

# Statement of Accounts 2014/2015





## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CHORLEY COUNCIL**

We have audited the financial statements of Chorley Council for the year ended 31 March 2015 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, the 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 2014/15.

This report is made solely to the members of Chorley Council, as a body, in accordance with Part II of the Audit Commission Act 1998 and as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. 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 2014/15, 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 also 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 2015 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 2014/15 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 are required to 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; or
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998; or
- we designate under section 11 of the Audit Commission Act 1998 a 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 in October 2014.

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 review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2014, 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 2015.

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 2014, 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 2015.

### **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  
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

4 Hardman Square,  
Spinningfields,  
Manchester  
M3 3EB

29 September 2015

## 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 24 June 2015.

This Statement of Accounts has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 (The Code), which is based on International Financial Reporting Standards, and the Service Reporting Code of Practice for Local Authorities 2014/15 (SeRCOP).

### ACCOUNTING CHANGES

There have been no accounting changes implemented in this Statement of Accounts for 2014/15.

### CORE FINANCIAL STATEMENTS

The core financial statements consist of the following:-

Page 14     **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 15     **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 16     **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 17 **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 18 **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 19 **Notes to the Main Financial Statements** – these add to, and interpret, the individual statements.

Page 64 **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 2014/15**

### **Reporting Cycle**

The Council's 2014/15 revenue budget, capital programme, Medium Term Financial Strategy (MTFS), and Treasury Strategy were approved by the Council on 25 February 2014. Thereafter, monitoring and reports were submitted at quarterly intervals to the Executive Cabinet. The reports are available on the Council's web site.

The purpose of revenue reporting being in the main to forecast the anticipated out-turn against the budget and monitor progress in achieving planned budgetary efficiencies. With regard to the Capital Programme progress on individual schemes has been reported plus any changes to capital resources.

### **Major Issues in 2014/15**

Local authorities in general faced a number of financial challenges in recent years which have continued into 2014/15, in particular the implementation of Business Rates Retention (BRR) to replace national pooling which still poses financial risk in terms of receipts despite it being implemented in 2013/14. The 2014/15 financial year saw the cut off period being reached for businesses to appeal against their Rateable Values on which their Business Rates tax is calculated. This resulted in a significantly increased number of appeals submitted to the Valuation Office Agency (VOA) at the end of the year which could be awarded in 2015/16 and in some cases back dated for a number of years.

The Lancashire Pension Fund also underwent its triennial re-valuation which determined the Council's Employers' Contributions due for the three years 2014/15 to 2016/17. The pension fund is currently in a deficit position, this means that the value of its total assets (what it owns) are less than the value of its total liabilities (what it owes). The Council has been given a target of 19 years in which it should make good this deficit position by paying additional payments each year into the fund. The way in which the deficit recovery contribution is calculated also changed from a percentage rate applied to total pensionable pay to a set lump sum that will not be eroded should the total pay bill reduce as is the general trend across the public sector due to the financial impact of Central Government's austerity measures. Therefore the total amount paid into the fund increased from £1.391m in 2013/14 to £1.528m in 2014/15.

### **Actual Spend Compared to the Budget**

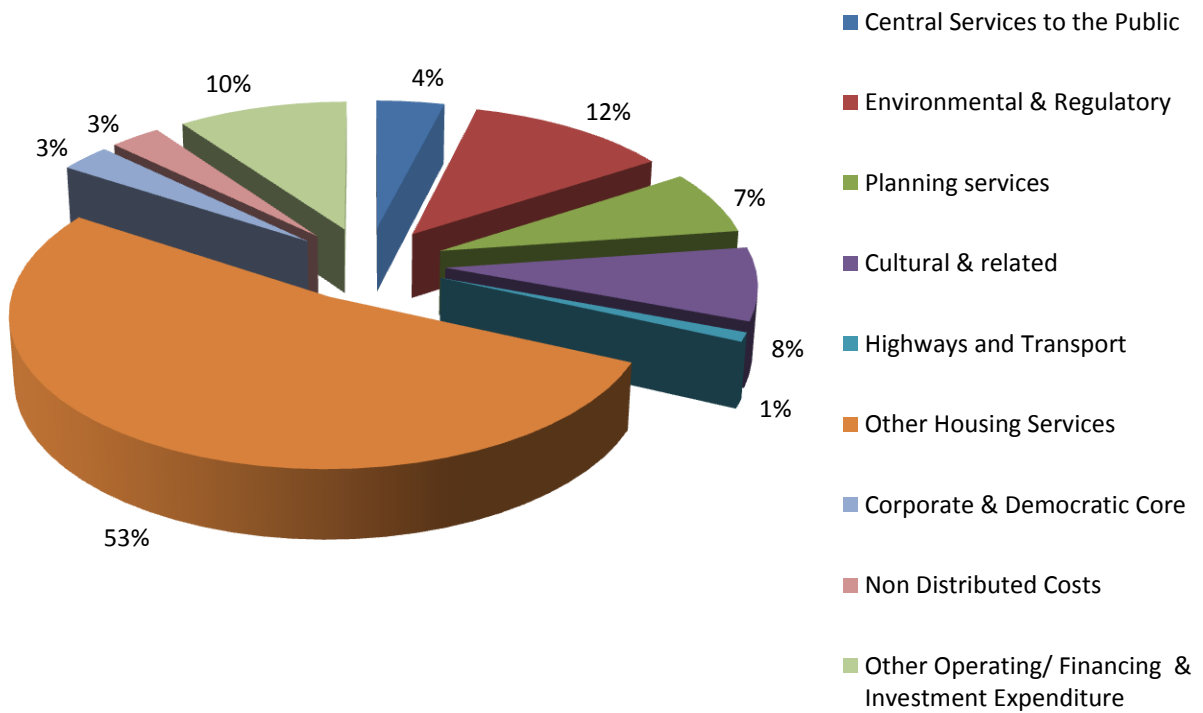
The 2014/15 outturn position reports a £0.139m underspend compared to budget. The General Fund Balance at 31 March 2015 is £2.288m (page 15). Further comment on the reserves position is made below.

Figures in the following graphs are derived from the Comprehensive Income and Expenditure Statement and therefore include some data such as interest on pension assets and depreciation charges which are reversed out in the Movement in Reserves Statement and do not impact on the Council Tax Payer.



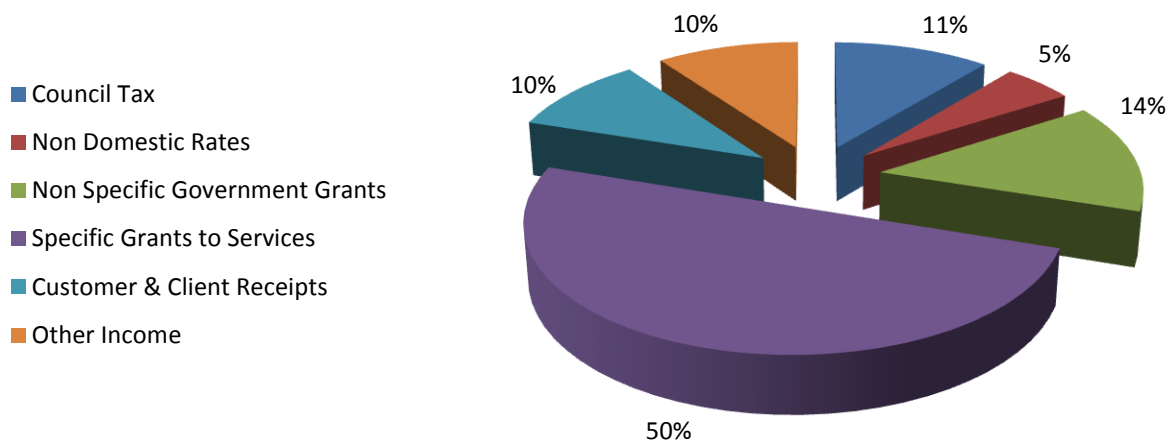
### Where the money was spent

The Gross Expenditure for the Council is detailed in the Comprehensive Income and Expenditure Statement. In 2014/15 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 2014/15 were:

- Investments are of a short-term nature, the maximum period being one year.
- During the year investments peaked at £12.8m, averaged £5.86m per day, and, with cash, amounted to £1.62m at year-end. The reduction in the average balance available for investment from £12.8m in 2013/14 reflected the use of internal cash balances as part of the financing of the capital programme.
- The return on investments was 0.59%, a reduction compared to the 1.14% achieved in 2013/14.
- External borrowing reduced during the year from £22.6m to £19.2m (excluding accrued interest). The main reason for the reduction was that loan repayment instalments were made but no new loans were taken.
- In determining Council Tax charges authorities have to make a specific provision for the financing of capital expenditure. The outstanding amount for which provision has to be made is known as the Capital Financing Requirement (CFR). During the year the CFR increased from £32.9m to £33.2m, reflecting the use of prudential borrowing to finance the capital expenditure, less the statutory provision for debt repayment. (Note 34 gives details.) This increase will generate a charge to Council Tax (known as Minimum Revenue Provision – MRP) in future years.
- Note 41 presents more details of treasury operations, and the management of risk.

