0
Total		**0**	**(6,011,455)**	**0**	**(6,011,455)**

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.

15 PROPERTY PLANT AND EQUIPMENT

	Other land & Buildings £'000	Vehicles & Plant etc. £'000	Infra-structure £'000	Community Assets £'000	Surplus Assets £'000	Assets under construction £'000	Total £'000
<u>Cost or valuation</u>							
At 1 April 2017	**65,323**	**5,144**	**563**	**3,280**	**847**	**765**	**75,922**
Additions	782	729	0	261	0	6,586	**8,358**
Revaluations recognised in Revaluation Reserve (RR)	949	0	0	0	0	0	**949**
Revaluations recognised in CI&ES	(2,987)	0	0	0	0	0	**(2,987)**
De-recognition – disposals	0	(72)	0	0	0	0	**(72)**
De-recognition – other	0	(133)	0	0	(390)	0	**(523)**
Assets reclassified within PPE	2	0	0	0	(2)	0	**0**
Assets reclassified (to)/from Investment Properties	0	0	0	0	0	0	**0**
Assets reclassified (to)/from Assets Held for Sale	0	0	0	0	18	0	**18**
At 31 March 2018	**64,069**	**5,668**	**563**	**3,541**	**473**	**7,351**	**81,665**
<u>Depreciation and Impairment</u>							
At 1 April 2017	**(3,429)**	**(3,367)**	**(337)**	**(870)**	**0**	**0**	**(8,003)**
Depreciation charge	(1,235)	(344)	(19)	(126)	0	0	**(1,724)**
Depreciation written out of RR	1,559	0	0	1	0	0	**1,560**
Depreciation written out of CI&ES	613	0	0	0	0	0	**613**
De-recognition – disposals	0	14	0	0	0	0	**14**
De-recognition – other	0	133	0	0	0	0	**133**
Other movements in depreciation and Impairment	(2)	0	0	0	0	0	**(2)**
At 31 March 2018	**(2,494)**	**(3,564)**	**(356)**	**(995)**	**0**	**0**	**(7,409)**
<u>Net Book Value</u>							
At 31 March 2018	**61,575**	**2,104**	**207**	**2,546**	**473**	**7,351**	**74,256**

Comparative Movements in 2016/17	**Other land & Buildings £'000**	**Vehicles & Plant etc. £'000**	**Infra-structure £'000**	**Community Assets £'000**	**Surplus Assets £'000**	**Assets under construction £'000**	**Total £'000**
Cost or valuation							
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**
Depreciation and Impairment							
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)**
Net Book Value							
At 31 March 2017	**61,894**	**1,777**	**226**	**2,410**	**847**	**765**	**67,919**

Fixed Assets Valuations

During 2017/18 the valuations were carried out by the District Valuer'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	**4,378**	**5,569**	**563**	**3,293**	**0**	**7,351**	**21,154**
Valued at fair value as at:							
31 March 2018	36,777	0	0	26	230	**0**	**37,033**
31 March 2017	4,479	0	0	0	214	**0**	**4,693**
31 March 2016	8,223	0	0	0	18	**0**	**8,241**
31 March 2015	3,421	99	0	219	0	**0**	**3,640**
31 March 2014	6,791	0	0	0	11	**0**	**6,904**
Total cost or valuation	**64,069**	**5,668**	**563**	**3,541**	**473**	**7,351**	**81,665**

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 2017/18, 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 2018 the Authority has entered into a Construction Agreements for one major contract under Property, Plant and Equipment in 2018/19 and future years. The value of this agreement is:

Primrose Gardens - £6.581 million

Impairment Losses

During 2017/18 the valuation of the authority's assets has resulted in no impairment losses being recognised.

16 HERITAGE ASSETS

Cost or Valuation	2016/17 £'000	2017/18 £'000
As at 1 April	1,667	2,394
Additions	44	24
Donations	550	21
Revaluations recognised in Revaluation Reserve	177	80
Disposals	0	(43)
Impairment	(44)	(24)
As at 31 March	**2,394**	**2,452**

HERITAGE ASSETS – FIVE YEAR SUMMARY OF TRANSACTIONS

There were two disposals and no acquisitions during the five years 2013/14 to 2017/18. An asset already held by the authority was recognised as a donated heritage asset during 2017/18 and revalued accordingly.

The disposals were two gold coins kept as part of the civic insignia. These are an 1839 five pound gold coin and an 1839 gold sovereign, both in very good condition.

The coins were probably donated to the Council but there is no documentation as to when this might have been. The coins have historically been kept at the bank in a security deposit box but this facility is no longer open to the Council.

Due to the fact that the coins cannot easily be displayed securely and potentially are only of real interest to those with specific interest in coins as well as the fact that the coins need to be stored securely and adequate secure storage is not available at the Town Hall for items of this nature the decision was taken to put the coins up for auction with Bonhams at a specialist coin and medal sale.

The amount raised through the sale will be used towards a heritage related project in Chorley as a lasting tribute to a past generous donation to the Council.

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 buy 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 2018 insurance value of £1.783m.

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, formerly 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 was included in the statement of accounts at the 2017 insurance value of £0.550m.

Benjamin Disraeli Statue

The statue was formerly situated on a rooftop on the corner of Chapel Street and Cleveland Street on the building once known as Beaconsfield Buildings. The statue was erected in 1886, after his death in 1881, by the Primrose League who met in the room below. The statue was taken down and restored following problems with the roof and due to the prohibitive cost of returning it to its original position was donated to the council and is now located in the Walled Garden in Astley Park.

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.

17 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.

	2016/17 £'000	2017/18 £'000
Rental Income from investment property	67	67
Direct operating expenses arising from investment property	0	0
Net gain/(loss)	**67**	**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.

	2016/17 £'000	2017/18 £'000
Fair value at the start of the year	775	887
Disposals	0	0
Net gain/(loss) from fair value adjustments	187	0
Transfers:		
(To)/From Property, Plant and Equipment	(75)	0
Value at year-end	**887**	**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 were no transfers between Levels during the year.

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

Valuation Process for Investment Properties

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

18 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 2017/18 the amortisation charge of £0.020m was charged principally to the Customer & Digital directorate.

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

	2016/17 £'000	2017/18 £'000
Balance at the start of the year		
Gross carrying amount	1,529	1,157
Accumulated amortisation	(1,438)	(1,141)
Net carrying amount at year start	**91**	**16**
Movements in the year		
Additions in year	12	73
Disposals in year	(384)	0
Amortisation in year	(87)	(20)
Amortisation in respect of disposals	384	0
Net carrying amount at the year-end	**16**	**69**

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

19 FINANCIAL INSTRUMENTS

19a Categories of Financial Instruments

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

	Long-term		Current	
	31 March 2017 £'000	31 March 2018 £'000	31 March 2017 £'000	31 March 2018 £'000
Investments				
Cash in hand and at Bank, less Bank Overdraft (Note 20)	0	0	1,003	1,356
Debtors				
Loans and receivables	399	412	8,115	7,630
Debtors that are not Financial Instruments	0	0	2,056	1,987
Total Debtors	**399**	**412**	**10,171**	**9,617**
Borrowings				
Financial liabilities at amortised cost - Principal	(10,252)	(13,990)	(8,286)	(1,262)
Financial liabilities at amortised cost – Accrued Interest	0	0	(132)	(151)
	(10,252)	**(13,990)**	**(8,418)**	**(1,413)**
Creditors				
Financial liabilities carried at contract amount	(680)	(665)	(2,595)	(1,938)
Creditors that are not Financial Instruments	0	0	(3,319)	(4,053)
Total Creditors	**(680)**	**(665)**	**(5,914)**	**(5,991)**

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

19b Income, Expense, Gains and Losses

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

	2016/17			2017/18		
	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	412	0	412	413	0	413
Impairment	0	0	0	0	0	0
	412	**0**	**412**	**413**	**0**	**413**
Interest income	0	(32)	(32)	0	(36)	(36)
Interest income accrued on impaired assets	0	0	0	0	0	0
Total income	**0**	**(32)**	**(32)**	**0**	**(36)**	**(36)**
Net (gain)/loss for the year			**380**			**377**

19c 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 the 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	2016/17 Carrying Amount £'000	2016/17 Fair Value £'000	2017/18 Carrying Amount £'000	2017/18 Fair Value £'000
PWLB Debt	(11,537)	(13,564)	(15,252)	(16,951)
Short Term Borrowing	(7,000)	(7,001)	0	0
Short Term Creditors	(2,595)	(2,595)	(1,939)	(1,939)
Long Term Creditors	(680)	(680)	(665)	(665)
Total Liabilities	**(21,812)**	**(23,840)**	**(17,856)**	**(19,555)**

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 2018) arising from a commitment to pay interest to lenders above current market rates.

The fair value of Public Works Loan Board (PWLB) loans of £16.951m 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	2016/17 Carrying Amount £'000	2016/17 Fair Value £'000	2017/18 Carrying Amount £'000	2017/18 Fair Value £'000
Cash and Cash Equivalents	1,003	1,003	1,356	1,356
Short Term Debtors	8,115	8,115	7,630	7,630
Long Term Debtors	399	450	412	453
Total Assets	**9,517**	**9,568**	**9,398**	**9,439**

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 – the possibility that other parties might fail to pay amounts due to the Council;
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments;
- Market risk – the possibility that financial loss might arise for the Council as a result of changes in interest rates.

Overall procedures for managing risk

The authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services.

