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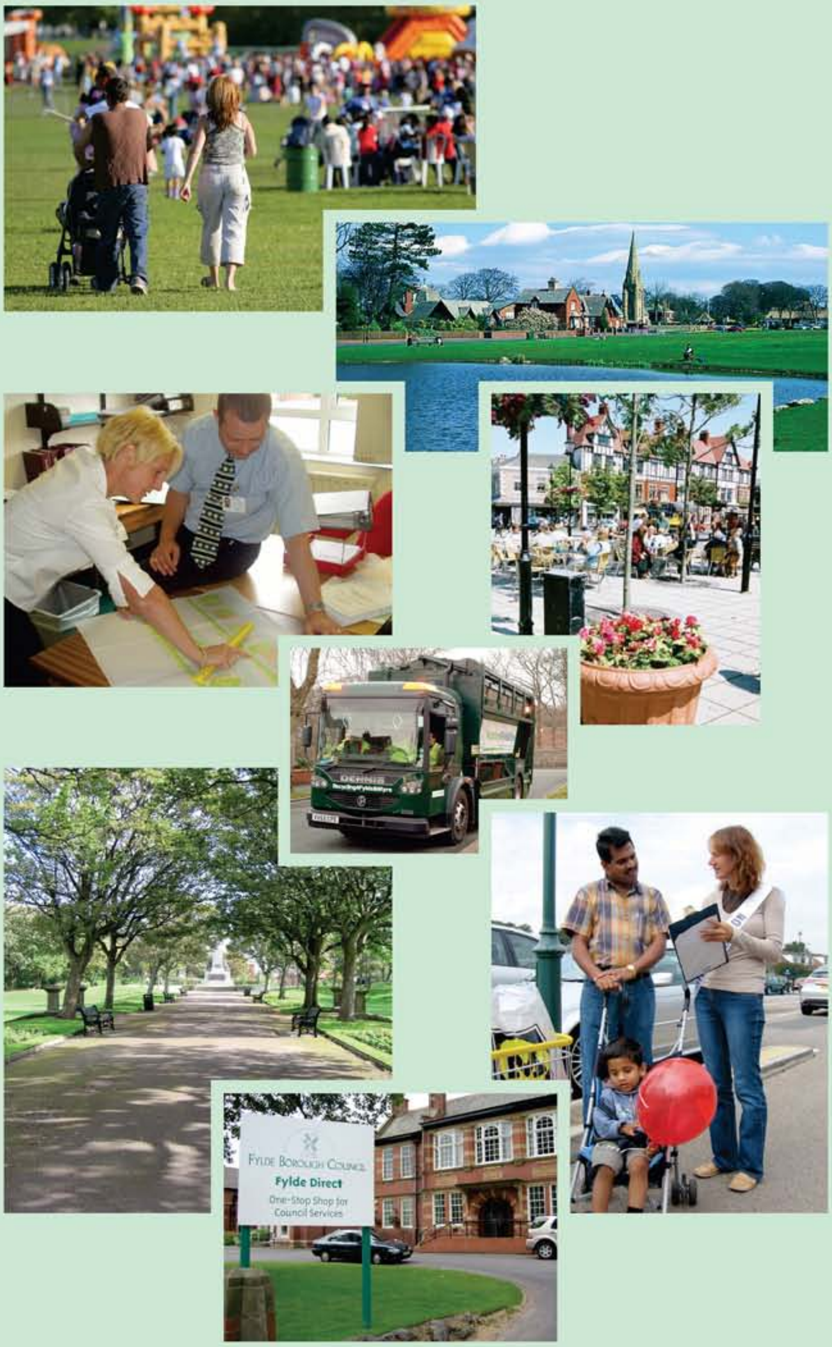
FYLDE BOROUGH COUNCIL



Meeting Agenda

Audit Committee
Town Hall, St Annes
Thursday 22 September 2011, 7:00p.m.

The main doors to the Town Hall will be open to the public at 6:45pm

The maximum capacity for this meeting room is 60 persons –
once this limit is reached no other person can be admitted.

AUDIT COMMITTEE

MEMBERSHIP

CHAIRMAN - Councillor John Singleton JP
VICE-CHAIRMAN – Councillor Brenda Ackers

Councillors

Ben Aitken	Christine Akeroyd
Leonard Davies	Kath Harper
Howard Henshaw	Linda Nulty
Louis Rigby	

Contact: Lyndsey Lacey, St. Annes (01253) 658504, Email: lyndseyl@fylde.gov.uk

FYLDE BOROUGH COUNCIL

working together for excellence

Our Vision

Fylde Borough Council will work with partners to provide and maintain a welcoming, inclusive place with flourishing communities.

Our Corporate Objectives

• To Promote the Enhancement of the Natural & Built Environment

• To Promote Cohesive Communities

• To Promote a Thriving Economy

• To meet the Expectations of our Customers

The Principles we will adopt in delivering our objectives are:

• To ensure our services provide value for money

• To work in partnership and develop joint working

working together for excellence

FYLDE BOROUGH COUNCIL

A G E N D A

PART I - MATTERS DELEGATED TO COMMITTEE

Personal interests

8.—(1) You have a personal interest in any business of your authority where either—

(a) it relates to or is likely to affect—

(i) any body of which you are a member or in a position of general control or management and to which you are appointed or nominated by your authority;

(ii) any body—

(aa) exercising functions of a public nature;
(bb) directed to charitable purposes; or
(cc) one of whose principal purposes includes the influence of public opinion or policy (including any political party or trade union),

of which you are a member or in a position of general control or management;

(i) any employment or business carried on by you;
(ii) any person or body who employs or has appointed you;
(iii) any person or body, other than a relevant authority, who has made a payment to you in respect of your election or any expenses incurred by you in carrying out your duties;
(iv) any person or body who has a place of business or land in your authority's area, and in whom you have a beneficial interest in a class of securities of that person or body that exceeds the nominal value of £25,000 or one hundredth of the total issued share capital (whichever is the lower);
(v) any contract for goods, services or works made between your authority and you or a firm in which you are a partner, a company of which you are a remunerated director, or a person or body of the description specified in paragraph (vi);
(vi) the interests of any person from whom you have received a gift or hospitality with an estimated value of at least £25;
(vii) any land in your authority's area in which you have a beneficial interest;
(viii) any land where the landlord is your authority and you are, or a firm in which you are a partner, a company of which you are a remunerated director, or a person or body of the description specified in paragraph (vi) is, the tenant;
(xi) any land in the authority's area for which you have a licence (alone or jointly with others) to occupy for 28 days or longer; or

(b) a decision in relation to that business might reasonably be regarded as affecting your well-being or financial position or the well-being or financial position of a relevant person to a greater extent than the majority of other council tax payers, ratepayers or inhabitants of the ward, as the case may be, affected by the decision;

(2) In sub-paragraph (1)(b), a relevant person is—

(a) a member of your family or any person with whom you have a close association; or
(b) any person or body who employs or has appointed such persons, any firm in which they are a partner, or any company of which they are directors;
(c) any person or body in whom such persons have a beneficial interest in a class of securities exceeding the nominal value of £25,000; or
(d) any body of a type described in sub-paragraph (1)(a)(i) or (ii).

Disclosure of personal interests

9.—(1) Subject to sub-paragraphs (2) to (7), where you have a personal interest in any business of your authority and you attend a meeting of your authority at which the business is considered, you must disclose to that meeting the existence and nature of that interest at the commencement of that consideration, or when the interest becomes apparent.
(2) Where you have a personal interest in any business of your authority which relates to or is likely to affect a person described in paragraph 8(1)(a)(i) or 8(1)(a)(ii)(aa), you need only disclose to the meeting the existence and nature of that interest when you address the meeting on that business.
(3) Where you have a personal interest in any business of the authority of the type mentioned in paragraph 8(1)(a)(viii), you need not disclose the nature or existence of that interest to the meeting if the interest was registered more than three years before the date of the meeting.
(4) Sub-paragraph (1) only applies where you are aware or ought reasonably to be aware of the existence of the personal interest.

(5) Where you have a personal interest but, by virtue of paragraph 14, sensitive information relating to it is not registered in your authority's register of members' interests, you must indicate to the meeting that you have a personal interest, but need not disclose the sensitive information to the meeting.

(6) Subject to paragraph 12(1)(b), where you have a personal interest in any business of your authority and you have made an executive decision in relation to that business, you must ensure that any written statement of that decision records the existence and nature of that interest.

(7) In this paragraph, "executive decision" is to be construed in accordance with any regulations made by the Secretary of State under section 22 of the Local Government Act 2000(**d**).

Prejudicial interest generally

10.—(1) Subject to sub-paragraph (2), where you have a personal interest in any business of your authority you also have a prejudicial interest in that business where the interest is one which a member of the public with knowledge of the relevant facts would reasonably regard as so significant that it is likely to prejudice your judgement of the public interest.

(2) You do not have a prejudicial interest in any business of the authority where that business—

(a) does not affect your financial position or the financial position of a person or body described in paragraph 8;

(b) does not relate to the determining of any approval, consent, licence, permission or registration in relation to you or any person or body described in paragraph 8; or

(c) relates to the functions of your authority in respect of—

(i) housing, where you are a tenant of your authority provided that those functions do not relate particularly to your tenancy or lease;

(ii) school meals or school transport and travelling expenses, where you are a parent or guardian of a child in full time education, or are a parent governor of a school, unless it relates particularly to the school which the child attends;

(iii) statutory sick pay under Part XI of the Social Security Contributions and Benefits Act 1992, where you are in receipt of, or are entitled to the receipt of, such pay;

(iv) an allowance, payment or indemnity given to members;

(v) any ceremonial honour given to members; and

(vi) setting council tax or a precept under the Local Government Finance Act 1992.

Prejudicial interests arising in relation to overview and scrutiny committees

11.— You also have a prejudicial interest in any business before an overview and scrutiny committee of your authority (or of a sub-committee of such a committee) where—

(a) that business relates to a decision made (whether implemented or not) or action taken by your authority's executive or another of your authority's committees, sub-committees, joint committees or joint sub-committees; and

(b) at the time the decision was made or action was taken, you were a member of the executive, committee, sub-committee, joint committee or joint sub-committee mentioned in paragraph (a) and you were present when that decision was made or action was taken.

Effect of prejudicial interests on participation

12.—(1) Subject to sub-paragraph (2), where you have a prejudicial interest in any business of your authority—

(a) you must withdraw from the room or chamber where a meeting considering the business is being held—

(i) in a case where sub-paragraph (2) applies, immediately after making representations, answering questions or giving evidence;

(ii) in any other case, whenever it becomes apparent that the business is being considered at that meeting;

unless you have obtained a dispensation from your authority's standards committee;

(b) you must not exercise executive functions in relation to that business; and

(c) you must not seek improperly to influence a decision about that business.

(2) Where you have a prejudicial interest in any business of your authority, you may attend a meeting (including a meeting of the overview and scrutiny committee of your authority or of a sub-committee of such a committee) but only for the purpose of making representations, answering questions or giving evidence relating to the business, provided that the public are also allowed to attend the meeting for the same purpose, whether under a statutory right or otherwise.

REPORT

FYLDE BOROUGH COUNCIL

REPORT OF	MEETING	DATE	ITEM NO
FINANCE	AUDIT COMMITTEE	22 SEPTEMBER 2011	4

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) – PROJECT COMPLETION REPORT

Public Item

This item is for consideration in the public part of the meeting.

Summary

The purpose of the report is to update Members on the completion of this project (in relation to the introduction of a new financial reporting framework, whereby the accounts for local authorities will be prepared under International Financial Reporting Standards (IFRS), with effect from 2010/11 (1/4/10).

Recommendations

The Audit Committee is asked to note the completion on the implementation of the IFRS project.

Reasons for recommendation

The Council's annual Statement of Accounts must be completed in accordance with statutory accounting standards and relevant recommended practice.

Alternative options considered and rejected

N/A

Cabinet Portfolio

The item falls within the following Cabinet portfolio:
Finance & Resources – Councillor Karen Buckley.

Report

1 Completion of Project

1.1 The IFRS project has now been completed within the approved budget provision. Some of the budget allocated for this project was slipped into 2011/12 in order to complete the project within the target timescales and deal with the external audit of statutory accounts for 2010/11.

1.2 The project was completed by 30th June 2011 and the annual accounts were produced for the external auditors (KPMG) in line with statutory deadlines. For completeness **Appendix A** to this report sets out the updated implementation plan and shows all tasks completed.

1.3 The external audit of the statutory accounts for 2010/11, in line with IFRS has been completed and no areas of concern were highlighted. KPMG have given Members assurance that the accounts have been completed in line with IFRS requirements. The KPMG ISA (260) report, which is their independent opinion on the Council's annual accounts is tabled elsewhere on this agenda.

2 Ongoing Requirements

2.1 Due to the ongoing complexities of IFRS, it is more key critical than ever that the property and finance teams continue to work closely together to ensure timely annual accounts production with minimum errors.

2.2 The internal officer IFRS Project Board will continue to meet on a regular basis to ensure any ongoing IFRS requirements are addressed within statutory requirements and deadlines.

2.3 Officers will continue to attend training courses as appropriate in line with latest IFRS Guidance.

3 Ongoing Project Risks

3.1 Any changes to staff within areas of the council that are affected by IFRS will require consideration to ensure knowledge is retained and transferred as appropriate.

4 Conclusions

4.1 The implementation of IFRS has been extremely challenging for the team and will continue to have an impact on how the Council research, analyse and presents financial (and financial related) information. Going forward there will still be annual IFRS changes to reflect in the accounts as legislation continues to change, but hopefully not on the same scale as experienced in 2010/11. Work will also focus on the consolidation and ongoing improvements around the production of the annual statement of accounts.

Report Author	Tel	Date	Doc ID
Joanna Scott, S151 Officer	(01772) 906059	September 2011	

List of Background Papers		
Name of document	Date	Where available for inspection
IFRS Project Progress Update Report	Audit Committee March 2011	Council office or website address

Attached documents

Appendix A – IFRS Implementation Plan (as at September 2011)

IMPLICATIONS	
Finance	Contained within the body of the report
Legal	N/A
Community Safety	N/A
Human Rights and Equalities	N/A
Sustainability and Environmental Impact	N/A
Health & Safety and Risk Management	N/A

APPENDIX A

IFRS Implementation Plan - Aug 2011		Deadline	Completed	Person responsible	Review by	Notes
1	**Project Management and Reporting**					
1.1	Summary papers to Executive team	On-going				Regular Updates
1.2	Keep Audit Committee informed on a quarterly basis	On-going				Quarterly Reporting to continue
2	**Access to Guidance**					
2.1	Regular updates provided by CIPFA	On-going				Final Guidance received January 2011
2.2	Other Sources	On-going				Being received from various sources
2.3	Identify network groups, discussion forums, etc	On-going				Available guidance/discussion regularly accessed
3	**Restatement of opening Balance Sheet**					
3.1	Re-state balance sheet as at 31 March 2010	31.12.10	31.12.10	PS / DA	DB	Reviewed by KPMG - no issues arising
4	**Staff Benefits Accrued**					
4.1	Leave outstanding at 31st March	31.05.10	31.05.10	PS	DB	Reviewed by KPMG - no issues arising
4.2	Flexi Time	31.05.10	31.05.10	PS	DB	Reviewed by KPMG - no issues arising
4.3	Determine financial impact of first year adoption	31.05.10	31.05.10	PS	DB	Reviewed by KPMG - no issues arising
4.4	Draft Notes for the accounts		31.06.11	PS	DB	Completed
5	**Property Plant and equipment - Revaluations and impairments**					
5.1	Analyse all fixed Assets & categorise appropriately	On-going	31.03.11	DA / GS	DB	Completed
5.2	Apply all revaluations & impairments as required	On-going	31.03.11	DA / GS	DB	Completed
5.3	Determine financing of new refuse vehicle fleet	31.03.11	31.03.11	JS		Completed
6	**Civica (General ledger) changes**					
6.1	Changes to Chart of Accounts (Operating Segments to be established)	30.06.11	30.04.11	DB	P O'D	Completed
7	**Financial instruments**					
7.1	Draft Notes for the accounts	30.06.11	15.06.11	N McL	DB	Completed
8	**Land and Buildings - componentisation**					
8.1	Guidance on componentisation methodology received	31.03.11	31.03.11	DA / GS	DB	Completed
8.2	Componentisation applied to land & buildings upon revaluation	On-going	31.03.11	DA / GS	DB	Completed
9	**Leases - Land/buildings (FBC as Lessor)**					
9.1	Collate lease documentation & review	31.12.10	31.12.10	PS / DA	DB	Completed
9.2	Apply criteria for determination of Finance/Operating Leases	31.12.10	31.12.10	PS / DA	DB	Completed
9.3	Service Concession Arrangement - disclosure requirements	31.12.10	31.12.10	PS / DA	DB	Completed
9.4	Calculate accounting entries required & effect changes	31.12.10	31.12.10	PS / DA	DB	Completed
10	**Leases - Land/buildings (FBC as Lessee)**					
10.1	Collate lease documentation & review	31.12.10	31.12.10	PS / DA	DB	Completed
10.2	Apply criteria for determination of Finance/operating Lease	31.12.10	31.12.10	PS / DA	DB	Completed
10.3	Calculate accounting entries required & effect changes	31.12.10	31.12.10	PS / DA	DB	Reviewed by KPMG - no issues arising

11	**Leases - Plant & Equipment- (FBC as Lessee)**					
11.1	Collate lease documentation & review	31.12.10	31.12.10	PS / DA	DB	Completed
11.2	Apply criteria for determination of Finance/operating Lease	31.12.10	31.12.10	PS / DA	DB	Completed
11.3	Calculate accounting entries required & effect changes	31.12.10	31.12.10	PS / DA	DB	Reviewed by KPMG - no issues arising
12	**Health check on Accounting Policies**					
12.1	Guidance on Accounting Policies UK GAAP/SORP	30.06.11	30.06.11	PS / DA	DB	Completed
13	**2009-10 Financial Statements restated under IFRS**					
13.1	Restatement of Balance Sheet	31.12.10	31.12.10	PS / DA	DB	Reviewed by KPMG - no issues arising
13.2	Restatement of Financial Statements	31.12.10	30.06.11	PS / DA	DB	Completed (late issuance of guidance delayed completion date)
14	**2010-11 Financial Statements produced**					
14.1	2010-11 Financial Statements produced under UK GAAP/SORP	30.06.11	30.06.11	PS / DA	DB	Completed
14.2	2010-11 Financial Statements produced under IFRS	30.06.11	30.06.11	PS / DA	DB	Completed
15	**Clean bill of health from Auditors**	30.09.11	30.09.11	DB	P O'D	2010/11 statement of accounts signed off

REPORT

FYLDE BOROUGH COUNCIL

REPORT OF	MEETING	DATE	ITEM NO
FINANCE	AUDIT COMMITTEE	22 SEPTEMBER 2011	5

ANNUAL STATEMENT OF ACCOUNTS 2010/11

Public Item

This item is for consideration in the public part of the meeting.

1. Summary

1. This Committee has the authority to approve the Council's Annual Statement of Accounts and to report back to Full Council.

2. This Council prepares its statutory Annual Accounts and supporting financial statements in accordance with applicable laws and regulations and in line with the Chartered Institute of Public Finance & Accountancy (CIPFA) Code of Practice on Local Authority Accounting in United Kingdom 2010/11 (The Code). This replaces the CIPFA's Statement of Recommended Practice (SORP).

3. The Section 151 Officer is responsible for the preparation of the Authority's Statement of Accounts which, in terms of the CIPFA (Chartered Institute of Public Finance & Accountancy)/LASAAC (Local Authority (Scotland) Accounts Advisory Committee) the Code of Practice on Local Authority Accounting in United Kingdom (the Code), is required to present a true and fair view of the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2011.

Recommendations

Audit Committee are recommended to approve the Statement of Accounts for 2010/11 and report back to Full Council accordingly.

1. Information

1.1 KPMG base their opinion on the Annual Accounts as to whether they "present a true and fair view of the financial position" of the Council in accordance with the requirements set out in 2 and 3 above.

1.2 The new International Financial Reporting Standards (IFRS) have brought some significant challenges to the Council and Finance Team which have been successfully implemented and reflected in the Annual Statement of Accounts.

1.3 As Audit Committee Members are aware, through joint working with Preston City Council finance team, the Council started work on the implementation plan of the International Financial Reporting Standards (IFRS) to ensure that both Council's met the statutory implementation date of 1st April 2010. Audit Committee received quarterly progress updates during 2010/11 and the project has been delivered successfully and the statutory project completion report is tabled elsewhere on this agenda.

1.4 The Accounts and Audit Regulations 2011 require the Council's responsible financial officer (Section 151 Officer) to certify that the Statement of Accounts "present a true and fair view of the financial position" for the 2010/11 financial year by 30th June 2011. The Council is then formally required to approve and publish the Statement of Accounts no later than 30th September 2011.

1.5 The Council (delegated to Audit Committee) is required to approve the Statement of Accounts for 2010/11 by 30th September 2011 in line with the Accounts and Audit Regulation 2011.

1.6 Once the Audit Opinion has been given and accounts approved they must be signed and dated by the Member presiding the meeting (the Chair) at which approval is given and re-certified by the Section 151 Officer. The Statement of Accounts can then be published as a public document. The target date for issue is October 2011.

2. External Audit

2.1 One of the duties of External Audit is to examine the form and regularity of the accounts, the main purpose being to ensure they are not materially mis-stated.

2.2 If the Auditors identify any material changes to the Accounts, these will be reported to Members in their independent opinion report.

3. Conclusion

3.1 The deadline for the internal production and external audit of the Statement of Accounts for 2010/11has been achieved.

Report Author	Tel	Date	Doc ID
Joanna Scott, Section 151 Officer	(01772) 906059	September 2011	Annual Statement of Accounts

List of Background Papers		
Name of document	Date	Where available for inspection
Document name		Council office or website address

Attached documents

1. Annual Statement of Accounts 2010/11 (separate pdf file)

IMPLICATIONS	
Finance	Contained in the body of the report
Legal	Non arising directly from this report
Community Safety	Non arising directly from this report
Human Rights and Equalities	Non arising directly from this report
Sustainability and Environmental Impact	Non arising directly from this report
Health & Safety and Risk Management	Non arising directly from this report

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FYLDE BOROUGH COUNCIL

Statement of Accounts

2010/2011

CONTENTS

INDEPENDENT AUDITORS REPORT

Independent auditors' report to the Members of Fylde Borough Council

We have audited the financial statements of Fylde Borough Council for the year ended 31 March 2011 on pages 19 to 22. The financial statements have been prepared under applicable law and the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of the Authority, as a body, in accordance with Part II of the Audit Commission Act 1998. Our audit work has been undertaken so that we might state to the members of the Authority, as a body, 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 members of the Authority, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Section 151 Officer and auditor

As explained more fully in the Statement of the Section 151 Officer's Responsibilities, set out on page 15, the Section 151 Officer is responsible for the preparation of financial statements which give a true and fair view.

Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practice's Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

We conducted our audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounting statements and related notes.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2011 and of the Authority's expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2010/11.

INDEPENDENT AUDITORS REPORT

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Code of Audit Practice 2010 for Local Government Bodies requires us to report to you if:

- the governance statement which accompanies the financial statements does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or

- any matters have been reported in the public interest under section 8 of Audit Commission Act 1998 in the course of, or at the conclusion of, the audit; or

- any recommendations have been made under section 11(3) of the Audit Commission Act 1998; or

- any other special powers of the auditor have been exercised under the Audit Commission Act 1998.

INDEPENDENT AUDITORS REPORT

Conclusion on Fylde Borough Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's responsibilities

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.

Auditor's responsibilities

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

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

Basis of conclusion

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2010, 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 2011.

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 2010, we are satisfied that, in all significant respects, Fylde Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2011.