## 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 2014/15:

<b>Capital expenditure in 2014/15</b>	<b>Actual Capital Expenditure £'000</b>
Affordable Housing and Disabled Adaptations	1,572
Town Centre Regeneration	622
Parks and Play Area Improvements	465
Astley Development Programme	395
Town Centre Land Assembly	182
Asset Maintenance	130
Other	288
<b>Total Capital Expenditure</b>	<b>3,654</b>

<b>Capital financing in 2014/15</b>	<b>Actual Capital Financing £'000</b>
External Contributions	1,495
Revenue Budget Contributions	907
Prudential Borrowing	795
Government Grants	294
Capital Receipts	163
<b>Total Capital Financing</b>	<b>3,654</b>

The Balance Sheet includes unapplied grants and contributions totalling £4.935m, which can only be used for financing of capital investment. Of the total, £4.766m is held within Usable Reserves (see Movement in Reserves Statement); and £0.169m within Long-Term Liabilities (see Note 32).

### **Reserves and Balances Summary**

The Authority's Medium Term Financial Strategy (MTFS) specifies that the general balance should be established at no lower than £3.0m over the period of the strategy to 2017/18. At the start of the year it totalled £2.189m. In addition there were reserves totalling £5.276m earmarked for specific purposes. The changes in the year are as follows:-

- The Income and Expenditure account incurred a surplus of £0.139m, of which £0.040m has been set aside for the Single Front Office project. The net increase in the General Fund balance by £0.099m can be seen in the Movement in Reserves Statement (MIRS).
- Further net transfers to Earmarked Reserves of £0.588m were also made.

The combination of these factors has resulted in the General Fund balance being £2.288m, and Earmarked Reserves being £5.864m, as presented in the MIRS on page 15. 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:-

<b>Extract from Movement in Reserves Statement (page 15)</b>	<b>2013/14 £'000</b>	<b>2014/15 £'000</b>
(Surplus)/Deficit on provision of service (CI&ES)	3,222	(1,503)
Adjustments between accounting basis & funding basis under regulation (note 7)	(4,318)	832
Transfers to/(from) earmarked reserves (note 8)	967	572
<b>(Increase)/Decrease in General Fund balance</b>	<b>(129)</b>	<b>(99)</b>

## **Pension Fund Liability**

The pension fund deficit has increased by £11.9m, from £32.7m to £44.6m, which compares to the reduction of £8.3m in 2013/14. A key factor was the reduction in the rate used to discount future pension liabilities, which reduced from 4.5% to 3.3%. The discount rate is based on the yield on corporate bonds with a life exceeding 15 years. Those bond yields have fallen hence the lower discount rate. The same forces that have driven down corporate bond yields have also driven down future inflation and pay assumptions, which have offset the increase in the deficit. The value of the fund's assets has also increased, and the assets earned £3m interest, which also limited the increase in the net deficit.

This deficit figure is very much an estimate, being the actuary's assessment of the present value of the liabilities to be met by the fund over a long period less its current assets and anticipated future receipts. Note 38 presents detailed information about the Defined Benefit Pension Scheme.

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. Should the deficit not reduce, this would be expected to affect the deficit reduction contributions when they are next calculated in two years' time.

## **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.

<b>Year</b>	<b>Budget Gap/(Surplus) £'000</b>	<b>Cumulative £'000</b>
<b>2015/16</b>	(95)	(95)
<b>2016/17</b>	1,797	1,702
<b>2017/18</b>	893	2,595

The main threats to these forecasts are perceived to be:

- Continuation of Central Government's austerity measures and as such further reductions to the public sector budget to be issued in the next Comprehensive Spending Review (CSR) and applied to 2016/17 onwards.
- A significant proportion of core funding now calculated and dependent upon annually fluctuating variable factors determined by a number of external factors. This, coupled with short term Central Government funding announcements exacerbates the increasingly uncertain nature of the Council's core funding streams.
- Within this overall core funding regime, the Business Rates Retention regime, merits particular mentions as it passes the risk of fluctuations in income from Central Government to Local Government. As a result changes in the tax base will have a direct and immediate impact on the Council's core funding, for example, uncertainty about the level of successful appeals by businesses against their rates poses a largely unknown risk for the Council's finances for 2015/16 onwards.

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

- Fundamentally review its costs.
- Review new and existing Income Steams.
- Undertake a project to extend Market Walk Shopping Centre.
- Seek to grow both the residential and business tax bases within the borough.

Capital expenditure over the next three years is constrained by the resources available. Planned spend is £15.437m. 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 £7.036m. Any costs incurred by the Council are planned to be recovered from the partners.

### **Income Recovery**

Note 17 analyses debtors by type, and note 41 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, however, the table below shows that Council Tax collection performance has improved and 20% of the previous reduction has been recouped in the last 12 months.

	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>
<b>Council Tax</b>	98.2%	97.7%	97.80%
<b>NNDR</b>	97.1%	97.1%	97.95%

## **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 2014/15 (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 2015 and its Income and Expenditure for the year ended 31 March 2015.

Gary Hall BA CPFA  
Chief Finance Officer  
Date 23 September 2015

I confirm that the Statement of Accounts was approved by Governance Committee on 23 September 2015.

Councillor Paul Leadbetter,  
Chair, Governance Committee  
Date 23 September 2015

## 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 22 £'000	Total Reserves £'000
<b>Balance 31 March 2013</b>	<b>(2,060)</b>	<b>(4,309)</b>	<b>0</b>	<b>(3,004)</b>	<b>(9,373)</b>	<b>10,478</b>	<b>1,105</b>
<b><u>Movement in 2013/14</u></b>							
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)
<b>Total Comprehensive Income &amp; expenditure</b>	<b>3,222</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,222</b>	<b>(10,465)</b>	<b>(7,243)</b>
Adjustments between accounting basis & funding basis under regulation (note 7)	(4,318)	0	(325)	(1,431)	(6,074)	6,074	0
<b>Net change before transfers to/from earmarked reserves</b>	<b>(1,096)</b>	<b>0</b>	<b>(325)</b>	<b>(1,431)</b>	<b>(2,852)</b>	<b>(4,391)</b>	<b>(7,243)</b>
Transfers to/(from) earmarked reserves note 8	967	(967)	0	0	0	0	0
<b>(Increase)/Decrease in year</b>	<b>(129)</b>	<b>(967)</b>	<b>(325)</b>	<b>(1,431)</b>	<b>(2,852)</b>	<b>(4,391)</b>	<b>(7,243)</b>
<b>Balance 31 March 2014</b>	<b>(2,189)</b>	<b>(5,276)</b>	<b>(325)</b>	<b>(4,435)</b>	<b>(12,225)</b>	<b>6,087</b>	<b>(6,138)</b>
<b><u>Movement in 2014/15</u></b>							
Surplus on provision of service	(2,437)	0	0	0	(2,437)	0	(2,437)
Other Comprehensive Income & Expenditure	0	0	0	0	0	10,822	10,822
<b>Total Comprehensive Income &amp; expenditure</b>	<b>(2,437)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(2,437)</b>	<b>10,822</b>	<b>8,385</b>
Adjustments between accounting basis & funding basis under regulation (note 7)	1,766	0	(206)	(1,281)	279	(279)	0
<b>Net change before transfers to/from earmarked reserves</b>	<b>(671)</b>	<b>0</b>	<b>(206)</b>	<b>(1,281)</b>	<b>(2,158)</b>	<b>10,543</b>	<b>8,385</b>
Transfers to/(from) earmarked reserves (note 8)	572	(588)	0	16	0	0	0
<b>(Increase)/Decrease in year</b>	<b>(99)</b>	<b>(588)</b>	<b>(206)</b>	<b>(1,265)</b>	<b>(2,158)</b>	<b>10,543</b>	<b>8,385</b>
<b>Balance 31 March 2015</b>	<b>(2,288)</b>	<b>(5,864)</b>	<b>(531)</b>	<b>(5,700)</b>	<b>(14,383)</b>	<b>16,630</b>	<b>2,247</b>

## 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.

2013/14				2014/15		
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
1,273	(846)	427	Central services to the public	2,160	(943)	1,217
6,727	(1,555)	5,172	Environment & regulatory services	6,537	(1,415)	5,122
6,174	(2,433)	3,741	Planning services	3,744	(3,615)	129
5,297	(372)	4,925	Cultural & related services	4,380	(310)	4,070
555	(941)	(386)	Highways and transport services	629	(971)	(342)
29,273	(28,072)	1,201	Other housing services	29,836	(28,735)	1,101
2,162	(38)	2,124	Corporate and democratic core	1,864	(157)	1,707
1,129	(718)	411	Non-distributed costs	1,645	(903)	742
<b>52,590</b>	<b>(34,975)</b>	<b>17,615</b>	<b>Cost of Services</b>	<b>50,795</b>	<b>(37,049)</b>	<b>13,746</b>
1,086	(325)	761	Other operating expenditure (note 9)	565	(368)	197
4,832	(3,225)	1,607	Financing and investment income and expenditure (note 10)	5,049	(3,090)	1,959
8,148	(24,909)	(16,761)	Taxation & non-specific grant income & expenditure (note 11)	8,308	(26,647)	(18,339)
<b>66,656</b>	<b>(63,434)</b>	<b>3,222</b>	<b>(Surplus)/deficit on provision of services</b>	<b>64,717</b>	<b>(67,154)</b>	<b>(2,437)</b>
		(338)	(Surplus)/deficit on revaluation of Property, Plant and Equipment assets			(98)
		(10,127)	Re-measurements of the net defined benefit liability (note 38d)			10,920
		<b>(10,465)</b>	<b>Other Comprehensive (Income) and Expenditure</b>			<b>10,822</b>
		<b>(7,243)</b>	<b>Total Comprehensive (Income) and Expenditure</b>			<b>8,385</b>