Risk management is carried out by the financial accounts team, under policies approved by the council in the annual treasury management strategy. The council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet minimum creditworthiness criteria, provided by the council's treasury advisor Capita Asset Services. The creditworthiness service combines the credit ratings from all three ratings agencies (Fitch, Moody's and Standard & Poors) in a sophisticated modelling process. The Annual Investment Strategy also imposes a maximum amount and time to be invested with a financial institution located within each category.

The key areas of the Investment Strategy are as follows:

- The Council only lends to UK-incorporated financial institutions. This strategy does not therefore specify a minimum sovereign rating.
- The Council may use AAA rated Money Market Funds.
- The Council may lend to the UK Government (which includes the Debt Management Office), and UK Local Authorities.

The following table analyses relevant investments and debtors as at the date of account.

Sundry Debtors

The sundry debtors (note 19a) are analysed by age and risk in the following table.

	Gross £'000	Default risk £'000	Net £'000
Not yet past due date	3,117	(53)	3,064
Up to three months past due date	811	(12)	799
Three to six months past due date	123	(12)	111
Six months to one year past due date	167	(81)	86
Beyond one year	7,025	(3,455)	3,570
Total	**11,243**	**(3,613)**	**7,630**

The £7m of debts beyond one year by age include £5.8m of s106 contributions that 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 Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed.

The Council has ready access to borrowings from the money markets to cover any day to day cash flow requirements, and access to the Public Works Loans Board and money markets for longer term funds. The Council is required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure.

Interest rates on its borrowings vary between 0.15% and 4.34%, and the maturity analysis of its borrowing is as follows:

	31 March 2017 £'000	**31 March 2018 £'000**
Less than 1 year	8,418	1,413
Between 1 and 2 years	1,083	880
Between 2 and 5 years	1,807	2,220
More than 5 years	7,362	10,890
Total	**18,670**	**15,403**

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	(48)
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)	(1,774)

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.

20 SHORT TERM DEBTORS

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

	31 March 2017 £’000	31 March 2018 £’000
Central government bodies	3,377	1,014
Other local authorities	1,113	565
NHS bodies	0	0
Other entities and individuals	9,310	12,101
	13,800	**13,680**
Less provision for bad debts	(3,629)	(4,063)
Net carrying amount at the year-end	**10,171**	**9,617**

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

21 CASH AND CASH EQUIVALENTS

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

	31 March 2017 £’000	31 March 2018 £’000
Cash held by the Authority	609	296
Bank current and call accounts	1,228	1,655
Bank Overdraft	(834)	(595)
Total Cash and Cash Equivalents	**1,003**	**1,356**

22 ASSETS HELD FOR SALE

	2016/17 £'000	2017/18 £'000
Balance outstanding at start of year	2,858	2,592
Assets newly classified as held for sale:		
Property, Plant and Equipment	2,562	0
Revaluation Losses	(266)	0
Revaluation Gains	0	0
Impairment Losses	0	0
Assets declassified as held for sale:		
Property, Plant and Equipment	0	(18)
Assets Sold	(2,562)	(2,574)
Balance outstanding at year-end	**2,592**	**0**

23 SHORT TERM CREDITORS

	31 March 2017 £'000	31 March 2018 £'000
Central government bodies	(659)	(935)
Other local authorities	(1,719)	(1,594)
NHS bodies	(2)	(3)
Other entities and individuals	(3,534)	(3,460)
Net carrying amount at the year-end	**(5,914)**	**(5,992)**

24 PROVISIONS

The movements in provisions during the year were as follows

	Balance 31 March 2017 £'000	Movements Used £'000	Movements Added £'000	Balance 31 March 2018 £'000
Municipal Mutual Insurance	(13)	0	(1)	(14)
Business rates appeals	(660)	322	(544)	(882)
Total	**(673)**	**322**	**(545)**	**(896)**

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.

25 USABLE RESERVES

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement (page 42). The purpose of General Fund Earmarked Reserves is detailed in Note 11.

	31 March 2017 £'000	31 March 2018 £'000
General Fund Working Balance	(3,188)	(4,000)
General Fund Earmarked Reserves	(7,280)	(8,322)
Total General Fund Balance	(10,468)	(12,322)
Capital Receipts Reserve	(1,235)	(1,499)
S106 Contributions from developers	(7,538)	(9,405)
Community Infrastructure Levy (CIL)	(2,229)	(4,283)
Other Capital Grants and Contributions	(158)	(278)
Total Capital Grants and Contributions Unapplied	(9,925)	(13,966)
Total Usable Reserves at year-end	**(21,628)**	**(27,787)**

26 UNUSABLE RESERVES

	31 March 2017 £'000	31 March 2018 £'000
Revaluation Reserve (Note 26a)	(10,813)	(10,467)
Capital Adjustment Account (Note 26b)	(24,629)	(26,611)
Deferred Capital Receipts Reserve (Note 26c)	(289)	(289)
Pensions Reserve (Note 26d)	49,829	45,239
Collection Fund Adjustment Account (Note 26e)	457	441
Accumulated Absences Account (Note 26f)	146	147
Total Unusable Reserves at year-end	**14,701**	**8,460**

26a 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.

	2016/17 £'000	2017/18 £'000
Balance at 1 April	**(12,370)**	**(10,813)**
Upward revaluation of assets	(1,530)	(3,012)
Difference between fair value and historic cost depreciation	123	61
Downward revaluation and impairment not charged to the Comprehensive Income & Expenditure Statement	157	423
Accumulated gains/losses on assets sold or scrapped	2,807	2,874
Balance at 31 March	**(10,813)**	**(10,467)**

26b 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.

	2016/17 £'000	2017/18 £'000
Balance at 1 April	**(20,641)**	**(24,629)**
Reversal of items relating to capital expenditure debited or credited to the CI&ES		
Charges for depreciation & impairment of non-current assets	1,654	1,726
Revaluation losses on Property, Plant and Equipment	1,151	2,398
Amortisation of intangible assets	87	20
Revenue expenditure funded from capital under statute	1,084	2,937
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	73	3,064
	4,049	10,145
Adjusting amounts written out of the Revaluation Reserve		
Difference between fair value and historic cost depreciation	(123)	(61)
Accumulated gains/losses on assets sold or scrapped	(2,807)	(2,874)
	(2,930)	(2,935)
Net written out amount of the cost of non-current assets consumed in the year	1,119	7,271
Capital financing applied in the year		
Use of Capital Receipts Reserve to finance new capital expenditure	(141)	(280)
Capital grants & contributions credited to the CI&ES that have been applied to capital financing	(1,668)	(3,538)
Application of grants to capital financing from Capital Grants Unapplied	(597)	(1,548)
Statutory & voluntary provision for the repayment of debt	(594)	(2,757)
Capital expenditure charged to the General Fund Balance	(758)	(1,048)
	(3,758)	(9,171)
Movements in the market value of Investment Properties debited or credited to the CI&ES	(187)	0
Gain from recognition of donated assets credited to the CIES	(1,162)	(21)
Balance at 31 March	**(24,629)**	**(26,611)**

Presentation of Note 26b has been revised in 2017/18 compared to the 2016/17 note. The lines for depreciation and impairment of non-current assets have been merged into one. The line in the 2016/17 note – grants used in the year to fund capital expenditure – has been split to separate those grants credited to the CI&ES in the year which have been applied to finance capital, and the application of grants which were held in Capital Grants Unapplied. In 2016/17 revenue expenditure funded from capital under stature was presented net of the in-year grants applied in financing it. In the revised presentation, the expenditure is shown gross and the in-year grants are included in grants credited to the CI&ES.

26c 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.

	2016/17 £'000	2017/18 £'000
Balance at 1 April	**(289)**	**(289)**
Transfer to Capital Receipts Reserve on receipt of cash	0	0
Balance at 31 March	**(289)**	**(289)**

26d 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.

	2016/17 £'000	2017/18 £'000
Balance at 1 April	**37,724**	**49,829**
Remeasurement of the net defined benefit liability	10,917	(6,411)
Reversal of charges posted to the Comprehensive Income & Expenditure Statement	3,621	3,995
Employers contributions and direct payments to pensioners payable in the year	(2,433)	(2,174)
Balance at 31 March	**49,829**	**45,239**

26e 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.

	2016/17 £'000	2017/18 £'000
Balance at 1 April	**635**	**457**
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	(178)	(15)
Balance at 31 March	**457**	**441**

26f 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.

