

Statement of Accounts 2013/2014



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHORLEY COUNCIL

Opinion on the Authority financial statements

We have audited the financial statements of Chorley Council for the year ended 31 March 2014 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

This report is made solely to the members of Chorley Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Finance Officer and auditor

As explained more fully in the Statement of the Chief Finance Officer's Responsibilities, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Finance Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Foreword by the Chief Finance Officer to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Chorley Council as at 31 March 2014 and of its expenditure and income for the year then ended; and

- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and applicable law.

Opinion on other matters

In our opinion, the information given in the Foreword by the Chief Finance Officer for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with ‘Delivering Good Governance in Local Government: a Framework’ published by CIPFA/SOLACE in June 2007;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

Conclusion on the Authority’s arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Authority and the auditor

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2013, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2013, we are satisfied that, in all significant respects, Chorley Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

Certificate

We certify that we have completed the audit of the financial statements of Chorley Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Fiona Blatcher
Associate Director

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

23rd September 2014



Foreword by the Chief Finance Officer

INTRODUCTION

As the Chief Executive and Chief Finance Officer of the Council, I have the statutory responsibility for the proper administration of the Authority's financial affairs, and am required to confirm that the Council's systems can be relied upon to produce an accurate statement of accounts.

The required statement of assurance (The Annual Governance Statement) was reported to Governance Committee on 25 June 2014.

This Statement of Accounts has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 (The Code), which is based on International Financial Reporting Standards, and the Service Reporting Code of Practice for Local Authorities (SERCOP).

ACCOUNTING CHANGES

The accounting standard IAS19 relating to pensions has changed. The effect is detailed in note 51.

CORE FINANCIAL STATEMENTS

The core financial statements consist of the following:

Page 9 **Statement of Responsibilities for the Statement of Accounts** – This summarises the responsibilities of the Council and the Statutory Finance Officer in relation to the Statement of Accounts.

Page 10 **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 11 **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 12 **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 13 **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 14 **Notes to the Main Financial Statements** – these add to, and interpret, the individual statements.

Page 60 **Collection Fund Statement** – this is an agent’s statement that reflects the statutory obligation for billing authorities to record transactions relating to the collection of Council Tax and Non-Domestic Rates, and their distribution to precepting authorities, the Government, and the Council itself.

FINANCIAL PERFORMANCE IN 2013/14

Reporting Cycle

The Council's 2013/14 revenue budget, capital programme, Medium Term Financial Strategy (MTFS), and Treasury Strategy were approved by the Council on 28 February 2013. Thereafter, monitoring and reports were submitted at quarterly intervals to the Executive Cabinet. The reports are available on the Council's web site.

The twin themes of revenue reporting were to firstly, forecast the anticipated out-turn against the budget; and secondly, to monitor progress in achieving planned budgetary efficiencies. With regard to the Capital Programme, progress on individual schemes were reported, plus any new schemes approved in-year, and any changes to capital resources.

Major Issues in 2013/14

Local authorities in general faced a number of financial challenges in 2013/14, in particular the implementation of Business Rates Retention (BRR) to replace pooling; and the implementation of local Council Tax Support schemes, which replaced Council Tax Benefit with discounts set locally. Both of these changes increased the financial risks to the Council.

Previously the Council received an allocation of Business Rates from a Central Pool, having paid over all the rates it collected to the Government. Under BRR, the Council retains a local share of net rates income, less a tariff paid to Government, and a levy is payable or a safety net payment receivable depending on performance. Authorities can benefit from growth in rate income, but can also suffer financially if income achieved falls short of estimates. In 2013/14, the element of the Collection Fund in respect of Business Rates made a deficit of £1.270m, of which the Council's share was £0.508m. This was mainly as a result of cost of appeals by businesses, and the deficit will affect the Council's revenue budget in 2014/15 and 2015/16.

In the 2013/14 Local Government Finance Settlement, the Council received a cash limited resource allocation to fund Council Tax Support, which was 10% less than the previous Council Tax Subsidy would have been. The Council agreed a Council Tax Support scheme and technical changes to other discounts which were intended to balance expenditure and the funding available. The risk that expenditure could exceed resources was passed to the Council. However, in 2013/14 the Collection Fund achieved a small surplus in respect of Council Tax net of Council Tax Support, and this will be transferred to the Council and major preceptors from 2014/15.

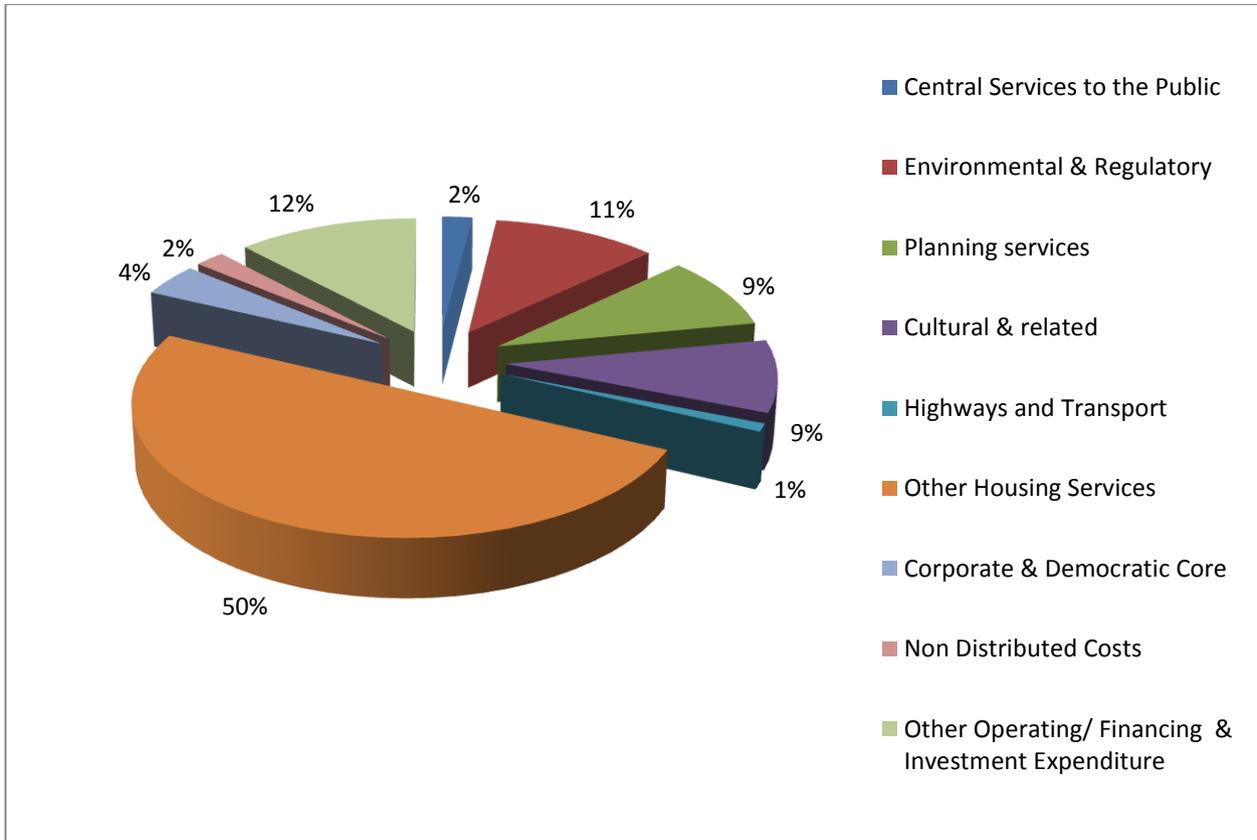
Actual Spend Compared to the Budget

The 2013/14 outturn position reports a £0.149m underspend compared to budget. The General Fund Balance at 31 March 2014 is £2.189m (page 10). Further comment on the reserves position is made below.

Figures in the following graphs are derived from the Comprehensive Income and Expenditure Statement and therefore include some income and expenditure figures, such as interest on pension assets and depreciation charges, which are reversed out in the Movement in Reserves Statement.

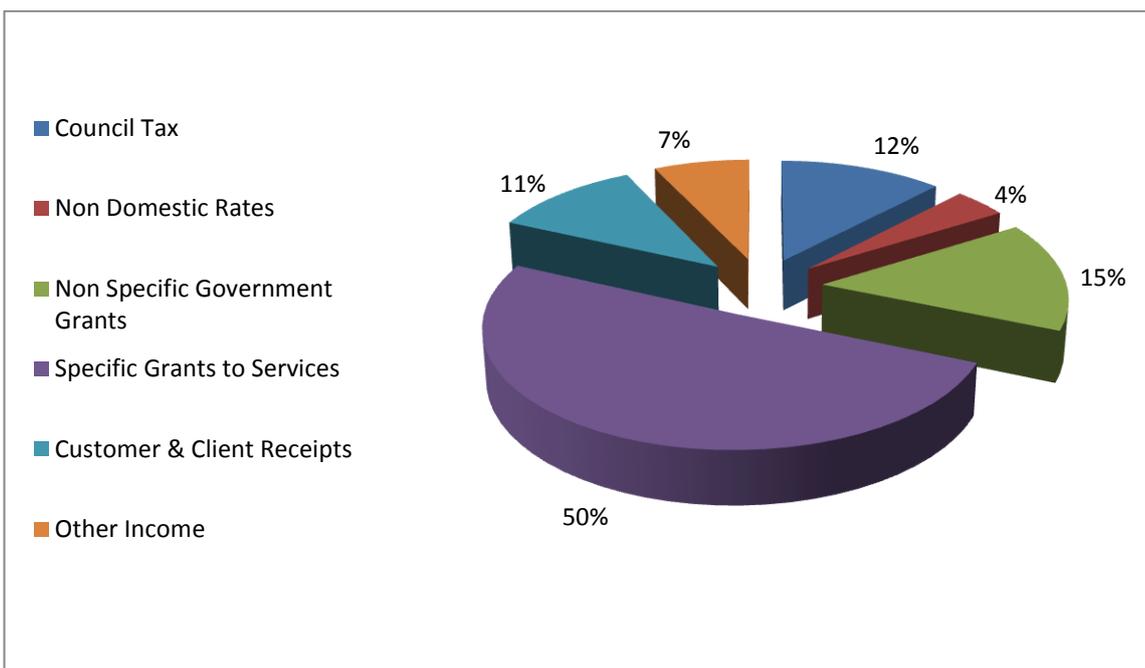
Where the money was spent

The Gross Expenditure for the Council is detailed in the Comprehensive Income and Expenditure Statement. In 2013/14 it consisted of:



Where the money came from

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



Other Income includes interest on pension assets, reversed to the Pensions Reserve in the MIRS; and capital receipts, reversed to the Capital Receipts Reserve.