## 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 2014 £'000		Notes	31 March 2015 £'000
55,439	Property, Plant & Equipment	12	56,997
1,667	Heritage Assets	13	1,667
1,348	Investment Property	14	1,348
321	Intangible Assets	15	201
351	Long-Term Debtors		346
<b>59,126</b>	<b>Long-Term Assets</b>		<b>60,559</b>
2,008	Short-Term Investments	41	0
16	Inventories		13
4,389	Short-Term Debtors	17	5,916
1,854	Cash and Cash Equivalents	18	1,618
<b>8,267</b>	<b>Current Assets</b>		<b>7,547</b>
(337)	Bank Overdraft		(150)
(3,416)	Short-Term Borrowing	41	(6,431)
(4,043)	Short-Term Creditors	19	(5,115)
(531)	Provisions	20	(589)
<b>(8,327)</b>	<b>Current Liabilities</b>		<b>(12,285)</b>
(492)	Long-Term Creditors		(485)
(19,042)	Long-Term Borrowing	41	(12,801)
(32,676)	Other Long-Term Liabilities - pensions	38	(44,598)
(15)	Other Long-Term Liabilities - other		(15)
(703)	Grant Receipts in Advance – Capital	32	(169)
<b>(52,928)</b>	<b>Long-Term Liabilities</b>		<b>(58,068)</b>
<b>6,138</b>	<b>Net Assets</b>		<b>(2,247)</b>
12,225	Usable Reserves	MIRS	14,383
(6,087)	Unusable Reserves	22	(16,630)
<b>6,138</b>	<b>Total Reserves</b>		<b>(2,247)</b>

The unaudited accounts were issued on 29 June 2015, and the audited accounts were authorised for issue on 23 September 2015.

## 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.

2013/14 £'000		2014/15 £'000
(3,222)	Net surplus or (deficit) on the provision of services (CI&ES)	2,437
8,629	Adjustments to net surplus or deficit on the provision of services for non-cash movements	1,199
(2,554)	Adjustments for items included in the net surplus or deficit on the provision of service that are investing & financing activity	(2,505)
2,853	Net cash flows from Operating Activities	1,131
(16,135)	Investing Activities (Note 24)	1,088
11,968	Financing Activities (Note 25)	(2,268)
(1,314)	Net increase or (decrease) in cash and cash equivalents	(49)
3,168	Cash and cash equivalents at the beginning of the reporting period	1,517
<b>1,854</b>	<b>Cash and cash equivalents at the end of the reporting period (note 18)</b>	<b>1,468</b>

Cash and cash equivalents at the beginning and end of the 2014/15 reporting period have been defined to be net of the Bank Overdraft.

# Notes to the Accounts

## 1 ACCOUNTING POLICIES

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

### General Principles

The Statement of Accounts summarises the Council's transactions for the 2014/15 financial year and its position at the year end of 31 March 2015. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011, which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the CIPFA/LASAAC 2014/15 Code of Practice on Local Authority Accounting in the United Kingdom (the Code), and the Service Reporting Code of Practice for Local Authorities 2014/15 (SeRCOP), supported by International Financial Reporting Standards (IFRS).

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

### 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. In particular:

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

### 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 39 and 40.

### **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 38. An explanation of the methodology is provided below:

- The liabilities of the fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc. and projections of earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 4.9% (based on the indicative rate of return on high quality corporate bonds)
- The assets of the fund attributable to the Authority are included in the Balance Sheet at their fair value:
  - quoted securities – current bid price
  - unquoted securities – professional estimate

- unitised securities – current bid price
- property – market value
- The change in net pension liability is analysed into seven components:
  - Current service cost – the increase in liabilities as a result of years of service earned this year. This is allocated in the Comprehensive Income & Expenditure Statement to the services for which employees worked.
  - Past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years. These are charged to the Comprehensive Income & Expenditure Statement as part of Non Distributed Costs.
  - Interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid. This is charged to Comprehensive Income & Expenditure Statement within the Financing & Investment Income and Expenditure line
  - Expected return on assets – the annual investment return on the fund assets attributable to the Authority, based on an average of the expected long-term return. This is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income & Expenditure Statement.
  - Gains or losses on settlements and curtailments – the result of actions to relieve the Authority of liabilities, or events that reduce the expected future service or accrual of benefits of employees. These are charged to Non Distributed Costs within the Comprehensive Income and Expenditure Statement.
  - Re-measurements of the net defined benefit liability – changes in the net pension liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions. These are debited to the Pension Reserve.
  - Contributions paid to the pension fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities. These are not accounted for as an expense.

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

#### Discretionary Benefits

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

#### **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&ES) is based on the carrying amount multiplied by the effective rate of interest. The amount presented in the balance sheet is the outstanding principal payable plus interest accrued at 31 March.

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

## **Financial Assets**

### Loans and receivables

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

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

## **Going Concern**

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

## **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 43 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.

### **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

##### **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 35).

### **Overheads**

The Service Reporting Code of Practice (SeRCOP) 2014/15 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-. The income from these assets should be in 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 have not been included in this statement:

- IFRS 13 Fair Value measurement. The Local Authority application of this standard will require value to be based on value in use rather than exit value. This maintains current practice. The value attached in future to Surplus Assets will however change from existing use to Fair value. The Standard therefore has very limited impact..
- Issues included in the "Annual Improvements to IFRSs. This covers a number of Standards to clarify their meaning and scope.
- IFRS 21 Levies. This is concerned with when a liability arising from the imposition of a government levy should be recognised. No significant impact is anticipated.

## **3 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES**

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

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

- Commuted sums due from developers in order to fulfil obligations of S106 Agreements have been accrued and added to the Capital Grants and Contributions Unapplied Reserve. The commuted sums become receivable when trigger stages defined in the S106 Agreements have been reached. Judgement has been applied in deciding whether each development had reached the trigger stage by 31 March 2015.
- Judgement has been applied in accounting for the leasing by the Council to tenants of offices, industrial units and sites, and retail units in Market Walk Shopping Centre as operating leases. The Code defines operating leases as a lease other than a finance lease; whereas a finance lease transfers substantially all the risks and rewards incidental to ownership of an asset, potentially including title. The accounts have been prepared by applying the judgement that ownership of such leased assets would not transfer to the lessees.

#### 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 sensitivity to changes is shown at note 38i. Small changes have major impacts on the pension deficit
Debtors	Note 17 shows non-public sector debtors of £7.4m. This includes housing benefit debts totalling £1.3m. 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. A provision for impairment has been made of 70%.	Any increase in impairments will be a charge to the revenue account.
Asset valuations	Note 12 shows that fixed assets valued at £57m, 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 £0.56m for its share of the cost of backdated appeals against overcharging of business rates. See Note 20.	If the value of successful appeals exceeded the provision there would be a reduction in the local share of business rates income available to fund the Authority's services.

#### 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 2015. 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.

	2014/15			
	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Unusable Reserves (Note 22) £'000
<b><u>Adjustments involving the Capital Adjustment Account</u></b>				
<u>Reversal of debits and credits to the Comprehensive Income and Expenditure Statement (CI&amp;ES)</u>				
Charges for depreciation of non-current assets	(1,925)			1,925
Charges for impairment of non-current assets	(86)			86
Revaluation losses & reversals of non-current assets	747			(747)
Amortisation of intangible assets	(120)			120
Revenue expenditure funded from capital under statute	(930)			930
Capital grants funding REFFCUS	413			(413)
Capital grants received & used to fund capital in year	563			(563)
<u>Insertion of items not posted to CI&amp;ES</u>				
Statutory & voluntary provision for the repayment of debt	460			(460)
Capital expenditure charged to the General Fund Balance	907			(907)
<b><u>Adjustments involving Capital Grants Unapplied</u></b>				
Capital grants and contributions unapplied credited to CI&ES	1,622		(1,622)	
Community Infrastructure Levy unapplied credited to CI&ES	472		(472)	
Grants applied to fund capital expenditure transferred to CAA			813	(813)
<b><u>Adjustments involving the Capital Receipts Reserve</u></b>				
Capital receipts from the disposal of non-current assets	40	(40)		
Preserved Right to Buy receipts	329	(329)		
Capital receipts used to finance new capital expenditure		163		(163)
Capital receipts credited to CI&ES to meet pooling liability	(1)	1		
Transfer from Deferred Capital Receipts		(1)		1
<b><u>Adjustments involving Financial Instruments Adj. A/c</u></b>				
Difference between finance costs in CI&ES and those chargeable in accordance with statutory regulation				
<b><u>Adjustments involving the Pensions Reserve</u></b>				
Reversal of pension charges made in the CI&ES	(2,798)			2,798
Employer's contributions and payments made to pensioners	1,796			(1,796)
<b><u>Adjustments involving the Collection Fund Adj. A/c</u></b>				
Difference between credit to CI&ES and precepted amount of council tax				
	33			(33)
Difference between credit to CI&ES and local share of business rates				
	266			(266)
<b><u>Adjustments involving the Accumulated Absences A/c</u></b>				
Difference between remuneration charged to the CI&ES and that chargeable per statutory requirement				
	(22)			22
<b>TOTAL ADJUSTMENTS</b>	<b>1,766</b>	<b>(206)</b>	<b>(1,281)</b>	<b>(279)</b>