	2016/17 £'000	2017/18 £'000
Balance at 1 April	**185**	**146**
Settlement or cancellation of accrual made at the end of the preceding year	(185)	(146)
Amounts accrued at the end of the current year	146	147
Amount by which officer remuneration charged to the CI&ES on accruals basis differs from remuneration chargeable in year in accordance with statutory requirements	(39)	1
Balance at 31 March	**146**	**147**

27 CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

	2016/17 £'000	2017/18 £'000
Interest received	57	47
Interest paid	(419)	(395)
	(362)	**(348)**

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

Note 27a: Non-cash movements	2016/17 £'000	2017/18 £'000
Depreciation	1,607	1,726
Impairment and downward valuations	1,198	2,398
Amortisation	87	19
Increase/(decrease) in creditors	(1,533)	(244)
(Increase)/decrease in debtors	(702)	122
(Increase)/decrease in inventories	(2)	17
Movement in pension liability	1,188	1,821
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	73	3,064
Other non-cash items charged to the net surplus or deficit on the provision of services	(1,687)	202
	229	**9,125**

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

Note 27b: Investing and financing activities	2016/17 £'000	2017/18 £'000
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(383)	(2,813)
Any other items for which the cash effects are investing or financing cash flows	(3,552)	(9,127)
	(3,935)	**(11,940)**

28 CASH FLOW STATEMENT – INVESTING ACTIVITIES

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

	2016/17 £'000	2017/18 £'000
Purchase of property, plant & equipment, investment property and intangible assets.	(6,556)	(8,705)
Other payments for investing activities	(48)	(23)
Proceeds from the sale of assets.	366	2,718
Other receipts from investing activities	3,331	8,489
Net cash flows from investing activities	**(2,907)**	**2,479**

29 CASH FLOW STATEMENT – FINANCING ACTIVITIES

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

	2016/17 £'000	2017/18 £'000
Cash receipts from short- and long-term borrowing	7,000	5,000
Repayments of short- and long-term borrowing	(2,763)	(8,285)
Other receipts from financing activities	47	575
Net cash flows from financing activities	**4,284**	**(2,710)**

30 MEMBERS ALLOWANCES

	2016/17 £'000	2017/18 £'000
Allowances	300	295
Expenses	4	3
Total	**304**	**298**

31 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	2017/18	103		3		106	15	120
	2016/17	107		1		108	12	120
Deputy Chief Executive/Director (Early Intervention and Support) (a)	2017/18	44		0	40	85	6	91
	2016/17	83		0		83	9	92
Deputy Chief Executive/Director (Early Intervention and Support) (b)	2017/18	41		5		46	6	52
Director (Policy and Governance) (b)	2017/18	32		4		36	5	41
	2016/17	65		8		73	7	80
Director (Policy and Governance) (c)	2017/18	37		2		38	5	44
	2016/17	0		0		0	0	0
Director (Customer and Digital)	2017/18	66		6		73	10	82
	2016/17	64		6		70	7	77
Director (Business, Development and Growth)	2017/18	71		0		71	10	81
	2016/17	18		0		18	2	20
Head of Shared Financial Services (d)	2017/18	69		7		77	10	87
	2016/17	64		7		71	7	78
Head of Legal, Democratic and HR Services	2017/18	53		5		58	8	66
	2016/17	54		5		59	6	65
Director (Customer and Advice Services) (e)	2017/18	0		0		0	0	0
	2016/17	3		0	43	46	0	46

Note a: The post-holder left the authority on 22nd September 2017.

Note b: The Director (Policy and Governance) has been seconded to the vacant post of Deputy Chief Executive (Early Intervention and Support) on a temporary basis from 25th September 2017.

Note c: The current post-holder has been seconded to this post on a temporary basis from 25th September 2017.

Note d: The cost of the Head of Shared Financial Services post is shared between Chorley and South Ribble Borough Councils. The post-holder is formally employed by Chorley Borough Council and South Ribble Borough Council is charged 50% of her salary and other remuneration. Additional payments were made during both years for acting up duties to the Section 151 role at South Ribble Borough Council; these were recharged in full to South Ribble Borough Council.

Note e: The Director (Customer and Advice Services) post was deleted following a Senior Management restructure during 2016/17.

Note f: The Head of Shared Assurance post (which is not listed in the table above) was shared between South Ribble and Chorley Councils but the salary is paid through South Ribble Borough Council's payroll.

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

Remuneration Band	2016/17 Number of Employees	2017/18 Number of Employees
£50,000 - £54,999	1	4
£55,000 - £59,999	4	1
£60,000 - £64,999	-	1
£65,000 - £69,999	-	1
£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	-	-

32a 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	
	2016/17	**2017/18**	**2016/17**	**2017/18**	**2016/17**	**2017/18**	**2016/17**	**2017/18**
£0 - £20,000	2	0	8	5	10	6	88	47
£20,001 - £40,000	0	0	2	2	2	2	69	61
£40,001 - £60,000	0	0	2	3	2	3	104	142
£60,001 - £80,000	0	0	2	0	2	0	140	0
£80,001 - £100,000	0	0	0	0	0	0	0	0
£100,000 - £150,000	0	0	2	0	2	0	223	0
£150,001 - £200,000	0	0	0	0	0	0	0	0
£200,001 - £250,000	0	0	0	0	0	0	0	0
£250,001 - £300,000	0	0	0	0	0	0	0	0
£300,001 - £350,000	0	0	0	0	0	0	0	0
Total	2	0	16	10	18	11	624	250

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:

	2016/17 £'000	**2017/18 £'000**
Redundancy	180	171
PILON	30	11
Long Service Award	1	0
Pension Strain Costs	413	68
Total	**624**	**250**

33 EXTERNAL AUDIT COSTS

The fees due from the Council to the external auditors for works carried out relating to the year of account 2017/18 were as follows.

	2016/17 £'000	2017/18 £'000
Fees for statutory inspection and audit	45	45
Less Audit Fees rebate	0	(7)
Fees for the certification of grant claims and returns	7	7
Fees for independent review of income generation	5	0
Fees payable in respect of other services	0	5
Total	**57**	**50**

The Council received a rebate of £6,720 in 2017/18 issued by Public Sector Audit Appointments Ltd in December 2017.

Fees payable in respect of other services in 2017/18 includes payment of £5,000 to Grant Thornton UK LLP in relation to the 2017/18 HCA (Homes and Communities Agency) Audit for affordable housing.

34 GRANT INCOME

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

	2016/17 £'000	2017/18 £'000
Credited to Taxation and Non-Specific Grant Income & Expenditure (Note 14)		
Revenue Support Grant (RSG)	(1,397)	(734)
New Homes Bonus grant	(4,461)	(4,007)
Other revenue grants	(731)	(1,210)
Capital Contributions – S106 Contributions	(959)	(2,232)
Capital Contributions – Community Infrastructure Levy	(814)	(3,439)
Capital other grants and contributions	(1,297)	(1,382)
Donations	(1,162)	(21)
Exchanged Assets	(2,925)	0
Total	**(13,746)**	**(13,025)**
Credited to Services		
Grants – benefits related	(25,606)	(24,505)
Grants – other	(495)	(688)
Contribution – County Council reimbursement	(1,711)	(1,515)
Contributions – other	(844)	(2,336)
Total	**(28,656)**	**(29,044)**

The line for capital contributions has been split in 2017/18 due to the material value of CIL income received in 2017/18. To allow comparison between both financial years the figures for capital contributions has also been split in 2016/17 between s106 and CIL contributions.

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	**2016/17 £'000**	**2017/18 £'000**
Grant – Regional Housing Pot	(113)	(38)
Grant – Homes England	(2,465)	(1,366)
Other Government Grants	(100)	(100)
Other grants and contributions	(12)	(12)
Total	**(2,690)**	**(1,516)**

35 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 34.

- **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 30 relates 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 Youth Zone**

  Chorley Youth Zone opened on 5th May 2018. Total cost is estimated at £4.7m shared as CBC £1m (excluding the £180k purchase of the site), LCC £1.1m and Onside who will arrange other funding for the remaining balance. Chorley Youth Zone shall be owned and operated as 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.

  Chris Sinnott, deputy chief executive at Chorley Council is one of 6 directors to CYZCT and therefore does not have a controlling interest.

- **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 40 Contingent Assets). In 2017/18 this totalled £0.249m (2016/17 £0.154m).

  An outstanding CCH debtor as at 31st March 2018 amounts to £248,949.60.

- **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 2017/18 gross expenditure of £1.58m (2016/17 £1.51m) was incurred on the shared services, which was fully funded by recharges to the two Councils.

  An outstanding F&ASSP debtor as at 31st March 2018 amounts to £68,503.38

36 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.

	2016/17 £'000	2017/18 £'000
Opening Capital Financing Requirement	34,497	39,287
Capital investment		
Property, Plant and Equipment (Note 15)	9,897	8,357
Intangible Assets (Note 18)	12	73
Heritage Assets (Note 16)	44	24
Revenue Expenditure Funded from Capital under Statute	1,084	2,937
Sources of finance		
Capital Receipts	(2,631)	(280)
Government Grants and Other Contributions	(2,264)	(5,086)
Sums set aside from revenue		
Revenue Financing (Note 26b)	(758)	(1,048)
Minimum Revenue Provision – statutory (Note 26b)	(522)	(487)
Capital receipts applied to reduce Capital Financing Requirement (Note 26b)	(72)	(2,270)
Closing Capital Financing Requirement	**39,287**	**41,507**
Explanation of movements in year		
Increase in prudential borrowing	5,384	4,977
Provision made for debt repayment	(594)	(2,757)
Increase/(Decrease) in Capital Financing Requirement	**4,790**	**2,220**

The Capital Financing Requirement takes account of a £23.341 million investment in to Property, Plant and Equipment during the 2013/14 financial year, financed by prudential borrowing. 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.