Certificate

We certify that we have completed the audit of the financial statements of Fylde Borough Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice 2010 for Local Government Bodies issued by the Audit Commission.

Trevor Rees
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
St James' Square
Manchester
M2 6DS
22nd September 2011

EXPLANATORY FOREWORD BY SECTION 151 OFFICER

1. INTRODUCTION

This document sets out the Council's annual accounts for the financial year ending 31 March 2011.

The format of the document is heavily prescribed and follows the requirements as set out by the Chartered Institute of Public Finance & Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom 2010/11.

The Accounts and Audit Regulations 2011 require the Council's responsible financial officer to certify that the Statement of Accounts 'present a true and fair view of the financial position' for the 2010/11 financial year by the 30th June 2011. The Council is then formally required to approve and publish the Statement of Accounts no later than 30th September 2011. Following approval, the Statement of Accounts must be signed and dated by the member presiding at the meeting at which approval is given.

The purpose of this foreword is to assist the readers' interpretation of the accounts and to provide an overall summary of the Council's financial performance for 2010/11, to explain the Council's financial position as at 31st March 2011, and to give a summary insight in to what the financial future holds for the Council.

2. CHANGES INTRODUCED BY THE CODE OF PRACTICE ON LOCAL AUTHORITY ACCOUNTING 2010/11 (THE CODE 2010/11)

The Statement of Accounts for 2010/11 is the first to be prepared on an International Financial Reporting Standards (IFRS) basis. The first time adoption of an IFRS based Code from a UK GAAP (Generally Accepted Accounting Practice) based Statement of Recommended Practice (SORP) results in a number of significant changes in accounting practice. The key accounting changes include:

- Change in format and change in approach to the financial statements;
- Grants and contributions for capital purposes are now to be accounted for immediately in the Income and Expenditure Account rather than being deferred and released over the life of the asset;
- Property leases are to be classified and accounted for as separate leases of land and buildings;
- Employment benefits are to be accounted for as they are earned by the employee; and,
- The Code introduces a new classification of non-current assets held for sale.

Further detail on those changes that have impacted the Council's accounts are given in the Statement of Accounting Policies.

To assist in the interpretation and understanding of the Statement of Accounts the purpose of the Statements are set out below.

3. THE STATEMENTS

The Core Financial Statements include: -

- Movement in Reserves Statement – this is a summary of the movement in year on the different reserves held by the Authority analysed into 'usable reserves' (those which can be applied to fund expenditure) and un-usable reserves (those which cannot be used to fund expenditure). This replaces the previous Statement of Movement on the General Fund Balance and the note on the movement in reserves.

- Comprehensive Income and Expenditure Account Statement – this consists of two sections: the first section showing entries for income and expenditure arising from day to day operational services and the second section showing the increase or decrease to net worth as a movement in fair value of assets. It combines the previous Income & Expenditure Account and the

Statement of Recognised Gains and Losses.

- Balance Sheet – this sets out the Council's assets and liabilities as at 31 March 2011 and how these are funded (by reserves, borrowing, provisions and other balances).

- Cash Flow Statement – this summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes.

- Notes to the Core Financial Statements – these assist in the interpretation of the accounts by comprising a summary of significant accounting policies and other explanatory information.

Additional statements accompanying the accounts:

- Statement of Responsibilities for the Statement of Accounts – this identifies the officer who is responsible for the proper administration of the Council's financial affairs.

- Risk Management Policy Statement - this outlines the Council's approach to the management of risk.

- Collection Fund - this fund is maintained separately to record the collection of Council Tax and National Non domestic Rates (NNDR) due. The Council operates the Collection Fund under the Local Government Finance Act 1988. It contains the income and expenditure relating to Council Tax and National Non domestic Rates.

- Glossary – an explanation of some of the key technical terms used in these accounts.

In line with the Accounts & Audit Regulations 2011 the Annual Governance Statement will accompany the accounts as a separate document and no longer be part of these statements.

4. THE COUNCIL'S SPENDING

The Council effectively has two types of expenditure:

- **Revenue Expenditure** – this is essentially the day to day costs incurred by the Council in providing services, including for example, employee costs, premises running costs, transport related costs and supplies and services.

- **Capital expenditure** – this is essentially one-off major items of expenditure relating to the purchase of new assets or expenditure which materially improves the working life of existing assets.

At the start of each year, the Council plans how much it is going to spend and reflects these spending plans as budgets. It calculates how much money needs to be raised from Council Tax having allowed for income and government grants, and determines how much it can raise from existing resources, contributions from outside sources or borrowing to fund its capital expenditure.

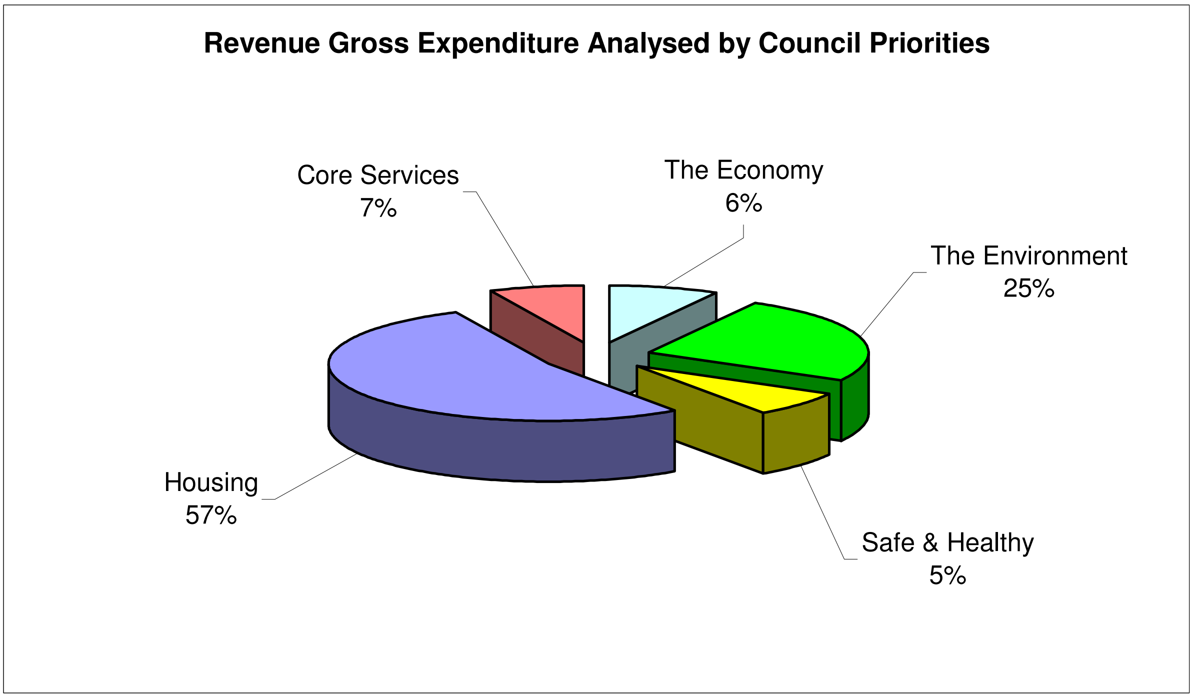
4.1 REVENUE EXPENDITURE

The original approved revenue budget net requirement set for 2010/11 was £11.449m. In response to the uncertainty surrounding the Emergency Budget issued by the new coalition government in June 2010 and the impact of the Comprehensive Spending Review, an instruction was given to spending officers during the year not to incur any non-essential expenditure. Subsequent to this, and after allowing for other known forecast adjustments, the net revenue budget requirement was revised to £10.822m. The outturn expenditure position for 2010/11 was £10.140m, which when combined with a favourable revised financing position of £11.631m (compared to a latest financing estimate of £11.424m) resulted in an in-year underspend of £0.889m.

£297k of this underspend relates to committed budget spend which is being slipped from 2010/11 into 2011/12, resulting in an underlying underspend of £592k.

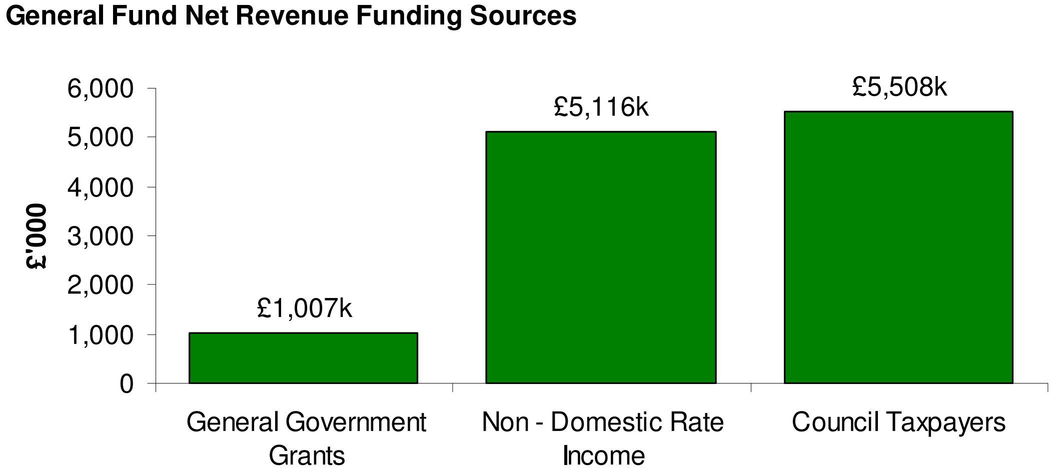
Full details and further analysis of expenditure, income and budget variances are set out in the Medium Term Financial Strategy (MTFS) Outturn Report reported to Cabinet on 28th June 2011. A copy of the report can be found at the Council's website www.fylde.gov.uk.

The 2010/11 Gross Cost of General Fund Services is analysed by priority in the following chart –



4.2 INCOME

The Council finances its net operating expenditure from Council Tax, General Government Grants and National Non Domestic Rate Redistribution. The contribution made by each is shown in the following graph:–



Council Tax

For 2010/11 the charge for Fylde Borough Council Tax increased by an average of 4.99%. Individual increases within the Borough varied due to the impact of changes in special expenditure. The actual in-year rate of collection in 2010/11 was 97.9%, which compares favourably against the collection rate for

2009/10 of 97.5%. Ultimately the Council collects in the region of 99% of Council Tax.

General Government Grants and Non Domestic Rate Redistribution

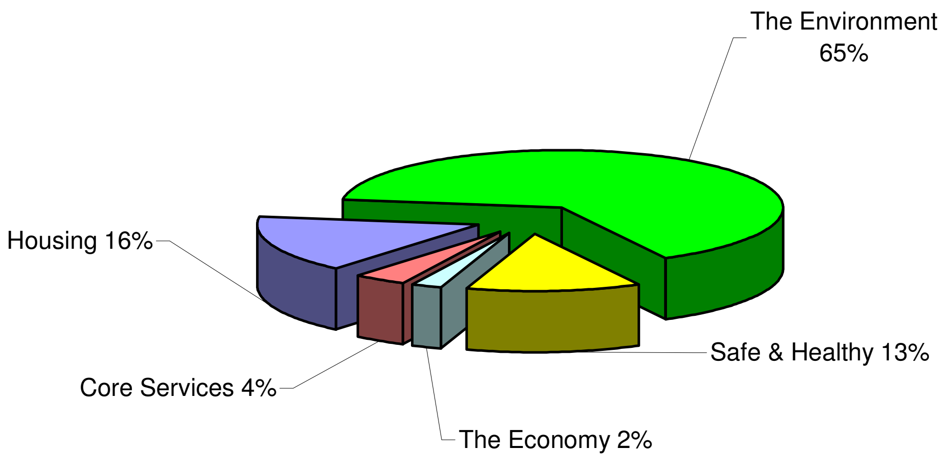
These grants are determined by Central Government.

The last Comprehensive Spending Review (CSR) covered the three year period 2008/09 to 2010/11. Fylde Borough Council's share increased in cash terms by 2.6% in 2010/11.

4.3 CAPITAL

In 2010/11 total expenditure was £5.537m. An analysis of how the money was spent is shown in the following chart -

Capital Expenditure Analysed by Council Priorities

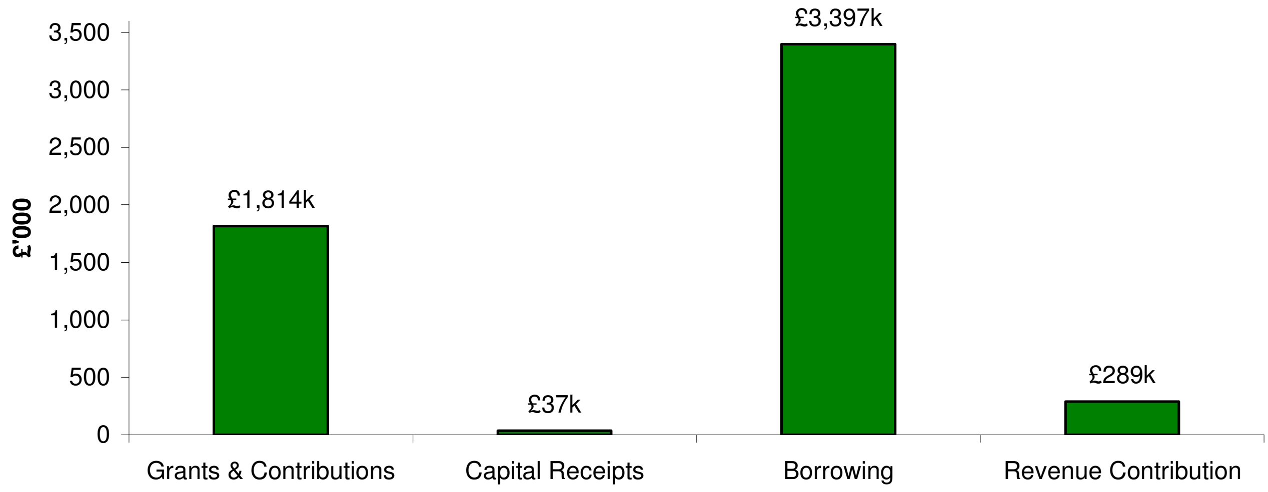


During the year significant capital expenditure was approved and incurred, which included the following schemes:

- Replacement vehicles £1.4m – expenditure incurred on replacement waste management vehicles as part of the modernisation strategy for Operational Services. The vehicles that were replaced had previously been leased by the Council;
- Cremator replacement £730k – expenditure incurred on replacement cremators and mercury abatement equipment to ensure that the Crematorium is capable of continued operation and complies with air quality legislation by the deadline of 2013;
- Ashton Gardens Heritage Restoration £470k – expenditure incurred on completing the lottery funded restoration project at Ashton gardens;
- Fleet Management Services depot Relocation £337k – expenditure incurred as part of the modernisation strategy for Operational Services on the relocation of Fleet Management Services depot facilities from a leased site in Poulton to the Council's own site in St. Annes;
- Installation of In Cab technologies £197k – expenditure incurred as part of the modernisation strategy for Operational Services on vehicle tracking technologies, which was fully funded from external grant income; and
- Replacement Revenues and Benefits Software System £192k – expenditure incurred in replacing the software system used by the Councils shared service partner for delivering the revenues and benefits service, Blackpool Council.

The actual sources of capital funding are shown in the following graph -

Capital Funding Sources



5. TREASURY MANAGEMENT

In 2010/11 the developing Euro zone sovereign debt crisis caused considerable concerns in financial markets. Local authorities were also presented with new challenges following the unexpected change of policy on Public Works Loan Board (PWLB) lending arrangements in October 2010. This resulted in an increase in new borrowing rates of around 0.8%, without an associated increase in early repayment rates. This made new borrowing more expensive and early repayment less attractive.

To manage the counterparty risk, Council has approved counterparty criteria and limits that must be adhered to. Also, additional treasury restrictions are put in place by the Section 151 Officer during periods of banking instability.

The Council is bound by the requirements of the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities. The Council is required to comply with both these Codes through Regulations issued under the Local Government Act 2003.

The Prudential Indicators and Treasury Management Strategy for 2010/11 to 2013/14 have been agreed by the Council. Performance is monitored and reported during the year.

For 2010/11 the Council has complied with all agreed internal procedures and the Prudential Indicators set for borrowing have been managed within the limits set.

A key Prudential Indicator is the Capital Financing Requirement (CFR). The CFR determines the amount that the Council needs to borrow for capital purposes and is the total of the Council's capital assets less all of the Council's capital reserves. The CFR is normally financed by external borrowing. The CFR for the year ending 31 March 2011 was £6.8m. The Council is able to borrow money from either the PWLB (an agency of HM Treasury), banks and building societies, or from other public bodies. The Council's borrowing need as at 31 March 2011 was met by a combination of long term debt of £2.5m and short term borrowing of £1.0m These amounts are analysed in the notes to the Balance Sheet. The interest payable in relation to the Council's borrowing totalled £24k in 2010/11.

The Authorised Limit for External Debt is a further key Prudential Indicator that controls the overall level of borrowing and is a statutory limit set by the Council that must not be breached. The Council's authorised limit for external debt for 2010/11 was £12.7m. The Council's actual total debt at 31st March 2011 was £3.5m which is well below the Authorised Limit.

Pension Fund

In the UK budget statement on 22 June 2010 the Chancellor announced that with effect from 1 April 2011 public service pensions would be increased in line with the Consumer Prices Index (CPI) rather than the Retail Prices Index (RPI).

This has the effect of reducing the Council's liabilities in the Lancashire County Council Pension Fund by £3.598m and has been recognised as a past service gain in accordance with guidance set down in UITF Abstract 48, since the change is considered to be a change in benefit entitlement. There is no impact on the General Fund.

The pension fund deficit as at 31 March 2011 is £16.066m. This has a substantial impact on the net worth of the authority as recorded in the Balance Sheet. Statutory arrangements for funding the deficit mean that the deficit on the pension fund will be made good by increased contributions over the remaining working life of employees as assessed by the pension fund actuary.

6. REVIEW OF THE COUNCIL'S FINANCIAL POSITION

The Council's Medium Term Financial Strategy shows a continuing tight budget position during the period of the forecast with several areas of uncertainty from external factors which could adversely affect the Council's financial position. The General Election in May 2010 saw the formation of a Coalition Government followed in June by an Emergency Budget which included both immediate and planned spending reductions in Public Services, which were further detailed in the Comprehensive Spending Review in October. Like many councils Fylde is also dealing with significant and escalating costs as well as reductions in many income streams as a result of the general economic downturn.

The Council has delivered a significant savings programme since 2007 and has continued to significantly reduce senior management costs. Ongoing work includes the implementation of a modernisation strategy for operational services. This programme will make these Council services more efficient, save money, and improve services to customers, and help improve the overall financial position of the Council. We continue to examine the balance between our charges and tax levels looking closely at new opportunities for income generation, although the latter is challenging against the backcloth of recession.

The Council began scenario planning in the early summer 2010 in preparation for the anticipated funding reductions. Members of the Council and management team have carried out extensive work to address the challenge posed by the reduction in government grant funding. Ongoing work includes a progressive approach to shared services and the implementation of service transformation. This programme will yield further efficiency improvements to help improve the overall financial position of the Council.

On 13th December 2010 the Government announced the financial settlement for Local Government which reduced the grant funding for Fylde Borough Council from £5.8m in 2010 to £4.3m in 2011 – a reduction of 25%. Alongside this public spending deficit reduction tool, the Government has embarked on an extensive legislative programme in health, crime and disorder and across a range of issues which envisages different relationships between public services and the Citizen. The scale of the funding reductions and the new policy direction of the Coalition Government represent a radical challenge to all Councils and the way that services will be delivered in the future.

The speed with which the deficit reduction has been implemented means that the Council will need to identify further efficiencies, maximise income and look to create more capacity in order to deliver a balanced and sustainable budget in the medium term. Inevitably this may lead to a further scaling down of service provision in some areas and a slower achievement of improvement in our priority areas.

The current Capital Programme is fully funded. Due to the financial position currently faced by the Council, capital financing needs to continue to be closely monitored to ensure that adequate funding is available and to ensure that the cost of this is kept within the current revenue budget provision where the expenditure is not funded by external financing or capital receipts.

The Council has an interest in Clifton (Lytham) Housing Association Ltd, the Board of which is currently in the process of the disposal of the company. If completed, the disposal could generate a significant capital receipt for the Council, which at this stage is not reflected in the Council's financial forecast.

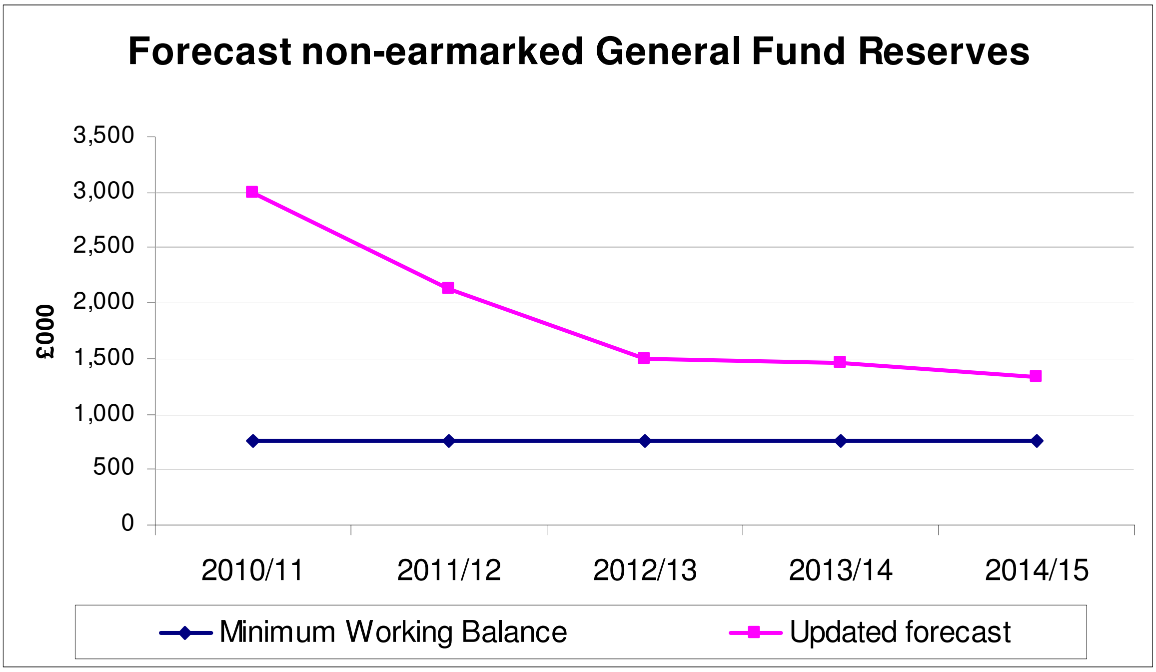
Any additional expenditure which is not fully funded by external finance would require the generation of capital receipts or further borrowing. The latter would place further pressure on the Revenue Budget from the consequent repayment costs.

It is good practice to maintain a surplus in capital resource to mitigate the risks to the programme.

There was an underlying in-year revenue budget underspend in 2010/11 of £592k which improves the Council's short term position by increasing general fund revenue balances.

The Council has a balanced budget over the next 3 years. Significant savings still need to be identified from 2013/14 onwards.

Revenue balances at the 31st March 2011 were £2.991m which is higher than the recommended minimum general reserve balance of £750k. The Chart below shows the forecast levels of non-earmarked General Fund Reserves for the next five years (including savings targets yet to be identified) as reported in the March 2011 Medium Term Financial Strategy, updated to reflect the impact of outturn for 2010/11:



7. OUTLOOK FOR THE FUTURE

Local government continues to face a turbulent financial future. The Council anticipated a significant reduction in revenue funding from the Government and has been able to make some preparations for this. However, the scale of the reduction, together with the late announcement of the provisional settlement, have all exacerbated the difficulties in preparing the Council's Strategy over the medium term.