2013/14 Comparative figures	2013/14			
	General Fund Balance £'000	Capital Receipts Reserve £,000	Capital Grants Unapplied £'000	Unusable Reserves (Note 22) £'000
<b><u>Adjustments involving the Capital Adjustment Account (CAA)</u></b>				
<u>Reversal of debits and credits to CI&amp;ES</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&ES on disposal	(555)			555
<u>Insertion of items not posted to the CI&amp;ES</u>				
Statutory & voluntary provision for the repayment of debt	270			(270)
Capital expenditure charged to the General Fund Balance	152			(152)
<b><u>Adjustments involving Capital Grants Unapplied</u></b>				
Capital grants and contributions unapplied credited to CI&ES	1,719		(1,719)	
Grants applied to fund capital expenditure transferred to CAA			288	(288)
<b><u>Adjustments involving the Capital Receipts Reserve</u></b>				
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&ES to meet the pooling liability	(1)	1		
Transfer from Deferred Capital Receipts		(1)		1
<b><u>Adjustments involving Financial Instruments Adj. A/c</u></b>				
Difference between finance costs in CI&ES and those chargeable in accordance with statutory regulation				
<b><u>Adjustments involving the Pensions Reserve</u></b>				
Reversal of pension charges made in the CI&ES	(3,536)			3,536
Employer's contributions and payments made to pensioners	1,766			(1,766)
<b><u>Adjustments involving the Collection Fund Adj. A/c</u></b>				
Difference between credit to CI&ES and precepted amount of council tax				
	9			(9)
Difference between credit to CI&ES and local share of business rates				
	(508)			508
<b><u>Adjustments involving the Accumulated Absences A/c</u></b>				
Difference between remuneration charged to the CI&ES and that chargeable per statutory requirement				
	(22)			22
<b>TOTAL ADJUSTMENTS</b>	<b>(4,318)</b>	<b>(325)</b>	<b>(1,431)</b>	<b>6,074</b>

## 8 TRANSFERS TO/FROM EARMARKED RESERVES

The movements in reserves during the year were as follows

	Balance			Balance			Balance 31 March 2015 £'000
	1 April 2013 £'000	Transfers Out £'000	(In) £'000	31 March 2014 £'000	Transfers Out £'000	(In) £'000	
Rephasing of planned expenditure	(521)	281	(368)	(608)	363	(577)	(822)
Rephasing New Investment Projects	0	0	(591)	(591)	235	(330)	(686)
Grants reserved for specific expend.	(616)	39	0	(577)	384	(85)	(278)
Financing of capital expenditure	(296)	36	(332)	(592)	279	(1,933)	(2,246)
Planning purposes including appeals	(225)	177	0	(48)	9	0	(39)
Restructuring of services	(23)	16	(261)	(268)	25	(141)	(384)
Reduce Pension Fund Liability	(1,750)	0	0	(1,750)	1,750	0	0
Non-recurring projects	(115)	115	0	0	0	0	0
Town Centre investment	(422)	182	(11)	(251)	229	(88)	(110)
Apprenticeships for young people	(79)	35	0	(44)	5	0	(39)
Resource equalisation	0	0	(96)	(96)	0	(438)	(534)
Maintenance of Council buildings	(126)	23	(100)	(203)	66	(138)	(275)
Maintenance of Grounds	0	0	(62)	(62)	0	(10)	(72)
Elections	0	0	(85)	(85)	27	0	(58)
Other	(136)	3	32	(101)	2	(222)	(321)
<b>Total</b>	<b>(4,309)</b>	<b>907</b>	<b>(1,874)</b>	<b>(5,276)</b>	<b>3,374</b>	<b>(3,962)</b>	<b>(5,864)</b>

## 9 OTHER OPERATING EXPENDITURE

2013/14 £'000		2014/15 £'000
530	Parish council precepts	565
1	Payments to the Government's Capital Receipt Pool	1
555	(Gains)/losses on disposal of non-current assets	0
(163)	Capital receipts from the sale of previously transferred housing stock	(329)
(162)	Other capital receipts	(40)
<b>761</b>	<b>Total</b>	<b>197</b>

## 10 FINANCING AND INVESTMENT INCOME AND EXPENDITURE

2013/14 £'000		2014/15 £'000
323	Interest payable and similar charges	586
1,687	Pensions interest cost net of expected return on pension assets	1,432
(260)	Interest receivable and similar income	(59)
(143)	Income and Expenditure in relation to investment properties and changes in their fair value	0
<b>1,607</b>	<b>Total</b>	<b>1,959</b>

## 11 TAXATION AND NON-SPECIFIC GRANT INCOME AND EXPENDITURE

2013/14 £'000		2014/15 £'000
(6,426)	Council Tax income	(6,598)
(2,263)	Non-Domestic Rates Income and Expenditure	(2,688)
(6,240)	Non ring-fenced Government Grants (Note 32)	(6,371)
(1,832)	Capital grants and contributions (Note 32)	(2,682)
<b>(16,761)</b>	<b>Total</b>	<b>(18,339)</b>

## 12 PROPERTY PLANT AND EQUIPMENT

	Other land & Buildings £'000	Vehicles & Plant etc. £'000	Infra- structure £'000	Community Assets £'000	Surplus Assets £'000	Total £'000
<b>Cost or valuation</b>						
<b>At 1 April 2014</b>	<b>52,348</b>	<b>4,760</b>	<b>563</b>	<b>2,905</b>	<b>1,097</b>	<b>61,673</b>
Additions	2,323	245		117		2,685
Revaluations recognised in Revaluation Reserve (RR)	(26)				(201)	(227)
Revaluations recognised in CI&ES	700				(60)	640
<b>At 31 March 2015</b>	<b>55,345</b>	<b>5,005</b>	<b>563</b>	<b>3,022</b>	<b>836</b>	<b>64,771</b>
<b>Depreciation and Impairment</b>						
<b>At 1 April 2014</b>	<b>(1,839)</b>	<b>(3,618)</b>	<b>(257)</b>	<b>(520)</b>	<b>0</b>	<b>(6,234)</b>
Depreciation charge	(1,187)	(585)	(40)	(114)		(1,926)
Depreciation written out of RR	325					325
Depreciation written out of CI&ES	107					107
Impairment losses recognised in CI&ES	(46)					(46)
<b>At 31 March 2015</b>	<b>(2,640)</b>	<b>(4,203)</b>	<b>(297)</b>	<b>(634)</b>	<b>0</b>	<b>(7,774)</b>
<b>Net Book Value</b>						
<b>At 31 March 2015</b>	<b>52,705</b>	<b>802</b>	<b>266</b>	<b>2,388</b>	<b>836</b>	<b>56,997</b>

Comparative Movements in 2013/14	Other land & Buildings £'000	Vehicles & Plant etc. £'000	Infra- structure £'000	Community Assets £'000	Surplus Assets £'000	Total £'000
<b>Cost or valuation</b>						
<b>At 1 April 2013</b>	<b>29,588</b>	<b>4,666</b>	<b>459</b>	<b>3,353</b>	<b>2,012</b>	<b>40,078</b>
Additions	24,576	145	104	166		24,991
Revaluations recognised in Revaluation Reserve (RR)	95	16			(375)	(264)
Revaluations recognised in CI&ES	(1,867)	(67)		(614)	(25)	(2,573)
De-recognition - disposals	(44)				(515)	(559)
<b>At 31 March 2014</b>	<b>52,348</b>	<b>4,760</b>	<b>563</b>	<b>2,905</b>	<b>1,097</b>	<b>61,673</b>
<b>Depreciation and Impairment</b>						
<b>At 1 April 2013</b>	<b>(1,763)</b>	<b>(3,101)</b>	<b>(198)</b>	<b>(514)</b>	<b>0</b>	<b>(5,576)</b>
Depreciation charge	(696)	(640)	(59)	(110)		(1,505)
Depreciation written out of RR	348	56				404
Depreciation written out of CI&ES	72	67		104		243
Impairment losses recognised in RR	197					197
De-recognition - disposals	3					3
<b>At 31 March 2014</b>	<b>(1,839)</b>	<b>(3,618)</b>	<b>(257)</b>	<b>(520)</b>	<b>0</b>	<b>(6,234)</b>
<b>Net Book Value</b>						
<b>At 31 March 2014</b>	<b>50,509</b>	<b>1,142</b>	<b>306</b>	<b>2,385</b>	<b>1,097</b>	<b>55,439</b>



During 2013/14, £24.576m was added to the valuation of Other land & Buildings, of which £23.341m was in respect of expenditure on the purchase of the Market Walk Shopping Centre.

### Fixed Assets Valuations

During 2014/15 the valuations were carried out by the Council's Surveyor Mr K Davy. 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
<b>Carried at historical cost</b>	<b>2,550</b>	<b>4,906</b>	<b>563</b>	<b>2,774</b>		<b>10,793</b>
Valued at fair value as at:						
31 March 2015	26,616			218	71	<b>26,905</b>
31 March 2014	6,410	99		3	240	<b>6,752</b>
31 March 2013	12,688			26	525	<b>13,239</b>
31 March 2012	273					<b>273</b>
31 March 2011	6,760			1		<b>6,761</b>
<b>Total cost or valuation</b>	<b>55,297</b>	<b>5,005</b>	<b>563</b>	<b>3,022</b>	<b>836</b>	<b>64,723</b>

The Authority has considered whether the carrying value of PPE assets that have not been revalued in the year is materially different to fair value. In revaluing assets during 2014/15, the Council's Surveyor has considered the effect any significant movement in the value of revalued assets on the remaining assets not scheduled for revaluation, and has confirmed that no further adjustments are required.