37 LEASES

37a 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 2017		31 March 2018	
	Payments £'000	**Receipts £'000**	**Payments £'000**	**Receipts £'000**
Not later than 1 year	574	(43)	606	(43)
Later than 1 year, not later than 5	797	(170)	394	(170)
Later than 5 years	254	(241)	205	(198)
Minimum lease payments	**1,625**	**(454)**	**1,205**	**(411)**

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

	2016/17 £'000	**2017/18 £'000**
Minimum lease payments	690	596
Sub-lease payments receivable	(43)	(43)
Total payable rentals	**647**	**553**

37b 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 2017 £'000	31 March 2018 £'000
Finance lease debtor (present value of minimum lease payments)		
• Current	0	0
• Non-Current	289	289
Unearned finance income	2,187	2,164
Gross investment in the lease	**2,476**	**2,453**

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 2017 £'000	31 March 2018 £'000	31 March 2017 £'000	31 March 2018 £'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	2,357	2,334	2,357	2,334
Total	**2,476**	**2,453**	**2,476**	**2,453**

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

Operating leases

The Council lets 49 offices, industrial units and sites, and 34 units in the Market Walk Shopping Centre. The future minimum lease payments receivable are:

	31 March 2017 £'000	31 March 2018 £'000
Not later than one year	2,087	2,063
Later than one year and not later than five years	5,784	5,116
Later than five years	11,346	12,306
Total receivable rentals	**19,217**	**19,484**

No contingent rents were received by the authority.

38 DEFINED BENEFIT PENSION SCHEME

38a 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.

38b 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 2018/19 the Council will pay a contribution of 14.4% of pensionable pay, estimated to cost £1.181m, plus a deficit recovery contribution of £0.841m.

38c 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 38j.

38d 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:

	2016/17 £'000	2017/18 £'000
Comprehensive Income & Expenditure Statement		
Cost of Services:		
Administration	38	38
Current service cost	1,653	2,594
Past service cost	0	0
Settlement and curtailment	598	137
Net interest on the net defined benefit liability		
Interest costs	4,115	3,513
Expected return on scheme assets	(2,783)	(2,287)
Total post-employment benefit charged to the (Surplus)/Deficit on the Provision of Service	**3,621**	**3,995**
Other post-employment benefit charged to the Comprehensive Income & Expenditure Statement		
Re-measurement of the net defined benefit liability		
Return on plan assets, excluding amount included in interest expense	(12,589)	(998)
Actuarial experience gains & losses	(4,498)	0
Actuarial gains & losses from changes in demographic assumptions	(907)	0
Actuarial gains & losses from changes in financial assumptions	28,911	(5,413)
Total re-measurements recognised in Other Comprehensive Income	**10,917**	**(6,411)**
Total post-employment benefit charged to the Comprehensive Income & Expenditure Statement	**14,538**	**2,416**
Movement in Reserves Statement		
Reversal of net charges made to the (Surplus)/Deficit on the Provision of Services	(3,621)	(3,995)
Actual employer contributions to the scheme	2,433	2,174

38e 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	
	2016/17 £'000	2017/18 £'000
Present value of the defined benefit obligation	(142,195)	(116,228)
Fair value of plan assets	92,067	77,875
Net liability arising from defined benefit obligation	**(50,128)**	**(38,353)**

38f Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets

	Scheme Assets Local Government Pension Scheme	
	2016/17 £'000	2017/18 £'000
Opening fair value of scheme assets	**77,875**	**92,067**
Interest income	2,783	2,287
Re-measurement gain/(loss)		
Return on plan assets, excluding amount included in interest expense	12,589	998
Employer contributions	2,763	2,207
Employee contributions	497	500
Benefits paid	(4,402)	(3,856)
Other	(38)	(38)
Closing fair value of scheme assets	**92,067**	**94,165**

38g Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)

	Scheme Liabilities Local Government Pension Scheme	
	2016/17 £'000	2017/18 £'000
Opening Balance at 1 April	**(116,228)**	**(142,195)**
Current service cost	(1,653)	(2,594)
Interest cost	(4,115)	(3,513)
Contributions by scheme participants	(497)	(500)
Re-measurement gains and (losses)		
Changes in demographic assumptions	907	0
Changes in financial assumptions	(28,911)	5,413
Other	4,498	0
Benefits paid	4,402	3,856
Curtailment	(598)	(137)
Past service costs	0	0
Closing Balance at 31 March	**(142,195)**	**(139,670)**

38h 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 31 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 £2.157m expected contributions to the scheme in 2018/19.

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

38i Local Government Pension Scheme assets comprised

	Fair value of scheme assets			
	2016/17 £'000	Percentage total of asset %	2017/18 £'000	Percentage total of asset %
Cash				
Cash and cash equivalents	956	1.0%	(2,276)	(2.4%)
Cash Accounts	0	0.0%	3,974	4.2%
Net Current Assets	0	0.0%	(2,091)	(2.2%)
	956	1.0%	(393)	(0.4%)
Bonds				
UK corporate	336	0.4%	537	0.6%
Overseas corporate	1,176	1.3%	1,118	1.2%
Government	1,822	2.0%	2,247	2.3%
Overseas Fixed Interest	0	0.0%	91	0.1%
Sub-total bonds	3,334	3.7%	3,993	4.2%
Property				
Retail	2,506	2.7%	2,590	2.8%
Commercial	5,605	6.1%	6,267	6.6%
Sub-total property	8,111	8.8%	8,857	9.4%
Private equity				
UK	1,044	1.1%	0	0.0%
Overseas	45,584	49.5%	48,671	51.7%
Sub-total private equity	46,628	50.6%	48,671	51.7%
Other				
Infrastructure	11,109	12.1%	11,933	12.7%
Property	1,298	1.4%	1,430	1.5%
Credit funds	20,631	22.4%	17,351	18.4%
Pooled Fixed Income	0	0.0%	2,323	2.5%
Sub-total alternatives	33,038	35.9%	33,037	35.1%
	92,067	**100%**	**94,165**	**100%**

38j Basis for Estimating Assets and Liabilities

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

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

	Local Government Pension Scheme	
	2016/17	**2017/18**
Mortality assumptions		
Longevity at 65 for current pensioners		
Men	22.6 yrs	22.7 yrs
Women	25.2 yrs	25.4 yrs
Longevity at 65 for future pensioners		
Men	24.9 yrs	25 yrs
Women	27.9 yrs	28 yrs
Rate of inflation (CPI)	2.3%	2.1%
Rate of increase in salaries	3.8%	3.6%
Rate of increase in pensions	2.3%	2.2%
Rate for discounting scheme liabilities	2.5%	2.6%

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)	2,781
Rate of inflation (increase of 0.1% p.a.)	2,446
Salary inflation (increase of 0.1% p.a.)	348
Rate for discounting scheme liabilities (increase of 0.1%)	(2,404)

39 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 has covered the remaining 8 years by payment of additional annual premiums. At 31 March 2018 there are 7 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.

40 CONTINGENT ASSETS

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

41 PRIOR PERIOD ADJUSTMENTS

In the 2016/17 Statement of Accounts, Donated Assets valued at £1.162m were included in the Cash Flow Statement in the line for adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities. The credit figure should have been presented in the line for adjustments to the net surplus or deficit on the provision of services for non-cash movements. Restated figures are presented in the Cash Flow Statement and Notes 27a and 27b. There were three assets recognised as donations during 2016-17, these were the community centre at Buttermere, the arch and gates located at the entrance to Astley Park and the stone fountain located on Park Road near to the entrance to Astley Park.

There was no effect on the reported financial position or performance of the Council as a result of the incorrect presentation in 2016/17.

Cash Flow Statement	2016/17 as Originally Stated £'000	2016/17 as Restated £'000	Restatement £'000
Net surplus or (deficit) on the provision of services (CI&ES)	2,468	2,468	0
Adjustments to net surplus or deficit on the provision of services for non-cash movements (Note 27a)	1,391	229	(1,162)
Adjustments for items included in the net surplus or deficit on the provision of service that are investing & financing activities (Note 27b)	(5,097)	(3,935)	1,162
Net cash flows from Operating Activities (Note 27)	(1,238)	(1,238)	0
Investing Activities (Note 28)	(2,907)	(2,907)	0
Financing Activities (Note 29)	4,284	4,284	0
Net increase or (decrease) in cash and cash equivalents	139	139	
Cash and cash equivalents at the beginning of the reporting period	864	864	0
Cash and cash equivalents at the end of the reporting period (Note 21)	**1,003**	**1,003**	**0**

Note 27a: Non-cash movements	2016/17 as Originally Stated £'000	2016/17 as Restated £'000	Restatement £'000
Depreciation	1,607	1,607	0
Impairment and downward valuations	1,198	1,198	0
Amortisation	87	87	0
Increase/(decrease) in creditors	(1,533)	(1,533)	0
(Increase)/decrease in debtors	(702)	(702)	0
(Increase)/decrease in inventories	(2)	(2)	0
Movement in pension liability	1,188	1,188	0
Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	73	73	0
Other non-cash items charged to the net surplus or deficit on the provision of services	(525)	(1,687)	(1,162)
	1,391	**229**	**(1,162)**

Note 27b: Investing and financing activities	2016/17 as Originally Stated £'000	2016/17 as Restated £'000	Restatement £'000
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(383)	(383)	0
Any other items for which the cash effects are investing or financing cash flows	(4,714)	(3,552)	1,162
	(5,097)	**(3,935)**	**1,162**

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).