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 2013/14 were:

- Investments are of a short-term nature, the maximum period being one year.
- During the year investments peaked at £21.6m, averaged £12.82m per day, and, with cash, amounted to £3.86m at year-end. The reduction from £10.8m in 2012/13 reflected the use of internal cash balances as part of the financing of the purchase of Market Walk.
- The return on investments was 1.14%, a reduction compared to the 1.42% achieved in 2012/13.
- External borrowing increased during the year to £22.6m (excluding accrued interest). The main reason for the increase was to finance the purchase of the Market Walk shopping centre.
- 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 £8.5m to £32.9m, reflecting the use of prudential borrowing to finance the acquisition of Market Walk. (Note 40 gives details.) This will generate a charge to Council Tax (known as Minimum Revenue Provision – MRP) in future years. In the case of Market Walk, financing costs (both MRP and interest on borrowing or loss of investment interest) are exceeded by the net rental income generated by the asset.

Note 47 presents more details of treasury operations, and the management of risk. Risks identified previously in respect of the Council's impaired investment in Icelandic bank Landsbanki have been eliminated by participation in an auction of local authority claims. The auction during 2013/14 brought the total sum recovered to £1.86m, which was 93% of the original investment.

Capital Spend and Financing Summary

The Council incurs capital expenditure on its own buildings and equipment and it is also permitted to use capital resources to finance expenditure on grants for capital works by others, for instance for disabled adaptations by home owners.

The following tables details the areas of expenditure and sources of finance in 2013/14:

Capital expenditure in 2013/14	Actual Capital Expenditure £'000
Acquisition of Market Walk Shopping Centre	23,341
Asset Maintenance	488
Site assembly Chorley town centre	353
Affordable Housing and disabled adaptations	530
Astley Development Programme	165
Leisure centre works	216
Parks and play areas	183
Other	339
Total Capital Expenditure	25,615

Capital financing in 2013/14	Actual Capital Financing £'000
Prudential Borrowing	24,664
Capital Receipts	0
Revenue Budget Contributions	152
External Contributions	358
Government Grants	441
Total Capital Financing	25,615

The Balance Sheet includes unapplied grants and contributions totalling £5.138m, which can only be used for financing of capital investment. Of the total, £4.435m is held within Usable Reserves (see Movement in Reserves Statement); and £0.703m within Long-Term Liabilities (see Note 38).

Reserves and Balances Summary

The Authority's Medium Term Financial Strategy (MTFS) specifies that the general balance should be no lower than £2.0m. At the start of the year it totalled £2.060m. In addition there were reserves totalling £4.309m earmarked for specific purposes. The changes in the year are as follows:-

- The Income and Expenditure account incurred a surplus of £0.149m, of which £0.020m was added to the provision for historic insurance claims, and the balance transferred to the general reserve. The net increase in the General Fund balance by £0.129m can be seen in the Movement in Reserves Statement (MIRS).
- Further net transfers to Earmarked Reserves of £0.967m were also made.

The combination of these factors resulted in the General Fund balance being £2.189m, and Earmarked Reserves £5.277m, as presented in the MIRS on page 10. The purposes for which the Earmarked Reserves are held are given in Note 8.

The following extract from the MIRS reconciles the deficit on the CI&ES prepared on the accounting basis with the surplus or deficit prepared on the funding basis:

Extract from Movement in Reserves Statement (page 10)	2012/13 Restated £'000	2013/14 £'000
Deficit on provision of service (CI&ES)	2,545	3,222
Adjustments between accounting basis & funding basis under regulation (note 7)	(2,072)	(4,318)
Transfers to/(from) earmarked reserves (note 8)	(268)	967
(Increase)/Decrease in General Fund balance	205	(129)

Pension Fund Liability

The pension fund deficit has reduced from £41.0m to £32.7m, which compares to the increase of £7m in 2012/13. 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 44 presents detailed information about the Defined Benefit Pension Scheme.

The statutory provisions require that the deficit be made good by increased contributions over the remaining working life of employees. These contributions are reviewed every three years as part of the comprehensive actuarial review of the pension fund. The next review will become effective in 2014 and was flagged in the Medium Term Financial Strategy as being a factor that had the potential to affect significantly the budget forecasts in future years.

Looking Ahead – The Overall Financial Position of the Authority

The Council has managed, in a very difficult environment, to maintain a healthy financial position. The Medium Term Financial Strategy envisages no relaxing of the pressures and forecasts the following budget shortfalls over the next three years.

Year	Budget Gap/(Surplus) £'000	Cumulative £'000
2014/15	(40)	(40)
2015/16	1,002	962
2016/17	1,196	2,198

The main threats to these forecasts are perceived to be:

- Further reductions to the public sector budget and therefore core funding reductions in the Comprehensive Spending Review 2014.
- The introduction of shorter-term Central Government settlement announcements and new variable arrangements for calculating fundamental grants exacerbates the increasingly uncertain nature of the Council's core funding streams.
- The new Business Rates Retention regime passes the risk of fluctuations in income from Central Government to Local Government, and therefore changes in the tax base will have a direct and immediate impact on the Council's core funding. The new regime was implemented from 1 April 2013 but aspects of the system were changed by Central Government during 2013/14, and further changes may occur in 2014/15. Combined with the uncertainty about the level of successful appeals by businesses against their rates, these issues pose more risks for the Council's finances for 2014/15 onwards than originally anticipated.

In order to achieve the required budget efficiencies the Council will continue to manage its budget effectively and will:

- Increase productivity.
- Review expenditure on contracts.
- Review non-employee related base budget heads.
- Review all fees and charges to ensure full cost recovery is being achieved and all possible revenue streams are being structured in the most appropriate way.
- Seek to increase income yield from Market Walk and other opportunities for income generation.

Capital expenditure over the next three years is constrained by the resources available. Planned spend is £14.649m. This includes the proposed Chorley East Health Centre which the Council is working with health sector partners to fund, by additional prudential borrowing, at an estimated cost of £6.650m. The costs incurred by the Council are planned to be recovered from the partners.

Income Recovery

Note 19 analyses debtors by type, and note 47 further analyses the risk of default by debtors included within financial instrument.

The following table shows the in-year collection rates of local taxes. The reduction in rate of recovery of Council Tax in 2013/14 coincided with the implementation of the local Council Tax Support scheme to replace Council Tax Benefit. This required more residents to pay a share of Council Tax for the first time.

	2011/12	2012/13	2013/14
Council Tax	98.3%	98.2%	97.7%
NNDR	97.2%	97.1%	97.1%

Statement of Responsibilities

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

The Council's responsibilities

The Council shall:

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

The Chief Finance Officer's Responsibilities

The Chief Finance Officer is responsible for preparing the Authority's Statement of Accounts in accordance with proper practices as set out in the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 (the Code).

In preparing this Statement of Accounts, he has:

- Selected suitable accounting policies and applied them consistently.
- Made judgements and estimates that are reasonable and prudent.
- Complied with the local authority code.

He has also:

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

Certificate

I certify that the Statement of Accounts gives a true and fair view of the financial position of the Authority at 31 March 2014 and its Income and Expenditure for the year ended 31 March 2014.

Gary Hall BA CPFA
Chief Finance Officer
Date 23 September 2014

I confirm that these Statements of Account were approved by Governance Committee on 12 September 2014, subject to any minor amendments being made by the Chief Finance Officer in consultation with myself. I confirm only minor amendments were made subsequently.

Councillor Paul Leadbetter,
Chair, Governance Committee
Date 23 September 2014

Movement in Reserves Statement

This statement shows the movements in the year on the different reserves held by the Council, analysed between those that are “usable” (available to fund expenditure or reduce local taxation), and other reserves.

The line “deficit/(surplus) on provision of service” shows the true economic cost of providing the authority’s services, as detailed in the Comprehensive Income and Expenditure Statement. For the purposes of council tax setting however, a series of statutory adjustments are then made. These adjustments are shown in total below.

	General Fund £'000	Earmarked Reserves (note 8) £'000	Capital Receipts Reserve £'000	Capital Grants and Contributions £'000	Total Usable Reserves £'000	Unusable Reserves Note 25 £'000	Total Reserves £'000
Balance 31 March 2012	(2,265)	(4,577)	0	(2,692)	(9,534)	2,943	(6,591)
<u>Movement in 2012/13 Restated</u>							
Deficit on provision of service	2,545	0	0	0	2,545	0	2,545
Other Comprehensive Income & Expenditure	0	0	0	0	0	5,151	5,151
Total Comprehensive Income & expenditure	2,545	0	0	0	2,545	5,151	7,696
Adjustments between accounting basis & funding basis under regulation (note 7)	(2,072)	0	0	(312)	(2,384)	2,384	0
Net change before transfers to/from earmarked reserves	473	0	0	(312)	161	7,535	7,696
Transfers to/(from) earmarked reserves note 8	(268)	268	0	0	0	0	0
(Increase)/Decrease in year	205	268	0	(312)	161	7,535	7,696
Balance 31 March 2013	(2,060)	(4,309)	0	(3,004)	(9,373)	10,478	1,105
<u>Movement in 2013/14</u>							
Deficit on provision of service	3,222	0	0	0	3,222	0	3,222
Other Comprehensive Income & Expenditure	0	0	0	0	0	(10,465)	(10,465)
Total Comprehensive Income & expenditure	3,222	0	0	0	3,222	(10,465)	(7,243)
Adjustments between accounting basis & funding basis under regulation (note 7)	(4,318)	0	(325)	(1,431)	(6,074)	6,074	0
Net change before transfers to/from earmarked reserves	(1,096)	0	(325)	(1,431)	(2,852)	(4,391)	(7,243)
Transfers to/(from) earmarked reserves note 8	967	(967)	0	0	0	0	0
(Increase)/Decrease in year	(129)	(967)	(325)	(1,431)	(2,852)	(4,391)	(7,243)
Balance 31 March 2014	(2,189)	(5,276)	(325)	(4,435)	(12,225)	6,087	(6,138)

The 2012/13 figures have been restated. For details see note 51.

Comprehensive Income and Expenditure Statement

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

2012/13 Restated				2013/14		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
8,793	(7,443)	1,350	Central services to the public	1,273	(846)	427
6,756	(1,524)	5,232	Environment & regulatory services	6,727	(1,555)	5,172
3,635	(1,800)	1,835	Planning services	6,174	(2,433)	3,741
4,940	(432)	4,508	Cultural & related services	5,297	(372)	4,925
522	(940)	(418)	Highways and transport services	555	(941)	(386)
28,087	(27,516)	571	Other housing services	29,273	(28,072)	1,201
2,077	(56)	2,021	Corporate and democratic core	2,162	(38)	2,124
989	(693)	296	Non-distributed costs	1,129	(718)	411
55,799	(40,404)	15,395	Cost of Services	52,590	(34,975)	17,615
670	(124)	546	Other operating expenditure (note 9)	1,086	(325)	761
4,734	(3,386)	1,348	Financing and investment income and expenditure (note 10)	4,832	(3,225)	1,607
0	(14,744)	(14,744)	Taxation & non-specific grant income & expenditure (note 11)	8,148	(24,909)	(16,761)
61,203	(58,658)	2,545	(Surplus)/deficit on provision of services	66,656	(63,434)	3,222
		(511)	(Surplus)/deficit on revaluation of Property, Plant and Equipment assets			(338)
		5,662	Remeasurements of the net defined benefit liability			(10,127)
		5,151	Other Comprehensive (Income) and Expenditure			(10,465)
		7,696	Total Comprehensive (Income) and Expenditure			(7,243)

The 2012/13 figures have been restated. For details see note 51.