### Capital Commitments

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

## 13 HERITAGE ASSETS

Cost or Valuation	2013/14 £'000	2014/15 £'000
As at 1 April	1,667	1,667
Additions	0	40
Impairment	0	(40)
<b>As at 31 March</b>	<b>1,667</b>	<b>1,667</b>

Note 43 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.

	<b>2013/14 £'000</b>	<b>2014/15 £'000</b>
Fair value at the start of the year	1,205	1,348
Net gain (loss) from revaluation	143	0
<b>Value at year-end</b>	<b>1,348</b>	<b>1,348</b>

## 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.

<b>Asset Description</b>	<b>Amortisation Period</b>
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 2014/15 the amortisation charge of £0.120m was charged principally to Customer ICT and Transactional Services (£0.114m). 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:

	<b>2013/14 £'000</b>	<b>2014/15 £'000</b>
<b><u>Balance at the start of the year</u></b>		
Gross carrying amount	1,529	1,529
Accumulated amortisation	(1,078)	(1,208)
<b>Net carrying amount at year start</b>	<b>451</b>	<b>321</b>
<b><u>Movements in the year</u></b>		
Amortisation in year	(130)	(120)
<b>Net carrying amount at the year-end</b>	<b>321</b>	<b>201</b>

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 2014 £'000	31 March 2015 £'000	31 March 2014 £'000	31 March 2015 £'000
<u>Cash &amp; cash equivalents</u>				
Cash in hand, at Bank, less Bank Overdraft (Note 18)	0	0	1,854	1,468
<u>Investments</u>				
Loans and receivables	0	0	2,008	0
<u>Debtors</u>				
Loans and receivables	351	346	3,474	4,787
Debtors that are not Financial Instruments	0	0	915	1,129
Total Debtors	351	346	4,389	5,916
<u>Borrowings</u>				
Financial liabilities at amortised cost	(19,042)	(12,801)	(3,416)	(6,431)
<u>Creditors</u>				
Financial liabilities carried at contract amount	(492)	(485)	(2,277)	(2,128)
Creditors that are not Financial Instruments	0	0	(1,766)	(2,987)
Total Creditors	(492)	(485)	(4,043)	(5,115)

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:

	2013/14			2014/15		
	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	315	0	315	586	0	586
Impairment	0	(26)	(26)	0	0	0
	<b>315</b>	<b>(26)</b>	<b>289</b>	<b>586</b>	<b>0</b>	<b>586</b>
Interest income	0	(188)	(188)	0	(59)	(59)
Interest income accrued on impaired assets	0	(37)	(37)	0	0	0
<b>Total income</b>	<b>0</b>	<b>(225)</b>	<b>(225)</b>	<b>0</b>	<b>(59)</b>	<b>(59)</b>
<b>Net (gain)/loss for the year</b>			<b>64</b>			<b>527</b>

## 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 2014		31 March 2015	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Financial liabilities				
Borrowings (Short-Term and Long-Term excluding temporary loans)	(20,459)	(21,722)	(19,232)	(21,997)
Deferred liabilities	(15)	(15)	(15)	(15)
<b>Total</b>	<b>(20,474)</b>	<b>(21,737)</b>	<b>(19,247)</b>	<b>(22,012)</b>

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

	31 March 2014		31 March 2015	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Financial assets				
Long-term debtors	351	423	346	419
<b>Total</b>	<b>351</b>	<b>423</b>	<b>346</b>	<b>419</b>

## 17 SHORT TERM DEBTORS

	31 March 2014 £'000	31 March 2015 £'000
Central government bodies	77	279
Other local authorities	802	561
NHS bodies	0	36
Other entities and individuals	5,518	7,379
	6,397	8,255
Less provision for bad debts	(2,008)	(2,339)
<b>Net carrying amount at the year-end</b>	<b>4,389</b>	<b>5,916</b>

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

## 18 CASH AND CASH EQUIVALENTS

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

	31 March 2014 £'000	31 March 2015 £'000
Cash held by the Authority	363	262
Bank current and call accounts	1,491	1,356
Bank Overdraft	0	(150)
<b>Total cash and cash equivalents</b>	<b>1,854</b>	<b>1,468</b>

## 19 SHORT TERM CREDITORS

	31 March 2014 £'000	31 March 2015 £'000
Central government bodies	(23)	(1,382)
Other local authorities	(819)	(1,619)
NHS bodies	(1)	0
Other entities and individuals	(3,200)	(2,114)
<b>Net carrying amount at the year-end</b>	<b>(4,043)</b>	<b>(5,115)</b>

## 20 PROVISIONS

The movements in provisions during the year were as follows

	Balance	Movements		Balance
	31 March 2014 £'000	Used £'000	Added £'000	31 March 2015 £'000
Municipal Mutual Insurance	(21)	2	0	(19)
Business rates appeals	(500)	297	(357)	(560)
Town Centre Development	(10)	0	0	(10)
<b>Total</b>	<b>(531)</b>	<b>299</b>	<b>(357)</b>	<b>(589)</b>

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

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

## 21 USABLE RESERVES

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement (page 15). The purpose of General Fund Earmarked Reserves is detailed in Note 8.

## 22 UNUSABLE RESERVES

	31 March 2014 £'000	31 March 2015 £'000
Revaluation Reserve (Note 22a)	(5,839)	(5,845)
Capital Adjustment Account (Note 22b)	(20,990)	(22,088)
Financial Instruments Adjustment Account (Note 22c)	0	0
Deferred Capital Receipts Reserve (Note 22d)	(292)	(290)
Pensions Reserve (Note 22e)	32,676	44,598
Collection Fund Adjustment Account (Note 22f)	406	107
Accumulated Absences Account (Note 22g)	126	148
<b>Total Unusable Reserves at year-end</b>	<b>6,087</b>	<b>16,630</b>

### 22a 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.

	2013/14 £'000	2014/15 £'000
<b>Balance at 1 April</b>	<b>(5,591)</b>	<b>(5,839)</b>
Upward revaluation of assets	(338)	(98)
Difference between fair value and historic cost depreciation	90	92
<b>Balance at 31 March</b>	<b>(5,839)</b>	<b>(5,845)</b>

### 22b 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.

	2013/14 £'000	2014/15 £'000
<b>Balance at 1 April</b>	<b>(24,681)</b>	<b>(20,990)</b>
<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	1,506	1,925
Charges for impairment of non-current assets	1,239	86
Revaluation losses & reversals of non-current assets	1,091	(747)
Amortisation of intangible assets	130	120
Revenue expenditure funded from capital under statute	624	517
Net cost assets disposed of	555	0
<i>Movements in the market value of Investment Properties</i>	(143)	0
<u>Capital financing applied in the year</u>		
Capital receipts used to finance new capital expenditure	0	(163)
Capital expenditure charged to the General Fund Balance	(152)	(907)
Statutory & voluntary provision for the repayment of debt	(270)	(460)
Grants used in the year to fund capital expenditure	(799)	(1,377)
<u>Adjustments with the Revaluation Reserve (see note 23a)</u>		
Difference between fair value and historic cost depreciation	(90)	(92)
<b>Balance at 31 March</b>	<b>(20,990)</b>	<b>(22,088)</b>

### 22c 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

### 22d 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.

	2013/14 £'000	2014/15 £'000
<b>Balance at 1 April</b>	<b>(293)</b>	<b>(292)</b>
Transfer to Capital Receipts Reserve on receipt of cash	1	2
<b>Balance at 31 March</b>	<b>(292)</b>	<b>(290)</b>

### 22e 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.

	2013/14 £'000	2014/15 £'000
<b>Balance at 1 April</b>	<b>41,032</b>	<b>32,676</b>
Remeasurement of the net defined benefit liability	(10,127)	10,920
Reversal of charges posted to the Comprehensive Income & Expenditure Statement	3,536	2,798
Employers contributions and direct payments to pensioners payable in the year	(1,765)	(1,796)
<b>Balance at 31 March</b>	<b>32,676</b>	<b>44,598</b>

### 22f 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.

	2013/14 £'000	2014/15 £'000
<b>Balance at 1 April</b>	<b>(93)</b>	<b>406</b>
Amount by which Council Tax and Business Rates income credited to the Comprehensive Income & Expenditure Statement differs from the amount required by statute	499	(299)
<b>Balance at 31 March</b>	<b>406</b>	<b>107</b>

### 22g 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.

	2013/14 £'000	2014/15 £'000
<b>Balance at 1 April</b>	<b>104</b>	<b>126</b>
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	22	22
<b>Balance at 31 March</b>	<b>126</b>	<b>148</b>



## 23 CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

	2013/14 £'000	2014/15 £'000
Interest received	467	49
Interest paid	(141)	(592)
<b>Net</b>	<b>326</b>	<b>(543)</b>

## 24 CASH FLOW STATEMENT – INVESTING ACTIVITIES

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

	2013/14 £'000	2014/15 £'000
Purchase of property, plant & equipment, investment property and intangible assets.	(24,996)	(2,438)
Purchase of short and long-term investments.	(7,000)	0
Proceeds from the sale of assets.	326	371
Proceeds from short and long-term investments.	15,894	2,000
Other payments for investing activities	(4)	(13)
Other receipts relating to investing activity (government grants).	(355)	1,168
<b>Total investing activities</b>	<b>(16,135)</b>	<b>1,088</b>