2016/17			2017/18	
Business Rates £'000	Council Tax £'000	Collection Fund	Business Rates £'000	Council Tax £'000
		INCOME		
	57,191	Council Tax Receivable		60,330
29,042		Business Rates Receivable	24,499	
		Contribution towards previous year's estimated Deficit		
		Central Government	607	
		Chorley Council (Note 14)	485	
		Lancashire County Council	109	
		Lancashire Combined Fire Authority	12	
0	0		1,213	0
29,042	57,191	Total amounts to be credited	25,712	60,330
		EXPENDITURE		
		Apportionment of previous year's estimated Surplus		
		Central Government		
61		Chorley Council (Note 14)		80
49	82	Lancashire County Council		487
11	483	Lancashire Combined Fire Authority		27
1	28	Police & Crime Commissioner for Lancashire		67
	68			
122	661		0	661
		Precepts, Demands and Shares		
14,550		Central Government	12,411	
11,640	6,775	Chorley Council (Note 14)	9,929	7,146
2,619	41,334	Lancashire County Council	2,234	43,901
291	2,304	Lancashire Combined Fire Authority	248	2,354
	5,707	Police & Crime Commissioner for Lancashire		5,945
29,100	56,120		24,822	59,346

2016/17		Collection Fund	2017/18	
Business Rates £'000	**Council Tax £'000**		**Business Rates £'000**	**Council Tax £'000**
		Charges to Collection Fund		
	313	Write offs of uncollectable amounts		175
100	(121)	Increase/(Decrease) in Bad Debt Provision	181	71
(804)		Increase/(Decrease) in Provision for Appeals	555	
137		Cost of Collection	133	
(567)	192		869	246
28,655	56,973	Total amounts to be debited	25,691	60,253
387	**218**	**Surplus/(Deficit) arising during the year**	**21**	**77**
		Collection Fund Balance		
(1,823)	754	Balance brought forward at 1 April	(1,436)	972
387	218	Surplus/(Deficit) for the year	21	77
(1,436)	**972**	**Balance carried forward at 31 March**	**(1,415)**	**1,049**
		Allocated to		
(574)	117	Chorley Council - Collection Fund Adjustment Account	(566)	125
(718)		Central Government	(707)	
(129)	717	Lancashire County Council	(128)	777
(15)	40	Lancashire Combined Fire Authority	(14)	41
	98	Police & Crime Commissioner for Lancashire		106
(1,436)	**972**	**Surplus/(Deficit) at 31 March**	**(1,415)**	**1,049**

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 10.

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 2017/18 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	8.10
A	14,753	12,417	6/9	8,278.50
B	11,300	10,023	7/9	7,795.90
C	9,340	8,469	8/9	7,528.40
D	6,598	6,127	9/9	6,127.00
E	4,788	4,511	11/9	5,514.00
F	2,109	2,016	13/9	2,911.60
G	883	837	15/9	1,395.40
H	68	49	18/9	97.00
Total	**49,839**	**44,464**		**39,655.90**
Less adjustments for anticipated losses on collection				**(547.20)**
Add adjustment for new properties/technical changes to discounts				**524.84**
Less local Council Tax Support Scheme discounts				**(3,699.90)**
Band D Equivalent Number of Properties				**35,933.64**

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 £1,633.65 for 2017/18 (£1,595.14 for 2016/17). The other valuation bands are proportionate to this.

ACCOUNTING FOR BUSINESS RATES (NNDR)

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

The deficit apportioned in 2017/18 was £1.214m, whereas the actual cumulative deficit in the previous year was £1.436m. 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 2017/18.

Note 14 Taxation and Non-Specific Grant Income and Expenditure shows net Non-Domestic Rates Income and Expenditure for 2017/18 to be £3.294m (2016/17 £3.895m). This can be reconciled to Chorley Council's share of Business Rates Income in the Collection Fund statement in the following table:

2016/17 £'000		2017/18 £'000
11,640	Chorley Council share of Business Rates	9,929
0	Top-up receivable from Central Government	130
(7,857)	Tariff payable to Lancashire Business Rates Pool	(6,203)
(92)	Levy payable to Lancashire Business Rates Pool	(84)
155	Chorley Council share of surplus or (deficit) for year (transferred to Collection Fund Adjustment Account - Note 26e)	8
49	Chorley Council share of previous year's surplus or (deficit)	(486)
3,895	**NNDR net income per Note 14**	**3,294**

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 46.6p in 2017/18 and one for larger businesses at 47.9p.

The Business Rates Income, after reliefs and provisions, was £24.5m for 2017/18 (£29.0m for 2016/17).

The rateable value for the Council's area at the end of the financial year 2017/18 was £67.08m (£71.05m in 2016/17).

Annual Governance Statement

1. Scope of responsibility

The residents of the Borough of Chorley expect the Council to conduct our business in a lawful and transparent way. In particular the Council have a duty to safeguard public money and account for it in an economic, efficient and effective way.

We have a continuing duty to review and improve how we discharge our functions focussing on the priorities of economy, efficiency and effectiveness.

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

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

2. The purpose of the governance framework

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

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

The governance framework has been in place at Chorley Council for the year ended 31 March 2018 and up to the date of approval of the annual report and statement of accounts.

3. The governance framework

The following table describes the key elements of the systems and processes that comprise the authority's governance arrangements. These are founded on the Core Principles and sub-principles taken from our Code of Corporate Governance.

Core Principle 1. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law		
The Council's commitment to Good Governance	**How the Council meets these principles**	**Where you can see Governance in action**
Behaving with integrity	✓ The council have established both for Councillors and Staff Codes of Conduct and training is provided on both. Standards of behaviour are also assessed during employees one-two-one meetings and appraisals. ✓ It is essential that not only decisions are taken with integrity but are seen to be so. The Council have established transparent decision making processes through the Contract Procedure Rules, an online	**Codes of Conduct** **Performance and Development process** **CPRs and Standing Orders (See Sec. 5 Action8)** **Register of Interests** **Whistleblowing Policy**

	declaration of interests process and the use of standing orders. The public can therefore review and take comfort in the integrity of the decision makers. ✓ The Council do however have processes and policies in place to provide avenues to challenge decision making through whistleblowing, complaints and the call in procedure.	**Customer Charter (See Sec. 5 Action 3)** **Call in procedures** **Anti-fraud and Corruption Policies (See Sec. 5 Action 5)**
Demonstrating strong commitment to ethical values	✓ The Council have adopted in our Contract Procedure Rules the requirement for partners and contractors to adopt our, or have equivalent ethical standards of behaviour. ✓ The Council have a Scrutiny Committee in place who act as the Council's watchdog, promoting open and transparent decision making, democratic accountability and to hold the executive to account for its actions.	**CPRs (See Sec. 5 Action8)** **Terms of reference for Scrutiny Committee**
Respecting the rule of law	✓ The Council's Constitution, policies and standing orders are all drafted in accordance with legislation. Application of these processes is tested through local assurance testing. ✓ The Council report and Decision Making Templates include a comment from the Monitoring Officer to ensure that the legal implications of decisions are considered. ✓ The Council is fully aware that they must pay attention to the advice of the Council's Monitoring Officer and have good reasons, which must be documented should they depart from it. In the event the Council acts unlawfully, the Monitoring Officer must report this to Full Council. The Monitoring Officer has never had cause to take this step.	**Constitution** **Service Assurance Statements – AGS process** **Committee Management System (report templates)** **Role of Monitoring Officer.**
Core Principle 2. Ensuring Openness and Comprehensive Stakeholder Engagement		
The Council's commitment to Good Governance	**How the Council meets these principles**	**Where you can see Governance in action**
Openness	✓ The council have a robust approach to freedom of information and aim as part of our Digital Strategy to make as much information held by the Council accessible through our website as possible. ✓ The Council's Standing Orders have provision for public questions to be raised on any item on the agenda at both Full Council and Executive Cabinet meetings. ✓ All key decisions must be taken in writing and are published in accordance with the legislation. As part of the process both the Senior Financial Officer and the Monitoring Officer must be consulted and provide comments. Where appropriate, comments are also included in relation to equality and HR.	**Digital Strategy** **Council website** **Performance and Development process** **Committee Management System (report templates)** **Compliance with Transparency Act (See. Sec. 5 Action 6)**
Engaging comprehensively with institutional stakeholders	✓ The Council have a Communications Strategy which forms the basis for our relationships with our stakeholders. We ensure that we keep accurate records of stakeholder contacts to ensure they are engaged with properly and for the correct purposes. ✓ A communication and engagement toolkit is used within our project management methodology.	**Communications Strategy (See Sec. 5 Action 7)** **Communication and Engagement Toolkit**
Engaging stakeholders effectively including individual citizens and service users	✓ We use our Communications and Community Engagement Strategy to ensure that residents are properly consulted on matters which affect or interest them. This consultation contributes to the achievement of the Council's intended outcomes. Increasingly we are using web based and social media to engage with our residents but recognise that in order to consult properly we must use a mix of methods.	**Communications Strategy (See Sec. 5 Action 7)** **Community Engagement Strategy** **Digital Strategy**
Core Principle 3. Defining Outcomes in terms of Sustainable Economic Social and Environmental Benefits		
The Council's commitment to Good Governance	**How the Council meets these principles**	**Where you can see Governance in action**
Defining	✓ The Council have a clearly defined vision which forms the	**Corporate Strategy**