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority.

It shows the net assets of the authority which are matched by the reserves held.

Reserves are reported in two categories. Usable Reserves includes reserves available to provide services and other reserves which may only be used to fund capital expenditure or repay debt.

Unusable Reserves fall into two categories. The first consists of the Revaluation Reserve which holds unrealised gains and losses in asset values. The second category holds amounts resulting from the “adjustments between the accounting basis and the funding basis”, as shown in the Movement in Reserves Statement.

31 March 2013 £'000		Notes	31 March 2014 £'000
34,502	Property, Plant & Equipment	12	55,439
1,667	Heritage Assets	13	1,667
1,205	Investment Property	14	1,348
451	Intangible Assets	15	321
0	Long-Term Investments		0
348	Long-Term Debtors		351
38,173	Long-Term Assets		59,126
10,919	Short-Term Investments		2,008
0	Assets Held for Sale	21	0
13	Inventories	17	16
2,388	Short-Term Debtors	19	4,389
3,168	Cash and Cash Equivalents	20	1,854
16,488	Current Assets		8,267
(3,265)	Bank Overdraft		(337)
(396)	Short-Term Borrowing		(3,416)
(3,271)	Short-Term Creditors	22	(4,043)
(15)	Provisions	23	(531)
(6,947)	Current Liabilities		(8,327)
0	Long-Term Creditors		(492)
(6,923)	Long-Term Borrowing		(19,042)
(41,033)	Other Long-Term Liabilities - pensions	44	(32,676)
(14)	Other Long-Term Liabilities - other		(15)
(849)	Grant Receipts in Advance – Capital	38	(703)
0	Grant Receipts in Advance - Revenue		0
(48,819)	Long-Term Liabilities		(52,928)
(1,105)	Net Assets		6,138
9,373	Usable Reserves	MIRS	12,225
(10,478)	Unusable Reserves	25	(6,087)
(1,105)	Total Reserves		6,138

The unaudited accounts were issued on 30 June 2014, and the audited accounts were authorised for issue on 23 September 2014.

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.

2012/13 Restated £'000		2013/14 £'000
(2,545)	Net surplus or (deficit) on the provision of services (CI&ES)	(3,222)
4,001	Adjustments to net surplus or deficit on the provision of services for non cash movements	8,629
(927)	Adjustments for items included in the net surplus or deficit on the provision of service that are investing & financing activity	(2,554)
529	Net cash flows from Operating Activities	2,853
(2,803)	Investing Activities (Note 27)	(16,135)
1,573	Financing Activities (Note 28)	11,968
(701)	Net increase or (decrease) in cash and cash equivalents	(1,314)
3,869	Cash and cash equivalents at the beginning of the reporting period	3,168
3,168	Cash and cash equivalents at the end of the reporting period (note 20)	1,854

The 2012/13 figures have been restated. For details see note 51.

Notes to the Accounts

1 ACCOUNTING POLICIES

General Principles

The Statement of Accounts has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 (the Code). These notes explain the policies used to ensure the Council's financial position is fairly presented.

Accruals of Income and Expenditure

The Income and Costs of the Council are accounted for in the period to which they relate, regardless of when the cash is paid or received.

Cash and Cash Equivalents

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

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

Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with depreciation charges, revaluation and impairment losses in excess of accumulated revaluation gains, and amortisation charges in respect of intangible assets.

The Authority is not required to raise council tax to meet these charges. Instead it has to make an annual contribution from revenue towards the reduction in its overall borrowing requirement. This is achieved by means of an adjustment between the General Fund balance and the Capital Adjustment Account (in the Movement in Reserves Statement)

Contingent Assets and Liabilities

These are assets and liabilities arising from past events the existence of which will only be confirmed by future events not wholly within the Council's control. They are disclosed in notes to the accounts. See notes 45 & 46.

Exceptional Items

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

Employee Benefits

Benefits payable during employment

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

Termination benefits

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

Post-employment benefits

Employees are members of the Local Government Pension Scheme which provides defined benefits to members. Full details are given in Note 44. An explanation of the methodology is provided below:

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

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

Discretionary Benefits

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

Events After the Reporting Period

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

Financial Liabilities

Borrowings are initially measured at fair value and carried at their amortised cost. The annual charge to the Comprehensive Income & Expenditure Statement (CI&E) 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.

Government Grants and Other Contributions

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

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

If they have been applied to fund capital expenditure they are credited to the Capital Adjustment Account.

Heritage Assets

Heritage assets are assets held principally for their contribution to culture and knowledge. Note 49 gives details of the heritage assets held, and their treatment in this statement.

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.

Inventories

Inventories are included in the Balance Sheet at the lower of cost and net realisable value.

Investment Properties

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

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

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

Leasing

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

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

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

The Authority as lessee

Finance Leases

An asset held under a finance lease is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset is matched by a liability, being the obligation to the lessor. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are split between a finance charge, charged to the Comprehensive Income and Expenditure Statement, and the principal element, applied to write down the lease liability.

Assets held under a finance lease will be subject to depreciation and revaluation in the same way as any other asset.

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.

(See note 41).

Non-Current Assets Held for Sale

Accounting treatment is detailed in Property Plant & Equipment – Disposals and Non-Current Assets Held for Sale

Overheads

The Service Reporting Code of Practice (SERCOP) requires that all Central Support and Administrative costs, with the exception of those mentioned below, be allocated to services in proportion to the benefit received.

The exceptions are:

- The costs of Democratic Representation and Management
- A narrow range of costs defined as Corporate management
- Non Distributed costs. These consist of certain costs relating to retirement benefits (past service, curtailment and settlement costs), and costs associated with unused IT facilities and surplus assets.

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

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

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

Material errors also will require a prior period adjustment.

Property Plant and Equipment (PPE)

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

Measurement

PPE is accounted for in accordance with IAS 16. As adapted for the public sector this provides that:

- Infrastructure, Community Assets, Assets under Construction, and equipment, are held at depreciated historical cost.
- All other assets are measured at fair value. In respect of specialised assets, if there is an absence of market based evidence of value, fair value will be assessed using the depreciated replacement cost approach.

Valuations are provided by 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. Property assets are re-valued, at a minimum, every 5 years.

A gain on revaluation is credited to the Revaluation Reserve unless it reverses a previous loss 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

Depreciation

Non-current assets held for sale are not depreciated.

Other property is depreciated over its useful life on a straight line basis. Depreciation is based on the closing 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 £500k and
- The value of the component exceeds 20% of the asset value (excluding land)

Depreciation periods are as follows:

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

Revaluation gains are also depreciated by transfer of the difference between the current valuation 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. 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 to their Non Current Asset classification, and are re-valued at their original value adjusted for any depreciation, impairment or revaluation that would have applied.

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

Capital Charges and Council Tax

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

Provisions

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

Reserves

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

Revenue Expenditure Funded From Capital Under Statute

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

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

Value Added Tax

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

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

Changes in the following accounting standards, which relate mainly to accounting for consolidation, involvement in joint arrangements, and disclosure of involvement in other entities, have not been included in this statement:

- IFRS 13 Fair Value Measurement (May 2011)
- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- IAS 27 Separate Financial Statements (as amended in 2011)
- IAS 28 Investments in Associates and Joint Ventures (as amended in 2011)
- IAS 32 Financial Instruments: Presentation
- Annual Improvements to IFRSs 2009 – 2011 Cycle.

Had these standards been adopted for financial year 2013/14 there would have been no material changes to the Council's financial position. CIPFA has indicated that the 2014/15 Code of Practice will provide details of the disclosures required.

3 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

- There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that its assets might be impaired as a result of a need to close facilities or to reduce levels of service expenditure.

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

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

Item	Uncertainty	Effect if actual results differ
Pensions liability	The estimated liabilities depend on a number of complex judgements. These include future retirement ages, mortality rates, salary increases, returns on investments and discount rates. A firm of consulting actuaries is engaged to provide advice on these assumptions.	The accounts show the pension liability fell during 2013/14 to £33m. Sensitivity to the factors contributing to this estimate is shown in Note 44i.
Debtors	Note 19 shows non-public sector debtors of £5.5m. This includes housing benefit debts totalling £1.07m. Of this sum, a significant amount is expected to be recovered from on-going benefit, but changes in housing benefit administration may affect the ability to do this. The provision for impairment has therefore been increased to 70%.	Any increase in impairments will be a charge to the revenue account.
Asset valuations	Note 12 shows that fixed assets valued at £53m, including the Market Walk shopping centre, are carried at either fair value or depreciated replacement cost value. The valuations have been carried out by qualified valuers in accordance with RICS Guidance	The values are only estimates and thus could over or understate the actual values realisable if sale actually occurred. Market Walk shopping centre will be revalued annually at fair value.
Provisions	The Authority has made a provision of £0.5m for its share of the cost of backdated appeals against overcharging of business rates.	If the value of successful appeals exceeded the provision there would be a reduction in the local share of business rates available to fund the Authority's services.

5 MATERIAL ITEMS OF INCOME AND EXPENSE

All material items have been disclosed in the statement or in the notes to the accounts.

6 EVENTS AFTER THE REPORTING PERIOD

The Statement of Accounts was authorised for issue by the Chief Finance Officer on 23 September 2014. Subsequent events are not reflected in the financial statements or in the notes.

7 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

The surplus or deficit on the provision of service is subject to adjustment in order to calculate the amount to be met from taxation. This statement details those adjustments and agrees to the Movement in Reserves Statement.