In recent years the Council has maintained, with some difficulty, a minimum level of balances. As a consequence of this experience the Council's policy on the minimum level of balances was revised in 2009 resulting in a policy to maintain a minimum balance position of £750k. In only holding a minimum level of balances the consequence is that any pressures on budgeted resources present significant challenges to the Council in the short to medium term. Any change in resources will almost certainly necessitate immediate expenditure reductions which usually result in additional one-off un-planned costs such as redundancies.

The revenue outturn position for 2010/11 resulted in an in-year underlying underspend of £592k (after £297k slippage). The underspend improves the Council's short-term position by increasing the overall revenue balance position. However, on the whole, this is not a long-term sustainable position as the underspend is predominantly made up of one-off and non-recurring items.

A positive change is that the number of the high-risk concerns of the last Strategy, such as the pension review and concessionary fares have abated in the medium to short-term.

An ongoing concern is that in the latter years of the forecast base expenditure reduces from £10.5m to £10.0m whilst income from Council Tax and Government Grant reduces from £10m to £9.9m, leaving an average resource gap of £500k per annum, which will need to be addressed over the medium term.

The savings proposed by the Cabinet ensure that the Council has a balanced budget for the next three financial years. However the basis of the latest forecast still requires further ongoing estimated savings of £465k to be identified in 2014/15. Work will need to continue during 2011/12 to identify these savings in future years.

Looking forward, key revenue financial risks to the Council in addition to the impact of the economic downturn include:-

<u>Pension Review</u>
The Triennial review of the pension fund took place during 2010/11 and the results have been implemented from 1st April 2011. The review has increased staffing costs by 1.4% per annum over the next three years. Consequently, the short-term risk has diminished but, in the long-term, pension fund costs continue to be a significant risk. The Government are currently considering the recommendations of the Hutton Review regarding the future of public sector pensions and the impact of the recommendations will need to be further assessed during 2011/12.
This remains a low level risk in the short term but increases to a medium to high level risk over the longer term.

<u>Government Grant Support</u>
As part of the Comprehensive Spending Review (CSR) announcement the Government committed to only two years on the basis that the local government funding system would be reviewed. For the purposes of the forecast and based on the correspondence from DCLG we have assumed a further 7.5% annual reduction from the 2012/13 grant settlement figure. However, given that the Government is committed to reducing public expenditure, it would be unrealistic to rule out greater reductions.
This is a high level risk.

<u>Payroll Efficiencies</u>
The payroll efficiencies built into the forecast require consultation and negotiation with the workforce of the Council and with potential shared-service partners. This is a highly complex area given the socio-economic and legislative background. Work is currently ongoing to achieve these efficiencies but given the size of the savings required this is seen as an area of high risk.
This is a high level risk.

<u>New Homes Bonus</u>
As part of the Comprehensive Spending Review the Government announced its intention to create a New Homes Bonus payment to local authorities based on the level of new residential development within their areas.

The forecast includes an assumption, based on latest planning information, trends and consultation information, that the Council will receive this new income stream from 2011/12. The outcome of the consultation was announced at the end of March 2011, after the budget was set. It has been confirmed that the Council will receive £279k grant income in 2011/12. There remains uncertainty as to grant in future years, which may or may not be linked to the Revenue Support Grant (RSG). Some academics have suggested that the payments may be subject to a national cap hence the forecast has been capped from 2013.
This is a high level risk.

Key Treasury Management Risks include:

(i) Unexpected movements in cash flow;
(ii) Differences between the actual interest rate and rates used in the forecast; and,
(iii) The security of monies invested with counterparties.

Key capital programme risks include:

The Council currently benefits from its partial exemption in respect of the "exempt" VAT relief. New exemption calculations are required to be undertaken each year. If the Council exceeds its limit it will lose the ability to reclaim VAT on all "exempt" expenditure (both in respect of revenues and capital expenditure). **This is a high level risk**

CONCLUSION

In conclusion, the Council's finances, although under constant pressure, remain robust. Monitoring systems and procedures are in place to react to any significant changes. In addition the Council has a track record of making savings as dictated by resource availability. I am therefore confident that the Council will continue to maintain a balanced budget position in the medium term.

This is the Statement of Accounts upon which the auditor should enter his certificate and opinion, and has been prepared under the Local Government Finance Act 1982.

Signed

J. Scott, CPFA
Section 151 Officer

Date: 22nd September 2011

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Council's Responsibilities

The Council is required to:

- make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Section 151 Officer.
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

The Section 151 Officer's Responsibilities

The Section 151 Officer is responsible for the preparation of the Authority's Statement of Accounts which, in terms of the CIPFA (Chartered Institute of Public Finance & Accountancy)/LASAAC (Local Authority (Scotland) Accounts Advisory Committee) Code of Practice on Local Authority Accounting in Great Britain ('the Code of Practice'), is required to present a true and fair view of the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2011.

In preparing this Statement of Accounts, the Section 151 Officer has:

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- complied with the Code of Practice.

The Section 151 Officer has also:

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

The Section 151 Officer's Certification

I certify that the Statement of Accounts present a true and fair view of the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31st March 2011.

Responsibility for authorising the Statement of Accounts

The Council has delegated the responsibility of signing-off the Statement of Accounts to the Audit Committee. This was done on the 22nd September 2011.

J. Scott, CPFA
Section 151 Officer

Date: 22nd September 2011

Cllr. J. Singleton
Chair, Audit Committee

Date: 22nd September 2011

RISK MANAGEMENT POLICY STATEMENT

The diversity of services offered by the Council presents a vast potential for personal injury, loss and damage. It is essential for the Council to develop Risk Management programmes which ensure that, in discharging its responsibilities to the citizens, the likelihood of personal injury and loss or damage to physical assets is minimised by means of anticipating and controlling our exposure to risk.

Accordingly it is the responsibility of every member of staff to identify, analyse, eliminate and control exposure to risk and to minimise such losses as they may occur. The purpose of the risk management policy is to achieve the following:

1. To support operating units in their efforts to appraise the risks to which they are exposed.
2. To provide advice through networks of specialists.
3. To provide guidance on best practice in loss control.
4. To motivate managers and others to manage risk effectively.
5. To provide incentives in order to increase the level of risk management.
6. To ensure that adequate risk financing is available.

The Council's Strategic and Operational Risk Management Groups are fundamental to this process. Elected Members, the Chief Executive, Directors and staff of all directorates must be fully supportive of the initiative.

It is the responsibility of every directorate to implement a sound Risk Management strategy. Management at directorate and cost centre level has the responsibility and accountability for managing the risks to which their area is exposed.

This philosophy has the support of the Council which recognises that any reduction in injury, illness or damage benefits the whole community.

CORE FINANCIAL STATEMENTS

INTRODUCTION TO THE CORE FINANCIAL STATEMENTS

Introduction to the Core Financial Statements

Set out below is a brief explanation of the Core Financial Statements which are presented on the following pages:

- **The Comprehensive Income and Expenditure Statement (Page 19)**

  The Comprehensive Income and Expenditure Statement shows the accounting cost in the year of providing services in accordance with generally accepted practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

- **The Movement in Reserves Statement (Page 20)**

  This statement shows the movement in the year on the different reserves held by the Authority, analyses into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the council.

- **The Balance Sheet (Page 21)**

  The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories, useable reserves and unusable reserves (see Notes 25 and 26 for further details and Glossary for further explanation).

- **The Cash Flow Statement (Page 22)**

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

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

2009/10 Gross Expend-iture	2009/10 Income	2009/10 Net Expend-iture		Notes	2010/11 Gross Expend-iture	2010/11 Income	2010/11 Net Expend-iture
£'000	£'000	£'000			£'000	£'000	£'000
1,331	(485)	846	Central Services to the Public		1,401	(416)	985
15,437	(8,953)	6,484	Cultural, Environmental, Regulatory and Planning Services		15,494	(9,067)	6,427
1,779	(832)	947	Highways and Transport Services		1,918	(1,182)	736
22,674	(22,004)	670	Housing Services		24,043	(23,415)	628
2,243	(3)	2,240	Corporate and Democratic Core		2,255	(207)	2,048
768	-	768	Non distributed costs		120	-	120
86	(433)	(347)	Exceptional Items	**45**	(3,393)	-	(3,393)
44,318	**(32,710)**	**11,608**	**Cost of Services**		**41,838**	**(34,287)**	**7,551**
839	(480)	359	Other Operating Expenditure	**8**	616	(32)	584
1,505	(28)	1,477	Financing and Investment Income and Expenditure	**9**	1,163	(82)	1,081
		(13,272)	Taxation and Non-Specific Grant Income	**10**	-	(13,188)	(13,188)
		172	**(Surplus)/Deficit on Provision of Services**				**(3,972)**
		(602)	(Surplus)/Deficit on Revaluation of Property, Plant and Equipment	**46**			(4,397)
		6,493	Actuarial (Gains)/Losses on Pension Assets/Liabilities				(6,044)
		5,891	**Other Comprehensive Income and Expenditure**				**(10,441)**
		6,063	**Total Comprehensive Income and Expenditure**				**(14,413)**

MOVEMENT IN RESERVES STATEMENT

	Note	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves (Note 25)	Unusable Reserves (Note 26)	Total Authority Reserves
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31/03/09		**1,348**	**325**	**-**	**-**	**1,673**	**(5,968)**	**(4,295)**
Movement in Reserves during 2009/10								
Surplus/(Deficit) on the Provision of Services		(172)	-	-	-	(172)	-	(172)
Other Comprehensive Income and Expenditure		-	-	-	-	-	(5,891)	(5,891)
Total Comprehensive Income and Expenditure		**(172)**	**-**	**-**	**-**	**(172)**	**(5,891)**	**(6,063)**
Adjustments between accounting basis and Funding under Regulations	6	1,438	-	-	141	1,579	(1,579)	-
Net Increase/(Decrease) before transfers to Earmarked Reserves		**1,266**	**-**	**-**	**141**	**1,407**	**(7,470)**	**(6,063)**
Transfers to/from Earmarked Reserves	7	(1,114)	1,114	-	-	-	-	-
Increase/(Decrease) Movement in 2009/10		**152**	**1,114**	**-**	**141**	**1,407**	**(7,470)**	**(6,063)**
Balance at 31st March 2010 carried forward		**1,500**	**1,439**	**-**	**141**	**3,080**	**(13,438)**	**(10,358)**
Movement in Reserves during 2010/11								
Surplus/(Deficit) on the Provision of Services		3,972	-	-	-	3,972	-	3,972
Other Comprehensive Income and Expenditure		-	-	-	-	-	10,441	10,441
Total Comprehensive Income and Expenditure		**3,972**	**-**	**-**	**-**	**3,972**	**10,441**	**14,413**
Adjustments between accounting basis and Funding under Regulations	6	(2,251)	-	-	(110)	(2,361)	2,361	-
Net Increase/(Decrease) before transfers to Earmarked Reserves		**1,721**	**-**	**-**	**(110)**	**1,611**	**12,802**	**14,413**
Transfers to/from Earmarked Reserves	7	(231)	231	-	-	-	-	-
Increase/(Decrease) Movement in 2010/11		**1,490**	**231**	**-**	**(110)**	**1,611**	**12,802**	**14,413**
Balance at 31st March 2011 carried forward		**2,990**	**1,670**	**-**	**31**	**4,691**	**(636)**	**4,055**

THE BALANCE SHEET

Restated As at 1st April 2009	Restated As at 31st March 2010		Notes	Balance As at 31st March 2011
£'000	£'000			£'000
9,315	11,037	Property, Plant and Equipment	11	18,039
4,382	3,904	Investment Properties	12	3,161
112	114	Intangible assets	13	213
46	38	Long Term Debtors	18	19
13,855	**15,093**	**Long Term Assets**		**21,432**
220	-	Assets held for sale	19	700
107	128	Inventories	20	137
4,137	5,777	Short Term Debtors	21	5,357
517	2,487	Cash and Cash equivalents	22	997
4,981	**8,392**	**Current Assets**		**7,191**
-	(1,025)	Short Term Borrowing		(1,024)
(2,806)	(2,878)	Short Term Creditors	23	(2,534)
(3)	(3)	Leases (repayable within one year)	38	(3)
(2,809)	**(3,906)**	**Current Liabilities**		**(3,561)**
(30)	(18)	Leases (repayable after more than one year)	38	(5)
(1,801)	(2,456)	Long Term Creditors	24	(2,418)
(133)	(31)	Provisions		(18)
(1,000)	(2,500)	Long Term Borrowing	16	(2,500)
(17,358)	(24,932)	Other Long Term Liabilities		(16,066)
(20,322)	**(29,937)**	**Long Term Liabilities**		**(21,007)**
(4,295)	**(10,358)**	**NET ASSETS**		**4,055**
1,673	3,080	Usable Reserves	25	4,691
(5,968)	(13,438)	Unusable Reserves	26	(636)
(4,295)	**(10,358)**	**TOTAL RESERVES**		**4,055**

CASH FLOW STATEMENT

2009/10 £'000		Notes	2010/11 £'000
(172)	Net Surplus / (Deficit) on the Provision of Services		3,972
1,577	Adjustments for non-cash movements		114
(750)	Adjust for movements relating to investing and financing activities		(2,675)
655	**Net Cash Flows from Operating Activities**		**1,411**
(237)	Investing Activities	**28**	(3,778)
1,552	Financing Activities	**29**	877
1,970	**Net Increase or (Decrease) in Cash and Cash Equivalents**		**(1,490)**
517	Cash and Cash Equivalents at the beginning of the reporting period		2,487
2,487	**Cash and Cash Equivalents at the end of the reporting period**		**997**

NOTES TO THE ACCOUNTS

INDEX TO NOTES TO THE ACCOUNTS

NOTES TO THE ACCOUNTS

1 Accounting Policies

1. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2010/11 financial year and its position at the year-end of 31st March 2011. These accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 and the *Best Value Accounting Code of Practice 2010/11*, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

This note explains the basis of the figures included in the accounts.

2. Changes in Accounting Policies

As explained in the Explanatory Foreword the changes introduced in the Code of Practice on Local Authority Accounting 2010/11 (the Code 2010/11) have necessitated some changes to accounting policies:

- Contributions for capital purposes are now accounted for immediately in the Income and Expenditure Account rather than being deferred and released over life of asset;
- New componentisation policy for Property, plant & equipment.
- Accruals for employee benefits such as staff leave, flexi-time and time off in lieu

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

Prior period adjustments may arise as a result of a change in accounting policies (e.g. IFRS) or to correct a material error. Changes in accounting 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.

4. Accrual of Income and Expenditure

The financial statements have been prepared on an accruals basis for all transactions and balances hence transactions and balances have been accounted for in the period to which they relate, not simply when cash payments are made or received. The Authority has procedures established to ensure a fair assessment of the outstanding debtors and creditors are reflected within the Statement of Accounts. Debtors and creditors are analysed within the notes to the Balance Sheet.

5. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in no more than three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

6. Contingent Liabilities

A contingent liability arises either:-

- where an event has taken place that gives the authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority.

- where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

7. Contingent Assets

A contingent asset arises where an event has taken place that gives the authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

8. Discontinued Operations

Where, and if, appropriate, income and expenditure directly relating to discontinued operations is shown separately on the face of the Comprehensive Income and Expenditure Statement under the heading of Discontinued Operations.

9. Employee Benefits

(i) Short-term Employee Benefits
Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year-end which employees can carry forward into the next financial year. To ensure no impact on council tax a corresponding transfer is made to the Accumulated Absences Reserve.

(ii) Termination Benefits
Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits.

(iii) Retirement Benefits
Employees of the Council are members of the Local Government Pensions Scheme administered by Lancashire County Council. The scheme provides defined benefits to members, earned as employees work for the Council. The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the scheme attributable to the Council 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 projected earnings for current employees. Liabilities are discounted to their value at current prices, using a real discount rate of 5.5% determined by reference to market yields at the balance sheet date based on high quality corporate bonds.
- The assets of the pension fund attributable to the Council are included in the Balance Sheet at their fair value.

10. Events after the Balance Sheet Date

Events may occur between the balance sheet date and the date the accounts are signed by the Responsible Financial Officer which might have a bearing upon the financial results of the past year.

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

11. Exceptional Items and Prior Year Adjustments

Material items of income and expense are disclosed separately either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the overall financial performance of the Authority.

The effect of Prior Year Adjustments arising from changes in accounting policies or from the correction of fundamental errors are disclosed in the Statement of Accounts showing the effect of the change on the results of the current period and explaining the necessity for the adjustments.

12. Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. Provisions are a charge to the Net Cost of Services in the Comprehensive Income and Expenditure Statement.

13. Reserves

Reserves are classified as either usable (identified and maintained for specific future purposes and contingencies and include General Fund reserve, Earmarked reserve and usable capital receipts reserve) or unusable (kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Authority).

14. Government Grants and Contributions

Government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that the Authority will comply with the conditions attached to the payments, and the grants or contributions will be received.

15. Central Support Service Overheads

In line with the CIPFA Best Value Accounting Code of Practice 2010/11 (BVACOP) charges for the costs of central support services e.g. accountancy, legal, human resources, are fully charged or apportioned to those that benefit from the supply or service. The full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of costs for corporate and democratic core and non-distributed costs which are accounted for as separate headings in the Comprehensive Income and Expenditure Statement.

16. Intangible Assets

Intangible Assets are assets that do not have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis (e.g. software licences). These assets are capitalised at cost and amortised (depreciated) to the relevant revenue service over their economic lives. They are reviewed for the impact of any impairment at the end of each financial year.

17. Inventories and Long Term Contracts

All stocks and works in progress are valued at cost price using the FIFO costing formula.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

18. Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used for the delivery of the Council's services or is held for sale.

19. Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

19.1 Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the Council will receive future economic benefits or service potential associated with the item. This excludes expenditure on routine repairs and maintenance of property, plant or equipment which is charged direct to service revenue accounts.

19.2 Measurement

Non-Current Assets are valued on the basis recommended by CIPFA (Chartered Institute of Public Finance & Accountancy) and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by the RICS (The Royal Institute of Chartered Surveyors). Non-Current Assets are classified into the groupings required by the Code of Practice on Local Authority Accounting.

All valuations have been undertaken in accordance with the Royal Institution of Chartered Surveyors (RICS) Appraisal and Valuation Standards by our in house surveyor. The values have been arrived at by having regard to market evidence and the Surveyor's knowledge and experience of the properties involved.

Operational properties have been valued on the basis of Existing Use Value, unless they are Specialised, in which case they have been valued on the basis of Depreciated Replacement Cost. All Depreciated Replacement Cost valuations are subject to the prospect and viability of the continued occupation and use of the properties concerned.

Non-operational properties have been valued on the basis of Market Value. In the case of the ***Community assets*** they have been valued on either Existing Use Value or Market Value.

Definitions of each of the valuation methodologies used are:

> **Market Value** - *"The estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".*
>
> **Depreciated Replacement Cost -** "*The current cost of replacing an asset with its modern equivalent asset less deductions for the physical deterioration and all relevant forms of obsolescence and optimisation."*
>
> **Existing Use Value -** *"The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction, after proper marketing wherein the parties had acted knowledgeably, prudently and without compulsion, assuming that the buyer is granted vacant possession of all parts of the property required by the business and disregarding potential alternative uses and any other characteristics of the property that would cause its Market Value to differ from that needed to replace the remaining service potential at least cost".*

Revaluations of Non-Current Assets included in the balance sheet at current value are planned at five yearly intervals, with the exception of investment properties which are re-valued every two years. In addition material changes in asset values are recorded as they occur.

19.3 Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

19.4 Depreciation

Depreciation is provided for on all Property, Plant and Equipment with a finite useful life. Useful life is estimated at the time of acquisition or revaluation. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

Deprecation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- vehicles, plant, furniture and equipment – straight-line allocation over the useful life of the asset
- infrastructure – straight-line allocation as advised by a suitable qualified officer

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Newly acquired assets are depreciated fully in the year of acquisition, although assets in the course of construction are not depreciated until they are brought into use, thereafter an equal charge to revenue is made over the useful life of all assets.

20. Disposals and Non-current Assets Held for Sale

Non-current assets are now classified as Held for Sale if their carrying amount will be recovered principally through a sale transaction rather than through its continuing use. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Depreciation is not charged on Assets Held for Sale.

21. Charges to Revenue for Non-Current Assets

Services, support services and trading accounts are debited with the following amounts to record the real cost of holding Non-Current Assets during the year:

- Depreciation attributable to the assets used by the relevant service;
- Revaluation and impairment losses attributable to the clear consumption of economic benefits on tangible Non-Current Assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off; and,
- Amortisation (depreciation) of intangible Non-Current Assets attributable to the service.

22. Revenue Expenditure Funded by Capital Under Statute

The approach to accounting for expenditure that is not capital in accordance with accounting standards but which statute allows to be funded from capital resources is classified as Revenue Expenditure Funded by Capital Under Statute.

23. Leases

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

The Authority as Lessee

Finance Leases
Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Premiums paid on entry into a lease are applied to writing down the lease liability.

Operating Leases
Rentals paid under operating leases are treated as revenue transactions and are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments.

24. Financial Instruments

The term 'financial instrument' covers both financial assets and financial liabilities and includes both the most straightforward financial assets and liabilities such as trade receivables and trade payables and the most complex ones such as derivatives and embedded derivatives.

24.1 Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

24.2 Financial Assets

Financial assets are classified into three types:

a) ***Loans and Receivables*** – assets that have fixed or determinable payments but are not quoted in an active market.

Loans and receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument.

b) ***Fair Value through Income and Expenditure Account*** – assets that are held for trading.

Investments that are held for trading can be classified as fair value through the Comprehensive Income and Expenditure Statement depending on the instructions given to the fund manager. Unrealised gains and losses are accounted for in the Comprehensive Income and Expenditure Statement when they arise.

c) ***Available for Sale Assets*** – assets that have a quoted market price and/or do not have fixed or determinable payments.

Available for sale assets are initially measured and carried at fair value.

Financials Instruments are accounted for in accordance with the following Financial Reporting Standards (FRS): -

FRS25 - Financial Instruments: Presentation and Disclosures,
FRS26 - Financial Instruments: Recognition and Measurement, and
FRS29 - Financial Instruments Disclosures (this FRS has replaced the disclosure requirements of FRS25 but not the presentation requirements).

Note - leases and employers rights and obligations under pensions schemes are not accounted for as financial instruments under FRS25, FRS26 and FRS29.

25. Value Added Tax (VAT)

Income and expenditure excludes any amounts related to VAT as all VAT collected is payable to HM Revenue & Customs and all recoverable tax is reclaimed from it.

2 Accounting Standards that have been issued but have not yet been adopted

Heritage Assets: Impact of the adoption of the new standard on the financial statements – Effective for the 2011/12 financial year.

The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (the Code) has introduced a change in accounting policy in relation to the treatment of heritage assets held by the Authority, which will need to be adopted fully by the authority in the 2011/12 financial statements.

Heritage assets are assets that are held by the Authority principally for their contribution to knowledge or culture. Examples include museums and gallery works of art. The Authority holds assets which meet this criteria and these will be fully disclosed in the 2011/12 financial statements. It is not possible to make full disclosure on the estimated effect of this new standard in these financial statements as the compilation of the management information is yet to be completed.

3 Critical Judgements in applying accounting policies

In applying the accounting policies set out in pages 25 to 31, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future event. The critical judgements made in the Statement of Accounts are:

The Authority continues to face significant financial uncertainty in future years and in turn the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired as a result of a need to close facilities and reduce levels of service provision.

4 Assumptions made about the future and other major sources of estimation uncertainty

There is only one item in the Authority's Balance Sheet for which there is a significant risk of material adjustment in the forthcoming financial year, namely the liability related to the defined benefit Pension Scheme.

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries and pensions are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied.