outcomes	premise of our Corporate Strategy. The Strategy itself is developed in consultation with residents and stakeholders and its implementation is through the delivery of corporate projects and service level plans. All corporate projects have an initial document which defines the outcomes and projects are monitored through the MyProjects system.	**Service Level Plans** **Corporate Projects** **MyProjects**
Sustainable economic social and environmental benefits	✓ The Council have refreshed the Medium Term Financial Strategy to ensure that Capital investment is structured to maximise its life span whilst being adaptable for future use. Specific consideration is made of social and economic wellbeing of residents as evidenced by projects that provide affordable supported accommodation, employment opportunities and social benefits. ✓ The Council's contract procedure rules include the ability to consider social value when awarding contracts.	**Medium Term Financial Strategy** **Corporate Projects** **Compliance with Transparency Act (See Sec. 5 Action 6)** **CPRs (See Sec. 5 Action 8)**
Core Principle 4. Determining the Interventions Necessary to Optimise the Achievement of Intended Outcomes		
The Council's commitment to Good Governance	**How the Council meets these principles**	**Where you can see Governance in action**
Determining interventions	✓ We have a robust approach to setting interventions. Members and Officers work closely together and consult on the preparation of the Corporate Strategy which sets the framework for council delivery. The benefits of interventions are considered not only based on cost but also upon need and impact in order to ensure best value is met. ✓ Feedback from residents in this process is very important to ensure what we deliver is both needed and wanted.	**Corporate Strategy** **Community Engagement Strategy** **Communications Strategy (See Sec. 5 Action 7)** **Digital Strategy** **Sustainable Community Strategy**
Planning interventions	✓ The Council have a strong framework for planning the implementation of our interventions. We publish a calendar of meetings, and the Key Decision forward plan to confirm dates for decisions to be taken but in addition ensure all report writers are aware of publication of agenda dates to press for reports to be prepared in good time. We have a clear Communications Strategy to ensure proper consultation and a Risk Register. ✓ We are promoting the use of the Project Management Toolkit which ensures that there is a clear scope, timetable and outcomes for each project and Key Performance Indicators are set to monitor each service. ✓ Each project or intervention has a budget and there are regular meetings between management accountancy both with project managers and service heads for monitoring purposes.	**Calendar of meetings** **Forward Plans** **Communications Strategy (See Sec. 5 Action 7)** **Corporate Risk Register** **Project Management Toolkit** **KPIs** **Budget monitoring** **Quarterly Budget Reporting**
Optimising achievement of intended outcomes	✓ We have a Corporate Strategy which has been agreed by Council and reflects the council's priorities. The Strategy is aimed at meeting the fundamental needs of local residents, like health housing and jobs, while continuing to get Chorley in the best social and economic position for the future. ✓ We have a Transformation Strategy in place. The overriding aim of this strategy is to support the council to achieve its ambitions for public service reform namely by achieving; • A greater integration of public services, particularly around prevention and early intervention; • Focus on prevention and early intervention across public services; • Decision making and accountability at the lowest practical level; • The system-wide sharing of responsibility for management of demand and reduction of cost shunting between organisations. ✓ The Medium Term Financial Strategy is refreshed regularly to ensure it stays current and reflects any	**Corporate Strategy** **Transformation Strategy** **Medium Term Financial** **Quarterly Budget Reporting**

	changes in council priorities. This ensures proper budgetary planning.	
Core Principle 5. Developing the Entity's Capacity, including the Capability of it's Leadership and the Individuals within it		
The Council's commitment to Good Governance	**How the Council meets these principles**	**Where you can see Governance in action**
Developing the entities capacity	✓ We have a Transformation Strategy and Medium Term Financial Strategy which the Council uses to plan for future changes to the organisation, planning for future capacity needs. Such transformation is achieved through rough cut costing, benchmarking and use of the Council's Corporate Strategy. ✓ We have an Organisational Development Strategy which outlines the Council's approach to organisational development. Its purpose is to; • Align with the Transformation Strategy to build organisational capability to support its delivery; • Identify opportunities to build organisational capability collaboratively with partners; • Build organisational capability to support business as usual activities at individual, service and organisational levels; • To ensure that the council has the leadership to support and drive changing governance models.	**Transformation Strategy** (See Sec. 5 Action 4) **Corporate Strategy** **Medium Term Financial Strategy** **Organisational Development Strategy**
Developing the capability of the entity's leadership and other individuals	✓ Roles are clearly defined within the Council through the use of job descriptions and structure charts. The Constitution details the responsibilities of officers and councillors and the identity of the statutory officers. ✓ Relationships are managed through regular and frequent member briefings. ✓ The Council have updated the Organisational Development Plan ensuring that all staff have the opportunity to benefit from personal and professional development, and this is monitored through one to ones and the annual appraisal process. ✓ Officers and Councillors alike are held to account through the Residents Panel, Neighbourhood Area Meetings with residents, Stakeholder Forums and the Chorley Partnership; as well as through Overview and Scrutiny Committee.	**Job descriptions** **Organisational Structure Chart** **Constitution** (See Sec. 5 Action 8) **Roles of Statutory Officers** **Organisational Development Plan** **Annual Appraisal Process** **Residents Panel** **Stakeholder Forums** **Chorley Partnership**
Core Principle 6. Managing Risks and Performance through Robust Internal Control and Strong Public Financial Management		
The Council's commitment to Good Governance	**How the Council meets these principles**	**Where you can see Governance in action**
Managing risk	✓ There is an established Risk Management Framework which ensures that risk is considered in all aspects of decision making. This includes the identification of risks but also ensuring responsibility for them is allocated correctly.	**Risk Management Framework** (See Sec. 5 Action 2)
Managing performance	✓ This is part of the Council's approach to business transformation. Service delivery is monitored through service meetings, performance indicators, benchmarking and budget monitoring. The Executive Members have regular service briefings in relation to their portfolios. Overview and Scrutiny Committee are engaged and Task Groups have responsibility for considering and suggesting improvements in relation to service delivery.	**Performance Indicators and Performance reporting** **Work of Overview and Scrutiny Committee and Task Groups**
Robust internal control	✓ The Council require all directorates to complete assurance statements which identify compliance issues which may exist across the Council. ✓ The Annual Governance Statement reflects on the adequacy and effectiveness of the Council's Governance Framework. This is then independently considered by External Audit.	**Service Assurance Statements** **Annual Governance Statement** **Governance Committee Terms of Reference**

	✓ The Governance Committee complies with best practice and tests the Council's controls through the receipt of reports for consideration.	
Managing data	✓ The Council have clearly defined policies and procedures for managing and storing data. Additional work is required however to embed these and update the Council's IT systems.	**ICT Strategy** **Digital Strategy** **Data Security Policy** **GDPR Implementation Project (See Sec. 5 Action 1)**
Strong public financial management	✓ All decisions of the Council require a comment from the SFO, which will address budgeting issues and compliance with Best Value and the Council's contract procedure rules. There are regular meetings between budget holders / project managers and Finance to monitor budgets and any changes can be identified early.	**Committee Management System (report templates)** **CPRs (See Sec. 5 Action8)** **Budget monitoring and Quarterly Budget Reports**
Core Principle 7. Implementing Good Practices in Transparency Reporting and Audit to Deliver Effective Accountability		
The Council's commitment to Good Governance	**How the Council meets these principles**	**Where you can see Governance in action**
Implementing good practice in transparency	✓ We feel it very important for the discharge of our obligations that as much information as possible is made available to the public. This is done through publication on the Council's website.	**Council's website** **Compliance with Transparency Act (See Sec. 5 Action 6)**
Implementing good practices in reporting	✓ The Council comply with good practice in relation to value for money reporting and the annual Statement of Accounts considers how public finances have been stewarded. ✓ It is the practice of the Authority to ensure that all key decisions are made by councillors in accordance with our approval processes. Compliance with these processes are considered within this Annual Governance Statement.	**Statement of Accounts** **Quarterly Performance Reports (See Sec. 5 Action 4)** **Scheme of Delegation** **Annual Governance Statement**
Assurance and effective accountability	✓ We view improvement as a continuing process. Internal Audit reports to Governance Committee include a summary of areas for improvement and implementation is reported on an exception basis.. ✓ Overview and Scrutiny Task Groups report proposed improvements to Executive Cabinet who decide whether to accept the recommendations or not. Where accepted Cabinet will later report as to the progress of the implementation of improvements. ✓ Residents have the right to ask questions at Council meetings in relation to matters on the meeting agenda which ensure immediate accountability to residents.	**Internal Audit reporting to Governance Committee** **Governance Committee Terms of Reference** **Overview and Scrutiny work programme** **Communications Strategy (See Sec. 5 Action 7)**

4. Review of effectiveness

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

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

Corporate Level Review

- A management group consisting of the following officers has been established to oversee the compilation of the Annual Governance Statement:

- Chief Executive (S151 Officer)
- Head of Legal Democratic and HR Services (Monitoring Officer)
- Director of Policy & Communications
- Head of Shared Assurance Services

- The group has conducted a detailed corporate level review of the Council's system of governance in accordance with the guidance provided by CIPFA / SOLACE.

Service Level Review

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

Monitoring Officer

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

Scrutiny Committee

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

Governance Committee

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

Standards Sub-Committee

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

Internal Audit

- Strong Internal Audit and Risk Management disciplines are embedded and the Shared Assurance Service maintains excellent working relationships with Senior Management, the Governance Committee and the Council's External Auditors to provide an integrated approach to the provision of assurance within the Council. The Internal Audit Service has recently undertaken a peer review by the Audit Managers of 2 Lancashire authorities and this determined that the Service was fully compliant with the Public Sector Internal Auditing Standards.

- The Public Sector Internal Audit Standards require the Head of Shared Assurance to provide an opinion on the overall adequacy and effectiveness of the organisation's framework of control, risk management and governance.