	2013/14			
	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Unusable Reserves (Note 25) £'000
<u>Adjustments involving the Capital Adjustment Account</u>				
<u>Reversal of debits and credits to the Comprehensive Income and Expenditure Statement (CI&E)</u>				
Charges for depreciation of non-current assets	(1,506)			1,506
Charges for impairment of non-current assets	(1,239)			1,239
Revaluation losses on Property, Plant and Equipment	(1,091)			1,091
Movements in the market value of Investment Property	143			(143)
Amortisation of intangible assets	(130)			130
Revenue expenditure funded from capital under statute	(624)			624
Capital grants funding REFFCUS	457			(457)
Capital grants received & used to fund capital in year	53			(53)
Non-current assets charged to CI&E on disposal	(555)			555
<u>Insertion of items not posted to CI&E</u>				
Statutory & voluntary provision for the repayment of debt	270			(270)
Capital expenditure charged to the General Fund Balance	152			(152)
<u>Adjustments involving Capital Grants Unapplied</u>				
Capital grants and contributions unapplied credited to CI&E	1,719		(1,719)	
Grants applied to fund capital expenditure transferred to CAA			288	(288)
<u>Adjustments involving the Capital Receipts Reserve</u>				
Capital receipts from the disposal of non-current assets	162	(162)		
Preserved Right To Buy receipts	163	(163)		
Capital receipts used to finance new capital expenditure		0		(0)
Capital receipts credited to CI&E to meet the pooling liability	(1)	1		
Transfer from Deferred Capital Receipts		(1)		1
<u>Adjustments involving Financial Instruments Adj. A/c</u>				
Difference between finance costs in CI&E and those chargeable in accordance with statutory regulation				
<u>Adjustments involving the Pensions Reserve</u>				
Reversal of pension charges made in CI&E	(3,536)			3,536
Employer's contributions and payments made to pensioners	1,766			(1,766)
<u>Adjustments involving the Collection Fund Adj. A/c</u>				
Difference between credit to CI&E and precepted amount of council tax	9			(9)
Difference between credit to CI&E and local share of business rates	(508)			508
<u>Adjustments involving the Accumulated Absences A/c</u>				
Difference between remuneration charged to CI&E and that chargeable per statutory requirement	(22)			22
TOTAL ADJUSTMENTS	(4,318)	(325)	(1,431)	6,074

2012/13 Comparative figures	2012/13 Restated			
	General Fund Balance £'000	Capital Receipts Reserve £,000	Capital Grants Unapplied £'000	Unusable Reserves (Note 25) £'000
<u>Adjustments involving the Capital Adjustment Account (CAA)</u>				
<u>Reversal of debits and credits to CI&E</u>				
Charges for depreciation of non-current assets	(1,405)			1,405
Charges for impairment of non-current assets	(521)			521
Revaluation losses on Property, Plant and Equipment	0			0
Movements in the market value of Investment Property	53			(53)
Amortisation of intangible assets	(153)			153
Revenue expenditure funded from capital under statute	(295)			295
Capital grants funding REFFCUS	411			(411)
Capital grants received & used to fund capital in year	71			(71)
Non-current assets charged to CI&E on disposal	(102)			102
<u>Insertion of items not posted to the CI&E</u>				
Statutory & voluntary provision for the repayment of debt	591			(591)
Capital expenditure charged to the General Fund Balance	304			(304)
<u>Adjustments involving Capital Grants Unapplied</u>				
Capital grants and contributions unapplied credited to CI&E	240		(240)	
Grants applied to fund capital expenditure transferred to CAA			(72)	72
<u>Adjustments involving the Capital Receipts Reserve</u>				
Capital receipts from the disposal of non-current assets	19	(19)		
Preserved Right to Buy receipts	104	(104)		
Capital receipts used to finance new capital expenditure		123		(123)
Capital receipts credited to CI&E to meet the pooling liability	(1)	1		
Transfer from Deferred Capital Receipts	(6)	(1)		7
<u>Adjustments involving Financial Instruments Adj. A/c</u>				
Difference between finance costs in CI&E and those chargeable in accordance with statutory regulation				
<u>Adjustments involving the Pensions Reserve</u>				
Reversal of pension charges made in the CI&E	(2,988)			2,988
Employer's contributions and payments made to pensioners	1,577			(1,577)
<u>Adjustments involving the Collection Fund Adj. A/c</u>				
Difference between credit to CI&E and precepted amount of council tax				
	8			(8)
<u>Adjustments involving the Accumulated Absences A/c</u>				
Difference between remuneration charged to the CI&E and that chargeable per statutory requirement				
	21			(21)
TOTAL ADJUSTMENTS	(2,072)	0	(312)	2,384

8 TRANSFERS TO/FROM EARMARKED RESERVES

The movements in reserves during the year were as follows

	Balance			Balance		Transfers		Balance
	1 April 2012 £'000	Out £'000	(In) £'000	31 March 2013 £'000	Out £'000	(In) £'000	31 March 2014 £'000	
Rephasing of planned expenditure	(491)	489	(519)	(521)	281	(368)	(608)	
Rephasing New Investment Projects	0	0	0	0	0	(591)	(591)	
Grants reserved for specific expend.	(621)	5	0	(616)	39	0	(577)	
Financing of capital expenditure	(358)	139	(77)	(296)	36	(332)	(592)	
Planning purposes including appeals	(349)	124	0	(225)	177	0	(48)	
Restructuring of services	(77)	54	0	(23)	16	(261)	(268)	
Reduce Pension Fund Liability	(1,750)	0	0	(1,750)	0	0	(1,750)	
Non-recurring projects	(89)	89	(115)	(115)	115	0	0	
Town Centre investment	(232)	120	(310)	(422)	182	(11)	(251)	
Apprenticeships for young people	(110)	31	0	(79)	35	0	(44)	
Resource equalisation	0	0	0	0	0	(96)	(96)	
Maintenance of Council buildings	(60)	60	(126)	(126)	23	(100)	(203)	
Maintenance of Grounds	0	0	0	0	0	(62)	(62)	
Elections	0	0	0	0	0	(85)	(85)	
Other	(440)	318	(14)	(136)	3	32	(101)	
Total	(4,577)	1,429	(1,161)	(4,309)	907	(1,874)	(5,276)	

9 OTHER OPERATING EXPENDITURE

2012/13 £'000		2013/14 £'000
567	Parish council precepts	530
1	Payments to the Government's Capital Receipt Pool	1
102	(Gains)/losses on disposal of non-current assets	555
(104)	Capital receipts from the sale of previously transferred housing stock	(163)
(20)	Other capital receipts	(162)
546	Total	761

10 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2012/13 Restated £'000		2013/14 £'000
178	Interest payable and similar charges	323
1,627	Pensions interest cost net of expected return on pension assets	1,687
(404)	Interest receivable and similar income	(260)
(53)	Income and Expenditure in relation to investment properties and changes in their fair value	(143)
1,348	Total	1,607

11 TAXATION AND NON-SPECIFIC GRANT INCOME AND EXPENDITURE

2012/13 £'000		2013/14 £'000
(7,016)	Council Tax income	(6,426)
(5,928)	Non-Domestic Rates Income and Expenditure	(2,263)
(1,408)	Non ring-fenced Government Grants (Note 38)	(6,240)
(393)	Capital grants and contributions (Note 38)	(1,832)
(14,745)	Total	(16,761)

12 PROPERTY PLANT AND EQUIPMENT

	Other land & Buildings £'000	Vehicles & Plant etc. £'000	Infra- structure £'000	Community Assets £'000	Surplus Assets £'000	Total £'000
Cost or valuation						
At 1 April 2013	29,588	4,666	459	3,353	2,012	40,078
Additions	24,576	145	104	166		24,991
Revaluations recognised in Revaluation Reserve (RR)	95	16			(375)	(264)
Revaluations recognised in CI&E	(1,867)	(67)		(614)	(25)	(2,573)
De-recognition - disposals	(44)				(515)	(559)
De-recognition - other						
Assets reclassified						
Other movements						
At 31 March 2014	52,348	4,760	563	2,905	1,097	61,673
Depreciation and Impairment						
At 1 April 2013	(1,763)	(3,101)	(198)	(514)	0	(5,576)
Depreciation charge	(696)	(640)	(59)	(110)		(1,505)
Depreciation written out of RR	348	56				404
Depreciation written out of CI&E	72	67		104		243
Impairment losses recognised in RR	197					197
Impairment losses recognised in CI&E						
De-recognition - disposals	3					3
De-recognition - other						
Assets reclassified						
Other movements						
At 31 March 2014	(1,839)	(3,618)	(257)	(520)	0	(6,234)
Net Book Value						
At 31 March 2013	27,825	1,565	261	2,839	2,012	34,502
At 31 March 2014	50,509	1,142	306	2,385	1,097	55,439

Comparative Movements in 2012/13	Other land & Buildings £'000	Vehicles & Plant etc. £'000	Infra-Structure £'000	Community Assets £'000	Surplus Assets £'000	Total £'000
Cost or valuation						
At 1 April 2012	31,130	5,873	453	3,335	1,995	42,786
Additions	1,295	210	6		0	1,511
Revaluations recognised in Revaluation Reserve (RR)	307			18	86	411
Revaluations recognised in CI&E	(3,042)				(69)	(3,111)
De-recognition - disposals						
De-recognition - other	(102)	(1,417)				(1,519)
Assets reclassified						
Other movements						
At 31 March 2013	29,588	4,666	459	3,353	2,012	40,078
Depreciation and Impairment						
At 1 April 2012	(3,903)	(3,842)	(144)	(390)	0	(8,279)
Depreciation charge	(551)	(676)	(54)	(124)		(1,405)
Depreciation written out of RR	101					101
Depreciation written out of CI&E						
Impairment losses recognised in RR						
Impairment losses recognised in CI&E	2,590					2,590
De-recognition - disposals						
De-recognition - other		1,417				1,417
Assets reclassified						
Other movements						
At 31 March 2013	(1,763)	(3,101)	(198)	(514)	0	(5,576)

Fixed Assets Valuations

During 2013/14 the valuations were carried out by Liberata UK Limited. The basis of valuation is set out in the Statement of Accounting Policies.

	Other land & Buildings £'000	Vehicles & Plant etc. £'000	Infra-structure £'000	Community Assets £'000	Surplus Assets £'000	Total £'000
Carried at historical cost	523	4,661	563	2,656	0	8,403
Valued at fair value as at:						
31 March 2014	28,660	99	0	3	346	29,108
31 March 2013	12,688	0	0	26	675	13,389
31 March 2012	273	0	0	0	0	273
31 March 2011	6,713	0	0	1	0	6,714
31 March 2010	3,491	0	0	219	76	3,786
Total cost or valuation	52,348	4,760	563	2,905	1,097	61,673

Capital Commitments

The Authority does not have any significant capital projects in construction.

13 HERITAGE ASSETS

Cost or Valuation	2012/13 £'000	2013/14 £'000
As at 1 April	1,667	1,667
Revaluations	0	0
Depreciation	0	0
As at 31 March	1,667	1,667

Note 49 gives details of the types of assets and the basis of valuation.

14 INVESTMENT PROPERTIES

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or its right to receipt of income or the proceeds of disposal.

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

	2012/13 £'000	2013/14 £'000
Fair value at the start of the year	1,152	1,205
Net gain (loss) from revaluation	53	143
Additions	0	0
Value at year-end	1,205	1,348

15 INTANGIBLE ASSETS

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. The following periods have been used in amortising the Authority's significant intangible assets.