The effects on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.1% per annum increase in the discount rate assumption would result in a decrease in the pension liability of £0.987m. Also, a one year addition to the members life expectancy would result in an increase in the pension liability of £1.513m.

5 Events after the Balance Sheet date

The Statement of Accounts was authorised for issue by the Section 151 Officer on 30th June 2011. This is the date up to which post balance sheet events have been considered.

6 Adjustments between accounting basis and funding basis under regulations

This note details the adjustments that are made to the total Comprehensive Income and Expenditure Statement recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

	Usable Reserves			
2010/11	**General Fund Balance**	**Capital Receipts Reserve**	**Capital Grants Unapplied**	**Movement in Unusable Reserves**
	£'000	**£'000**	**£'000**	**£'000**
Adjustments primarily involving the Capital Adjustment Account				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement				
Charges for depreciation and impairment of non-current assets	1,631	-	-	(1,631)
De-Minimis Capital Expenditure	9	-	-	(9)
Capital Grants and Contributions Unapplied	(902)	-	-	902
Revenue Expenditure funded from Capital under Statute	1,140	-	-	(1,140)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	96	-	-	(96)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement				
Statutory provision for the financing of capital investment (MRP)	(143)	-	-	143
Capital Expenditure charged against the General Fund balance	(289)	-	-	289
Adjustments primarily involving the Capital Grants Unapplied Account				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(802)	-	802	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	(912)	912
Adjustments primarily involving the Capital Receipts Reserve				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(32)	32	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	(37)	-	37

2010/11	Usable Reserves General Fund Balance	 Capital Receipts Reserve	 Capital Grants Unapplied	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000
Adjustments primarily involving the Deferred Capital Receipts Reserve				
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	5	-	(5)
Adjustments primarily involving the Pensions Reserve				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(2,822)	-	-	2,822
Adjustments primarily involving the Collection Fund Adjustment Account				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income collected for the year in accordance with statutory requirements	(124)	-	-	124
Adjustments primarily involving the Accumulated Absences Account				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accrual basis is different from remuneration chargeable in year in accordance with statutory requirements	(13)	-	-	13
Total Adjustments	**(2,251)**	**-**	**(110)**	**2,361**

Comparatives for 2009/10:

2009/10	Usable Reserves General Fund Balance	 Capital Receipts Reserve	 Capital Grants Unapplied	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000
Adjustments primarily involving the Capital Adjustment Account				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement				
Charges for depreciation and impairment of non-current assets	946	-	-	(946)
De-Minimis Capital Expenditure	15	-	-	(15)
Capital Grants and Contributions Unapplied	(904)	-	-	904
Revenue Expenditure funded from Capital under Statute	1,232	-	-	(1,232)

2009/10	Usable Reserves General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£'000	£'000	£'000	£'000
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	317	-	-	(317)
Capitalisation Directive	589	-	-	(589)
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement				
Statutory provision for the financing of capital investment (MRP)	(108)	-	-	108
Capital Expenditure charged against the General Fund balance	(21)	-	-	21
Adjustments primarily involving the Capital Grants Unapplied Account				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	(1,225)	-	1,225	-
Application of grants to capital financing transferred to the Capital Adjustment Account	-	-	(1,084)	1,084
Adjustments primarily involving the Capital Receipts Reserve				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(480)	480	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	(480)	-	480
Adjustments primarily involving the Pensions Reserve				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	1,081	-	-	(1,081)
Adjustments primarily involving the Collection Fund Adjustment Account				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income collected for the year in accordance with statutory requirements	(35)	-	-	35
Adjustments primarily involving the Accumulated Absences Account				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accrual basis is different from remuneration chargeable in year in accordance with statutory requirements	31	-	-	(31)
Total Adjustments	**1,438**	**-**	**141**	**(1,579)**

7 Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2010/11.

	Balance at 1st April 2009	Transfer In 2009/10	Transfer Out 2009/10	Balance at 31st March 2010	Transfer In 2010/11	Transfer Out 2010/11	Balance at 31st March 2011
	£'000	£'000	£'000	**£'000**	£'000	£'000	**£'000**
General Fund							
Capital Projects Fund – Bus Monies	22	-	-	**22**	-	-	**22**
Building Control Regs.	28	-	(25)	**3**	-	(3)	**-**
Revenues & benefits shared service	63	-	(63)	**-**	-	-	**-**
Replacement Systems	84	-	-	**84**	-	(27)	**57**
Vehicle Maintenance	27	-	-	**27**	-	-	**27**
Land Charges	28	-	(14)	**14**	-	(14)	**-**
Parks/Open Spaces	39	-	-	**39**	-	-	**39**
Business Improvement Grant (NNDR)	34	-	-	**34**	-	-	**34**
Economic Promotion and Recovery	-	40	-	**40**	30	(10)	**60**
Comprehensive Spending Review	-	520	-	**520**	1	-	**521**
Concessionary Fares	-	177	-	**177**	-	(177)	**-**
Performance Reward Grant	-	479	-	**479**	169	(85)	**563**
Vehicle Replacement Financing	-	-	-	**-**	212	-	**212**
Land Charges New Burdens	-	-	-	**-**	34	-	**34**
Direct Revenue Financing	-	-	-	**-**	25	-	**25**
Core Strategy Financing	-	-	-	**-**	113	(37)	**76**
Total Earmarked Reserves	**325**	**1,216**	**(102)**	**1,439**	**584**	**(353)**	**1,670**

Purpose of Earmarked Reserves

Reserves are those sums set aside for purposes falling outside the definition of provisions. Reserves include earmarked reserves set aside for specific policy purposes and balances which represent resources set aside for purposes such as general contingencies and cash flow management.

The Council operates a number of different earmarked reserves, the purpose of each is summarised below:-

- **Capital Project Fund (Ansdell Bus Money) Reserve** – Set aside from the revenue receipts on the sale of the Bus Company allocated to each area of the Authority. Balance to be expended in Ansdell on schemes to be identified.

- **Building Control Regulations Reserve** – A fundamental principle of the Building Regulations Scheme introduced 1st April, 1999, is that there is a three year rolling accounting period over which costs should equate with charge income. This reserve will assist in achieving that aim in future periods.

- **Revenues & Benefits Shared Service Reserve –** The Council's revenues and benefits service is provided by Blackpool Council under a shared service arrangement. This reserve has been established to support continuing delivery of this service.

- **Replacement Systems Reserve** – for the funding of new IT initiatives and the development of IT systems.

- **Vehicle Maintenance Reserve** – created in 2008/09 to contribute towards the cost of vehicle maintenance repairs.

- **Land Charges Reserve** – Surpluses generated on land charges set aside for reinvestment into the service.

- **Parks & Open Spaces Reserve** – Developers who seek the adoption of areas of open space by the Council are required to deposit a commuted sum that is used to support additional grounds maintenance expenditure incurred by the Council following adoption.

- **Business Improvement Grant (NNDR) Reserve** – Created in 2005/06. The Council was awarded additional monies that have been earmarked for general use to support Economic Development wherever possible.

- **Economic Promotion and Recovery Reserve** – Created in 2009/10, this reserve was established in order to support and promote economic recovery.

- **Comprehensive Spending Review Reserve** – Created in 2009/10, this is a voluntary set-aside established to enable the Council to prepare for future financial pressures in a planned and cost effective way.

- **Concessionary Fares Reserve** – Created in 2009/10, this is a voluntary set-aside in respect of the concessionary fares scheme for the potential repayment of an additional reimbursement rate which is still subject to a legal challenge from Bus Operators.

- **Performance Reward Grant Reserve** – Created in 2009/10, this is a voluntary set-aside of performance reward grant (PRG). Although Fylde Borough Council is the Accountable Body for the Fylde PRG, the Fylde Local Strategic Partnership are the appointed decision making body in relation to the allocation of the PRG.

- **Vehicle Replacement Financing Reserve** – Created in 2010/11, this is a voluntary set-aside established to meet the cost of future debt repayments in respect of the replacement and purchase of vehicles.

- **Land Charges New Burdens Reserve** – Created in 2010/11, this is a voluntary set-aside of grant received in 2010/11 towards potential third party claims in relation to historic Land Charge enquiries.

- **Direct Revenue Financing Reserve** – Created in 2010/11, this is a voluntary set-aside of funds to help finance approved future capital projects.

- **Core Strategy Financing Reserve** – Created in 2010/11, this is funding set-aside to finance expenditure incurred on delivering the Council's Core Strategy.

8 Other Operating Expenditure

2009/10		2010/11
£'000		£'000
522	Parish Council Precepts	520
(163)	(Gains)/Losses on the disposal of non-current assets	64
359	**Total**	**584**

9 Financing and Investment Income and Expenditure

2009/10		2010/11
£'000		£'000
65	Interest payable and similar charges	121
1,440	Pensions Interest cost and expected return on pensions assets	1,042
(28)	Interest Receivable and similar Income	(82)
1,477	**Total**	**1,081**

10 Taxation and Non-Specific Grant Income

2009/10		2010/11
£'000		£'000
(5,824)	Council Tax Income	(6,153)
(4,646)	Non-Domestic Rates	(5,116)
(1,577)	Non-Ringfenced Government Grants	(1,007)
(1,225)	Capital Grants and Contributions	(912)
(13,272)	**Total**	**(13,188)**

11 Property, Plant and Equipment

2010/11	Other Land and Buildings	Vehicles, Plant & Equipment	Community	Infra-Structure	Surplus Assets	Total
	£'000	£'000	£'000	£'000	£'000	**£'000**
Cost or Valuation						
at 1 April 2010	6,861	3,296	3,547	-	-	**13,704**
Additions	1,688	1,696	772	-	-	**4,156**
Revaluation increases / (decreases) recognised in the Revaluation Reserve	4,389	-	-	-	-	**4,389**
Derecognition - disposals	(67)	(85)	-	-	-	**(152)**
Other movements in cost or valuation	128	13	(91)	-	-	**50**
At 31 March 2011	**12,999**	**4,920**	**4,228**	**-**	**-**	**22,147**
Accumulated Depreciation and Impairment						
at 1 April 2010	(319)	(2,348)	-	-	-	**(2,667)**
Depreciation Charge	(221)	(806)	-	-	-	**(1,027)**
Depreciation written out to the Revaluation Reserve	3	53	-	-	-	**56**
Impairment losses / (reversals) recognised in the Surplus/Deficit on the Provision of Services	(470)	-	-	-	-	**(470)**
At 31 March 2011	**(1,007)**	**(3,101)**	**-**	**-**	**-**	**(4,108)**
Net Book Value of Assets at 31 March 2011	**11,992**	**1,819**	**4,228**	**-**	**-**	**18,039**
Net Book Value of Assets						
At 31 March 2011	11,992	1,819	4,228	-	-	18,039
At 31 March 2010	6,542	948	3,547	-	-	11,037

Comparatives for 2009/10	Other Land and Buildings	Vehicles, Plant & Equipment	Community	Infra-Structure	Surplus Assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation						
at 1 April 2009	6,734	3,275	1,645	-	-	**11,654**
Additions	83	179	1,345	-	-	**1,607**
Revaluation increases / (decreases) recognised in the Revaluation Reserve	175	-	18	-	-	**193**
Revaluation increases / (decreases) recognised in the Surplus/Deficit on the Provision of Services	(104)	-	(5)	-	-	**(109)**
Derecognition - disposals	(17)	(158)	-	-	-	**(175)**
Other movements in cost or valuation	(10)	-	544	-	-	**534**
At 31 March 2010	**6,861**	**3,296**	**3,547**	**-**	**-**	**13,704**
Accumulated Depreciation and Impairment						
at 1 April 2009	(190)	(2,152)	-	-	-	**(2,342)**
Depreciation Charge	(165)	(354)	-	-	-	**(519)**
Depreciation written out to the Revaluation Reserve	2	158	-	-	-	**160**
Impairment losses / (reversals) recognised in the Surplus/Deficit on the Provision of Services	34	-	-	-	-	**34**
At 31 March 2010	**(319)**	**(2,348)**	**-**	**-**	**-**	**(2,667)**

Information on Assets Held

An analysis of the main Non-Current Assets:-

2009/10 (No's)	Asset Types	2010/11 (No's)
	Operational Buildings	
1	Town Hall	1
4	Other Offices	4
1	Swimming Pools	2
3	Depots	3
18	Surface Car Parks	18
1	Cemetery	1
1	Crematorium	1
1	Museum	1
	Operational Equipment	
47	Vehicles and Plant	60
	Infrastructure Assets	
72	Bus Shelters	72
	Community & Investment Assets	
10	Other Offices / Buildings	10
25	Parks and Open Spaces	25
105	Works of Art (items)	105
21	Civic Regalia (items)	21
1	Swimming Pools	-
5	Allotment Sites	5

Depreciation Methodologies

Depreciation is charged on a straight line basis on all fixed and intangible assets with a finite useful life. Newly acquired assets are depreciated fully in the year of acquisition in line with the SORP.

There has been no change during the period in either the estimate of useful lives or the estimate of any residual values

Commitments under Capital Contracts

Capital projects often take several years to complete. This means that the Authority is often committed to capital expenditure in later years arising from contracts entered into at the balance sheet date whereby all or part of the capital work has yet to be undertaken. The estimated value of capital expenditure committed at 31st March 2011 to be paid from 2011/12 onwards is £0.093m and is mainly in respect of the long-term Ashton Gardens Project (£0.019m) and the Tourist Board Project (£0.074m).

Asset Valuation

The Authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. All valuations were carried out internally. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. Valuations of vehicles, plant, furniture and equipment are based on depreciated historic cost. The following statement shows the progress of the Authority's rolling programme for the revaluation of Property, Plant and Equipment including additions and disposals.

	Other Land and Buildings	Vehicles, Plant & Equipment	Community	Infra-Structure	Surplus Assets	Total
	£'000	£'000	£'000	£'000	£'000	**£'000**
Valued at Historical Cost	15,552	2,262	71	-	-	**17,885**
Valued at fair value as at:	-	-	-	-	-	**-**
31 March 2006	1,500	557	6	-	-	**2,063**
31 March 2007	(1,153)	(20)	996	-	-	**(177)**
31 March 2008	225	362	390	-	-	**977**
31 March 2009	(9,390)	114	182	-	-	**(9,094)**
31 March 2010	127	21	1,902	-	-	**2,050**
31 March 2011	6,138	1,624	681	-	-	**8,443**
Current Value 2010/2011 Total	**12,999**	**4,920**	**4,228**	**-**	**-**	**22,147**

12 Investment Properties

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

The following table summarises the movement in the fair value of investment properties over the year.

2009/10		2010/11
£'000		£'000
4,602	**Balance at start of year**	**3,904**
	Additions:	
25	Purchase	-
-	Construction	-
-	Subsequent expenditure	-
(302)	Disposals	-
113	Net gains /losses from fair value adjustments	7
	Transfers:	
-	To / from Inventories	-
-	To / from Property, Plant and Equipment	-
(534)	Other changes	(750)
3,904	**Balance at end of year**	**3,161**

13 Intangible Assets

Intangible assets comprise the software licences for the main Authority systems, and other new e-government systems. The policy adopted is to depreciate over a 3 to 5 year useful life.

2009/10		2010/11
£'000		£'000
	Balance at start of year	
229	Gross carrying amounts	287
(117)	Accumulated amortisation	(173)
112	**Net carrying amount at 1st April**	114
	Additions:	
-	Internal development	-
58	Purchases	233
	Acquired through business combinations	
(56)	Amortisation for the period	(134)
114	**Net carrying amount at 31st March**	**213**
	Comprising:	
287	Gross carrying amounts	520
(173)	Accumulated amortisation	(307)
114		**213**

14 Financial Instrument – Borrowings and Investments

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments:

	Long Term		Current	
	31/03/10	31/03/11	31/03/10	31/03/11
	£'000	£'000	£'000	£'000
Financial liabilities (principal amount)	2,500	2,500	1,000	1,000
Add Accrued Interest	-	-	25	24
Total Borrowings	2,500	2,500	1,025	1,024
Finance Lease Liabilities	8	5	13	3
	8	5	13	3
Loans and receivables	-	-	-	-
Add Accrued Interest	-	-	-	-
Loans and receivables at amortised cost	-	-	-	-
Total Investments	-	-	-	-

All financial liabilities are classified as amortised cost.

15 Financial Instruments Gains/Losses

The gains and losses recognised in the Comprehensive Income & Expenditure Statement in relation to financial instruments are made up as follows:

	2009/10				
	Financial Liabilities	Financial Assets			
	Liabilities measured at Amortised cost	Loans and receivables	Available for sale assets	Fair Value through Income & Expenditure Account	Total
	£'000	£'000	£'000	£'000	£'000
Interest expense	(66)	-	-	-	(66)
Interest payable & similar charges	(66)	-	-	-	(66)
Interest income	-	28	-	-	28
Interest and investment income	-	28	-	-	28
Net income/(expense) for the year					**(38)**

	2010/11				
	Financial Liabilities	Financial Assets			
	Liabilities measured at amortised cost	Loans and receivables	Available for sale assets	Fair Value through Income & Expenditure Account	Total
	£'000	£'000	£'000	£'000	£'000
Interest expense	(121)	-	-	-	(121)
Interest payable & similar charges	(121)	-	-	-	(121)
Interest income	-	82	-	-	82
Interest and investment income	-	82	-	-	82
Net income/(expense) for the year					**(39)**

16 Fair Value of Assets and Liabilities carried at Amortised Cost

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

- The fair values for financial liabilities have been determined by reference to the Public Work Loan Board (PWLB) redemption rules and prevailing PWLB redemption rates as at each balance sheet date, and include accrued interest. The fair values for Borrowings repayable within 12 months and finance leases has also been calculated using the same procedures and interest rates and this provides a sound approximation for fair value for these instruments.
- No early repayment or impairment is recognised;
- The fair value of trade and other receivables is taken to the invoiced or billed amount.

The fair values calculated are as follows:

	31 March 2010		31 March 2011	
	Carrying amount	Fair value	Carrying amount	Fair value
	£'000	£'000	£'000	£'000
PWLB Debt	3,500	3,583	2,500	2,610
Total Borrowings	3,500	3,583	2,500	2,610
Creditors	5,287	5,287	4,723	4,723
Finance Leases repayable within 12 months	13	13	3	3
Finance Leases repayable greater than 12 months	8	8	5	5
Bank Overdraft	-	-	-	-
Borrowing repayable within 12 months	25	25	1,024	1,024
Total financial liabilities	**8,833**	**8,916**	**8,255**	**8,365**

The fair value is greater than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date.

Financial Liabilities now includes Section 106 Agreements within Creditors and Finance Leases.

	31 March 2010		31 March 2011	
	Carrying amount	Fair value	Carrying amount	Fair value
	£'000	£'000	£'000	£'000
Investments/Call Accounts < 1 year	-	-	-	-
Investments > 1 year	-	-	-	-
Long Term Debtors	38	38	19	19
Debtors	3,401	3,401	2,454	2,454
Total Loans and receivables	**3,439**	**3,439**	**2,473**	**2,473**

The Investments/Call Accounts < 1 year value as at 31 March 2010 has been restated due to the reclassification of £2.813M from Call Accounts to cash & Cash Equivalents (see Note 22).

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

The Council does not have any loans and receivables greater than 1 year in duration.

17 Nature and Extent of Risks arising from Financial Instruments

(i) Key Risks

The Council's activities expose it to a variety of financial risks. The key risks are;

Credit risk – the possibility that other parties might fail to pay amounts due to the Council;

Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments;

Re-financing risk – the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms:

Market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements.

(ii) Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the unpredictability of financial markets, and implementing restrictions to minimise these risks. The procedures for risk management are set out through a legal framework set out in the Local government Act 2003 and the associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Code of Practice on Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act. Overall these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the CIPFA Treasury Management Code of Practice;
- by the adoption of a Treasury Policy Statement and treasury management procedures within the constitution.

- by approving annually in advance prudential indicators for the following three years limiting:
    - The Council's overall borrowing;
    - Its maximum and minimum exposures to fixed and variable rates;
    - Its maximum and minimum exposures of the maturity structure of its debt;
    - Its maximum annual exposures to investments maturing beyond a year.

- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance.

These are required to be reported and approved at or before the Council's annual Council Tax setting meeting.

These items are reported with the annual Treasury Management Strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported quarterly to the Portfolio Holder (Finance & Resources)

The annual Treasury Management Strategy which incorporates the prudential indicators was approved by Council on 01/03/10. The strategy was revised and approved again by Council on 24/01/11. These reports are available on the Council's website.

Treasury policies are implemented by an in-house treasury team. The Council maintains written principles for overall risk management, as well as written policies covering specific areas such as interest rate risk, credit risk and the investment of surplus cash through Treasury Management Practices (TMPs). These TMPs are a requirement of the Code of Practice and are reviewed periodically.

(iii) Credit Risk

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

The risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with Fitch, Moody's and Standard & Poors Ratings Services. The Annual Investment Strategy also imposes a maximum amount and time to be invested with a financial institution located within each category. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria approved by Council.

The key areas of the Investment Strategy are that the minimum criteria for investment counterparties include:

- Credit ratings of Short Term of F1, Long Term A, Support C and Individual 3
- UK institutions provided with support from the UK Government

The full Investment Strategy for 2010/11 was approved by Council on 1st March 2010 and is available on the Council's website.

Recent experience has shown that it is rare for counterparties to be unable to meet their commitments. A risk of irrecoverability applies to all of the Council's deposits but there was no evidence at the 31 March 2011 that this was likely to crystallise.

No breaches of the Council's counterparty criteria occurred during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits.

The following analysis summarises the Authority's potential maximum exposure to credit risk from trade debtors based on local historical experience over the last three financial years.

	31/03/2011 £'000	Historical experience of default %	Adjustment for market conditions at 31/03/11 %	Estimated maximum exposure to default £'000	Estimated maximum exposure At 31/03/10 £'000
	a	**b**	**c**	**a * c**	
Debtors	2,442	20%	20%	488	629

The Council does not generally allow credit for its trade debtors. Of the £2,442k (£2,330k 2009/10) outstanding for trade debtors, £1,629k (£2,330k 2009/10) is overdue. The past due amount can be analysed by age as follows:

2009/10		2010/11
£'000		£'000
476	Less than three months	1,420
1,581	Three months to one year	68
273	More than one year	141
2,330		1,629

Collateral - During the reporting period the Council held no collateral as security.

(iv) Liquidity risk

The Council manages its liquidity position through the risk management procedures above (the setting of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed.

The Council has ready access to borrowings from the money markets to cover any day-to-day cash flow requirements, and access to the PWLB and money markets for longer term funds. The Council is required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is no significant risk that the Council will be unable to raise finance to meet its commitments under financial instruments.

Amounts payable relating to statutory debts, e.g. council tax, non-domestic rates are not included in the analysis above. The maturity analysis of financial liabilities is as follows:

2009/10		2010/11
£'000		£'000
3,869	Less than one year	3,332
573	Between one and two years	449
1,638	Between two and five years	1,687
2,288	Between five and ten years	2,315
465	More than ten years	472
8,833		8,255

Amounts payable relating to statutory debts, e.g. council tax, non-domestic rates are not included in the analysis above as they are outside the scope of the Financial Instrument provisions.

The maturity analysis of financial assets is as follows:

2009/10		2010/11
£'000		£'000
3,412	Less than one year	2,454
3	Between one and two years	5
3	Between two and three years	2
21	More than three years	12
3,439		2,473

(v) Market risk

(a) Interest rate risk – The Council has limited exposure to interest rate movements on its borrowings and investments.

Borrowings are not carried at "Fair Value" on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Comprehensive Income & Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the

Comprehensive Income and Expenditure Statement and affect the General Fund Balance.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure. The in-house treasury team will monitor market and forecast interest rates within the year to adjust exposures approximately.