Control – The Internal Audit Service provides an independent opinion on the adequacy of the internal control system. All recommendations for improvement are agreed with Senior Management and a summary is reported to the Governance Committee. Only one

Risk Management – The Council's arrangements were further strengthened during 2017/18 by the continued development of the GRACE risk management system. Extensive training was delivered to Officers and the revised Risk Management Framework was approved by the Governance Committee in March.

Governance – Actions have been taken during 2017/18 to strengthen the Council's governance arrangements. The Annual Governance Statement Action Plan for 2018/19 includes details of actions to further strengthen Council's governance arrangements. The 2018 AGS has been produced following a rigorous assessment process, both internal and external.

External Audit

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

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

5. Identified Governance Issues

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

Theme	Agreed Improvement	SMART Actions & Milestones	Status
1. Information Management	1.1 To ensure that there are clear document retention guidelines which are complied with by Services.	- Develop program of work to replace SharePoint corporately - Utilise document management system within the new application.	**In Progress - New systems due for implementation in Summer 2018 (High Priority on ICT work plan)**
	1.2 To ensure that the Council is fully compliant with the Data Protection Act and Freedom of Information requirements.	- GDPR new requirements in legislation are to be in place by May 2018. Action Plan to be implemented to ensure compliance within the timescales - More effective use of the information champions.	**In Progress – Project Documentation has been completed and in the process of implementation Due for completion May 2018.**
2. Risk Management	2.1 Review and update all Health & Safety risk assessments	- Review & update documentation - Arrange awareness training	**In Progress - Significant works have been done this year in high risk areas both in training and risk assessment documentation. This is being rolled out across remaining areas**

			depending on risk.
3. Corporate Policies	3.1 To ensure that all employees are aware of the requirements of corporate policies.	- Rolling programme of briefings on corporate policies are to be included in core brief messages	**CONTINUING– a policy of the month has been attached to Core Brief and referenced on intranet. This will continue.**
4. Equality & Diversity	4.1 To further embed equality and diversity throughout the Council	- Raise awareness of need to complete EIA for any new policies - To refresh approach by ensuring that Equality comments are incorporated into all appropriate reports	**CONTINUING**

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

Theme	Agreed Improvement	SMART Actions & Milestones	Status
1. Information Management	1.1 To ensure that there are clear document retention guidelines which are complied with by Services.	- Develop program of work to replace SharePoint corporately - Utilise document management system within the new application.	**CONTINUED FROM 2017** **These outstanding actions will be considered as part of the GDPR Implementation project (See 1.2 below).**
	1.2 To ensure that the Council is fully compliant with the Data Protection Act and Freedom of Information requirements.	- GDPR new requirements in legislation are to be in place by May 2018. Action Plan to be implemented to ensure compliance within the timescales - More effective use of the information champions.	**CONTINUED FROM 2017** **Project Documentation has been completed and in the process of implementation due for completion May 2018.**
2. Risk Management	2.1 Review and update all Health & Safety risk assessments	- Review & update documentation - Arrange awareness training	**CONTINUED FROM 2017** **Significant works have been done this year in high risk areas both in training and risk assessment documentation. This is being rolled out across remaining areas depending on risk.**
	2.2 Further embed GRACE risk management system.	- Directors are to ensure compliance with the Risk Management Framework.	
3. Customer Complaints	3.1 To improve the recording of customer complaints	- To undertake a review of how customer complaints are received to ensure that they are all captured and recorded centrally.	**Risk identified from Service Assurance Statements**

4. Value for money and cost assurance	4.1 Increased use of comparative data and benchmarking to demonstrate VFM.	- Increased use of LGA Inform to demonstrate VFM	**Risk identified from Service Assurance Statements**
5. Fraud	5.1 Increased fraud awareness	- Fraud awareness training to be delivered to all relevant officers using e-learning modules.	**Risk identified from Service Assurance Statements. This is a recurrent risk and part of the work in this area will be to identify a more robust awareness raising programme.**
6. Transparency	6.1 To ensure full compliance with the revised requirements of the Transparency Code.	- A review of compliance with the Code has been undertaken and areas of non-compliance are to be actioned.	**Risk identified from Service Assurance Statements. There are a small number of particular categories/ areas of noncompliance which will need to be considered and actioned individually.**
7. Communication	7.1 To review and update the Communication Strategy for both internal and external communications	- To review and update the Communication Strategy for both internal and external communications	**Risk identified from Service Assurance Statements.**
8. Compliance with Contract Procedure Rules (CPRs)	9.1 To further embed procurement policies and procedures, and to strengthen the current CPRs.	- To develop and implement a contract management system through 'Agile Point'.	**Risk identified by Procurement team through an internal corporate assessment process.**

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. The Themes will be entered as Management Actions onto the MyProjects system and allocated to the most appropriate Director or Head of Service for action. Progress will be monitored by the Senior Management Team using MyProjects.

We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Cllr. A. Bradley
Leader of the Council

G Hall
Chief Executive
& Section 151 Officer

Glossary of Terms

Accounting Policies
The rules and practices adopted by the authority that determine how the transactions and events are reflected in the accounts.

Accruals Basis
The accruals principle is that income is recorded when it is earned rather than when it is received, and expenses are recorded when goods or services are received rather than when the payment is made.

Agency Services
These are services that are performed by or for another Authority or public body, where the principal (the Authority responsible for the service) reimburses the agent (the Authority carrying out the work) for the costs of the work.

Appointed Auditors
From 1 April 2015 the appointment of External Auditors to Local Authorities is undertaken by Public Sector Audit Appointments Limited (PSAA), an independent company limited by guarantee and incorporated by the Local Government Association in August 2014. This role was previously undertaken by The Audit Commission. Grant Thornton UK LLP is the Council's appointed Auditor.

Balances
The balances of the Authority represent the accumulated surplus of income over expenditure on any of the Funds.

Capital Adjustment Account
The Account accumulates (on the debit side) the write-down of the historical cost of non-current assets as they are consumed by depreciation and impairments or written off on disposal. It accumulates (on the credit side) the resources that have been set aside to finance capital expenditure. The same process applies to capital expenditure that is only capital by statutory definition (revenue expenditure funded by capital under statute). The balance on the account thus represents timing differences between the amount of the historical cost of non-current assets that has been consumed and the amount that has been financed in accordance with statutory requirements.

Capital Expenditure
This is expenditure on the acquisition of a fixed asset, or expenditure, which adds to, and not merely maintains, the value of an existing fixed asset.

Capital Financing Charges
This is the annual charge to the revenue account in respect of interest and principal repayments and payments of borrowed money, together with leasing rentals.

Capital Financing Requirement (CFR)
CFR is a measure of the capital expenditure historically incurred by the Authority that has yet to be financed. This will be discharged by future charges to the revenue account. 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.

Capital Receipts
Income received from the sale of land or other capital assets, a proportion of which may be used to finance new capital expenditure, subject to the provisions contained within the Local Government Act 2003.

Carrying Amount
The Balance Sheet value recorded of either an asset or a liability.

Chartered Institute of Public Finance and Accountancy (CIPFA)
CIPFA is the leading professional accountancy body for public services.

Code of Practice on Local Authority Accounting in the United Kingdom (The Code)
The Code incorporates guidance in line with IFRS, IPSAS and UK GAAP Accounting Standards. It sets out the proper accounting practice to be adopted for the Statement of Accounts to ensure they 'present fairly' the financial position of the Council. The Code has statutory status via the provision of the Local Government Act 2003.

Collection Fund
The Council as a billing authority has a statutory obligation to maintain a separate Collection Fund. This shows the transactions of the Council in relation to the collection from taxpayers of Council Tax and Non-Domestic Rates (NDR) and its distribution to local government bodies and the Government.

Community Assets
These are non-current assets that the Council intends to hold in perpetuity which have no determinable finite useful life and, in addition, may have restrictions on their disposal. Examples include parks and historical buildings not used for operational purposes.

Contingency
This is money set aside in the budget to meet the cost of unforeseen items of expenditure, or shortfalls in income, and to provide for inflation where this is not included in individual budgets.

Contingent Liabilities or Assets
These are amounts potentially due to or from individuals or organisations which may arise in the future but which at this time cannot be determined accurately, and for which provision has not been made in the Council's accounts.

Council Tax
A local tax on residential properties within the Council's area, set by the charging (Chorley Borough Council) and precepting authorities. The level is determined by the revenue expenditure requirements for each authority divided by council tax base for the year.

Council Tax Base
The amount calculated for each billing authority from which the grant entitlement of its share is derived. The number of properties in each band is multiplied by the relevant band proportion in order to calculate the number of Band D equivalent properties in the area. The calculation allows for exemptions, discounts, appeals and a provision for non-collection.

Council Tax Requirement
This is the estimated revenue expenditure on General Fund services that will be financed from the Council Tax after deducting income from fees and charges, General Fund Balances, specific grants and any funding from reserves.

Creditors
Amounts owed by the Council for work done, goods received or services rendered, for which payment has not been made at the date of the balance sheet.

Current Service Cost
Current Service Cost is the increase in the present value of a defined benefit pension scheme's liabilities expected to arise from employee service in the current period, i.e. the ultimate pension benefits "earned" by employees in the current year's employment.

Current Value
The current value of an asset reflects the economic environment prevailing for the service or function the asset is supporting at the reporting date.

Curtailment
Curtailments will show the cost of the early payment of pension benefits if any employee has been made redundant in the previous financial year.

Debtors
These are sums of money due to the Council that have not been received at the date of the Balance Sheet.

Deferred Capital Receipts
These represent capital income still to be received after disposals have taken place and wholly consists of principal outstanding from the sale of council houses.