Asset Description	Amortisation Period
e-planning software	5 years
Website	3 years
Thin client implementation	7 years
Core financial management information system	5 years

Amortisation is on a straight line basis. In 2013/14 the amortisation charge of £0.130m was charged principally to Customer ICT and Transactional Services (£0.123m). The cost centres of this support service are absorbed as overheads across all services. It is not possible therefore to simply indicate the amount charged to each heading in the Comprehensive Income and Expenditure Statement.

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

	2012/13 £'000	2013/14 £'000
<u>Balance at the start of the year</u>		
Gross carrying amount	2,158	1,529
Accumulated amortisation	(1,576)	(1,078)
Net carrying amount at year start	582	451
<u>Movements in the year</u>		
Additions in year	22	0
Disposal in year	(651)	0
Amortisation in year	(153)	(130)
Amortisation in respect of disposals	651	0
Net carrying amount at the year-end	451	321

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

16 FINANCIAL INSTRUMENTS

16a Categories of Financial Instrument

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

	Long-term		Current	
	31 March 2013 £'000	31 March 2014 £'000	31 March 2013 £'000	31 March 2014 £'000
<u>Investments</u>				
Loans and receivables	0	0	10,919	2,008
<u>Debtors</u>				
Loans and receivables (note 19)	348	351	1,588	3,474
<u>Borrowings</u>				
Financial liabilities at amortised cost	(6,923)	(19,042)	(396)	(3,416)
<u>Other Long-Term Liabilities</u>				
Finance lease liabilities	0	0	0	0
Capital grant receipt in adv.	(849)	(703)	0	0
<u>Creditors</u>				
Financial liabilities carried at contract amount (note 22)	(493)	(492)	(1,931)	(2,277)

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

16b Income, Expense, Gains and Losses

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

	2012/13			2013/14		
	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	178	0	178	315	0	315
Impairment	0	(85)	(85)	0	(26)	(26)
	178	(85)	93	315	(26)	289
Interest income	0	(273)	(273)	0	(188)	(188)
Interest income accrued on impaired assets	0	(47)	(47)	0	(37)	(37)
Total income	0	(320)	(320)	0	(225)	(225)
Net (gain)/loss for the year			(227)			64

16c Fair Values of Assets and Liabilities

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

- any borrowings or investments are discounted at the rates applying to equivalent transactions at the Balance Sheet date.
- where an instrument will mature in the next twelve months, carrying amount is assumed to approximate to fair value
- the fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

	31 March 2013		31 March 2014	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Financial liabilities				
Borrowings	(7,319)	(7,693)	(20,459)	(21,722)
Deferred liabilities	(14)	(14)	(15)	(15)
Total	(7,333)	(7,707)	(20,474)	(21,737)

Interest rates on borrowing from the Public Works Loan Board vary between 1.55% and 4.34%.

	31 March 2013		31 March 2014	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Financial assets				
Loans and receivables	0	0	0	0
Long-term debtors	348	421	351	423
Total	348	421	351	423

17 INVENTORIES

	2012/13 £'000	2013/14 £'000
Balance at 1 April	26	13
Purchases	215	212
Issued in year	(228)	(209)
Written off in year	0	0
Balance at year-end	13	16

18 CONSTRUCTION CONTRACTS

The Council is not involved as a contractor in any construction contracts

19 SHORT TERM DEBTORS

	31 March 2013 £'000	31 March 2014 £'000
Central government bodies	121	77
Other local authorities	515	802
NHS bodies	4	0
Public corporations and trading funds	0	0
Other entities and individuals	2,412	5,518
	3,052	6,397
Less provision for bad debts	(664)	(2,008)
Net carrying amount at the year-end	2,388	4,389

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

20 CASH AND CASH EQUIVALENTS

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

	31 March 2013 £'000	31 March 2014 £'000
Cash held by the Authority	164	363
Bank current and call accounts	994	1,491
Short-term deposits	2,010	0
Total cash and cash equivalents	3,168	1,854

21 ASSETS HELD FOR SALE

No assets met the criteria necessary to be classified as held for sale, at either 31 March 2013 or 31 March 2014.

22 SHORT TERM CREDITORS

	31 March 2013 £'000	31 March 2014 £'000
Central government bodies	(605)	(23)
Other local authorities	(663)	(819)
NHS bodies	0	(1)
Public corporations and trading funds	0	0
Other entities and individuals	(2,003)	(3,200)
Net carrying amount at the year-end	(3,271)	(4,043)

23 PROVISIONS

The movements in provisions during the year were as follows

	Balance	Movements		Balance	Movements		Balance
	1 April 2012 £'000	Used £'000	Added £'000	31 March 2013 £'000	Used £'000	Added £'000	31 March 2014 £'000
Municipal Mutual Insurance	(15)	0	0	(15)	14	(20)	(21)
Business Rates Appeals	0	0	0	0	0	(500)	(500)
Town Centre Development	0	0	0	0	0	(10)	(10)
Total	(15)	0	0	(15)	14	(530)	(531)

24 USABLE RESERVES

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement (page 10).

25 UNUSABLE RESERVES

	31 March 2013 £'000	31 March 2014 £'000
Revaluation Reserve (Note 25a)	(5,591)	(5,839)
Capital Adjustment Account (Note 25b)	(24,681)	(20,990)
Financial Instruments Adjustment Account (Note 25c)	0	0
Deferred Capital Receipts Reserve (Note 25d)	(293)	(292)
Pensions Reserve (Note 25e)	41,032	32,676
Collection Fund Adjustment Account (Note 25f)	(93)	406
Accumulated Absences Account (Note 25g)	104	126
Total Unusable Reserves at year-end	10,478	6,087

25a Revaluation Reserve

The Revaluation Reserve holds the gains arising from increases in the valuation of Property, Plant and Equipment. The balance is reduced by any subsequent reductions in value, by impairment, by depreciation, and by disposal.

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

	2012/13 £'000	2013/14 £'000
Balance at 1 April	(5,131)	(5,591)
Upward revaluation of assets	(512)	(338)
Difference between fair value and historic cost depreciation	52	90
Downward revaluation and impairment not charged to the Comprehensive Income & Expenditure Statement	0	0
Balance at 31 March	(5,591)	(5,839)

25b Capital Adjustment Account

This account contains the following:

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

	2012/13 £'000	2013/14 £'000
Balance at 1 April	(25,625)	(24,681)
<u>Adjustments between accounting and regulatory funding bases (see note 7)</u>		
<i>Items relating to capital charges</i>		
Charges for depreciation of non-current assets	1,405	1,506
Charges for impairment of non-current assets	521	1,239
Revaluation losses on Property, Plant & Equipment	0	1,091
Amortisation of intangible assets	153	130
Revenue expenditure funded from capital under statute	295	624
Net cost assets disposed of	102	555
<i>Movements in the market value of Investment Properties</i>	(53)	(143)
<u>Capital financing applied in the year</u>		
Capital receipts used to finance new capital expenditure	(123)	0
Capital expenditure charged to the General Fund Balance	(304)	(152)
Statutory & voluntary provision for the repayment of debt	(591)	(270)
Grants used in the year to fund capital expenditure	(409)	(799)
<u>Adjustments with the Revaluation Reserve (see note 25a)</u>		
Accumulated gains on assets de-recognised	0	0
Difference between fair value and historic cost depreciation	(52)	(90)
Balance at 31 March	(24,681)	(20,990)

25c Financial Instruments Adjustment Account

This account contains postings arising from the difference between the requirements of accounting practice and statute in respect of certain financial instruments. At both year-ends there were no such differences

25d Deferred Capital Receipts Reserve

This account shows the sums recognised as due to the Council on the disposal of non-current assets but for which cash settlement has yet to take place.

	2012/13 £'000	2013/14 £'000
Balance at 1 April	(300)	(293)
Transfer to Capital Receipts Reserve on receipt of cash	1	1
Transfer to Comprehensive Income & Expenditure	6	0
Balance at 31 March	(293)	(292)

25e Pensions Reserve

This account contains postings arising from the difference between the requirements of accounting practice and statute in respect of pensions.

The costs of benefits are charged to the Comprehensive Income and Expenditure Statement when they are earned rather than when they are paid. Statutory arrangements however require that benefits be financed only when the Authority makes contributions to the pension fund. The debit balance on the Pension Reserve therefore shows that benefits earned by employees exceed the payments made by the authority to fund them.

Statutory arrangements require that adequate funding will ultimately be set aside.

	2012/13 Restated £'000	2013/14 £'000
Balance at 1 April	33,959	41,032
Remeasurement of the net defined benefit liability	5,662	(10,127)
Reversal of charges posted to the Comprehensive Income & Expenditure Statement	2,988	3,536
Employers contributions and direct payments to pensioners payable in the year	(1,577)	(1,765)
Balance at 31 March	41,032	32,676

25f 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.

	2012/13 £'000	2013/14 £'000
Balance at 1 April	(85)	(93)
Amount by which Council Tax and Business Rates income credited to the Comprehensive Income & Expenditure Statement differs from the amount required by statute	(8)	499
Balance at 31 March	(93)	406

25g 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.

	2012/13 £'000	2013/14 £'000
Balance at 1 April	125	104
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis differs from remuneration chargeable in the year in accordance with statutory requirements	(21)	22
Balance at 31 March	104	126

26 CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

	2012/13 £'000	2013/14 £'000
Interest received	238	467
Interest paid	(131)	(141)
Net	107	326

27 CASH FLOW STATEMENT – INVESTING ACTIVITIES

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

	2012/13 £'000	2013/14 £'000
Purchase of property, plant & equipment, investment property and intangible assets.	(2,019)	(24,996)
Purchase of short and long-term investments.	(10,000)	(7,000)
Proceeds from the sale of assets.	160	326
Proceeds from short and long-term investments.	8,374	15,894
Other payments for investing activities	0	(4)
Other receipts relating to investing activity (government grants).	682	(355)
Total investing activities	(2,803)	(16,135)

28 CASH FLOW STATEMENT – FINANCING ACTIVITIES

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

	2012/13 £'000	2013/14 £'000
Cash receipts from short and long-term borrowing	3,265	15,678
Cash paid to reduce lease liabilities	0	0
Repayments of borrowings	(552)	(3,612)
Change in indebtedness relating to NNDR (due from Government and preceptors) and Council Tax (due from preceptors)	(1,140)	(98)
Total financing activities	1,573	11,968

29 AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS (SEGMENTS)

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Expenditure Reporting Code of Practice. However decisions about resource allocation are taken by the Authority on the basis of budget reports analysed across directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- They exclude capital charges (depreciation, impairment and revaluation losses)
- Retirement benefits are included on the basis of cash flows rather than current service costs
- Expenditure on some support services is budgeted for centrally

The income and expenditure of the Authority's principal directorates recorded in the budget reports for the year is as follows:

Directorate Income and Expenditure 2012/13	Chief Executive £'000	Partnerships Planning & Policy £'000	People and Places £'000	Total £'000
Fees, charges & other service income	(1,888)	(1,805)	(2,915)	(6,608)
Government grants	(729)	(10)	0	(739)
Total Income	(2,617)	(1,815)	(2,915)	(7,347)
Employee expenses	4,984	2,239	3,447	10,670
Other service expenses	3,504	833	5,720	10,057
Total Expenditure	8,488	3,072	9,167	20,727
Net Expenditure	5,871	1,257	6,252	13,380
Directorate Income and Expenditure 2013/14	Chief Executive £'000	Partnerships Planning & Policy £'000	People and Places £'000	Total £'000
Fees, charges & other service income	(2,067)	(1,889)	(2,861)	(6,817)
Government grants	(723)	(8)	0	(731)
Total Income	(2,790)	(1,897)	(2,861)	(7,548)
Employee expenses	4,840	2,321	3,417	10,578
Other service expenses	3,435	1,141	5,925	10,501
Total Expenditure	8,275	3,462	9,342	21,079
Net Expenditure	5,485	1,565	6,481	13,531

Reconciliation of Directorate Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	2012/13 Restated £'000	2013/14 £'000
Net expenditure in the Directorate Analysis	13,380	13,531
Net expenditure of services and support services not included in the Analysis (Note a)	288	(154)
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis (Note b)	1,727	4,238
	15,395	17,615
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	0	0
Cost of Services in Comprehensive Income and Expenditure Statement	15,395	17,615

Notes

- (a) Though all cash income and expenditure budgets are monitored throughout the year, some budgets are excluded from the monitoring of directorate totals. In 2013/14, the expenditure and income reported separately included payments to the pension fund in respect of past service, and housing benefits.
- (b) Non-cash budgets are excluded from monitoring of income and expenditure. These include budgets that do not affect the cost to the council tax payer, in particular depreciation, amortisation and impairment of fixed and intangible assets, accrual of employee benefits, and technical pensions accounting entries.

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to a subjective analysis of the surplus or deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2013/14	Directorate Analysis	Services and Support Services not in Analysis	Amounts not reported to management for decision making	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges & other service income	(6,817)	(1,478)	(48)	(15,917)	(24,260)	(325)	(24,585)
Interest and Investment Income						(3,225)	(3,225)
Income from council tax						(6,426)	(6,426)
Local share of business rates					0	(10,411)	(10,411)
Government grants and contributions	(731)	(25,589)	(409)		(26,729)	(8,072)	(34,801)
Total Income	(7,548)	(27,067)	(457)	(15,917)	(50,989)	(28,459)	(79,448)
Employee expenses	10,578	231	105		10,914		10,914
Other service expenses	10,501	26,682	624		37,807		37,807
Support Service recharges				15,917	15,917		15,917
Depreciation, amortisation & impairment			3,966		3,966		3,966
Interest Payments					0	4,832	4,832
Precepts & Levies					0	530	530
Business rates tariff and levy					0	8,148	8,148
Payments to Housing Capital Receipts Pool					0	1	1
Gain or Loss on Disposal of Fixed Assets					0	555	555
Total Expenditure	21,079	26,913	4,695	15,917	68,604	14,066	82,670
Surplus or deficit on the provision of services	13,531	(154)	4,238	0	17,615	(14,393)	3,222

2012/13 Restated	Directorate Analysis	Services and Support Services not in Analysis	Amounts not reported to management for decision making	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges & other service income	(6,608)	(713)	(47)	(15,937)	(23,305)	(124)	(23,429)
Interest and Investment Income						(3,386)	(3,386)
Income from council tax						(7,015)	(7,015)
Government grants and contributions	(739)	(31,934)	(363)		(33,036)	(7,729)	(40,765)
Total Income	(7,347)	(32,647)	(410)	(15,937)	(56,341)	(18,254)	(74,595)
Employee expenses	10,670	232	(237)		10,665		10,665
Other service expenses	10,057	32,703	295		43,055		43,055
Support Service recharges				15,937	15,937		15,937
Depreciation, amortisation & impairment			2,079		2,079		2,079
Interest Payments					0	4,734	4,734
Precepts & Levies					0	567	567
Payments to Housing Capital Receipts Pool					0	1	1
Gain or Loss on Disposal of Fixed Assets					0	102	102
Total Expenditure	20,727	32,935	2,137	15,937	71,736	5,404	77,140
Surplus or deficit on the provision of services	13,380	288	1,727	0	15,395	(12,850)	2,545

30 ACQUIRED AND DISCONTINUED OPERATIONS

There were no operations acquired or discontinued during the year.

31 MARKET WALK

The authority owns the Market Walk shopping centre, generating rental income from letting premises. The objective is to maximise the income stream for the council at a time when funding from central government is being cut. Bringing it under control of the local authority also means that its long-term future is secure and the council can develop the town centre as a whole. Details of the surplus (excluding financing costs) made from operations in the four months to 31 March 2014 are as follows:

	2012/13 £'000	2013/14 £'000
Turnover	0	(574)
Expenditure	0	99
Surplus	0	(475)

The surplus, which is included within Net Expenditure of Planning Services in the Comprehensive Income and Expenditure Statement, excludes the costs of financing the acquisition. These are not being charged directly to the shopping centre account but are included within Financing and Investment Income and Expenditure (note 10). From 2014/15 there will be statutory provision for repayment of debt relating to the purchase, which will be included in the total disclosed in note 7 and the Movement in Reserves Statement.

32 AGENCY SERVICES

The Council acts as agent for central government, County Council and Fire Authority in the collection of National Non-Domestic Rates; and as agent for major preceptors in the collection of Council Tax. Further details are given in the notes to the Collection Fund.

33 ROAD CHARGING SCHEMES UNDER THE TRANSPORT ACT 2000

Not applicable.

34 POOLED BUDGETS

The Council has no material pooled budget arrangements.

35 MEMBERS ALLOWANCES

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

	2012/13 £'000	2013/14 £'000
Allowances	289	291
Expenses	4	4
Total	293	295

36 OFFICERS REMUNERATION

Remuneration of Senior Employees was as follows:

SENIOR EMPLOYEES Post Title	Year	Salary £'000	Expense Allowances £'000	Benefits In kind £'000	Compensation for loss of office £'000	Total Remuneration (excl. Pension Contributions) £'000	Pension Contribution £'000	Total Remuneration (including Pension Contributions) £'000
Chief Executive	2013/14	108		1		109	22	131
	2012/13	103		6		109	21	130
Director of Partnerships, Planning and Policy	2013/14	97		0		97	20	117
	2012/13	90		8		98	17	115
Director of People and Places (note 1)	2013/14	81		0		81	17	98
	2012/13	114		4		118	17	135
Head of Shared Financial Services	2013/14	58		6		64	12	76
	2012/13	57		4		61	11	72
Head of Governance	2013/14	48		3		51	10	61
	2012/13	49		3		52	10	62
Head of Customer, ICT and Transactional Services	2013/14	50		5		55	10	65
	2012/13	50		4		54	10	64
Head of Human Resources & OD	2013/14	Salary below reporting threshold						
	2012/13	Salary below reporting threshold						
Head of Policy and Communications	2013/14	47		4		51	9	60
	2012/13	47		5		52	9	61

Note (1) The Director of People and Places' salary in 2012/13 included a one-off payment of £24k relating to revised conditions of employment.

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

Remuneration band	2012/13 Number of employees	2013/14 Number of employees
£50,000 - £54,999	4	3
£55,000 - £59,999	3	1
£60,000 - £64,999	-	-
£65,000 - £69,999	-	-
£70,000 - £74,999	-	-
£75,000 - £79,999	-	-
£80,000 - £84,999	-	-
£85,000 - £89,999	-	-
£90,000 - £94,999	-	-
£95,000 - £99,999	-	-
£100,000 - £104,999	-	-
£105,000 - £109,999	-	-
£110,000 - £114,999	-	-
£115,000 - £119,999	-	-
£120,000 - £124,999	-	-
£125,000 - £129,999	-	-
£130,000 - £134,999	-	-
£135,000 - £139,999	-	-

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

Packages banded by cost	Number of compulsory redundancies		Number of other agreed departures		Total number of exit packages		Total cost of exit packages £'000	
	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14
£0 -£20,000	0	1	13	10	13	11	62	106
£20,001 - £40,000	0	0	4	0	4	0	114	0
£40,001 - £60,000	0	0	0	1	0	1	0	48
£60,001 - £80,000	0	0	0	2	0	2	0	125
£80,001 - £100,000	0	0	0	0	0	0	0	0
£100,000 - £150,000	0	0	0	0	0	0	0	0
Total	0	1	17	13	17	14	176	279

37 EXTERNAL AUDIT COSTS

The Authority has incurred the following costs relating to external audit.

	2012/13 £'000	2013/14 £'000
Fees for statutory inspection and audit	67	60
Fees for the certification of grant claims and returns	22	12
Total	89	72

38 GRANT INCOME

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

	2012/13 £'000	2013/14 £'000
<u>Credited to Taxation and Non-Specific Grant Income & Expenditure</u>		
National Non-Domestic Rates (NNDR) from Central Pool	(5,928)	0
Revenue Support Grant (RSG)	(115)	(3,903)
New Homes Bonus grant	(1,044)	(1,805)
Other revenue grants	(249)	(532)
Capital Contributions - Section 106 Planning	(322)	(1,779)
Capital Other grants and contributions	(71)	(53)
Total	(7,729)	(8,072)
<u>Credited to Services</u>		
Grants – benefits related	(32,687)	(26,305)
Grants – other	(373)	(424)
Contribution – County Council reimbursement	(1,222)	(1,053)
Contributions – other	(479)	(618)
Total	(34,761)	(28,400)

Figures for NNDR and RSG are not directly comparable between 2012/13 and 2013/14 because of the implementation of Business Rates Retention and local Council Tax Support in 2013/14. In 2012/13 the Council received an allocation of NNDR from the Government's Central Pool; whereas in 2013/14 it received a local share directly from the Collection Fund. In 2013/14 Council Tax Benefit was replaced by discounts under the local Council Tax Support scheme; and the Subsidy previously received to finance the benefit expenditure was replaced by cash-limited funding within the RSG and local share allocations.

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 are as follows:

	2012/13 £'000	2013/14 £'000
Capital Grants		
Grant – Regional Housing Pot	(716)	(664)
Grant – Lancashire County Council	(3)	(10)
Grant – Disabled Facilities Grants	(87)	0
Other grants and contributions	(43)	(29)
Total	(849)	(703)

39 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 38.

- **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 35 refers to the allowances paid to members. The amounts paid to individual members are reported on the Council's web site.

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

- **Officers**

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

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

In 2006/07 the Council's housing stock was transferred to CCH. The Council receives a proportion of the receipts from the preserved right to buy sales of dwellings to former Chorley council tenants (see note 46 Contingent Assets). In 2013/14 this totalled £0.163m (2012/13 £0.104m).