If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	£'000
Increase in interest payable on variable rate borrowings*	-
Increase in interest receivable on investments	75
Impact on Income and Expenditure Account	75
Decrease in fair value of fixed rate investment assets	-
Impact on Statement of Recognised Gains & Losses	-
Decrease in fair value of fixed rate borrowings liabilities (no impact on Income & Expenditure Account or Statement of Recognised Gains & Losses)	26

*The Council's long-term borrowing is all at fixed rates.

The approximate impact of a 1% fall in interest rates would be as above but with the movements being reversed.

(b) Price risk – The Council, excluding the pension fund, does not generally invest in instruments with this type of risk, e.g. equity shares or marketable bonds

(c) Foreign exchange risk – The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

18 Long Term Debtors

These relate to amounts owing to the Council which are being repaid over various periods longer than one year.

2009/10		2010/11
£'000		£'000
3	Mortgages	-
10	Housing Association	-
20	Parish Council Interest Free Loan	16
-	Car Loans	3
5	YMCA Land Sale	-
38		**19**

19 Assets Held for Sale

All assets held for sale are anticipated to be disposed of in a period of less than one year.

Current 2009/10		Current 2010/11
£'000		£'000
-	**Balance outstanding at start of year**	-
	Assets newly classified as held for sale	
-	Property, Plant & Equipment	700
-	**Balance outstanding at year end**	**700**

20 Inventories

The Council only holds an inventory of consumable materials, no other types of inventories are held.

2009/10		2010/11
£'000		£'000
107	Balance at start of the year	128
651	Purchases	649
(628)	Recognised as an expense in the year	(643)
(2)	Written off balances	1
-	Reversal of write-offs in previous years	2
128	**Balance outstanding at year-end**	**137**

21 Short-Term Debtors

2009/10		2010/11
£'000		£'000
1,677	Central Government Bodies	2,538
2,505	Other Local Authorities	456
-	NHS Bodies	1
-	Public Corporations and Trading Funds	7
1,595	Other entities and individuals	2,355
5,777		**5,357**

22 Cash and Cash Equivalents

2009/10		2010/11
£'000		£'000
1	Cash held by the Authority	1
2,846	Bank Current Accounts	996
2,487		**997**

23 Short-Term Creditors

2009/10		2010/11
£'000		£'000
170	Central Government Bodies	263
1,279	Other Local Authorities	742
-	NHS Bodies	-
-	Public Corporations and Trading Funds	-
1,429	Other entities and individuals	1,529
2,878		**2,534**

24 Long-Term Creditors – Section 106 Agreements

Section 106 Agreements are for the fulfilment of obligations under certain Planning Application Approvals.

2009/10		2010/11
£'000		£'000
1,801	Balance brought forward as at 1st April	2,456
1,343	Contributions Received – Revenue Schemes	162
60	Contributions Received – Capital Schemes	0
3,204		2,618
	Less: Contributions Applied in Year	
(748)	- Revenue Schemes	(35)
-	- Capital Schemes	(55)
2,456	Balance carried forward as at 31st March	2,528

The balances available to the Council can be further analysed between revenue and capital schemes:

2009/10		2010/11
£'000		**£'000**
2,366	Revenue Schemes	2,493
90	Capital Schemes	35
2,456		2,528

Expenditure commitments against the s106 agreements are due within the following financial years:

2009/10		2010/11
£'000		**£'000**
-	Short Term Creditors (Due within 12 months)	110
2,456	Long Term Creditors (Due after more than 12 months)	2,418
2,456		2,528

25 Usable Reserves

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement on page 20.

2009/10		2010/11
£'000		£'000
1,500	General Fund Balance	2,990
1,439	Earmarked General Fund Reserves	1,670
-	Capital Receipts Reserve	-
141	Capital Grants Unapplied	31
3,080	**Total Usable Reserves**	**4,691**

26 Unusable Reserves

Movements in the Authority's unusable reserves are detailed in the Movement in Reserves Statement on page 20.

2009/10		2010/11
£'000		£'000
2,594	Revaluation Reserve	6,991
8,961	Capital Adjustment Account	8,368
5	Deferred Capital Receipts Reserve	-
(24,932)	Pensions Reserve	(16,066)
(35)	Collection Fund Adjustment Account	89
(31)	Accumulated Absences Account	(18)
(13,438)	**Total Unusable Reserves**	**(636)**

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

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

The Reserve contains only revaluation gains accumulated since 1st April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated to the balance on the Capital Adjustment Account.

2009/10		2010/11	
£'000		£'000	£'000
1,992	**Balance at 1st April**		**2,594**
605	Upward Revaluation of assets	4,771	
(3)	Downward Revaluation of assets and impairment losses not charged to the Surplus/(Deficit) on the Provision of Services	(374)	
602	Surplus or deficit on revaluation of non-current assets not posted to the Surplus/(Deficit) on the Provision of Services		4,397
-	Difference between fair value depreciation and historic cost depreciation	-	
-	Accumulated gains on assets sold or scrapped	-	
-	Amounts wriiten off to the Capital Adjustment Account		-
2,594	**Balance as at 31st March**		**6,991**

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority.

The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains.

2009/10	Capital Adjustment Account	2010/11	
£'000		£'000	£'000
9,458	**Balance at 1st April**		**8,961**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement		
(890)	• Charges for depreciation and impairment of non-current assets	(1,497)	
-	• Revaluation losses on Property, Plant and Equipment	-	
(56)	• Amortisation of Intangible Assets	(134)	
(1,821)	• Revenue expenditure funded from capital under statute	(1,140)	
(317	• Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(96)	
(16)	• De-minimis Capital Expenditure	(9)	
(3,100)			(2,876)
-	Adjusting amounts wriiten out of the Revaluation Reserve		-
(3,100)	Net written out amount of the cost of non-current assets consumed in the year		(2,876)
	Capital Financing applied in the year		
480	• Use of the Capital Receipts Reserve to finance new capital expenditure	37	
904	• Capital Grants and Contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	902	
1,090	• Application of grants to capital financing from the Capital Grants Unapplied Account	912	
108	• Statutory provision for the financing of capital investment charged against the General Fund	143	
21	• Capital expenditure charged against the General Fund	289	
2,603			2,283
-	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		-
-	Movement in the Donated Assets Account credited to the Comprehensive Income and Expenditure Statement		-
8,961	**Balance as at 31st March**		**8,368**

Deferred Capital Receipts Reserve

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

2009/10		2010/11
£'000		£'000
10	**Balance at 1st April**	**5**
-	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-
(5)	Transfer to the Capital Receipts Reserve upon receipt of cash	(5)
5	**Balance as at 31st March**	**-**

Pensions Reserve

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

2009/10		2010/11	
£'000		£'000	£'000
(17,358)	**Balance at 1st April**		**(24,932)**
(6,493)	Actuarial gains or losses on pension assets and liabilities		6,044
(1,081)	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement		2,822
-	Employers pension contributions and direct payments to pensioners payable in the year		-
(24,932)	**Balance as at 31st March**		**(16,066)**

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2009/10		2010/11
£'000		£'000
-	**Balance at 1st April**	**(35)**
(35)	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	124
(35)	**Balance as at 31st March**	**89**

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2009/10		2010/11	
£'000		£'000	£'000
-	**Balance at 1st April**		**(31)**
-	Settlement or cancellation of accrual made at the end of the preceding year	31	
(31)	Amounts accrued at the end of the current year	(18)	
(31)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		13
(31)	**Balance as at 31st March**		**(18)**

27 Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2009/10		2010/11
£'000		£'000
(28)	Interest Received	(82)
65	Interest Paid	119
1	Interest Element of finance lease rental payments	2
-	Dividends Received	-
38		**39**

28 Cash Flow Statement – Investing Activities

2009/10		2010/11
£'000		£'000
(2,846)	Purchase of property, plant and equipment, investment property and intangible assets	(5,519)
402	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	37
2,207	Other receipts from investing activities	1,704
(237)	**Net cash flows from investing activities**	**(3,778)**

29 Cash Flow Statement – Financing Activities

2009/10		2010/11
£'000		£'000
2,500	Cash receipts of short- and long-term borrowing	1,000
(938)	Other receipts from financing activities	890
(10)	Cash payments for the reduction of the outstanding liabilities relating to finance leases	(13)
-	Repayments of short- and long-term borrowing	(1,000)
1,552	**Net cash flows from financing activities**	**877**

30 Amounts Reported for resource allocation decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the *Best Value Accounting Code of Practice*. However, decisions about resource allocation are taken by the Authority's Cabinet 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:

- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year
- no charges are budgeted for in relation to the year end accrual for Accumulated Absences (Annual and Flexi leave accrued but not yet claimed)

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

2010/11	Chief Executive	Community Services	Governance & Partnerships	Strategic Development	Customer & Operational Services	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Directorate Income and Expenditure						
Fees, charges and other service income	(242)	(4,314)	(3,406)	(3,645)	(8,402)	(20,009)
Government Grants	-	(52)	(22,688)	(685)	(68)	(23,493)
Total Income	(242)	(4,366)	(26,094)	(4,330)	(8,470)	(43,502)
Employee Expenses	140	2,160	1,513	1,511	4,832	10,156
Other service Expenses	80	2,562	25,798	2,883	5,291	36,614
Support Service Recharges	69	2,354	2,176	2,239	838	7,676
Total Expenditure	289	7,076	29,487	6,633	10,961	54,446
Net Expenditure	**47**	**2,710**	**3,393**	**2,303**	**2,491**	**10,944**

Comparative figures for 2009/10	Chief Executive	Community Services	Governance & Partnerships	Strategic Development	Customer & Operational Services	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Directorate Income and Expenditure						
Fees, charges and other service income	(200)	(4,678)	(2,943)	(3,455)	(8,264)	(19,540)
Government Grants	-	(100)	(20,810)	(290)	-	(21,200)
Total Income	(200)	(4,778)	(23,753)	(3,745)	(8,264)	(40,740)
Employee Expenses	146	2,178	2,110	1,413	4,671	10,518
Other service Expenses	37	3,128	23,586	2,902	5,309	34,962
Support Service Recharges	44	2,190	2,030	1,999	952	7,215
Total Expenditure	227	7,496	27,726	6,314	10,932	52,695
Net Expenditure	**27**	**2,718**	**3,973**	**2,569**	**2,668**	**11,955**

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.

2009/10		2010/11
£'000		£'000
11,955	Net Expenditure in the directorate analysis	10,944
	Net expenditure not included in the analysis:	
(347)	• Exceptional Items	(3,393)
11,608	**Cost of Services in the Comprehensive Income and Expenditure Statement**	**7,551**

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.

2010/11	Directorate Analysis	Exceptional Items	Cost of Services	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000
Fees, Charges and other service income	(20,009)	-	**(20,009)**	(912)	**(20,921)**
Surplus or deficit on associates and joint ventures	-	-	**-**	-	**-**
Interest and Investment Income	-	-	**-**	(82)	**(82)**
Income from Council Tax	-	-	**-**	(6,153)	**(6,153)**
Government Grants and Contributions	(23,493)	-	**(23,493)**	(6,123)	**(29,616)**
Total Income	(43,502)	-	**(43,502)**	(13,270)	**(56,772)**
Employee expenses	10,156	-	**10,156**	1,042	**11,198**
Other service expenses	36,614	(3,393)	**33,221**	-	**33,221**
Support service recharges	7,676	-	**7,676**	-	**7,676**
Depreciation, amortisation and impairment	-	-	**-**	-	**-**
Interest payments	-	-	**-**	121	**121**
Precepts and Levies	-	-	**-**	521	**521**
Gain or Loss on disposal of Non-Current Asset	-	-	**-**	63	**63**
Total Expenditure	54,446	(3,393)	**51,053**	1,747	**52,800**
(Surplus) or Deficit on the provision of services	**10,944**	**(3,393)**	**7,551**	**(11,523)**	**(3,972)**

Comparative figures for 2009/10	Directorate Analysis	Exceptional Items	Cost of Services	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000
Fees, Charges and other service income	(19,540)	(227)	**(19,767)**	(1,225)	**(20,992)**
Surplus or deficit on associates and joint ventures	-	-	**-**	-	**-**
Interest and Investment Income	-	(207)	**(207)**	(28)	**(235)**
Income from Council Tax	-	-	**-**	(5,824)	**(5,824)**
Government Grants and Contributions	(21,200)	-	**(21,200)**	(6,223)	**(27,423)**
Total Income	(40,740)	(434)	**(41,174)**	(13,300)	**(54,474)**
Employee expenses	10,518	-	**10,518**	1,440	**11,958**
Other service expenses	34,962	87	**35,049**	-	**35,049**
Support service recharges	7,215	-	**7,215**	-	**7,215**
Depreciation, amortisation and impairment	-	-	**-**	-	**-**
Interest payments	-	-	**-**	65	**65**
Precepts and Levies	-	-	**-**	522	**522**
Gain or Loss on disposal of Non-Current Asset	-	-	**-**	(163)	**(163)**
Total Expenditure	52,695	87	**52,782**	1,864	**54,646**
(Surplus) or Deficit on the provision of services	**11,955**	**(347)**	**11,608**	**(11,436)**	**172**

31 Agency Services

The Council acts as agent for Lancashire County Council in respect of:

- Highways work in the urban core and also street lighting, gully cleansing and special maintenance

A summary of the Off-Street CPE Parking Accounts, as required by Section 55 of the Road Traffic Regulation Act 1984, is shown below:

2009/10		2010/11
£'000		£'000
(38)	Income (Penalty Charge Notice only)	(55)
46	Expenditure	90
8	**(Surplus) Deficit**	**35**

32 Members Allowances

The Authority paid the following amounts to members of the council during the year:

2009/10		2010/11
£'000		£'000
249	Allowances	240
6	Expenses	4
255	**Total**	**244**

33 Officers Remuneration

The number of employees whose total remuneration, excluding employer's pension contributions, exceeds £50,000 in bands of £5,000 were as follows:-

2009/10	Remuneration Bands	2010/11
1	£50,000 - £54,999	2
2	£55,000 - £59,999	1
3	£60,000 - £64,999	3
-	£65,000 - £69,999	-
1	£70,000 - £74,999	-
-	£75,000 - £79,999	-
-	£80,000 - £84,999	-
-	£85,000 - £89,999	-
-	£90,000 - £94,999	-
-	£95,000 - £99,999	-
-	£100,000 - £104,999	1
1	£105,000 - £109,999	-

Disclosure of remuneration for senior employees

The following table sets out the remuneration of Senior Officers whose salary was £50,000 or more, excluding employer's pension contributions, in 2010/11.

Post-holder	Remuneration	Expense Allowances	Total Remuneration excl. pension contributions	Pension contrib'tns	Total Remuneration incl. pension contributions
	£'000	£'000	£'000	£'000	£'000
Chief Executive	103	1	104	18	122
Director – Customer and Operational Services	62	-	62	11	73
Director – Strategic Development	62	-	62	11	73
Director – Community Services	62	-	62	11	73
Director – Governance and Partnerships	61	(3)	58	11	69
Monitoring Officer	55	-	55	10	65

Note 1: Fylde BC contracts the services of the Section 151 Officer from Preston City Council. The contract sum of £75,500 paid to Preston City Council in 2010/11 relates to a range of finance services including those of the Section 151 Officer.

Note 2: The remuneration for the Chief Executive Officer includes payments in relation to his role as (Acting) Returning Officer for any elections held during the year. The figure for 2009/10 has been revised to also include such payments.

Note 3: The post of Assistant Director (Customer and Operational Services) has been omitted from the table above since this role does not meet the definition of a 'Senior Officer'.

For comparative purposes the equivalent figures for 2009/10 are shown in the table below:

Post-holder	Remun-eration	Expense Allowances	Compens'tn for loss of office	Total Remuneration excl. pension contributions	Pension contrib'tns	Total Remuneration incl. pension contributions
	£'000	£'000	£'000	£'000	£'000	£'000
Chief Executive	107	-	-	107	18	125
Deputy Chief Executive	34	-	37	71	2	73
Director – Customer and Operational Services	60	-	-	60	11	71
Director – Strategic Development	60	-	-	60	11	71
Director – Community Services	60	-	-	60	11	71
Director – Governance and Partnerships	59	(2)	-	57	10	67
Monitoring Officer	59	-	-	59	10	69

34 External Audit costs

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Authority's external auditors:

2009/10	Audit Fee Type	2010/11
£'000		£'000
120	Fees payable with regard to external audit services	104
-	Fees payable in respect of statutory inspection	-
25	Fees payable for the certification of grant claims and returns	20
-	Fees payable in respect of other services	15
145		139

35 Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2010/11:

2009/10		2010/11
£'000		£'000
	Credited to Taxation and Non Specific Grant Income	
(1,072)	Revenue Support Grant	(743)
(478)	Lancashire Performance Reward Grant	(169)
(23)	Area Based Grant	(35)
-	Local Authority Business Growth Incentive Grant	(26)
-	New Burdens Grant	(34)
(4)	Other Grants Received	-
(1,577)	**Total**	(1,007)
	Credited to Services	
(20,716)	Housing & Council Tax Benefits	(22,550)
(113)	Department for Communities & Local Government	(114)
(281)	National Concessionary Travel Pass	(651)
(1,225)	Revenue Expenditure funded from Capital under Statute	(912)
(74)	Department for Culture, Media & Sport	(24)
(189)	Other	(498)
(22,598)		(24,749)
(24,175)	**Total**	**(25,756)**

36 Related Party Transactions

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the 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.

(a) Central Government

Central Government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties. Details of transactions with Government departments are set out in a note to the cash flow statement.

(b) Members of the Council

Members of the Council have direct control over the Council's financial and operating policies. Each Councillor has agreed to be bound by a code of conduct, requiring them to disclose certain personal interests on a register, which is available for public inspection at the Town Hall, Lytham St Annes.

A full list of Member appointments to outside bodies is available to the public and detailed in the Council's agenda for 22nd March 2010. However, the following are worthy of note in accordance with Financial Reporting Standards:

- 6 Members are Directors of Clifton (Lytham) Housing Association Ltd.
- 4 Members are on the board of New Fylde Housing (to whom the Council transferred its Housing Stock)
- 5 Members are appointed to the Fylde Police and Community Forum

The Council makes a financial contribution to a number of partner organisations, most notably:

- Fylde Borough Council Lancashire Strategic Partnership
- Fylde Citizens Advice Bureau
- Age Concern
- Face to Face

(c) Partnership working

During 2010/11 the Council continued to work both formally and informally in partnership with neighbouring authorities. The main partnership operations were as follows :

Blackpool BC	-	Payroll services
	-	Human Resources
	-	Health & Safety
	-	Revenues & Benefits Services
	-	Coastal defence strategy (Shoreline Management Plan)
Wyre BC	-	Streetscene Services (incl. Refuse Collection & Street Cleansing)
	-	Building maintenance
	-	Coastal defence maintenance
	-	Procurement
Preston CC	-	Financial Services Management
	-	Benefit Fraud & Revenue Advice

(d) Other Public Bodies

Precepts were raised for Lancashire County Council, Lancashire Police Authority, Lancashire Combined Fire Authority, and local Parish Councils within the Fylde area. Details of these are contained within the Collection Fund statements.

(e) Associated Companies and Joint Venture Partners

(i) The Council has set up the company registered as FBC Solutions. The Councils Chief Executive and Monitoring Officer are Directors of the company. The company has not yet commenced trading.

(ii) Clifton (Lytham) Housing Association Ltd. This association comprises serving Members of the Council and is supported by officers of the Council. The association owns a number of properties in the Lytham area.

(f) Lowther Trust

During 2009/10 a new Trust board was formed consisting of 7 members, one being a member of Fylde Borough Council. The remaining members were appointed from interested members of the public following an open application process. Prior to this the Council was the sole Trustee. The Council continues to provide all the finance required for the Trust operations, by way of a subsidy, and the day-to-day administration of the Trust is also assisted by officers of the Council, as required.

37 Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed.

The CFR is analysed in the second part of this note.

2009/10	Capital Financing Requirement	2010/11
£'000		£'000
2,586	**Opening Capital Financing Requirement**	3,513
	Capital Investment	
1,622	Property, Plant and Equipment	4,165
25	Investment Properties	-
58	Intangible Assets	233
1,821	Revenue Expenditure Funded from Revenue Under Statute	1,140
	Sources of Finance	
(475)	Capital Receipts	(37)
(1,995)	Government Grants and Other Contributions	(1,814)
-	Sums set aside from Revenue	-
(21)	Direct Revenue Contributions	(289)
(108)	MRP/Loans Fund Principal	(143)
3,513	**Closing Capital Financing Requirement**	6,768
	Explanation of Movements in Year	
927	Increase in underlying need to borrowing (unsupported by government financial assistance)	3,255
927	***Increase/Decrease in Capital Financing Requirement***	3,255

38 Leases

Authority as Lessee

Finance Leases

The Council has acquired two vehicles under Finance Leases. The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

2009/10		2010/11
£'000		£'000
21	Property, Plant and Equipment	8

The council is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the vehicles acquired by the Council and finance costs that will be payable in future years while the liability remains outstanding. The minimum lease payments comprise the following amounts:

31st March 2010		31st March 2011
£'000		£'000
21	Finance Lease Liabilities (Net Present Value of future payments)	7
2	Finance costs payable in future years	1
23	Minimum Lease Payments	8

The Council was committed at 31st March 2011 to making future payments of £8,157 for Finance Leases. This relates to one vehicle for which these commitments are due within the following financial years:

	Minimum Lease Payments	Finance Lease Liabilities
	£'000	£'000
At 31st March 2010:		
Not Later than one year	15	14
Later than one year but not later than 5 years	8	7
Later than 5 years	-	-
	23	21
At 31st March 2011		
Not Later than one year	3	3
Later than one year but not later than 5 years	5	4
Later than 5 years	-	-
	8	7

Operating Leases

The Authority was committed at 31st March 2011 to making future payments of £1,018,531 under operating leases (£1,667,470 at 31st March 2010). These commitments are due within the following financial years:

31st March 2010		31st March 2011
£'000		£'000
	Vehicles, Plant and Equipment Leases	
575	Not Later than one year	43
981	Later than one year but not later than 5 years	938
-	Later than 5 years	-
1,556		981
	Land and Property Leases	
74	Not Later than one year	38
38	Later than one year but not later than 5 years	-
-	Later than 5 years	-
112		38

Authority as Lessor

Operating Leases

The Council acts as lessor in respect of land and property owned by it and leased to tenants. The value of the income from rents associated with these agreements, and included within the Council's Income and Expenditure account, is as follows:

2009/10		2010/11
£'000		£'000
340	Land and Property Leases	287

The capital value held within the balance sheet at 31 March 2011 in respect of land and property generating leasehold income is £2.894m. The accumulated depreciation charge applicable to these assets reflected in the

2010/11 financial statements is nil.

The future lease payments receivable under non-cancellable leases in future years are:

31st March 2010		31st March 2011
£'000		£'000
87	Not Later than one year	87
349	Later than one year but not later than 5 years	349
5,263	Later than 5 years	5,175
5,699		5,611

39 Impairment Losses

An impairment review during the course of the year identified significant reductions in the value of a number of the Council's Non-Current Assets. A summary of these impairments are shown below:

31st March 2010		31st March 2011
£'000		£'000
270	288-289 Clifton Drive – fall in Market Value valuation method	-
37	Public Conveniences – incorrect valuation method used previously	-
65	Other Impairments identified	-
-	Conveniences – Pleasant Street	6
-	Conveniences – Market Square	27
-	Snowdon Road Depot	205
-	Car Park – Lytham Station	175
-	Car Park – Mill Street	55
-	Car Park – Orders Lane	2
372	**Car Park – Orders Lane**	**470**

40 Termination Benefits

The Authority terminated the contracts of a number of employees in 2010/11, incurring liabilities of £81,001 (£594,664 in 2009/10).

Of this total, £36,792 was payable in the form of compensation for loss of office and £44,209 for enhanced pension benefits, payable for 5 officers who were made redundant as part of the Authority's rationalisation of services.