## 25 CASH FLOW STATEMENT – FINANCING ACTIVITIES

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

	2013/14 £'000	2014/15 £'000
Cash receipts from short and long-term borrowing	15,678	0
Repayments of borrowings	(3,612)	(3,221)
Change in indebtedness relating to NNDR (due from Government and preceptors) and Council Tax (due from preceptors)	(98)	953
<b>Total financing activities</b>	<b>11,968</b>	<b>(2,268)</b>

## 26 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:

<b>Directorate Income and Expenditure 2013/14</b>	<b>Chief Executive £'000</b>	<b>Partnerships Planning &amp; Policy £'000</b>	<b>People and Places £'000</b>	<b>Total £'000</b>
Fees, charges & other service income	(2,067)	(1,889)	(2,861)	(6,817)
Government grants	(723)	(8)	0	(731)
<b>Total Income</b>	<b>(2,790)</b>	<b>(1,897)</b>	<b>(2,861)</b>	<b>(7,548)</b>
Employee expenses	4,840	2,321	3,417	10,578
Other service expenses	3,435	1,141	5,925	10,501
<b>Total Expenditure</b>	<b>8,275</b>	<b>3,462</b>	<b>9,342</b>	<b>21,079</b>
<b>Net Expenditure</b>	<b>5,485</b>	<b>1,565</b>	<b>6,481</b>	<b>13,531</b>
<b>Directorate Income and Expenditure 2014/15</b>	<b>Chief Executive £'000</b>	<b>Customer Advice Services £'000</b>	<b>Public Protection Streetscene &amp; Community £'000</b>	<b>Total £'000</b>
Fees, charges & other service income	(1,899)	(1,284)	(3,707)	(6,890)
Government grants	(57)	(776)	0	(833)
<b>Total Income</b>	<b>(1,956)</b>	<b>(2,060)</b>	<b>(3,707)</b>	<b>(7,723)</b>
Employee expenses	3,230	2,682	4,058	9,970
Other service expenses	3,113	1,514	6,052	10,679
<b>Total Expenditure</b>	<b>6,343</b>	<b>4,196</b>	<b>10,110</b>	<b>20,649</b>
<b>Net Expenditure</b>	<b>4,387</b>	<b>2,136</b>	<b>6,403</b>	<b>12,926</b>

## 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.

	2013/14 £'000	2014/15 £'000
Net expenditure in the Directorate Analysis	13,531	12,926
Net expenditure of services and support services not included in the Analysis (Note a)	(154)	(682)
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis (Note b)	4,238	1,502
	<b>17,615</b>	<b>13,746</b>
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	0	0
<b>Cost of Services in Comprehensive Income and Expenditure Statement</b>	<b>17,615</b>	<b>13,746</b>

### 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 2014/15, 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.

2014/15	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	(6,890)	(2,728)	(31)	(16,275)	(25,924)	(369)	(26,293)
Interest and Investment Income						(3,090)	(3,090)
Income from council tax						(6,598)	(6,598)
Local share of business rates						(10,996)	(10,996)
Government grants and contributions	(833)	(26,215)	(373)		(27,421)	(9,053)	(36,474)
<b>Total Income</b>	<b>(7,723)</b>	<b>(28,943)</b>	<b>(404)</b>	<b>(16,275)</b>	<b>(53,345)</b>	<b>(30,106)</b>	<b>(83,451)</b>
Employee expenses	9,970	940	(408)		10,502		10,502
Other service expenses	10,679	27,321	930		38,930		38,930
Support Service recharges				16,275	16,275		16,275
Depreciation, amortisation & impairment			1,384		1,384		1,384
Interest Payments						5,049	5,049
Precepts & Levies						565	565
Business rates tariff and levy						8,308	8,308
Payments to Housing Capital Receipts Pool						1	1
<b>Total Expenditure</b>	<b>20,649</b>	<b>28,261</b>	<b>1,906</b>	<b>16,275</b>	<b>67,091</b>	<b>13,923</b>	<b>81,014</b>
<b>(Surplus) or deficit on the provision of services</b>	<b>12,926</b>	<b>(682)</b>	<b>1,502</b>	<b>0</b>	<b>13,746</b>	<b>(16,183)</b>	<b>(2,437)</b>

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						(10,411)	(10,411)
Government grants and contributions	(731)	(25,589)	(409)		(26,729)	(8,072)	(34,801)
<b>Total Income</b>	<b>(7,548)</b>	<b>(27,067)</b>	<b>(457)</b>	<b>(15,917)</b>	<b>(50,989)</b>	<b>(28,459)</b>	<b>(79,448)</b>
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						4,832	4,832
Precepts & Levies						530	530
Business rates tariff and levy						8,148	8,148
Payments to Housing Capital Receipts Pool						1	1
Gain or Loss on Disposal of Fixed Assets						555	555
<b>Total Expenditure</b>	<b>21,079</b>	<b>26,913</b>	<b>4,695</b>	<b>15,917</b>	<b>68,604</b>	<b>14,066</b>	<b>82,670</b>
<b>(Surplus) or deficit on the provision of services</b>	<b>13,531</b>	<b>(154)</b>	<b>4,238</b>	<b>0</b>	<b>17,615</b>	<b>(14,393)</b>	<b>3,222</b>

## 27 MARKET WALK

The Authority owns the Market Walk shopping centre, generating rental income from letting premises.

	<b>2013/14 £'000</b>	<b>2014/15 £'000</b>
Turnover	(574)	(1,813)
Expenditure	99	(87)
<b>Surplus</b>	<b>(475)</b>	<b>(1,900)</b>

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). Financing costs include the statutory provision for repayment of debt relating to the purchase, which are included in the total disclosed in note 7 and the Movement in Reserves Statement.

## 28 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.

## 29 MEMBERS ALLOWANCES

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

	<b>2013/14 £'000</b>	<b>2014/15 £'000</b>
Allowances	291	294
Expenses	4	2
<b>Total</b>	<b>295</b>	<b>296</b>

### 30 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	2014/15	108		0		108	12	120
	2013/14	108		1		109	22	131
Director Customer and Advice Services (note a)	2014/15	89		0		89	10	99
	2013/14	97		0		97	20	117
Director Public Protection, Streetscene and Communities (note b)	2014/15	81		0		81	9	90
	2013/14	81		0		81	17	98
Head of Shared Financial Services (note f)	2014/15	58		6		64	7	71
	2013/14	58		6		64	12	76
Head of Governance	2014/15	51		4		55	5	60
	2013/14	48		3		51	10	61
Head of Customer, ICT and Transactional Services (note c)	2014/15	No longer reports directly to Chief Executive in 2014/15						
	2013/14	50		5		55	10	65
Head of Policy and Communications/Project Manager (note e)	2014/15	53		1		54	6	60
	2013/14	47		4		51	9	60
Head of Economic Development (note d)	2014/15	48		5		53	5	58
	2013/14	Did not report directly to Chief Executive in 2013/14						

Note a Director of Partnerships, Planning and Policy has changed title during 2014/15 to Director Customer and Advice Services.

Note b Director of People and Places has changed title during 2014/15 to Director Public Protection, Streetscene and Communities.

Note c Head of Customer, ICT & Transactional Services reported directly to the Chief Executive in 2013/14 but not in 2014/15.

Note d Head of Economic Development as Senior Officers post reporting directly to the Chief Executive in 2014/15 was not in 2013/14.

Note e Head of Policy and Communications changed position to Project Director on 1 October 2014. Head of Policy and Communications is shared between two employees but is now under £50K threshold.

Note f The cost of Head of Shared Financial Services post is shared between Chorley and South Ribble Borough Councils.

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

<b>Remuneration band</b>	<b>2013/14 Number of employees</b>	<b>2014/15 Number of employees</b>
£50,000 - £54,999	3	5
£55,000 - £59,999	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	
	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15
£0 -£20,000	1	1	10	1	11	2	106	13
£20,001 - £40,000	0	0	0	2	0	2	0	58
£40,001 - £60,000	0	0	1	0	1	0	48	0
£60,001 - £80,000	0	0	2	0	2	0	125	0
£80,001 - £100,000	0	0	0	0	0	0	0	0
£100,000 - £150,000	0	0	0	0	0	0	0	0
<b>Total</b>	1	1	13	3	14	4	279	71

### 31 EXTERNAL AUDIT COSTS

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

	2013/14 £'000	2014/15 £'000
Fees for statutory inspection and audit	60	59
Less Audit fees rebate		(6)
Fees for the certification of grant claims and returns	12	10
<b>Total</b>	<b>72</b>	<b>63</b>

A rebate of £6,109 was issued by the Audit Commission in October 2014.

Additional fees payable to auditors in respect of other services in 2014/15 include payments totalling £4,230 to the Audit Commission (National Fraud Initiative), and BDO (Shared Services Joint Committee annual return).