Defined Benefit Scheme
This is a pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded (including notionally funded).

Department for Communities and Local Government (DCLG)
DCLG is a Central Government department with the overriding responsibility for determining the allocation of general resources to Local Authorities.

Depreciation
This is the measure of the wearing out, consumption, or other reduction in the useful economic life of property plant and equipment assets.

Derecognition
Financial assets and liabilities will need to be removed from the Balance Sheet once performance under the contract is complete or the contract is terminated.

Discounts
Discounts represent the outstanding discount received on the premature repayment of Public Works Loan Board loans. In line with the requirements of the Code, gains arising from the repurchase or early settlement of borrowing have been written back to revenue. However, where the repurchase or borrowing was coupled with a refinancing or restructuring of borrowing with substantially the same overall economic effect when viewed as a whole, gains have been recognised over the life of the replacement loan.

Earmarked Reserves
The Council holds a number of reserves earmarked to be used to meet specific, known or predicted future expenditure.

External Audit
The independent examination of the activities and accounts of Local Authorities to ensure the accounts have been prepared in accordance with legislative requirements and proper practices and to ensure the Authority has made proper arrangements to secure value for money in its use of resources.

Fair Value
Fair Value is the price that would be received to sell and asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Finance Lease
A finance lease is a lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.

Financial Instruments
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term ‘financial instrument’ covers both financial assets and financial liabilities and includes both the most straightforward financial assets and liabilities such as trade receivables and trade payables and the most complex ones such as derivatives and embedded derivatives.

Financial Regulations
These are the written code of procedures approved by the Council, intended to provide a framework for proper financial management. Financial regulations usually set out rules on accounting, audit, administrative and budgeting procedures.

General Fund
This is the main revenue fund of the Authority and includes the net cost of all services financed by local taxpayers and Government grants.

Highways Network Asset
A grouping of interconnected components, expenditure on which is only recoverable by continued use of the asset created, i.e. there is no prospect of sale or alternative use. Components include carriageways, footways and cycle tracks, structures, street lighting, street furniture, traffic management systems and land. District Council’s such as Chorley Borough Council rarely hold such assets as they are not Highways Authorities.

Housing Benefit
This is an allowance to persons receiving little or no income to meet, in whole or part, their rent. Benefit is allowed or paid by Local Authorities but Central Government refunds part of the cost of the benefits and of the running costs of the services to Local Authorities. Benefits paid to the Authority’s own tenants are known as rent rebate and that paid to private tenants as rent allowance.

Impairment
A reduction in the value of assets below its value brought forward in the Balance Sheet. Examples of factors which may cause such a reduction in value include general price decreases, a significant decline in a fixed asset’s market value and evidence of obsolescence or physical damage to the asset.

Infrastructure Assets
Fixed Assets which generally cannot be sold and from which benefit can be obtained only by continued use of the asset created. Examples of such assets are highways, footpaths, bridges and water and drainage facilities.

Intangible Assets
These are assets that do not have physical substance but are identifiable and controlled by the Council. Examples include software, licenses and patents.

International Financial Reporting Standard (IFRS)
Defined Accounting Standards that must be applied by all reporting entities to all financial statements in order to provide a true and fair view of the entity’s financial position, and a standardised method of comparison with financial statements of the other entities.

Inventories
Amounts of unused or unconsumed stocks held in expectation of future use. Inventories are comprised of the following categories:
• Goods or other assets purchased for resale
• Consumable stores
• Raw materials and components
• Products and services in intermediate stages of completion
• Finished goods

Investment Properties
Property, which can be land or a building or part of a building or both, that is held solely to earn rentals or for capital appreciation or both, rather than for operational purposes.

Joint Venture
A joint venture is a joint arrangement whereby the parties who have joint control of the arrangement have rights to the net assets of the arrangement.

Leasing Costs
This is where a rental is paid for the use of an asset for a specified period of time. Two forms of lease exist: finance leases and operating leases.

Materiality
Information is material if omitting it or misstating it could influence the decisions that users make on the basis of financial information about a specific reporting authority.

Medium Term Financial Strategy (MTFS)
This is a financial planning document that sets out the future years financial forecasts for the Council. It considers local and national policy influences and projects their impact on the general fund revenue budget, and capital programme. At Chorley Borough Council this usually covers a three year timeframe.

Minimum Revenue Provision (MRP)
The Council is required to pay off an element of the accumulated General Fund capital spend each year through a revenue charge. MRP is the minimum amount which must be charged to an Authority's revenue account each year and set aside as provision for credit liabilities, as required by the Local Government and Housing Act 1989 and calculated in accordance with The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003.

Non-Domestic Rate (NDR) (also known as Business Rates)
NDR is the levy on business property, based on a national rate in the pound applied to the 'rateable value' of the property. The Government determines national rate poundage each year which is applicable to all Local Authorities.

Net Book Value (NBV)
The amount at which non-current assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

Net Realisable Value (NRV)
NRV is the open market value of the asset in its existing use (or open market value in the case of non-operational assets) less the expenses to be incurred in realising the asset.

Operating Lease
This is a type of lease, usually of computer equipment, office equipment, furniture, etc. where the balance of risks and rewards of holding the asset remains with the lessor. The asset remains the property of the lessor and the lease costs are revenue expenditure to the Authority.

Precept
The amount levied by various Authorities that is collected by the Council on their behalf. The major precepting Authorities in Chorley Council are Lancashire County Council, the Police and Crime Commissioner for Lancashire, and the Lancashire Combined Fire and Rescue Authority. Parish precepts are also collected on behalf of a number of Parish and Town Councils in the area.

Premiums
These are discounts that have arisen following the early redemption of long term debt, which are written down over the lifetime of replacement loans where applicable.

Prior Period Adjustments

These are material adjustments which are applicable to an earlier period arising from changes in accounting policies or for the correction of fundamental errors.

Property, Plant and Equipment (PPE)
PPE are tangible assets (i.e. assets that have physical substance) that are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and are expected to be used during more than one year.

Provisions
Amounts set aside to meet liabilities or losses which it is anticipated will be incurred but where the amount and/or the timing of such costs are uncertain.

Public Works Loan Board (PWLB)
An arm of Central Government which is the major provider of loans to finance long term funding requirements for Local Authorities.

Related Parties
Related parties are Central Government, other Local Authorities, precepting and levying bodies, subsidiary and associated companies, Elected Members, all senior officers from Director and above and the Pension Fund. For individuals identified as related parties, the following are also presumed to be related parties:

- members of the close family, or the same household; and
- partnerships, companies, trusts or other entities in which the individual, or member of their close family or the same household, has a controlling interest.

Remeasurement of the Net Defined Benefit Liability
Remeasurement of the Net Defined Benefit Liability (asset) comprises:

a) actuarial gains and losses
b) the return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset), and
c) any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset).

Reporting Standards
The Code of Practice prescribes the accounting treatment and disclosures for all normal transactions of a Local Authority. It is based on International Financial Reporting Standards (IFRS), International Standards (IAS) and International Financial Reporting Interpretations Committee (IFRIC) plus UK Generally Accepted Accounting Practice (GAAP) and Financial Reporting Standards (FRS).

Regulation(s)
Various Acts of Parliament, Statutory Instruments and Bills that require local authorities to account for transactions in a particularly way which might depart from proper accounting practice, IFRS or other Reporting Standards.

Reserves
Amounts set aside to help manage future risks, to provide working balances or that are earmarked for specific future expenditure priorities.

Revaluation Reserve
The Revaluation Reserve records the accumulated gains on the non-current assets held by the Authority arising from increases in value as a result of inflation or other factors (to the extent that these gains have not been consumed by subsequent downward movements in value).

Revenue Support Grant
The main Government grant paid to local authorities. It is intended to adjust for differences in needs between areas so that, if all local authorities were to spend at the level which the Government assess that they need to spend, the council tax would be the same across the whole country.

Revenue Expenditure Funded From Capital Under Statute (REFCUS)
Expenditure incurred during the year that may be capitalised under statutory provision but that does not result in the creation of a non-current asset that has been charged as expenditure to the CIES.

Royal Institution of Chartered Surveyors (RICS)
The Royal Institution of Chartered Surveyors (RICS) is a professional body that accredits professionals within the land, property and construction sectors worldwide.

Members holding RICS qualifications may use the following designations after their name: MRICS (Member), FRICS (Fellow), AssocRICS (Associate). Those with the designation MRICS or FRICS are also known as chartered surveyors.

Service Reporting Code of Practice (SeRCOP)
Prepared and published by CIPFA, the Service Reporting Code of Practice (SeRCOP) is reviewed annually to ensure that it develops in line with the needs of modern Local Government, Transparency, Best Value and public services reform. SeRCOP establishes proper practices with regard to consistent financial reporting for services and in England and Wales, it is given legislative backing by regulations which identify the accounting practices it propounds as proper practices under the Local Government Act 2003.

Treasury Management
This is the process by which the Authority controls its cash flow and its borrowing and lending activities.

Treasury Management Strategy (TMS)
A strategy prepared with regard to legislative and CIPFA requirements setting out the framework for treasury management activity for the Council.

Voluntary Revenue Provision
The Council is required to pay off an element of the accumulated General Fund capital spend each year through a revenue charge (the Minimum Revenue Provision - MRP), although it is also allowed to undertake additional voluntary payments if required, this is the Voluntary Revenue Provision (VRP).