41 Defined Benefit Pension Schemes

As part of the terms and conditions of employment of its employees, the authority offers retirement benefits. Although these benefits will not actually be payable until employees retire, the authority has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement. The authority participates in one major pension scheme, the Lancashire County Pension Fund, administered by Lancashire County Council. This is a defined benefit scheme, meaning retirement benefits are determined independently of scheme investments and the authority must contribute to any deficit where assets are insufficient to meet retirement benefits.

The cost of retirement benefits is recognised in the Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge required against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves Statement during the year:

a) Comprehensive Income and Expenditure Statement

2009/10	Local Government Pension Scheme	2010/11
£'000		£'000
	Cost of Services:	
759	- Current Service Cost	1,218
412	- Past Service Cost	0
0	- Exceptional Item	(3,598)
	Financing and Investment Income and Expenditure	
3,477	- Interest Cost	3,746
(2,037)	- Expected Return on Assets in the Scheme	(2,704)
2,611	***Total Retirement Benefits Charged to the Surplus or Deficit on the Provision of Services***	(1,338)
	Other Retirement Benefits Charged to the Surplus or Deficit on the Provision of Services	
6,493	- Actuarial (gains) and losses	(6,044)
6,493	***Total Retirement Benefits Charged to the Comprehensive Income and Expenditure Statement***	(6,044)
	Movement in Reserves Statement	
(2,611)	- Reversal of net charges made for retirement benefits in accordance with the Code	1,338
	Actual amount charged against the General Fund Balance for pensions in the year:	
941	- Employers' contributions payable to scheme	1,333
589	- Retirement benefits payable to pensioners	151
1,530		1,484

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31st March 2011 is a loss of £5.6m.

Employer's contributions into the Superannuation Fund, represent 20.8% of pensionable pay (2009/10 17.2%). The contribution rate is determined by the Fund's Actuary based on triennial actuarial valuations, the last review being at the end of March 2010. Under Superannuation Fund Regulations contribution rates are set to meet the overall liabilities of the Fund in future years.

Further information can be found in the Lancashire County Pension Fund Annual Report which is available upon request from the Superannuation Manager (email Pensions.Helpdesk@Lancashire.gov.uk or call 01722 530530). The Fund Actuary is Mercer Human Resource Consulting Limited (0151 236 9771).

b) Assets and Liabilities in relation to Retirement Benefits

Reconciliation of the present value of the scheme liabilities:

2009/10		2010/11
£'000		£'000
49,770	Balance bfwd as at 1st April	67,085
759	Current service cost	1,218
3,477	Interest cost	3,746
397	Member contributions	399
15,020	Actuarial (gains)/losses on liabilities	(7,381)
(2,750)	Benefits/transfers paid	(2,019)
381	Curtailments	0
31	Past service costs	0
0	Exceptional Item (see below)	(3,598)
67,085	Balance cfwd as at 31st March	59,450

Reconciliation of the fair value of the scheme assets:

2009/10		2010/11
£'000		£'000
32,412	Balance bfwd as at 1st April	42,153
2,037	Expected return on plan assets	2,704
8,527	Actuarial gains/(losses) on assets	(1,337)
1,530	Employer contributions	1,484
397	Member contributions	399
(2,750)	Benefits/transfers paid	(2,019)
-	Actuarial Revaluation	-
42,153	Balance cfwd as at 31st March	43,384

In the UK budget statement on 22nd June 2010 the Chancellor announced that with effect from 1st April 2011 public service pensions would be up-rated in line with the Consumer Prices Index (CPI) rather than the Retail Price Index (RPI).

This has the effect of reducing Fylde Borough Council's liabilities in the Lancashire County Council Pension Fund by £3.6M and has been recognised as an exceptional item as the amount is significant. This in accordance with guidance set down in UTIF Abstract 48, since the change is considered to be a change in benefit entitlement. There is no impact upon the General Fund.

The expected return on assets is based on market expectations at the beginning of the period for investment returns over the entire life of the related obligations. The assumed investment return on government bonds and equities is the yield on a 20 year fixed interest gilt. The expected return on corporate bonds is based on market yields at the balance sheet date.

The actual return on scheme assets in the year was £3,396M (2009/10 £10,564M).

Scheme History

	2006/07	2007/08	2008/09	2009/10	2010/11
	£'000	£'000	£'000	£'000	£'000
Present value of liabilities	(49,334)	(58,671)	(49,770)	(67,085)	(59,450)
Fair value of assets	40,335	41,406	32,412	42,153	43,384
Surplus/(Deficit) in the Scheme	(8,999)	(17,265)	(17,358)	(24,932)	(16,066)

The liabilities show the underlying commitments that the Authority has in the long-run to pay retirement benefits. The total net liability of £16m has a substantial impact on the net worth of the authority as recorded in the Balance Sheet.

However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy and the deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31st March 2012 is £1.3m.

Basis for Estimating Assets & Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The Pension Fund liabilities has been assessed by Mercer Human Resource Consulting Ltd, an independent actuary, estimates for the pension fund being based on the last valuation of the Scheme as at 31st March 2010.

The main assumptions used in their calculations have been:

31 March 2010		31 March 2011
%		%
	Long-term expected rate of return on assets in the scheme:	
7.50	Equity investments	7.50
4.50	Government Bonds	4.40
5.20	Other Bonds	5.10
6.50	Property	6.50
0.50	Cash/Liquidity	0.50
7.50	Other	7.50
3.30	Rate of inflation	3.40
2.80	Rate of CPI inflation	2.90
5.05	Rate of increase in salaries	4.90
3.30	Rate of increase in pensions	2.90
5.60	Rate for discounting scheme liabilities	5.50
50%	Take-up of option to convert annual pension into retirement lump sum	50%
	Longevity at 65 for current pensioners	
21.2 years	Men	21.6 years
24.1 years	Women	24.2 years
	Longevity at 65 for future pensioners (aged 65 in 20 years' time)	
22.2 years	Men	23.0 years
25 years	Women	25.8 years

The Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

31 March 2010	Split of assets between categories	31 March 2011
%		%
66.0	Equity investments	64.0
7.0	Government bonds	7.0
12.0	Other bonds	14.0
5.0	Property	8.0
4.0	Cash/Liquidity	1.0
6.0	Other assets	6.0

History of Experience of Gains and Losses

The actuarial gains/(losses) identified as movements on the Pensions Reserve in 2010/11 can be analysed into the following categories, measured as a percentage of the schemes assets or liabilities at 31 March 2011:

	2006/07	2007/8 (restated)	2008/09 (restated)	2009/10	2010/11
	%	%	%	%	%
Experience Gains/(Losses) on Assets	0.7	3.1	34.5	20.2	3.1
Experience Gains/(Losses) on Liabilities	0.0	5.4	0.0	0.0	12.3

42 Contingent Assets and Contingent Liabilities

Contingent Liabilities:

- **Insurance Claims** - As at 31st March 2011, the Council has outstanding insurance claims against it with a reserve amount of £525,181. However, the Council's liability is limited to the excess on the insurance policy, with the maximum amount payable by the Council on these claims being £8,465 for revenue items. No adjustments have been made within the Accounts for these revenue items as, at the balance sheet date, it was not known if the claims were successful.

- **Housing Stock Transfer - Property Warranties** - The Council has made a number of warranties with New Fylde Housing in respect of the stock transfer of 2 October 2000. The liability of the Council in this respect terminates on the fifteenth anniversary of the date of transfer, on 2 October 2015. The Council has made duplicate warranties with Halifax PLC which terminate on the thirty sixth anniversary of the date of transfer, on 2 October 2036. The maximum that New Fylde Housing may recover is £12,192 per dwelling subject to the claim; except for any claim arising out of breach of the environmental pollution warranty which shall not exceed £5m.

- **Municipal Mutual Insurance -** MMI was the predominant insurer of public sector bodies prior to its cessation of underwriting operations in September 1992. A Scheme of Arrangement was implemented in 1993 which effectively means that public sector bodies, including this Council, could still have a significant financial exposure to MMI. MMI have reaffirmed in September 2010 the view that the Board continued to foresee a solvent run off of the Company's business but this is subject to a favourable legal ruling. The Council will monitor the likelihood and level of exposure and will make any arrangements in light of any new information.

- **Section 106 (s106) Agreements -** S106 of the Town and Country Planning Act 1990 allows a local planning authority to enter in to a legally binding agreement or planning obligation with a landowner in association with the granting of planning permission. The obligation is termed a S106 Agreement and S106 monies received by the Council are increasingly used to support the provision of services and infrastructure such as highways, recreational facilities, education, health and affordable housing, which is necessary as part of the development or to mitigate its impact. Such agreements or obligations may lay down conditions that monies must be spent by a specified date and on specified items, if these conditions are not met then monies must be returnable and in some cases with interest applied. The Council has a number of S106 agreements. These accounts have been prepared on the basis that no monies are returnable at the balance sheet date.

- **Equal Pay Claims -** Under the terms of the 2004/07 National Pay Award it was agreed by the National Joint Council (NJC) that all local authorities should undertake a Pay Review using the National Job Evaluation system as the recommended model. This pay review was completed in November 2007. The future years increased costs associated with this pay review exercise are contained within the Council's base revenue budget. At this stage the Council is not able to assess the financial impact of any outstanding equal pay claims because of uncertainties regarding the likelihood of liability, if any, the amount, and timing of any such outstanding claims. There has been no indication since November 2007 that the Council has any outstanding or historical equal pay claims and the likelihood of any emerging is very low.

- **Accountable Body Status -** The Authority has been appointed Accountable Body status for a number of schemes and projects operated by the Government and related agencies. Accountable Bodies have to operate within rigorous and stringent Government regulations giving wide ranging rights for grant to be clawed back if specific output targets are not met by the partner organisations. These accounts have been prepared on the basis that none of the grants involved will either be clawed back or withheld.

- **Planning Appeals** - During the year the Council received several large planning appeals, some of which remain ongoing. At the time of preparing these accounts the cost of defending the ongoing appeals cannot accurately be assessed. As the remaining appeals progress any additional costs incurred beyond the budgeted level will be dealt with via updates to the Council's Medium Term Financial Strategy.

- **Potential Arbitration –** The Council is in a contractual relationship with another public sector organisation that has experienced some challenges to the interpretation of the contract and potential differences in the original contract and the delivery method statements. Both parties have made a commitment to attempt to resolve any differences through consultation and negotiation. However, it is not certain that this is possible in every case and there may be further instances of contractual differences raised in the future. It is not possible at this stage to place a financial amount on this if it was to go to arbitration.

Contingent Assets;

- **Claims for recovery of overpaid VAT**

  Trade Waste: The Council has been charging VAT on the collection and disposal of trade waste. In February 2011 HM Revenue & Customs accepted that collection and disposal of trade waste by a local authority is not subject to VAT. Following advice from external advisors PriceWaterhouseCoopers, the Council has submitted a retrospective VAT claim for the overpaid VAT. If the claim is successful the net amount due to the Council for both the claim and accumulated interest could be significant. At the time of writing, there is no certainty that the amount claimed will be received or the timescale on when the outcome will be known as the claim is being considered by HM Revenue & Customs policy section.

  Off Street Car Parking: The VAT liability of car parking provided by a Local Authority has been the subject of a dispute between local authorities and HM Revenue & Customs for a number of years. The lead case in this matter is the Isle of Wight Council & Others started in 2000. The Council has submitted a VAT claim going back to 2004 which is significant in value.

  Interest: The Council has also submitted a claim to the High Court for the interest on both the sports tuition claim and the leisure and culture claim (each of which were settled in 2009/10) to be calculated on a compound basis rather than a simple basis. It is expected that this claim will take approximately three to five years before a decision is reached, but if successful, the amount due to the Council could be significant.

- **Housing Stock Transfer - Right to Buy (RTB) Sharing Arrangements** - Following the transfer of housing stock from the Council, New Fylde Housing has agreed to share RTB receipts, calculated according to the formula as set out in the transfer agreement of 2 October 2000. This arrangement will terminate at the end of the financial year 2029/30, on 31 March 2030. The amount the Council receives in any given year is dependent on prevailing market conditions. Due to current economic conditions and the stagnant state of the housing market there were no sales during 2010/11.

- **Housing Stock Transfer - Development Clawback Agreement** - New Fylde Housing has agreed to pay the Council a proportion of any development gain, as defined in the transfer agreement of 2 October 2000. This arrangement will terminate on the fifteenth anniversary of the date of transfer, on 2 October 2015.

- **Clifton (Lytham) Housing Association Ltd** - The Council has an interest in Clifton (Lytham) Housing Association Ltd, the Board of which is currently in the process of the disposal of the company. If completed, the disposal could generate a significant capital receipt for the Council, which at this stage is not reflected in the Council's financial forecast.

43 Events after the Balance Sheet Date

Non-adjusting event – Kirkham Pool

During April 2011, the Council transferred ownership of Kirkham Pool to the YMCA for a nominal sum in accordance with agreed arrangements for the continuing operation of the pool. The asset is currently classified as an operational asset and is held on the balance sheet with a net book value of £667k as at 31/03/2011.

As the asset is no longer owned by the Council as a result of this transaction, it will be removed from the Authority's accounts during 2011/12 which will reduce the value of Property Plant and Equipment shown on the balance sheet from 2011/12 onwards.

44 Transition to IFRS – Prior Year Adjustments

The Statement of Accounts for 2010/11 is the first to be prepared on an International Financial Reporting Standards (IFRS) basis. Adoption of the IFRS-based Code has resulted in the restatement of various balances and transactions, with the result that some amounts presented in the financial statements are different from the equivalent figures presented in the Statement of Accounts for 2009/10.

The following tables explain the material differences between the amounts presented in the 2009/10 financial statements and the equivalent amounts presented in the 2010/11 financial statements.

(a). Short-term accumulating compensated absences

Short-term accumulating compensated absences refers to benefits that employees receive as part of their contract of employment, entitlement to which is built up as they provide services to the council. The most significant benefit covered by this heading is holiday pay.

Employees build up an entitlement to paid holidays as they work. Under the Code, the cost of providing holidays and similar benefits is required to be recognised when employees render services that increase their entitlement to future compensated absences. As a result, the council is required to accrue for any annual leave earned but not taken at 31 March each year. Under the previous accounting arrangements, no such accrual was required.

The government has issued regulations that mean local authorities are only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the benefits. Amounts are transferred to the Accumulated Absences Account until the benefits are used.

Accruing for short-term accumulating compensated absences has resulted in the following changes being made to the 2009/10 financial statements:

Opening 1st April 2009 Balance Sheet

	2009/10 Statements	Adjustments Made
	£'000	£'000
Creditors and Provisions	(2,806)	-
Accumulated Absences Account	-	-

31st March 2010 Balance Sheet

	2009/10 Statements	Adjustments Made
	£'000	£'000
Creditors and Provisions	(2,878)	(31)
Accumulated Absences Account	-	31

2009/10 Comprehensive Income and Expenditure Statement
Cost of Services

	2009/10 Statements	Adjustments Made
	£'000	£'000
Central Services to the Public	844	-
Cultural, Environmental, Regulatory and Planning Services	6,384	6
Highways and Transport Services	947	-
Housing Services	670	-
Corporate and Democratic Core	2,107	25
Non distributed costs	768	-
Exceptional Items	(347)	-

(b) Government Grants

Under the Code, grants and contributions for capital schemes are recognised as income when they become receivable. Previously, grants were held in a grants deferred account and recognised as income over the life of the assets which they were used to fund.

As a consequence of adopting the accounting policy required by the Code, the financial statements have been amended as follows:

The balance on the Government Grants Deferred Account at 31 March 2009 has been transferred to the Capital Adjustment Account in the opening 1 April 2009 Balance Sheet.

Portions of government grants deferred were previously recognised as income in 2009/10; these have been removed from the Comprehensive Income and Expenditure Statement in the comparative figures.

A grant was received in 2009/10 but not used. Previously, no income was recognised in respect of this grant, which was shown in the Grants Unapplied Account within the Liabilities section of the Balance Sheet. Following the change in accounting policy, the grant has been recognised in full, and transferred to the Capital Grants Unapplied Account within the Reserves section of the Balance Sheet.

This has resulted in the following changes being made to the 2009/10 financial statements:

Opening 1st April 2009 Balance Sheet

	2009/10 Statements	Adjustments Made
	£'000	£'000
Government Grants Deferred Account	(1,163)	1,163
Capital Adjustment Account	(8,295)	(1,163)

31st March 2010 Balance Sheet

	2009/10 Statements	Adjustments Made
	£'000	£'000
Government Grants Deferred Account	(958)	958
Grants Unapplied Account (liabilities)	(141)	141
Capital Adjustment Account	(8,004)	(958)
Capital Grants Unapplied Account (reserves)	-	(141)

2009/10 Comprehensive Income and Expenditure Statement
Cost of Services

	2009/10 Statements	Adjustments Made
	£'000	£'000
Cultural, Environmental, Regulatory and Planning Services	6,384	1,084
Taxation and non-specific grant income	(12,047)	(1,084)

There is no change to the General Fund Balance, as capital grant income is transferred out of the General Fund under both the previous and the current accounting policies.

45 Exceptional Items

2009/10		2010/11
£'000		£'000
-	Prior Year Gain on Pension Fund due to change in method of up-rating from RPI to CPI	(3,598)
-	Impairment relating to Snowden Road Depot	205
(347)	VAT Refund (net of fees) relating to Leisure Services	-
(347)	**Total**	**(3,393)**

46 (Surplus)/Deficit on Revaluation of Property, Plant and Equipment

2009/10		2010/11
£'000		£'000
-	St Annes Swimming Pool	(3,898)
(602)	Other revaluations	(499)
(602)	**Total**	**(4,397)**

The most significant item within the upward revaluation of assets relates to St Annes Pool which was re-opened during 2010/11. The following sets out the activities leading up to this date:-

At a meeting on the 3rd March 2008, the Council took the decision to close the pool on the 31st July 2008. A consequence of this decision was an impairment review during 2008/09 which was carried out by Capita Symonds, the Council's Property Consultants. The pool had seen a dramatic fall in value from the previous net book valuation of £5.808m to £0.275m. This was reflected in the 2008/09 Statement of Accounts as an impairment of £5.533m and treated as an exceptional item.

At a meeting of Cabinet on 28th April 2010 Members agreed to re-open the pool. The re-opening of the pool would result in a re-classification of the asset on the balance sheet from investment property (held at market value) to operational land and buildings (held at depreciated replacement costs). This would be likely to see a significant positive increase to the net book valuation of the asset which was currently held at £0.275m. This was recorded in the 2009/10 Statement of Accounts as an "Events after the Balance Sheet Date - Non-adjusting event."

During 2010/11 the pool was re-opened and subsequently re-categorised and revalued on a depreciated replacement cost basis at a valuation of £4.5m. After taking account of in-year expenditure in re-commissioning the pool, the upward revaluation of £3.898m has been taken to the Revaluation Reserve.

COLLECTION FUND

1. Foreword

These statements represent the transactions of the Collection Fund. This is a statutory fund set up to account separately Council Tax and National Non-Domestic Rates (and also previously Community Charge) on behalf of those bodies (including the Council's own General Fund) for whom the income has been raised. Administration costs are borne by the billing authority's General Fund Revenue Account.

2. Statement of Accounting Policies

The Accounts have been prepared on an accruals basis and in accordance with the Code of Practice on Local Authority Accounting issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).

3. Collection Fund Income and Expenditure Account

2009/10		Notes	2010/11	
£'000			£'000	£'000
	INCOME:-			
(40,656)	Income from Council Tax			(41,102)
	Transfers from General Fund			
(4,761)	- Council Tax Benefit			(5,205)
(21,093)	Income collectable from Business Ratepayers			(20,478)
(66,510)	**TOTAL INCOME**			**(66,785)**
	EXPENDITURE:-			
45,305	Precepts and Demands	**4a**		45,598
	Business Rate			
20,980	- Payment to National Pool		20,364	
113	- Costs of Collection Allowance		114	
				20,478
	Bad and Doubtful Debts			
262	- Write offs		294	
97	- Provisions		38	
				332
	Contributions			
	- Towards the previous year's Collection Fund			
(522)	(deficit)/surplus	**4b**		(569)
66,235	**TOTAL EXPENDITURE**			**65,839**
(275)	**Movement in Collection Fund Balance in Year**			**(946)**
	Collection Fund Balance			
559	Balance at 1st April			284
(275)	(Surplus) / Deficit for Year			(946)
284	**Balance at 31st March – Accumulated (Surplus) / Deficit**			**(662)**

4. NOTES TO THE COLLECTION FUND

a) Precepts and Demands

2009/10		2010/11
£'000		£'000
33,305	Lancashire County Council	33,206
4,270	Lancashire Police Authority	4,383
1,876	Lancashire Fire Authority	1,907
5,854	Fylde Borough Council	6,102
45,305		45,598

b) Distribution of Collection Fund Prior Year Balance

2009/10		2010/11
£'000		£'000
(385)	Lancashire County Council	(418)
(49)	Lancashire Police Authority	(54)
(22)	Lancashire Fire Authority	(24)
(66)	Fylde Borough Council	(73)
(522)		(569)

c) Income from Business Ratepayers

The total non-domestic rateable value at 31 March 2011 was £63,122,890. The Government set a National Non-domestic multiplier (rate in the pound) of 41.4 pence in the pound for 2010/11 and a Small Business non-domestic multiplier of 40.7 pence.

The rateable value figure shown above is different from the income figure in the Collection Fund due to various adjustments. A reconciliation of the figures is shown below:

2009/10		2010/11
£'000		£'000
23,808	Gross Rates Due (rateable value x appropriate multiplier)	25,041
(2,399)	Less: Reliefs and Exemptions	(4,228)
21,409		20,813
(304)	Less: Write Offs/Bad Debt Provision	(274)
(12)	Less: Interest paid on Refunds	(61)
21,093	**Income Due from NNDR Payers**	**20,478**
(113)	Less: Cost of collection Allowance	(114)
20,980	**Contribution to NNDR Pool**	**20,364**

d) Council Tax

The Council Tax base for 2010/11 was calculated at 29,961 and a Band D Council Tax set at £1,457.42, split £1,108.30 for Lancashire County Council, £139.20 for Fylde Borough Council, £146.27 for Lancashire Police Authority and £63.65 for Lancashire Fire Authority. In addition, Parish Councils agreed additional Council Taxes of between £14.94 and £79.18 at Band D level.

The tax base was calculated as follows:-

	(a)	Multiplier	(b)
Additional Band (Disabled)	15	5/9	8
Band A	4,921	6/9	3,280
Band B	4,871	7/9	3,789
Band C	7,398	8/9	6,576
Band D	5,958	9/9	5,958
Band E	4,003	11/9	4,893
Band F	2,140	13/9	3,091
Band G	1,350	15/9	2,250
Band H	77	18/9	154
Other Adjustments	76	-	76
	30,809		30,075
Collection Rate 98.25%, = (b) x 0.9825			29,548
Add: Other Adjustments			413
Council Tax Base			**29,961**

(a) = Total number of chargeable dwellings.
(b) = Number of dwellings (a) adjusted where discounts apply and converted to an equivalent number of Band D dwellings.

GLOSSARY OF ACCOUNTING TERMS

This Glossary of Terms is designed to aid interpretation of the Council's Statement of Accounts.

- **Accounting Policies**
  These specify how transactions and other events should be reflected in financial statements.

- **Accruals**
  The concept that income and expenditure are recognised as they are earned or incurred, not as cash is received or paid. The Local Government Pension Scheme Actuary reassesses the rate of employer contributions to the pension fund every three years.

- **Actuary**
  An actuary is an expert on pension scheme assets and liabilities.

- **Actuarial Gains and Losses**
  Changes in the actuarial deficits or surpluses over time arising from either or both of i) differences between the actual events as they have turned out and the assumptions that were made as at the date of the earlier actuarial valuation (known as experience gains and losses), and ii) changes in the actuarial assumptions.