### 32 GRANT INCOME

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

	2013/14 £'000	2014/15 £'000
<b><u>Credited to Taxation and Non-Specific Grant Income &amp; Expenditure</u></b>		
Revenue Support Grant (RSG)	(3,903)	(2,998)
New Homes Bonus grant	(1,805)	(2,639)
Other revenue grants	(532)	(734)
Capital Contributions – S106 Contributions/Community Infrastructure Levy	(1,779)	(2,158)
Capital Other grants and contributions	(53)	(524)
<b>Total</b>	<b>(8,072)</b>	<b>(9,053)</b>
<b><u>Credited to Services</u></b>		
Grants – benefits related	(26,305)	(26,916)
Grants – other	(424)	(505)
Contribution – County Council reimbursement	(1,053)	(1,219)
Contributions – other	(618)	(572)
<b>Total</b>	<b>(28,400)</b>	<b>(29,212)</b>

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

	2013/14 £'000	2014/15 £'000
<b>Grant Receipts in Advance - Capital</b>		
Grant – Regional Housing Pot	(664)	(123)
Grant – Lancashire County Council	(10)	(25)
Other grants and contributions	(29)	(21)
<b>Total</b>	<b>(703)</b>	<b>(169)</b>

### 33 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 33.

- **Members of the Council**

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

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

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

- **Officers**

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

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

In 2006/07 the Council's housing stock was transferred to CCH. The Council receives a proportion of the receipts from the preserved right to buy sales of dwellings to former Chorley council tenants (see note 410 Contingent Assets). In 2014/15 this totalled £0.329m (2013/14 £0.163m).

- **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 2014/15 gross expenditure of £1.7m (2013/14 £1.862m) was incurred on the shared services, which was fully funded by recharges to the two Councils.

### 34 CAPITAL EXPENDITURE AND FINANCING

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

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.

	2013/14 £'000	2014/15 £'000
Opening Capital Financing Requirement	8,472	32,866
Capital investment		
Property, Plant and Equipment (Note 12)	24,991	2,685
Heritage Assets (Note 13)	0	39
Revenue Expenditure Funded from Capital under Statute (Note 7)	624	930
Sources of finance		
Capital Receipts (Note 22b)	0	(163)
Government Grants and Other Contributions (Note 22b)	(799)	(1,789)
Sums set aside from revenue		
Revenue Financing (Note 22b)	(152)	(907)
Minimum Revenue provision – statutory (Note 22b)	(270)	(461)
<b>Closing Capital Financing Requirement</b>	<b>32,866</b>	<b>33,200</b>
Explanation of movements in year		
Increase in prudential borrowing	24,664	795
Provision made for debt repayment	(270)	(461)
<b>Increase/(Decrease) in Capital Financing Requirement</b>	<b>24,394</b>	<b>334</b>

### 35 LEASES

#### 35a 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 2014		31 March 2015	
	Payments £'000	Receipts £'000	Payments £'000	Receipts £'000
Not later than 1 year	712	(43)	619	(43)
Later than 1 year, not later than 5	1,494	(170)	1,284	(170)
Later than 5 years	403	(383)	374	(340)
<b>Minimum lease payments</b>	<b>2,609</b>	<b>(596)</b>	<b>2,277</b>	<b>(553)</b>

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

	2013/14 £'000	2014/15 £'000
Minimum lease payments	752	788
Sub-lease payments receivable	(43)	(43)
<b>Total payable rentals</b>	<b>709</b>	<b>745</b>

### 35b 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 2014 £'000	31 March 2015 £'000
Finance lease debtor (present value of minimum lease payments)	289	289
Unearned finance income	2,259	2,235
<b>Gross investment in the lease</b>	<b>2,548</b>	<b>2,524</b>

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 2014 £'000	31 March 2015 £'000	31 March 2014 £'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	2,429	2,405	2,429	2,405
<b>Total</b>	<b>2,548</b>	<b>2,524</b>	<b>2,548</b>	<b>2,524</b>

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:

	<b>31 March 2014</b> <b>£'000</b>	<b>31 March 2015</b> <b>£'000</b>
Not later than one year	2,095	2,145
Later than one year and not later than five years	6,476	6,668
Later than five years	14,382	14,001
<b>Total receivable rentals</b>	<b>22,953</b>	<b>22,814</b>

No contingent rents were received by the authority.

### 36 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).

	<b>2013/14</b> <b>£'000</b>	<b>2014/15</b> <b>£'000</b>
Impairment losses taken to the Revaluation Reserve	(197)	0
<b>Total impairment losses</b>	<b>(197)</b>	<b>0</b>

### 37 TERMINATION BENEFITS

The Authority terminated the contracts of a number of employees in 2014/15 incurring liabilities of £0.071m (£0.279m in 2013/14). See note 30 for the number of exit packages and total cost.

### 38 DEFINED BENEFIT PENSION SCHEME

#### 38a Governance

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

#### 38b Funding the liabilities

Regulations require actuarial fund valuations to be carried out every 3 years. Contributions for each employer are set having regard to their individual circumstances. Contributions must be set with a view to targeting the Funds solvency (the detailed provisions are set out in the Fund's Funding Strategy Statement). The latest valuation, carried out as at 31 March 2013, showed a shortfall for all employers of £1.38bn or 22%. Employers are paying additional contributions over 19 years to meet the shortfall, commencing in 2014/15.

In 2015/16 the Council will pay a contribution of 11.1% of pensionable pay, estimated to cost £0.868m, plus a deficit recovery contribution of £0.832m.

### **38c Risks**

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

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

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

Sensitivity to these risks is estimated in note 38i.

### **38d Transactions relating to retirement benefits**

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

	2013/14 £'000	2014/15 £'000
<b><u>Comprehensive Income &amp; Expenditure Statement</u></b>		
Cost of Services		
Administration	27	29
current service cost	1,654	1,312
Past service cost	0	25
Settlement and curtailment	168	0
Net interest on the net defined benefit liability		
Interest costs	4,509	4,463
Expected return on scheme assets	(2,822)	(3,031)
<b>Total post-employment benefit charged to the (Surplus)/Deficit on the Provision of Service</b>	<b>3,536</b>	<b>2,798</b>
<b><u>Other post-employment benefit charged to the Comprehensive Income &amp; Expenditure Statement</u></b>		
Re-measurement of the net defined benefit liability		
Return on plan assets, excluding amount included in interest expense	(1,096)	(5,479)
Actuarial gains & losses from changes in demographic assumptions	446	0
Actuarial gains & losses from changes in financial assumptions	(9,477)	16,399
Re-measurement of net defined benefit liability (CI&ES)	(10,127)	10,920
<b>Total post-employment benefit charged to the Comprehensive Income &amp; Expenditure Statement</b>	<b>(6,591)</b>	<b>13,718</b>
<b><u>Movement in Reserves Statement</u></b>		
Reversal of net charges made to the (Surplus)/Deficit on the Provision of Services	(3,536)	(2,798)
Actual employer contributions to the scheme	1,766	1,796

### 38e 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

	<b>Scheme Liabilities</b>	
	<b>Local Government Pension Scheme</b>	
	2013/14 £'000	2014/15 £'000
Present value of the defined benefit obligation	(100,591)	(119,917)
Fair value of plan assets	67,899	75,272
<b>Net liability arising from defined benefit obligation</b>	<b>(32,692)</b>	<b>(44,645)</b>



**38f Reconciliation of fair value of the scheme (plan) assets**

	<b>Scheme Assets</b>	
	<b>Local Government Pension Scheme</b>	
	<b>2013/14</b>	<b>2014/15</b>
	<b>£'000</b>	<b>£'000</b>
<b>1 April</b>	<b>67,776</b>	<b>67,899</b>
Interest income	2,822	3,031
Re-measurement gain/(loss)		
Return on plan assets, excluding amount included in interest expense	(1,514)	5,479
Employer contributions	1,754	1,765
Employee contributions	454	489
Benefits paid	(3,366)	(3,362)
Other	(27)	(29)
<b>31 March</b>	<b>67,899</b>	<b>75,272</b>

**38g Reconciliation of present value of the scheme liabilities (defined benefit obligation)**

	<b>Scheme Liabilities</b>	
	<b>Local Government Pension Scheme</b>	
	<b>2013/14</b>	<b>2014/15</b>
	<b>£'000</b>	<b>£'000</b>
<b>1 April</b>	<b>(108,813)</b>	<b>(100,591)</b>
Current service cost	(1,654)	(1,312)
Interest cost	(4,509)	(4,463)
Contributions by scheme participants	(454)	(489)
Re-measurement gains and (losses)		
Changes in demographic assumptions	(446)	0
Changes in financial assumptions	9,477	(16,399)
Other	2,610	0
Benefits paid	3,366	3,362
Curtailement	(168)	0
Past service costs	0	(25)
<b>31 March</b>	<b>(100,591)</b>	<b>(119,917)</b>

### 38h Local Government Pension Scheme assets comprised

	Fair value of scheme assets	
	2013/14 £'000	2014/15 £'000
<b>Cash and cash equivalents</b>	1,179	3,647
<b>Equity investments (by industry type)</b>		
Consumer	8,733	8,322
Energy	1,381	598
Financial institutions	5,006	4,460
Health and care	3,061	2,558
Information technology	4,505	4,255
Industrials	4,136	3,612
Other	2,823	2,104
Sub total equity	29,645	25,909
<b>Bonds</b>		
UK corporate	2,659	725
Overseas corporate	3,594	320
Government	2,081	2,362
Sub total bonds	8,334	3,407
<b>Property</b>		
Retail	2,553	3,061
Commercial	2,999	4,027
Sub total property	5,552	7,088
<b>Private equity</b>		
UK	1,726	1,889
Overseas	7,791	9,200
Sub total private equity	9,517	11,089
<b>Other</b>		
Infrastructure	3,694	4,189
Property	341	551
Credit funds	9,637	19,392
Sub total alternatives	13,672	24,132
	<b>67,899</b>	<b>75,273</b>

### 38i 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	
	2013/14	2014/15
Long-term expected rate of return on assets in the scheme		
Equity investments	7.0%	6.5%
Government bonds	3.4%	2.2%
Other bonds	4.3%	2.9%
Property	6.2%	5.9%
Cash/liquidity	0.5%	0.5%
Other	0.0%	0.0%
Mortality assumptions		
Longevity at 65 for current pensioners		
Men	22.8 yrs.	22.9yrs
Women	25.3 yrs.	25.4yrs
Longevity at 65 for future pensioners		
Men	25.0 yrs.	25.1yrs
Women	27.7 yrs.	27.8yrs
Rate of inflation (CPI)	2.4%	2.0%
Rate of increase in salaries	3.9%	3.5%
Rate of increase in pensions	2.4%	2.0%
Rate for discounting scheme liabilities	4.5%	3.3%
Take up option to convert pension into lump sum	0.0%	0.0%

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

	Impact on the defined benefit obligation in the scheme £'000
Longevity (increase 1 year)	2,382
Rate of inflation (increase of 0.1% p.a.)	2,209
Salary inflation (increase of 0.1% p.a.)	436
Rate for discounting scheme liabilities (change of 0.1%)	+/- 2,169

### **39 CONTINGENT LIABILITIES**

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 2015 there are 10 years of the liability period outstanding.