- **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 2013/14 gross expenditure of £1.862m (2012/13 £1.927m) was incurred on the shared services, which was fully funded by recharges to the two Councils.

40 CAPITAL EXPENDITURE AND FINANCING

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

The statement incorporates details of the movements in the Capital Financing Requirement. This is a measure of the capital expenditure historically incurred by the Authority that has yet to be financed. This will be discharged by future charges to the revenue account.

	2012/13 £'000	2013/14 £'000
Opening Capital Financing Requirement	8,072	8,472
Capital investment		
Property, Plant and Equipment (Note 12)	1,511	24,991
Investment Properties (Note 14)	0	0
Intangible Assets (Note 15)	22	0
Revenue Expenditure Funded from Capital under Statute (Note 7)	295	624
Sources of finance		
Capital Receipts (Note 25b)	(124)	0
Government Grants and Other Contributions (Note 25b)	(409)	(799)
Sums set aside from revenue		
Revenue Financing (Note 25b)	(304)	(152)
Minimum Revenue provision – statutory (Note 25b)	(283)	(270)
Minimum Revenue provision – voluntary (Note 25b)	(308)	0
Sums set aside from capital receipts		
Voluntary provision for debt repayment	0	0
Closing Capital Financing Requirement	8,472	32,866
Explanation of movements in year		
Increase in prudential borrowing	991	24,664
Provision made for debt repayment	(591)	(270)
Increase/(Decrease) in Capital Financing Requirement	400	24,394

41 LEASES

41a 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 2013		31 March 2014	
	Payments £'000	Receipts £'000	Payments £'000	Receipts £'000
Not later than 1 year	789	(43)	712	(43)
Later than 1 yr, not later than 5	1,756	(170)	1,494	(170)
Later than 5 years	703	(425)	403	(383)
Minimum lease payments	3,248	(638)	2,609	(596)

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

	2012/13 £'000	2013/14 £'000
Minimum lease payments	789	752
Contingent rents	0	0
Sub-lease payments receivable	(43)	(43)
Total payable rentals	746	709

41b Authority as lessor

Finance leases

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

In the following table the gross investment in the leases is reconciled to the present value of the minimum lease payments:

	31 March 2013 £'000	31 March 2014 £'000
Finance lease debtor (present value of minimum lease payments)	289	289
Unearned finance income	2,282	2,259
Gross investment in the lease	2,571	2,548

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 2013 £'000	31 March 2014 £'000	31 March 2013 £'000	31 March 2014 £'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	2,452	2,429	2,452	2,429
Total	2,571	2,548	2,571	2,548

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

Operating leases

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

	31 March 2013 £'000	31 March 2014 £'000
Not later than one year	368	2,095
Later than one year and not later than five years	1,183	6,476
Later than five years	11,685	14,382
Total receivable rentals	13,236	22,953

No contingent rents were received by the authority.

42 IMPAIRMENT LOSSES

The impairment losses recognised during the years are as follows. All losses were within the "Other Land & Building" class of asset. These losses appear also in the analysis of movements in Property plant and equipment (Note 12).

	2012/13 £'000	2013/14 £'000
Impairment loss recognised in cost of services	0	0
Impairment losses reversed in cost of services	936	0
Impairment losses taken to the Revaluation Reserve	0	(197)
Total impairment losses	936	(197)

Material individual impairments	Amount	Directorate	Valuation	Basis
Reversal of previous impairments due to revaluation :				
- Clayton Green Sports Centre	£0.197m	Street Scene	Depreciated replacement cost	Cost to repair

43 TERMINATION BENEFITS

The Authority terminated the contracts of a number of employees in 2013/14 incurring liabilities of £0.279m (£0.176m in 2012/13). See note 36 for the number of exit packages and total cost. Termination payments made to Directors, Heads of Service and other senior managers in 2013/14 and 2012/13 are shown in note 36 as 'compensation for loss of office'.

44 DEFINED BENEFIT PENSION SCHEME

44a 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.

44b Funding the liabilities

Regulations require actuarial fund valuations to be carried out every 3 years. Contributions for each employer are set having regard to their individual circumstances. Contributions must be set with a view to targeting the Funds solvency (the detailed provisions are set out in the Fund's Funding Strategy Statement). The latest valuation, carried out as at 31 March 2013, showed a shortfall for all employers of £1.38bn or 22%. Employers are paying additional contributions over 19 years to meet the shortfall.

44c 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 paragraph 44i.

44d 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:

	Restated 2012/13 £'000	2013/14 £'000
<u>Comprehensive Income & Expenditure Statement</u>		
Cost of Services		
Administration	27	27
current service cost	1,279	1,654
Past service cost	55	0
Settlement and curtailment	0	168
Financing and investment Income and Expenditure		
Interest costs	4,556	4,509
Expected return on scheme assets	(2,929)	(2,822)
Total post-employment benefit charged to the (Surplus)/Deficit on the Provision of Service	2,988	3,536
<u>Other post-employment benefit charged to the Comprehensive Income & Expenditure Statement</u>		
Re-measurement of the net defined benefit liability		
Return on plan assets, excluding amount included in interest expense	(6,165)	(1,096)
Actuarial gains & losses from changes in demographic assumptions	1,004	446
Actuarial gains & losses from changes in financial assumptions	10,823	(9,477)
Total post-employment benefit charged to the Comprehensive Income & Expenditure Statement	8,650	(6,591)
<u>Movement in Reserves Statement</u>		
Reversal of net charges made to the (Surplus)/Deficit on the Provision of Services	2,988	(3,536)
Actual employer contributions to the scheme	1,577	1,766

Note.

The 2012/13 figures in this table have been restated following changes in the accounting standard relating to pensions (IAS19). Details are given in note 51.

44e Pension assets and liabilities recognised in the balance sheet

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

	Scheme Liabilities	
	Local Government Pension Scheme	
	2012/13 £'000	2013/14 £'000
Present value of the defined benefit obligation	(108,813)	(100,591)
Fair value of plan assets	67,776	67,899
Sub-total	(41,037)	(32,692)
Other movements in the (liability) asset	0	0
Net liability arising from defined benefit obligation	(41,037)	(32,692)

44f Reconciliation of fair value of the scheme (plan) assets

	Scheme Assets	
	Local Government Pension Scheme	
	2012/13 £'000	2013/14 £'000
1 April	60,825	67,776
Interest income	2,929	2,822
Re-measurement gain/(loss)		
Return on plan assets, excluding amount included in interest expense	6,165	(1,514)
Employer contributions	1,626	1,754
Employee contributions	449	454
Benefits paid	(4,191)	(3,366)
Other	(27)	(27)
31 March	67,776	67,899

44g Reconciliation of present value of the scheme liabilities (defined benefit obligation)

	Scheme Liabilities	
	Local Government Pension Scheme	
	2012/13 £'000	2013/14 £'000
1 April	(94,838)	(108,813)
Current service cost	(1,279)	(1,654)
Interest cost	(4,556)	(4,509)
Contributions by scheme participants	(449)	(454)
Re-measurement gains and (losses)		
changes in demographic assumptions	(1,004)	(446)
Changes in financial assumptions	(10,823)	9,477
Other	0	2,610
Benefits paid	4,191	3,366
Curtailement	0	(168)
Past service costs	(55)	0
31 March	(108,813)	(100,591)

44h Local Government Pension Scheme assets comprised

	Fair value of scheme assets	
	2012/13 £'000	2013/14 £'000
Cash and cash equivalents	2,367	1,179
Equity investments (by industry type)		
Consumer	8,266	8,733
Energy	725	1,381
Financial institutions	3,350	5,006
Health and care	2,651	3,061
Information technology	3,670	4,505
Industrials	3,136	4,136
Other	2,068	2,823
Sub total equity	23,866	29,645
Bonds		
UK corporate	3,071	2,659
Overseas corporate	4,416	3,594
Government	6,273	2,081
Sub total bonds	13,760	8,334
Property		
Retail	2,635	2,553
Commercial	3,300	2,999
Sub total property	5,935	5,552
Private equity		
UK	3,911	1,726
Overseas	7,157	7,791
Sub total private equity	11,068	9,517
Other		
Infrastructure	2,107	3,694
Property	103	341
Credit funds	5,621	9,637
Emerging markets ETF	2,949	0
Sub total alternatives	10,780	13,672
	67,776	67,899

44i Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The liabilities have been assessed by Mercers, an independent firm of actuaries. Estimates for the County Council Fund are based on the latest full valuation of the scheme as at 31 March 2013.

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

	Local Government Pension Scheme	
	2012/13	2013/14
Long-term expected rate of return on assets in the scheme		
Equity investments	7.0%	7.0%
Government bonds	2.8%	3.4%
Other bonds	3.9%	4.3%
Property	5.7%	6.2%
Cash/liquidity	0.5%	0.5%
Other	7.0%	0.0%
Mortality assumptions		
Longevity at 65 for current pensioners		
Men	22.1 yrs.	22.8 yrs.
Women	24.8 yrs.	25.3 yrs.
Longevity at 65 for future pensioners		
Men	23.9 yrs.	25.0 yrs.
Women	26.7 yrs.	27.7 yrs.
Rate of inflation (CPI)	2.4%	2.4%
Rate of increase in salaries	4.4%	3.9%
Rate of increase in pensions	2.4%	2.4%
Rate for discounting scheme liabilities	4.2%	4.5%
Take up option to convert pension into lump sum	50%	0.0%

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

	Impact on the defined benefit obligation in the scheme £'000
Longevity (increase 1 year)	1,998
Rate of inflation (increase of 0.1% p.a.)	1,853
Salary inflation (increase of 0.1% p.a.)	366
Rate for discounting scheme liabilities (increase of 0.1%)	(1,820)

45 CONTINGENT LIABILITIES

A group of Property Search Companies are seeking to claim refunds of fees paid to the Council to access land charges data. Proceedings have not yet been issued. The Council has been informed that the value of those claims at present is £0.122m plus interest and costs. The claimants have also intimated that they may bring a claim against all English and Welsh local authorities for alleged anti-competitive behaviour. It is not clear what the value of any such claims would be against the Council. It is possible that additional claimants may come forward to submit refund claims, but none have been intimated at present.

The Council gave warranties to Chorley Community Housing Limited against certain environmental risks. The Council's liability is restricted to a maximum loss of £18m arising over a period of 18 years. It has paid a single premium to insure against claims of up to £15m for a period of 10 years, and is covering the remaining 8 years by payment of an additional annual premium. At 31 March 2014 there are 11 years of the liability period outstanding.

The Collection Fund includes a £1.25m provision for appeals by businesses against overcharging of National Non-Domestic Rates up to 2013/14. The Council's £0.500m share of the provision is disclosed in Note 23. The provision was based on the appeals lodged with the Valuation Office Agency (VOA) at 31 March 2014, being an estimate of the percentage of appeals likely to be successful and the value of refunds. However, it is not possible to quantify appeals that had not been lodged with VOA at year-end, therefore there is a risk that the value of successful appeals could exceed the current provision.