- **Amortisation**
  An annual charge to the revenue account that spreads the cost of an asset over a period of time.

- **Appropriation**
  A contribution to or from a financial reserve.

- **Area Based Grant (ABG)**
  A new Government Grant that came into force on 1 April 2008 replacing Local Area Agreement Grant. ABG is a non-ringfenced general grant, no conditions on use is imposed as part of the grant determination, ensuring full local control over how funding can be used.

- **Audit Commission**
  An independent body, established under the Local Government Finance Act 1982, which has a duty to ensure that local authorities secure economy, efficiency and effectiveness in their use of resources.

- **Best Value Accounting Code Of Practice (BVACOP)**
  A code of practice prepared to provide accounting guidance on financial reporting to stakeholders which is designed to enhance the comparability of local authority financial information. The code represents proper accounting practice for the purpose of best value reporting.

- **Budget**
  A statement of the Council's spending plans for revenue and capital expenditure over a specified period of time.

- **Capital Expenditure**
  Expenditure on the acquisition and/or improvement of an existing Non-Current Asset which adds to, and not merely maintains, its value. Expenditure that does not fall within the definition must be charged to a revenue account.

- **Capital Receipts**
  Proceeds from the sale of capital assets which can only be used to repay the original loan or to finance new capital expenditure. Any receipts which have not yet been utilised as described are referred to as 'capital receipts unapplied'.

- **Collection Fund**
  The Collection Fund is a separate statutory fund which billing authorities have to maintain. It shows the transactions in relation to non-domestic rates, any residual Community Charge and the Council Tax, and illustrates the way in which these have been distributed to precepting authorities and the General Fund.

- **Community Assets**
  Assets that the local authority intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

- **Consistency**
  This is a concept that the accounting treatment of like items, within an accounting period and from one period to the next, is the same.

- **Contingency**
  This is a condition which exists at the balance sheet date, where the outcome will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events. Contingent assets and contingent liabilities should not be recognised in the accounting statements but be disclosed by way of notes.

- **Corporate and Democratic Core**
  The corporate and democratic core comprises all activities which local authorities engage in specifically because they are elected, multi-purpose authorities. The cost of these activities are thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services. There is, therefore, no logical basis for apportioning these costs to services.

- **Council Tax**
  This is a banded property tax which is levied on domestic properties throughout the country. The banding is based on estimated property values as at 1 April 1991. The level of tax is set annually by each local authority for the properties in its area.

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

- **Current Assets**
  Current assets are items that can be readily converted into cash.

- **Current Liabilities**
  Amounts which will become payable or could be called in within the next accounting period.

- **Current Service Cost (Pensions)**
  The increase in the pension liabilities as a result of years of service earned this year.

- **Curtailment**
  For a defined benefit scheme, an event that reduces the expected years of future service of present employees or reduces for a number of employees the accrual of defined benefits for some or all of their future service. Curtailments include termination of employees' services earlier than expected and termination of, or amendment to the terms of, a defined benefits scheme so that some or all future service by current employees will no longer qualify for benefits or will qualify only for reduced benefits.

- **Debtors**
  Amounts owed to the Council for work carried out, services rendered or goods provided by the Council for which income has not been received by the balance sheet date.

- **Debt Redemption**
  This is where a debt is repaid early.

- **Deferred Credits**
  These represent capital income to be received in the future, when disposals have taken place, and deferred payments have been agreed

- **Defined Benefit Scheme**
  A pension or other retirement benefits scheme other than a defined contribution scheme, where the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme.

- **Depreciation**
  This is the measure of the cost or revalued amount of the benefits of the Non-Current Asset that have been consumed during the period.

- **Direct Revenue Financing**
  Resources provided from an authority's revenue budget to finance the cost of capital projects.

- **Discontinued Operations**
  An operation should be classified as discontinued when the activities related to the operation have ceased permanently and the termination has a material effect on the nature and focus of the authority's operations and represents a material reduction in its provision of services.

- **Emoluments**
  All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash. Pension contributions payable by either employer or employee are excluded.

- **Estimation Techniques**
  The methods adopted to arrive at estimated monetary amounts, corresponding to the measurement bases selected for assets, liabilities, gains, losses and changes to reserves.

- **Events after the Balance Sheet Date**
  These are events, favourable and unfavourable, that occur between the balance sheet date and the date when the Statement of Accounts is authorised for issue.

- **Exceptional Items**
  Material items which derive from events or transactions that fall within the ordinary activities of the authority and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

- **Expected Rate of Return on Pensions Assets**
  For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

- **Fair Value**
  Fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's-length transaction.

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

- **Finance Lease**
  This is a lease that transfers substantially all of the risks and rewards of ownership of a Non-Current Asset to the lessee. Such a transfer of risks and rewards may be presumed to occur if at the inception of the lease the present value of the minimum lease payments, including any initial payment, amounts to substantially all of the fair value of the leased asset.

- **Financial Reporting Standards (FRSs)**
  FRSs are statements which deal with accounting issues of fundamental importance and general application. They are applicable to all published accounts and compliance is mandatory. The Code of Practice on Local Authority Accounting in UK applies FRSs to Councils' accounts as appropriate.

- **Financial Year**
  The Council's financial year runs from the 1st April to 31st March.

- **General Fund**
  This is the main revenue account of the Council covering day to day spending on services other than the provision of housing. Credited to the fund are charges made by the authority, specific Government and other grants and receipts from the Collection Fund.

- **Going Concern**
  The concept that the authority will remain in operational existence for the foreseeable future, in particular that the revenue accounts and balance sheet assume no intention to curtail significantly the scale of operations.

- **Government Grants**
  Assistance by Government and inter-Government agencies and similar bodies, whether local, national or international, in the form of cash or transfers of assets to an authority in return for past or future compliance with certain conditions relating to the activities of the authority.

- **Historic Cost**
  The cost of an asset at the time it was bought.

- **Housing Revenue Account (HRA)**
  The HRA is an account which includes the expenditure and income arising from the direct provision of housing by the Council.

- **Impairment**
  This is a reduction in the value of a Non-Current Asset below its carrying amount on the balance sheet.

- **Infrastructure Assets**
  Non-Current Assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure assets are highways and footpaths.

- **Intangible Assets**
  These are non-financial Non-Current Assets that do not have physical substance but are identifiable and are controlled by the entity through custody or legal rights. Examples are purchased software licences.

- **Inventories**
  The amount of unused or unconsumed stocks bought but not used at the end of the accounting period, held in expectation of future use. E.g.: goods or other assets purchased for resale, consumable stores, raw materials and components purchased for incorporation into products for sale, products and services in intermediate stages of completion, long term contract balances and finished goods.

- **Investments - Non Pension Fund**
  A long-term investment is an investment that is intended to be held for use on a continuing basis in the activities of the authority. Investments should be so classified only where an intention to hold the investment for the long term can clearly be demonstrated or where there are restrictions as to the investor's ability to dispose of the investment. Investments, other than those in relation to the pensions fund, that do not meet the above criteria should be classified as current assets.

- **Investment Properties**
  This represents an interest in land and/or buildings in respect of which construction work and development have been completed, and which is held for its investment potential, with any rental income being negotiated at arm's length.

- **Leasing**

  Leasing is a method of utilising assets where a rental charge is paid for a specified period of time, instead of outright purchase.

- **Liquid Resources**

  Current asset investments that are readily disposable by the authority without disrupting its business and are either readily convertible to known amounts of cash at or close to the carrying amount, or traded in an active market.

- **Local Public Service Agreement (LPSA**)

  Government initiative whereby demanding performance targets are set to deliver improvements for local people through partnerships with district Councils and other organisations.

- **Materiality**

  The concept that any omission from or inaccuracy in the statement of accounts should not be so large as to affect the understanding of those statements by the reader.

- **Minimum Revenue Provision (MRP)**

  The minimum amount (as laid down in Statute) that the Council must charge to the accounts each year in order to meet the costs of repaying amounts borrowed.

- **National Non Domestic Rates (NNDR)**

  NNDR is a tax levied on business properties and sometimes known as Business Rates. This tax is set nationally by the Government. Sums based on rateable values are collected by billing authorities and paid into a national pool. The proceeds are then redistributed by central government as a grant to local authorities in proportion to adult population.

- **Net Book Value**

  The amount at which Non-Current Assets are included in the balance sheet i.e. their historical cost or current value less the cumulative amount provided for depreciation.

- **Net Current Replacement Cost**

  This is the cost of replacing or recreating the particular asset in its existing condition and in its existing use, i.e. the cost of its replacement or of the nearest equivalent asset, adjusted to reflect the current condition of the existing asset.

- **Net Debt**

  The authority's borrowings less cash and liquid resources. Where cash and liquid resources exceed borrowings, reference should be to net funds rather than net debt.

- **Net Realisable Value**

  The open market value of the asset in its existing use (or market value in the case of non-operational assets), less the expenses to be incurred in realising the asset.

- **Non-cash Adjustments**

  Changes in debtors' and creditors' balances over the year

- **Non-Current Assets**

  Assets that yield benefits to the Council and the services it provides for a period of more than one year.

- **Non-distributable Costs**

  These are costs that cannot be specifically applied to a service or services and are held centrally, comprising certain pension costs and the costs of unused shares of IT facilities and other assets.

- **Non-Operational Assets**

  Non-Current Assets held by a local authority but not directly occupied, used or consumed in the delivery of services or for the service or strategic objectives of the authority. Examples of non-operational assets are investment properties and assets that are surplus to requirements, pending sale or redevelopment.

- **Operating Leases**
  An operating lease is a lease other than a finance lease. This is a method of financing assets which allows the Council to use, but not own an asset. A third party purchases the asset on behalf of the Council, who then pay the lessor an annual rental over the life of the asset. Expenditure financed by operating leasing does not count against capital allocations.

- **Operational Assets**
  Non-Current Assets held and occupied, used or consumed by the local authority in the direct delivery of those services for which it has either a statutory or discretionary responsibility. Examples include Council dwellings, other land and buildings, vehicles, plant, equipment, infrastructure assets and community assets.

- **Past Service Cost**
  For a defined benefit scheme, the increase in the present value of the scheme liabilities related to employee service in prior periods arising in the current period as a result of the introduction of, or improvements to, retirement benefits.

- **Post Balance Sheet Events**
  These are events, both favourable and unfavourable, which occur between the balance sheet date and the date on which the Statement of Accounts is signed by the responsible financial officer.

- **Precept**
  This is a charge levied by one Council which is collected on its behalf by another by adding the precept to its own Council Tax and paying over the appropriate cash collected.

- **Principal**
  The amount of money borrowed, not including interest charges.

- **Principal Repayment of Debt**
  Repayment of a loan, not including interest charges.

- **Prior Year Adjustments**
  Prior year adjustments are material adjustments, arising from changes in accounting policies or from the correction of fundamental errors. A fundamental error is one that is of such significance as to destroy the validity of the financial statements. They do not include normal recurring corrections or adjustments of accounting estimates made in prior years.

- **Projected Unit Method**
  An accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings. An accrued benefits valuation method is a valuation method in which the scheme liabilities at the valuation date relate to:

  - the benefits for pensioners and deferred pensioners (i.e. individuals who have ceased to be active members but are entitled to benefits payable at a later date) and their dependants, allowing where appropriate for future increases, and
  - the accrued benefits for members in service on the valuation date.
  - The accrued benefits are the benefits for service up to a given point in time, whether vested rights or not.

- **Provision**
  These are monies set aside for liabilities or losses which are likely or certain to be incurred but the exact amount and dates are not currently known.

- **Prudence**
  The concept that revenue is not anticipated but is recognised only when realisation in cash is reasonably certain. Conversely, provisions should be made for all known liabilities.

- **Prudential Code for Capital Finance**

  This Code was introduced from 1st April 2004. The basic principle of the Code is that local authorities will be free to invest so long as their capital spending plans are affordable, prudent and sustainable. The Code sets out indicators that the authority must use and factors that they must take into account to demonstrate that they have fulfilled this objective.

- **Public Works Loan Board (PWLB)**

  A government agency which provides longer-term loans to local authorities at interest rates only slightly higher than those at which the government itself can borrow.

- **Related Parties**

  Two or more parties are related parties when at any time during the financial period:

  - one party has direct or indirect control of the other party; or
  - the parties are subject to common control from the same source; or
  - one party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interest; or
  - the parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interests

- **Related Party Transactions**

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

- **Reserves**

  Amounts set aside in one year's accounts which can be spent in later years. Reserves are often earmarked for specific purposes, including the financing of future capital expenditure, replacement or renewals and the funding of future defined Council initiatives.

- **Residual Amount**

  The amount an asset can be sold for, less the cost of selling it.

- **Retirement Benefits**

  All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment. Retirement benefits do not include termination benefits payable as a result of either (i) an employer's decision to terminate an employee's employment before the normal retirement date or (ii) an employee's decision to accept voluntary redundancy in exchange for those benefits, because these are not given in exchange for services rendered by the employee.

- **Revenue Expenditure**

  This is money spent on the day-to-day running costs of providing services. It is usually of a constantly recurring nature and produces no permanent asset.

- **Revenue Expenditure Funded from Capital Under Statute**

  A new term introduced in 2008/09 accounts. Expenditure that is not capital in accordance with UK GAAP is allowed by statute to be funded from capital resources and hence such expenditure would have no impact on council tax in the year that it was incurred.

- **Revenue Support Grant (RSG)**

  This is a general grant received from Central Government to contribute towards the cost of providing services. It is based on the Government's assessment of how much an authority needs to spend in order to provide a standard level of service.

- **Scheme Liabilities**

  The liabilities of a defined benefit scheme for outgoings due after the valuation date. Scheme liabilities measured using the projected unit method, reflect the benefits that the employer is committed to provide for service up to the valuation date.

- **Settlement**

  An irrevocable action that relieves the employer (or the defined benefit scheme) of the primary responsibility for a pension obligation and eliminates significant risks relating to the obligation and the assets used to effect the settlement. Settlements include:

  - a lump-sum cash payment to scheme members in exchange for their rights to receive specified pension benefits
  - the purchase of an irrevocable annuity contract sufficient to cover vested benefits, and
  - the transfer of scheme assets and liabilities relating to a group of employees leaving the scheme.

- **Specific Grants**

  Government grants for a particular service.

- **Statement of Recommended Practice – (SORP)**

  This is the Code of Practice on Local Authority Accounting in the United Kingdom.

- **Tangible Non-Current Assets**

  Assets which have a physical form e.g. buildings, equipment.

- **Total Cost**

  The total cost of a service or activity includes all costs which relate to the provision of the service (directly or bought in) or to the undertaking of the activity. Gross total cost includes employee costs, expenditure relating to premises and transport, supplies and services, third party payments, support services and capital charges. This includes an appropriate share of all support services and overheads which need to be apportioned.

- **Total Net Worth**

  The total net value of resources available to or owned by the Council.

- **Unapportionable Central Overheads**

  Overheads for which no user now benefits and that are not apportioned to services.

- **Useful Life**

  The period over which the local authority will derive benefits from the use of a Non-Current Asset.

REPORT

FYLDE BOROUGH COUNCIL

REPORT OF	MEETING	DATE	ITEM NO
KPMG, THE COUNCIL'S EXTERNAL AUDITORS/DIRECTOR OF GOVERNANCE AND PARTNERSHIPS	AUDIT COMMITTEE	22 SEPT 2011	6

REPORT TO THOSE CHARGED WITH GOVERNANCE (ISA 260) 2010/11

Public Item

This item is for consideration in the public part of the meeting.

Summary

The attached report, which has been prepared by the Council's external auditors KPMG, summarises:

i) The key issues identified during the audit of the Council's financial statements for the year ended 31st March 2011, and

ii) KPMG's assessment of the Council's arrangements to secure value for money in its use of resources.

The report concludes, that having regard to the relevant criteria for principal authorities as published by the Audit Commission, the Council has secured economy, efficiency and effectiveness. It also provides an opinion to verify that the Council has complied with all legal and regulatory frameworks with respect to its accounting arrangements resulting in an unqualified opinion.

Recommendations

1. That the report is noted and KPMG thanked for its report

2. That the Audit Committee notes the work undertaken by the Council over the course of the last year resulting in an extremely positive audit opinion of the Council's effectiveness.

Reasons for recommendation: It is part of the Government's current regulatory framework that each Council must make proper arrangements to secure economy, efficiency and effectiveness and comply with accounts production practices and reporting.

Alternative options considered and rejected

No applicable alternative options as part of a regulatory framework

Cabinet Portfolio

The item falls within the following Cabinet portfolio:
Finance and Resources: Councillor Karen Buckley

Report

To receive the report of KPMG (attached) which will be reported on by the Council's external auditors, KPMG.

Risk Assessment

There are some minor risks associated with the actions referred to in this report. Appropriate amendments have been made to the directorate operational risk register to accommodate these risks where necessary.

Report Author	Tel	Date	Doc ID
Tracy Scholes	(01253) 658521	6 September 2011	

List of Background Papers		
Name of document	Date	Where available for inspection
Report to those charged with governance (ISA 260) 2010/11		Attached

IMPLICATIONS	
Finance	The report gives an unqualified opinion on the Council's statement of accounts and also details that the Council has secured economy, efficiency and effectiveness in terms of managing its finances
Legal	The report is part of the Council's formal regulatory framework
Community Safety	No direct implications
Human Rights and Equalities	No direct implications
Sustainability and Environmental Impact	Some issues remain outstanding to be addressed around the Council's use of natural resources
Health & Safety and Risk Management	No health and safety implications. The Council's risk management framework has met Value for Money criteria as outlined with the report.

KPMG

cutting through complexity™

Report to those charged with governance (ISA 260) 2010/11

Fylde Borough Council

August 2011

Contents

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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. The Audit Commission has issued a document entitled *Statement of Responsibilities of Auditors and Audited Bodies*. This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. We draw your attention to this document which is available on the Audit Commission's website at www.auditcommission.gov.uk.

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Trevor Rees, the appointed engagement lead to the Authority, who is also the national contact partner for all of KPMG's work with the Audit Commission. After this, if you are still dissatisfied with how your complaint has been handled you can access the Audit Commission's complaints procedure. Put your complaint in writing to the Complaints Unit Manager, Audit Commission, Westward House, Lime Kiln Close, Stoke Gifford, Bristol, BS34 8SR or by email to complaints@audit-commission.gov.uk. Their telephone number is 0844 798 3131, textphone (minicom) 020 7630 0421.

Introduction

This report summarises:

- **the key issues identified during our audit of Fylde Borough Council's (the Authority's) financial statements for the year ended 31 March 2011; and**
- **our assessment of the Authority's arrangements to secure value for money (VFM) in its use of resources.**

We do not repeat matters we have previously communicated to you. In particular, we draw your attention to our Financial Statements Audit Plan 2010/11, presented to you on 31 March 2011, which summarised the key audit risks.

Financial statements

Our audit of the financial statements can be split into four phases:

Planning → Control Evaluation → Substantive Procedures → Completion

This report focuses on the final two stages: substantive procedures and completion.

Our final accounts visit on site took place between 18 July and 5 August 2011. During this period, we carried out the following work:

Substantive Procedures

- Planning and performing substantive audit procedures.
- Concluding on critical accounting matters.
- Identifying audit adjustments.
- Reviewing the Annual Governance Statement.

We are now in the final phase of the audit. Some aspects are also discharged through this report:

Completion

- Declaring our independence and objectivity.
- Obtaining management representations.
- Reporting matters of governance interest.
- Forming our audit opinion.

VFM conclusion

We have also now completed our work in respect of the 2010/11 VFM conclusion. This comprised work to complete an assessment of the significant risks related to VfM for Fylde Borough Council.

Structure of this report

This report is structured as follows:

- Section 2 summarises the headline messages.
- Section 3 sets out the key findings from our audit work in relation to the 2010/11 financial statements.
- Section 4 outlines the key findings from our work on the VFM conclusion.

Our recommendations are included in Appendix 1. We have also reviewed your progress in implementing prior year recommendations and this is detailed in Appendix 2.

Acknowledgements

We would like to take this opportunity to thank officers and Members for their continuing help and co-operation throughout our audit work.

Headlines

This table summarises the headline messages. The remainder of this report provides further details on each area.

Proposed audit opinion	We anticipate issuing an unqualified audit opinion by 30 September 2011. We will also report that the wording of your Annual Governance Statement accords with our understanding.
Audit adjustments	Our audit identified only a small number of presentational and disclosure adjustments. We have raised a number of recommendations in relation to the matters highlighted above, which are summarised in Appendix 1.
Critical accounting matters	We have worked with officers throughout the year to discuss specific risk areas. The Authority addressed the issues appropriately.
Accounts production and audit process	We have noted an improvement in the quality of the accounts and the supporting working papers. Officers dealt efficiently with audit queries and the audit process has been completed within the planned timescales.
Completion	At the date of this report our audit of the financial statements is complete. Before we can issue our opinion we require a signed management representation letter. We understand that this will be signed by a representative of the Authority at the Audit Committee on 22 September 2011 when the accounts are approved. We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.
VFM conclusion	We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Proposed opinion and audit differences

We have identified no issues in the course of the audit that are considered to be material.

The wording of your Annual Governance Statement accords with our understanding.

Proposed audit opinion

We anticipate issuing an unqualified audit opinion by 30 September 2011.

Audit differences

In accordance with ISA 260 we are required to report uncorrected audit differences to you. We also report any material misstatements which have been corrected and which we believe should be communicated to you to help you meet your governance responsibilities.

We did not identify any material misstatements or adjustments.

Annual Governance Statement

We have reviewed the Annual Governance Statement and confirmed that

- it complies with *Delivering Good Governance in Local Government: A Framework* published by CIPFA/SOLACE in June 2007; and
- it is not misleading or inconsistent with other information we are aware of from our audit of the financial statements.

Movements on the General Fund 2010/11	Pre and post-audit £'000
Surplus or on the provision of services	3,972
Adjustments between accounting basis & funding basis under regulations	(2,251)
Transfers to earmarked reserves	(231)
Increase in General Fund	**1,490**

Balance Sheet as at 31 March 2011	Pre and post-audit £'000
Property, plant and equipment	18,039
Other long term assets	3,393
Current assets	7,191
Current liabilities	(3,561)
Long term liabilities	(21,007)
Net worth	**4,055**
General Fund	(2,990)
Other reserves	(1,065)
Total reserves	**(4,055)**

Audit commentary – matters to note

St Annes swimming pool has been reopened during 2010/11 which has resulted in a reclassification of the asset in the Authority's balance sheet and an upwards revaluation of £3.9 million.

The 2009/10 financial statement figures have been restated in line with IFRS requirements and no significant issues have been identified.

St Annes Pool Revaluation

In 2008/09, the Authority took the decision to close St Annes swimming pool and subsequently the asset was reclassified from operational to investment assets and an impairment of £5.533 million was charged to the I&E as an exceptional item.

During 2010/11, the Authority re-opened the swimming pool in partnership with the YMCA. This led to a reclassification of the asset from investment assets back into operational assets and an upwards revaluation of £3.9 million.

The CIPFA/LASAAC Code of Practice on Local Authority Accounting ('the Code') recommends that where there has been a previous impairment and indicators now suggest the recoverable amount may have increased, the increase should be credited to the line in the Surplus or Deficit on the Provision of Services against which the impairment was originally debited. The Code limits the increase to the amount that will return the carrying amount to what it would have been had the impairment loss not been recognised, with any excess being credited to the revaluation reserve.

During our audit work around the treatment of the St Annes Pool revaluation we identified that the Authority has not followed this treatment, but has instead credited the full upwards revaluation of £3.9 million to the revaluation reserve.

We have discussed this issue with management and agreed that the treatment in the Code differs from that applied by the Authority. We have agreed that instead the Authority will include an extra disclosure note in the financial statements which clearly outlines the treatment of the swimming pool revaluation.