### **40 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 seven years to run. The amount receivable will depend on the numbers sold and cannot be predicted.

### **41 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. There is no evidence of an impairment risk. Investments by category of counterparty are shown in the following table.

	<b>31 March 2014 £'000</b>	<b>31 March 2015 £'000</b>
Term deposits - UK Banks	2,008	0
<b>Total Short-Term Investments</b>	<b>2,008</b>	<b>0</b>

### Sundry Debtors

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

	<b>Gross £'000</b>	<b>Default risk £'000</b>	<b>Net £'000</b>
Not yet past due date	2,285	116	2,169
Up to three months past due date	474	16	458
Three to six months past due date	284	162	122
Six months to one year past due date	2,591	890	1,701
Beyond one year	993	656	337
<b>Total</b>	<b>6,627</b>	<b>1,840</b>	<b>4,787</b>

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:

	<b>31 March 2014 £'000</b>	<b>31 March 2015 £'000</b>
Less than 1 year	1,457	6,431
Between 1 and 2 years	6,263	1,263
Between 2 and 5 years	3,587	3,071
More than 5 years	9,151	8,467
<b>Total</b>	<b>20,458</b>	<b>19,232</b>

### Market risk

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

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

	<b>£'000</b>
Loss - Increase in interest payable on variable rate borrowings	0
Gain - Increase in interest receivable on variable rate investments	(58)
Gain - Impact on Comprehensive Income and Expenditure Statement	(58)
Gain - Decrease in fair value of fixed rate borrowing (no impact on Comprehensive Income & Expenditure Statement)	(1,500)

**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.

## 42 HERITAGE ASSETS – FIVE YEAR SUMMARY OF TRANSACTIONS

There were no disposals or acquisitions during the five years 2010/11 to 2014/15.

## 43 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 ten year plan for the use and maintenance of the hall and contents. Periodic structural surveys are undertaken, the last during 2013/14. Additions and disposal of the collection is managed in accordance with The Acquisitions and Disposal Policy.

## 44 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).

2014/15	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	(24)	12	12	98	98
H T Parkes Baths Fund	0	0	0	0	3	3
<b>Total</b>	<b>3</b>	<b>(24)</b>	<b>19</b>	<b>19</b>	<b>104</b>	<b>104</b>

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
<b>Total</b>	<b>2</b>	<b>0</b>	<b>39</b>	<b>39</b>	<b>98</b>	<b>98</b>

## 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).

2013/14		Collection Fund	2014/15	
Business Rates £'000	Council Tax £'000		Business Rates £'000	Council Tax £'000
		<b>INCOME</b>		
	50,161	Council Tax Receivable		52,050
26,496		Business Rates Receivable	27,943	
26,496	50,161		27,943	52,050
		<b>EXPENDITURE</b>		
		<b>Apportionment of Previous Year Surplus/(Deficit)</b>		
		Central Government	(82)	
	77	Chorley Council (Note 11)	(66)	102
	441	Lancashire County Council	(15)	572
	25	Lancashire Combined Fire Authority	(2)	34
	60	Police & Crime Commissioner for Lancashire		80
0	603		(165)	788
		<b>Precepts, Demands and Shares</b>		
13,014		Central Government	13,496	
10,411	6,340	Chorley Council (Note 11)	10,797	6,463
2,342	35,571	Lancashire County Council	2,429	36,826
260	2,085	Lancashire Combined Fire Authority	270	2,116
	5,008	Police & Crime Commissioner for Lancashire		5,185
26,027	49,004		26,992	50,590
		<b>Charges to Collection Fund</b>		
	94	Write offs of uncollectable amounts		89
355	388	Increase/(Decrease) in Bad Debt Provision	169	312
1,250		Increase/(Decrease) in Provision for Appeals	150	
134		Cost of Collection	133	
1,739	482		452	401
<b>(1,270)</b>	<b>72</b>	<b>Surplus/(Deficit) arising during the year</b>	<b>664</b>	<b>271</b>



2013/14		Collection Fund	2014/15	
Business Rates £'000	Council Tax £'000		Business Rates £'000	Council Tax £'000
		<b>Collection Fund Balance</b>		
	716	Balance brought forward at 1 April	(1,270)	788
(1,270)	72	Surplus/(Deficit) for the year	664	271
<b>(1,270)</b>	<b>788</b>	<b>Balance carried forward at 31 March</b>	<b>(606)</b>	<b>1,059</b>
		<b>Allocated to</b>		
(508)	102	Chorley Council - Collection Fund Adjustment Account (Notes 11 and 23f)	(242)	135
(635)		Central Government	(303)	
(114)	572	Lancashire County Council	(55)	771
(13)	33	Lancashire Combined Fire Authority	(6)	44
	81	Police & Crime Commissioner for Lancashire		109
<b>(1,270)</b>	<b>788</b>	<b>Surplus/(Deficit) at 31 March</b>	<b>(606)</b>	<b>1,059</b>

## 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 or creditor position between the billing authority and each major preceptor.

## COUNCIL TAX DETAILS OF CHARGE

For the purpose of calculating Council Tax, residential properties are classified into eight valuation bands. Each valuation band is proportionate to the central Band D property. This enables calculation of the total tax base. The Council Tax Base for 2014/15 was calculated as follows:

<b>Band</b>	<b>Dwellings</b>	<b>Dwellings adj. for discounts &amp; exemptions</b>	<b>Proportion of Band D Charge</b>	<b>Band D Equivalent</b>
A (disabled)	0	13	5/9	4.31
A	14,278	11,982	6/9	7,988.29
B	10,553	9,380	7/9	7,295.40
C	8,965	8,128	8/9	7,224.71
D	6,231	5,785	9/9	5,785.30
E	4,401	4,123	11/9	5,039.28
F	1,867	1,768	13/9	2,553.27
G	819	774	15/9	1,290.33
H	64	44	18/9	88.00
<b>Total</b>	<b>47,178</b>	<b>41,997</b>		<b>37,268.89</b>
Less adjustments for anticipated changes to the base and losses on collection				<b>(506.27)</b>
Add adjustment for new properties/technical changes to discounts				<b>578.66</b>
Less local Council Tax Support Scheme discounts				<b>(4,096.50)</b>
Band D Equivalent Number of Properties				<b>33,244.78</b>

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 £1,504.76 for 2014/15 (£1,480.11 for 2013/14). The other valuation bands are proportionate to this.

### **ACCOUNTING FOR BUSINESS RATES (NNDR)**

From 2013/14, NNDR income, debtor and creditor balances, provisions, arrears and prepayments have been apportioned between the Council, Government, Lancashire County Council, and Lancashire Combined Fire Authority, as a result of the implementation of Business Rates Retention. As 2013/14 was the first year of the new Business Rates Retention system, there was not a surplus or deficit from the previous year to apportion in 2014/15.

The deficit apportioned in 2014/15 was £0.165m, whereas the actual deficit in the previous year was £1.270m. Regulations require the deficit or surplus estimated in the annual National Non Domestic Rates (NNDR) 1 Return to be apportioned. The sum apportioned was therefore the estimate included in NNDR1 2014/15.

Note 11 Taxation and Non-Specific Grant Income and Expenditure shows net Non-Domestic Rates Income and Expenditure for 2014/15 to be £2.688m (2013/14 £2.263m). This can be reconciled to Chorley Council's share of Business rates income in the Collection Fund statement in the following table:

2013/14 £'000		2014/15 £'000
10,411	Chorley Council share of Business Rates	10,797
(7,499)	Tariff payable to Central Government	(7,646)
(141)	Levy Payable to Central Government	(663)
(508)	Chorley Council share of (surplus) or deficit for year (transferred to Collection Fund Adjustment Account - Note 22f)	266
	Chorley Council share of previous year's surplus or (deficit)	(66)
<b>2,263</b>	<b>NNDR net income per Note 11</b>	<b>2,688</b>

### **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 47.1p in 2014/15 and one for larger businesses at 48.2p.

The Business Rates income, after reliefs and provisions, was £27.96m for 2014/15 (£24.9 million for 2013/14).

The rateable value for the Council's area at the end of the financial year 2014/15 was £70.69m (£68.75m in 2013/14).