46 CONTINGENT ASSETS

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

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

47 NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Key risks

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

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

Overall procedures for managing risk

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

Prudential indicators specifying

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

An Investment Strategy specifying

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

Credit risk

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

Bank Loans

The Council's Investment Strategy restricts investments to a narrow range of counterparties. At 31 March 2014 it had a single short-term deposit totalling £2.08m. There was no evidence to suggest a risk of impairment. The deposits declared in previous years as impaired were finally repaid during 2013/14.

Sundry Debtors

The sundry debtors (note 16a) are analysed by age and risk in the following table.

	Gross £'000	Default risk £'000	Net £'000
Not yet past due date	2,985	693	2,292
Up to three months past due date	802	13	789
Three to six months past due date	25	2	23
Six months to one year past due date	376	15	361
Beyond one year	815	806	9
Total	5,003	1,529	3,474

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

Liquidity risk

The authority has ready access to borrowing from the Public Works Loan Board and the money markets. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. The Council manages its liquidity position through the risk management procedures outlined above as well as through cash flow management procedures required by the Council. Interest rates on its borrowings vary between 1.55% and 4.34%, and the maturity analysis of its borrowing is as follows:

	31 March 2013 £'000	31 March 2014 £'000
Less than 1 year	350	1,457
Between 1 and 2 years	350	6,263
Between 2 and 5 years	6,049	3,587
More than 5 years	523	9,151
Total	7,272	20,458

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 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	(128)
Gain - Impact on Comprehensive Income and Expenditure Statement	(128)
Loss - Decrease in fair value of fixed rate investments (no impact on Comprehensive Income & Expenditure Statement)	0
Gain - Decrease in fair value of fixed rate borrowing (no impact on Comprehensive Income & Expenditure Statement)	(45)

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.

48 HERITAGE ASSETS – FIVE YEAR SUMMARY OF TRANSACTIONS

There were no disposals or acquisitions during the five years 2009/10 to 2013/14.

49 HERITAGE ASSETS – FURTHER INFORMATION

The assets included within Heritage assets are as follows:

Civic Regalia

This mainly consists of mayoral badges, chains of office, and other regalia used in civic activities. It was last re-valued in 2009.

Astley Hall

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

Astley Hall furniture and art collection

A large part of the collection was gifted to the Council with the house, but it has been added to by gifts and purchases in the following years. The collection consists of numerous minor works of art and furniture. It is included in the statement of accounts at the 2010/11 insurance value of £1.582m.

Preservation and management

The Council has a five year plan for the use and maintenance of the hall and contents. Periodic structural surveys are undertaken, the last in 2012. Additions and disposal of the collection is managed in accordance with The Acquisitions and Disposal Policy

50 TRUST FUNDS

The Authority acts as sole trustee for a small number of funds. In some cases the asset (cash) is held on the Council's balance sheet and shown as a sundry creditor. In other cases the fund has investments not recorded in the Council's accounts. The Avondale Library Trust is also a registered charity (Proceeds of Sale of the Former Free Library).

2013/14	Income £'000	Expenditure £'000	On Balance Sheet		Off Balance Sheet	
			Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
McKnight Memorial Fund	0	0	5	5	0	0
William Cocker Charity	0	0	0	0	3	3
W B Parkes Charity	0	0	2	2	0	0
Avondale Library Trust	3	0	32	32	93	93
H T Parkes Baths Fund	(1)	0	0	0	2	2
Total	2	0	39	39	98	98

2012/13	Income £'000	Expenditure £'000	On Balance Sheet		Off Balance Sheet	
			Assets £'000	Liabilities £'000	Assets £'000	Liabilities £'000
McKnight Memorial Fund	0	0	5	5	0	0
William Cocker Charity	0	0	0	0	3	3
W B Parkes Charity	0	0	2	2	0	0
Avondale Library Trust	11	0	29	29	90	90
H T Parkes Baths Fund	1	0	0	0	3	3
Total	12	0	36	36	96	96

51 RESTATEMENT OF PRIOR PERIODS

IAS 19 Pensions - Change to Accounting Standard

Revisions have been made to IAS 19 for accounting periods beginning on or after 1 January 2013. This necessitates a restatement of prior year's figures in line with general accounting principles.

Actuarial gains and losses, the effect of the asset ceiling and the actual return on plan assets (remeasurements) are recognised in the balance sheet immediately, with a charge or credit to Other Comprehensive Income and Expenditure in the periods in which they occur.

Interest expense or income is now calculated by applying the discount rate to the net defined benefit liability (asset). This replaces the interest cost on the defined benefit obligation and the expected return on assets. For 2012/13 this increased the charge to the Comprehensive Income and Expenditure Statement by £0.496m.

A liability for a termination benefit will be recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit or when the entity recognises any related restructuring costs.

Effect on the 2012/13 Comprehensive Income & Expenditure Statement	2012/13 As reported £'000	2012/13 Pension Restatement £'000	2012/13 Restated £'000
Cost of Services	15,338	57	15,395
Financing & Investment Income & Expenditure	909	439	1,348
(Surplus)/deficit on provision of services	16,247	496	16,743
Remeasurements of the net defined benefit liability	6,158	(496)	5,662
Other Comprehensive Income & Expenditure	5,647	(496)	5,151
Total Comprehensive Income & Expenditure	7,696	0	7,696

Effect on the 2012/13 Movement in Reserves Statement	2012/13 As reported £'000	2012/13 Pension Restatement £'000	2012/13 Restated £'000
Balance at 31 st March 2012	(6,591)		(6,591)
Deficit on the Provision of Service	2,049	496	2,545
Other Comprehensive Income & Expenditure	5,647	(496)	5,151
Adjustment between accounting basis and Funding under Regulations – usable reserves	(1,888)	(496)	(2,384)
Unusable reserves	1,888	496	2,384
Total Comprehensive Income & Expenditure	1,105	0	1,105

Effect on the 2012/13 Cash Flow Statement	2012/13 As reported £'000	2012/13 Pension Restatement £'000	2012/13 Restated £'000
Net surplus or (deficit) on the provision of services	(2,049)	(496)	(2,545)
Adjustments to net surplus or deficit on the provision of services for non cash movements	3,505	496	4,001
Adjustments for items included in the net surplus or deficit on the provision of service that are investing & financing activity	(927)		(927)
Net cash flows from Operating Activities	529		529
Investing Activities (Note 27)	(2,803)		(2,803)
Financing Activities (Note 28)	1,573		1,573
Net increase or (decrease) in cash and cash equivalents	(701)		(701)
Cash and cash equivalents at the beginning of the reporting period	3,869		3,869
Cash and cash equivalents at the end of the reporting period (note 20)	3,168		3,168

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).

2012/13		Collection Fund	2013/14	
Business Rates £'000	Council Tax £'000		Business Rates £'000	Council Tax £'000
		INCOME		
	55,480	Council Tax Receivable		50,161
26,603		Business Rates Receivable	26,496	
26,603	55,480		26,496	50,161
		EXPENDITURE		
		Apportionment of Previous Year Surplus/(Deficit)		
		Central Government		
	37	Chorley Council (Note 11)		77
	210	Lancashire County Council		441
	12	Lancashire Combined Fire Authority		25
	28	Police & Crime Commissioner for Lancashire		60
0	287		0	603
		Precepts, Demands and Shares		
26,476		Central Government	13,014	
	6,969	Chorley Council (Note 11)	10,411	6,340
	39,914	Lancashire County Council	2,342	35,571
	2,292	Lancashire Combined Fire Authority	260	2,085
	5,400	Police & Crime Commissioner for Lancashire		5,008
26,476	54,575		26,027	49,004
		Charges to Collection Fund		
	59	Write offs of uncollectable amounts		94
	503	Increase/(Decrease) in Bad Debt Provision	355	388
		Increase/(Decrease) in Provision for Appeals	1,250	
127		Cost of Collection	134	
127	562		1,739	482
0	56	Surplus/(Deficit) arising during the year	(1,270)	72
0	(8)	Transfer (to)/from Collection Fund Adjustment Account (Notes 11 and 25f)	508	(9)
0	(48)	Net Transfer to Central Government & Major Preceptors	762	(63)
0	0	Surplus/(Deficit) at 31 March	0	0

ACCOUNTING FOR COUNCIL TAX

The amount of Council Tax to be credited to the Comprehensive Income and Expenditure Statement for both billing authorities and major preceptors is their share of the accrued income. However, statute requires that the amount to be credited to the General Fund should be the authority's precept or demand for the year plus its share of the previous year's Collection Fund surplus or deficit. The difference between this regulatory charge and the accrued income is taken to the Collection Fund Adjustment Account, as revealed in the Movement in Reserves Statement. See also Note 7.

Since the collection of Council tax is an agency arrangement, debtor and creditor balances belong proportionately to the billing authority and the major preceptors. This results in a debtor/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 2013/14 was calculated as follows:

Band	Dwellings	Dwellings adj. for discounts & exemptions	Proportion of Band D Charge	Band D Equivalent
A (disabled)	0	12	5:9	6.40
A	14,469	11,962	6:9	7,974.80
B	10,552	9,268	7:9	7,208.80
C	8,928	8,056	8:9	7,161.10
D	6,195	5,712	9:9	5,711.50
E	4,345	4,076	11:9	4,981.50
F	1,808	1,704	13:9	2,461.70
G	800	759	15:9	1,265.40
H	63	42	18:9	84.00
Total	47,160	41,591		36,855.20
Less adjustments for anticipated changes to the base and losses on collection				(412.74)
Add adjustment for new properties/technical changes to discounts				659.20
Less local Council Tax Support Scheme discounts				(4,351.00)
Band D Equivalent Number of Properties				32,750.66

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 £1,480.11 for 2013/14 and £1,499.65 for 2012/13). The other valuation bands are proportionate to this.

ACCOUNTING FOR BUSINESS RATES (NNDR)

From 2009/10 to 2012/13, accounting arrangements for NNDR reflected the fact that it was in substance an agency arrangement, the Council being the agent of the Government in the collection of the charge. Consequently:

1. NNDR income did not belong to the billing authority and was not included in its CI&ES.
2. NNDR debtor and creditor balances with taxpayers were not recognised in the authority's

balance sheet.

3. Cash collected belonged to the Government, and any amounts over or under paid were recognised in the balance sheet as a Government debtor or creditor.

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.

NNDR DETAILS OF CHARGE

Business Rates are organised on a national basis. In 2005/06 the Government introduced a Small Business Rate Relief Scheme. This results in there being two multipliers – one for small businesses at 46.2p in 2013/14 and one for larger businesses at 47.1p.

The Business Rates income, after reliefs and provisions, was £24.9m for 2013/14 (£26.6million for 2012/13).

The rateable value for the Council's area at the end of the financial year 2013/14 was £68.75m (£68.25m in 2012/13).