IFRS restatement

We audited the re-stated 2009/10 financial statement figures early in 2011. This work included an assessment of the processes that were undertaken by the Authority to ensure that the final year figures are compliant with the standards. We found processes to be robust and confirmed that the re-stated figures were in line with IFRS requirements.

The finance team at the Authority produced high quality working papers and were extremely helpful and cooperative. This enabled the IFRS work to be completed early in the year which in turn resulted in the year end audit running smoothly.

During our final audit work we identified that some of the audited opening balances that we had previously agreed with management during our audit of the IFRS restatements earlier in the year, particularly in relation to the reclassification of some assets as being held for sale, had not been correctly included in the restated opening balance sheet for 1 April 2009. We discussed these with management and the necessary adjustments have now been made.

Audit commentary – pension liabilities

Reduction in pension liability

There has been a significant decrease in the pension liability disclosed in the Authority's balance sheet from 2009/10 to 2010/11. This is consistent with other pension funds around the country.

The pension liability has decreased due to more favourable assumptions being adopted in 2010/11 than in 2009/10:

- Discount rate decrease (LCCPF ↓ 0.1%)
- Pension rises decrease (LCCPF ↓ 0.4%)
- Salary rises decrease (LCCPF ↓ 0.15%)

The graph below provides an analysis of how the net pension liability has decreased from 2009/10 to 2010/11.

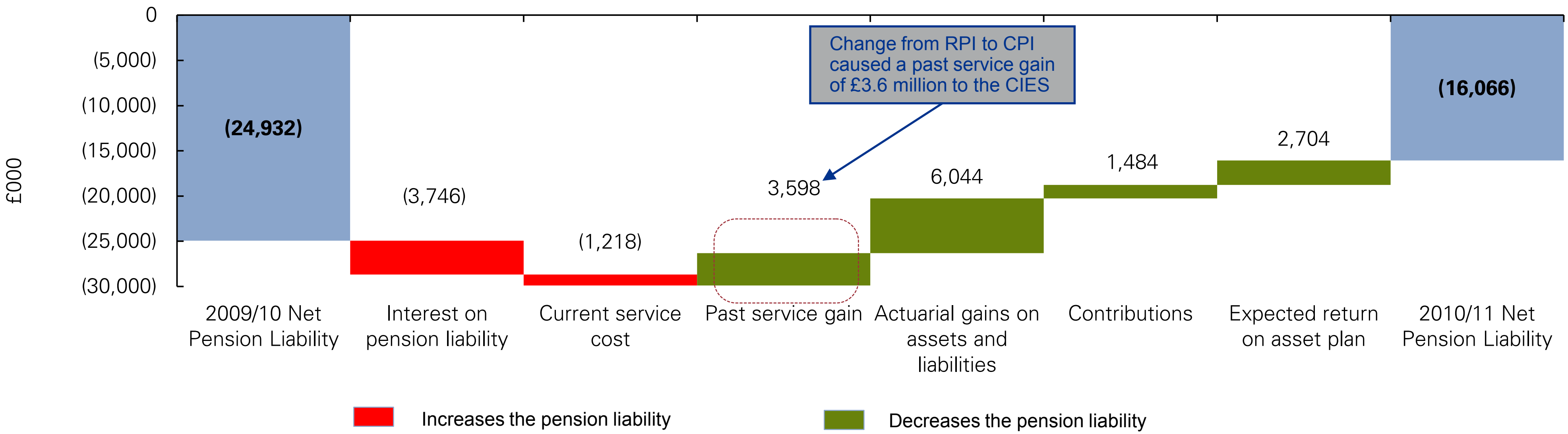
Pensions Change from RPI to CPI

In its June 2010 budget, the Government announced that it intended for future increases in public sector pension schemes to be linked to changes in the Consumer Price Index (CPI) rather than, as previously, the Retail Price Index (RPI).

The Urgent Issues Task Force (UITF) of the Accounting Standards Board issued Abstract 48 on 20 December 2010 which provides additional guidance on the accounting treatment. The Abstract states that an entity must identify whether its existing obligation is to pay benefit increases based on RPI ("an RPI obligation") or more generally inflation-linked increases.

If an entity has an RPI obligation and changes it, this is considered to be a change in benefit and any reduction in scheme liabilities is accounted for as a negative past service cost in accordance with FRS 17. If there is no RPI obligation then a change to CPI is a change in the financial assumption used to measure scheme liabilities. Such a change is treated an actuarial gain or loss.

Management have reflected the changes within the Local Government Pensions Scheme (LGPS) as a change in benefit, and as such there has been a one-off credit of £3.6 million to the CIES (as outlined in the diagram below).



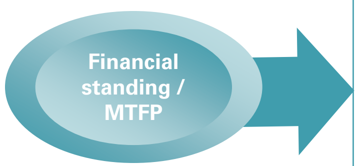
Critical accounting matters

We have worked with officers throughout the year to discuss specific risk areas. The Authority addressed the issues appropriately.

In our *Financial Statements Audit Plan 2010/11*, presented to you in March, we identified the key risks affecting the Authority's 2010/11 financial statements.

We have now completed our testing of these areas and set out our final evaluation following our substantive work.

The table below sets out our detailed findings for each risk.

Key audit risk	Issue	Findings
	**Financial standing/medium term financial planning** The Authority, like many public sector bodies, faces significant pressures over the coming months to agree and then achieve a balanced budget in the wake of public sector spending cuts. The Authority has monitored spending very carefully throughout the year to provide the strongest possible reserves position ahead of the 2011/12 financial year and the funding reductions that will then begin. For 2011/12 the Authority faces a cut in the main recurrent grant of £1.5 million compared to 2010/11, a reduction of 25%, and a further £0.5 million cut in 2012/13. As a result, savings per annum of £338,000 in 2011/12 and £675,000 in 2012/13 will be required. Continuing efficiency savings such as freezing recruitment will not be sufficient to address this situation. This is despite the savings that the Authority has made with regard to the concessionary travel scheme which has now been transferred to Lancashire County Council, eliminating a significant cost to the Authority. The MTFS agreed in March 2011 identified calls on reserves over the next four years which would leave the Authority at its agreed minimum level at 31 March 2015. This assumes that various factors such as the New Homes Bonus income and financial savings will be realised. The Council has started to formulate a plan to address the payroll efficiencies targets but the actual savings that will result from these plans are at a very early stage and it is unknown if they will be fully realised over the life of the current five year financial forecast.	We have maintained close links with management during this period so we have remained up to date with developments as they occur. We have discussed the Authority's budgets and forecasts and ensured that these incorporate the effects of the budget cuts. Through our value for money work we have considered the Authority's general financial standing and in particular its approach to medium term financial planning. We have concluded that the Authority has good financial governance, financial planning and financial control processes. However, in preparing the MTFS the Authority has assumed various factors and savings will be realised and has not allowed for the possibility of any downside risks occurring. Therefore, in the event of any such risk occurring, the Authority would have to manage this over the remaining period of the Strategy in order to achieve minimum levels of reserves at March 2015. We have considered the impact of the outcome from this work on our financial statements audit, particularly in our work around going concern. We do not believe there are any going concern issues for the foreseeable future – mainly for the next 12 months from the date of this report.

Critical accounting matters (continued)

Key audit risk	Issue	Findings
Valuation of Council Assets	**Valuation of Council Assets** We will review third party valuations obtained by the Authority to ensure that asset values have been correctly recorded in asset registers and the financial statements. We will assess valuation assumptions for appropriateness. We will review the Authority's processes for identifying assets which may require impairment and consider whether these impairments have been accounted for correctly within the financial statements.	Our interim testing included consideration of the Authority's processes for identifying assets to be included in an impairment review. We found all controls to be operating effectively, with the exception of those around the revaluation of investment properties, see recommendations in Appendix 1 for further details. During our final audit visit, we substantively tested a sample of revaluations and impairments of the Authority's assets, and confirmed that in all cases the asset values had been correctly updated in the fixed asset register and the financial statements.
IFRS conversion process	**IFRS conversion process** **Impact of conversion process** The Authority will require a lot of planning and resources to ensure a smooth and successful transition to IFRS.	We have kept in regular contact with the finance team throughout the IFRS implementation period and have discussed emerging issues and current guidelines. We audited the re-stated 2009/10 financial statement figures early in 2011. This included an assessment of the processes that were undertaken by the Authority to ensure that the final years figures are compliant with the standards. We found the processes to be robust and confirmed that the re-stated figures were in line with IFRS requirements. During the final accounts visit, we audited all figures in line with IFRS and found no significant issues.

Critical accounting matters (continued)

Key audit risk	Issue	Findings
Leases	**Leases** **Impact of IAS 17** Increased number of finance leases as IAS 17 gives a broader definition of finance leases than SSAP 21 resulting in more assets coming on to balance sheet.	During our interim visit we assessed the Authority's process for ensuring that there is a complete record of all leases and that these are reviewed under the requirements of IAS 17. During the final phase, we reviewed all material leases and contracts to determine whether they had been correctly treated as an operating lease or finance lease under IAS 17. We found the Authority's controls to be operating effectively and identified no issues.
Employee benefits	**Employee benefits** **Impact of IAS 19** New liability to be recognised on the balance sheet where there is a requirement to pay wages and salaries, bonuses and holiday pay.	During the audit of the re-stated 2009/10 balances we assessed whether the Authority with the current payroll system can provide the information needed to calculate the obligation. We found the current system to be operating effectively and re-performed the calculations on the information to confirm the accuracy re-stated accruals balance. During the final visit, we audited the current year balance using the data collated by the Authority and ensured it is line with the requirements of the standard.

Critical accounting matters (continued)

Key audit risk	Issue	Findings
 	**Property, plant and equipment** **Expected impact of IAS 16** Local authorities are to component account for any additions or valuations on or after 1 April 2010. This means when an item of property, plant and equipment comprises individual components for which different depreciation methods or rates are appropriate each component is accounted for separately.	During the interim visit we assessed the controls in place to ensure that additions/valuations are being addressed as components and appropriately recorded in the fixed asset register. During the final phase of our audit we then substantively tested additions and valuations to ensure that these are correctly accounted for in line with the component requirements of IAS 16. No issues were identified.

Accounts production and audit process

We have noted an improvement in the quality of the accounts and the supporting working papers.

Officers dealt efficiently with audit queries and the audit process could be completed within the planned timescales.

Accounts production and audit process

ISA 260 requires us to communicate to you our views about the qualitative aspects of the Authority's accounting practices and financial reporting. We also assessed the Authority's process for preparing the accounts and its support for an efficient audit.

We considered the following criteria:

Element	Commentary
Accounting practices and financial reporting	The Authority has strengthened its financial reporting process and this enabled the audit to be conducted in a shorter timeframe than in previous years. We consider that accounting practices are appropriate.
Completeness of draft accounts	We received a complete set of draft accounts on 30 June 2011.
Quality of supporting working papers	Our *Prepared By Client List Protocol* which sets out our working paper requirements for the audit. , was issued to Officers before the audit. The working papers met these requirements and were provided in line with the agreed timescales and were of a good standard. This year, our new audit software required more working papers to be provided in electronic format. The Authority was well prepared for this and was able to fully meet our requirements.
Response to audit queries	All additional audit queries were resolved quickly and efficiently by finance staff at the Authority.

Prior year recommendations

No recommendations were raised in our *ISA 260 Report 2009/10* relating to the financial statements.

Completion

We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.

Before we can issue our opinion we require a signed management representation letter.

Once we have finalised our opinions and conclusions we will prepare our *Annual Audit Letter* and close our audit.

Declaration of independence and objectivity

As part of the finalisation process we are required to provide you with representations concerning our independence.

In relation to the audit of the financial statements of Fylde Borough Council for the year ending 31 March 2011, we confirm that there were no relationships between KPMG LLP and Fylde Borough Council, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Audit Commission's requirements in relation to independence and objectivity.

We have provided a detailed declaration in Appendix 4 in accordance with ISA 260.

Management representations

You are required to provide us with representations on specific matters such as your financial standing and whether the transactions within the accounts are legal and unaffected by fraud. We have provided a template to the Section 151 Officer. We require a signed copy of your management representations before we issue our audit opinion.

Other matters

ISA 260 requires us to communicate 'audit matters of governance interest that arise from the audit of the financial statements' to you which includes:

- material weaknesses in internal control identified during the audit;
- matters specifically required by other auditing standards to be communicated to those charged with governance (e.g. issues relating to fraud, compliance with laws and regulations, subsequent events etc.); and
- other audit matters of governance interest.

There are no others matters which we wish to draw to your attention.

New VFM audit approach

We follow a new VFM audit approach this year.

Our VFM conclusion considers how the Authority secures financial resilience and challenges how it secures economy, efficiency and effectiveness.

We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Overview of the new VFM audit approach

For 2010/11, auditors are required to give their statutory VFM conclusion based on two criteria specified by the Audit Commission. These consider whether the Authority has proper arrangements in place for:

- securing financial resilience: looking at the Authority's financial governance, financial planning and financial control processes; and
- challenging how it secures economy, efficiency and effectiveness: looking at how the Authority is prioritising resources and improving efficiency and productivity.

We follow a risk based approach to target audit effort on the areas of greatest audit risk. We consider the arrangements put in place by the Authority to mitigate these risks and plan our work accordingly.

Our VFM audit draws heavily on other audit work which is relevant to our VFM responsibilities and the results of last year's VFM audit

The key elements of the VFM audit approach are summarised in the diagram below.

Conclusion

We have concluded that the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

VFM criterion	Met
Securing financial resilience	✓
Securing economy, efficiency and effectiveness	✓

Appendix 1: Key issues and recommendations

We have given each recommendation a risk rating and agreed what action management will need to take.

The Authority should closely monitor progress in addressing specific risks and implementing our recommendations.

We will formally follow up these recommendations next year.

Priority rating for recommendations		
Priority one: issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.	*Priority two*: issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.	*Priority three*: issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.

No.	Risk	Issue and recommendation	Management response/ responsible officer/ due date
1	(one)	**Academy system reporting for NNDR and Council Tax** The Authority has a shared service arrangement in place with Blackpool Borough Council for the provision of the revenues and benefits services. During 2010/11, the system used by Blackpool to administer the service was changed to Academy. Whilst there have been no major issues with the running of the system and the recording of Council Tax and NNDR, the reporting capabilities of the new Academy system have so far not met the requirements of the Authority. Fylde have experienced issues around obtaining reports which reconcile to their general ledger, leading to variances at year end. It has also not been possible to obtain an ageing report for NNDR arrears for the purpose of calculating a bad debt provision. We understand that the Authority are working closely with Blackpool in order to improve this situation for the coming year. We therefore recommend that Fylde continue to communicate clearly to Blackpool their reporting requirements and set agreed timescales in place for improvement.	**Management response:** Issues regarding ledger reconciliation were in the main due to the mid-year migration from the Pericles to the Capita system. The Blackpool and Fylde Shared Service ('The Shared Service') are currently working with Fylde Finance team ('Fylde') to finalise the frequency, format and details of all reports required for 2011/12 onwards. Fylde will work with The Shared Service to complete and issue them with a schedule of report requirements. Agreement on the format and detail of year end reports will be agreed and tested by 30th November 2011 by Fylde and The Shared Service. A pre-year end meeting will be arranged for January 2012 to finalise reports required and incorporate them into a year end plan for 2011/12. Eventually, development of in-house report writing will allow the production of additional bespoke reports. However this is an enhancement for future years when these initial problems have been dealt with. **Responsible Officer:** Fylde – David Bennett The Shared Service – Graeme Ruse/Louise Jones

Appendix 1: Key issues and recommendations (continued)

No.	Risk	Issue and recommendation	Management response/ responsible officer/ due date
1		(continued)	(continued) **Due date:** 30th November 2011 – Fylde to produce schedule of reports requirements and The Shared Service to test and deliver reports to Fylde. 31st January 2012 – Fylde and The Shared Service to agree formal year end reports for 2011/12.
2	(three)	**Revaluation of investment assets** The Authority applies an accounting policy of revaluing all investment assets every two years. However, under the requirements of IFRS, investment assets need to be held at fair value and the Authority needs to ensure that the fair value reflects market value at the balance sheet date. This means that a periodic approach to revaluation may only be used where the carrying amount does not differ materially from fair value at the balance sheet date. Our testing of the revaluation of investment assets this year highlighted that in a small number of cases, assets had not been revalued in the last two years. Therefore in addition to an incorrect accounting policy being in place, this policy had not been applied correctly. It is therefore recommended that the Authority implements a robust control process to ensure that all investment assets are revalued on an annual basis, in line with the requirements of the Code.	**Management response:** The Authority will implement a robust control process to ensure that all investment assets are revalued on an annual basis, in line with the requirements of the Code. **Responsible Officer:** Gary Sams (Principal Estates Surveyor) **Due date:** Immediate effect.

Appendix 2: Declaration of independence and objectivity

The Code of Audit Practice requires us to exercise our professional judgement and act independently of both the Commission and the Authority.

Requirements

Auditors appointed by the Audit Commission must comply with the *Code of Audit Practice* (the Code) which states that:

"Auditors and their staff should exercise their professional judgement and act independently of both the Commission and the audited body. Auditors, or any firm with which an auditor is associated, should not carry out work for an audited body that does not relate directly to the discharge of auditors' functions, if it would impair the auditors' independence or might give rise to a reasonable perception that their independence could be impaired."

In considering issues of independence and objectivity we consider relevant professional, regulatory and legal requirements and guidance, including the provisions of the Code, the detailed provisions of the Statement of Independence included within the Audit Commission's Standing guidance for local government auditors (Audit Commission Guidance) and the requirements of APB Ethical Standard 1 *Integrity, Objectivity and Independence* (Ethical Standards).

The Code states that, in carrying out their audit of the financial statements, auditors should comply with auditing standards currently in force, and as may be amended from time to time. Audit Commission Guidance requires appointed auditors to follow the provisions of ISA (UK & I) 260 '*Communication of Audit Matters with Those Charged with Governance*' that are applicable to the audit of listed companies. This means that the appointed auditor must disclose in writing:

- Details of all relationships between the auditor and the client, its directors and senior management and its affiliates, including all services provided by the audit firm and its network to the client, its directors and senior management and its affiliates, that the auditor considers may reasonably be thought to bear on the auditor's objectivity and independence.
- The related safeguards that are in place.
- The total amount of fees that the auditor and the auditor's network firms have charged to the client and its affiliates for the provision of services during the reporting period, analysed into appropriate categories, for example, statutory audit services, further audit services, tax advisory services and other non-audit services. For each category, the amounts of any future services which have been contracted or where a written proposal has been submitted are separately disclosed.

Appointed auditors are also required to confirm in writing that they have complied with Ethical Standards and that, in the auditor's professional judgement, the auditor is independent and the auditor's objectivity is not compromised, or otherwise declare that the auditor has concerns that the auditor's objectivity and independence may be compromised and explaining the actions which necessarily follow from his. These matters should be discussed with the Audit Committee.

Ethical Standards require us to communicate to those charged with governance in writing at least annually all significant facts and matters, including those related to the provision of non-audit services and the safeguards put in place that, in our professional judgement, may reasonably be thought to bear on our independence and the objectivity of the Audit Partner and the audit team.

General procedures to safeguard independence and objectivity

KPMG's reputation is built, in great part, upon the conduct of our professionals and their ability to deliver objective and independent advice and opinions. That integrity and objectivity underpins the work that KPMG performs and is important to the regulatory environments in which we operate. All partners and staff have an obligation to maintain the relevant level of required independence and to identify and evaluate circumstances and relationships that may impair that independence.

Appendix 2: Declaration of independence and objectivity (continued)

We confirm that we have complied with requirements on objectivity and independence in relation to this year's audit of the Authority's financial statements.

Acting as an auditor places specific obligations on the firm, partners and staff in order to demonstrate the firm's required independence. KPMG's policies and procedures regarding independence matters are detailed in the Ethics and Independence Manual ('the Manual'). The Manual sets out the overriding principles and summarises the policies and regulations which all partners and staff must adhere to in the area of professional conduct and in dealings with clients and others.

KPMG is committed to ensuring that all partners and staff are aware of these principles. To facilitate this, a hard copy of the Manual is provided to everyone annually. The Manual is divided into two parts. Part 1 sets out KPMG's ethics and independence policies which partners and staff must observe both in relation to their personal dealings and in relation to the professional services they provide. Part 2 of the Manual summarises the key risk management policies which partners and staff are required to follow when providing such services.

All partners and staff must understand the personal responsibilities they have towards complying with the policies outlined in the Manual and follow them at all times. To acknowledge understanding of and adherence to the policies set out in the Manual, all partners and staff are required to submit an annual Ethics and Independence Confirmation. Failure to follow these policies can result in disciplinary action.

Auditor declaration

In relation to the audit of the financial statements of Fylde Borough Council for the financial year ending 31 March 2011, we confirm that there were no relationships between KPMG LLP and Fylde Borough Council, its directors and senior management and its affiliates that we consider may reasonably be thought to bear on the objectivity and independence of the audit engagement lead and audit staff. We also confirm that we have complied with Ethical Standards and the Audit Commission's requirements in relation to independence and objectivity.

Appendix 3: Draft management representation letter

We ask you to provide us with representations on specific matters such as whether the transactions within the accounts are legal and unaffected by fraud.

The wording for these representations is prescribed by auditing standards.

We require a signed copy of your management representations before we issue our audit opinion.

Dear Sirs

This representation letter is provided in connection with your audit of the financial statements of Fylde Borough Council ("the Authority"), for the year ended 31 March 2011, for the purpose of expressing an opinion as to whether these:

i. give a true and fair view of the financial position of Fylde Borough Council as at 31 March 2011 and of its income and expenditure for the year then ended; and

ii. have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

These 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 Authority confirms that the representations it makes in this letter are in accordance with the definitions set out in the Appendix to this letter.

The Authority confirms that, to the best of its knowledge and belief, having made such inquiries as it considered necessary for the purpose of appropriately informing itself:

Financial statements

1. The Authority has fulfilled its responsibilities, as set out in regulation 8 of the Accounts and Audit (England) Regulations 2011, for the preparation of financial statements that:
   - give a true and fair view of the financial position of Fylde Borough Council as at 31 March 2011 and of its income and expenditure 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.

   The financial statements have been prepared on a going concern basis.

2. Measurement methods and significant assumptions used by the Authority in making accounting estimates, including those measured at fair value, are reasonable.

All events subsequent to the date of the financial statements and for which the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom require adjustment or disclosure have been adjusted or disclosed.

Information provided

4. The Authority has provided you with:
   - access to all information of which it is aware, that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
   - additional information that you have requested from the Authority for the purpose of the audit; and
   - unrestricted access to persons within the Authority from whom you determined it necessary to obtain audit evidence.

5. All transactions have been recorded in the accounting records and are reflected in the financial statements.

6. The Authority acknowledges its responsibility for such internal control as it determines necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In particular, the Authority acknowledges its responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

7. The Authority has disclosed to you the results of its assessment of the risk that the financial statements may be materially misstated as a result of fraud.

Appendix 3: Draft management representation letter (continued)

We ask you to provide us with representations on specific matters such as whether the transactions within the accounts are legal and unaffected by fraud.

The wording for these representations is prescribed by auditing standards.

We require a signed copy of your management representations before we issue our audit opinion.

8. The Authority has disclosed to you all information in relation to:

a) Fraud or suspected fraud that it is aware of and that affects the Authority and involves:

- management;
- employees who have significant roles in internal control; or
- others where the fraud could have a material effect on the financial statements; and

b) allegations of fraud, or suspected fraud, affecting the Authority financial statements communicated by employees, former employees, analysts, regulators or others.

9. The Authority has disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements. Further, the Authority has disclosed to you and has appropriately accounted for and/or disclosed in the financial statements in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

10. On the basis of the process established by the Authority and having made appropriate enquiries, the Authority is satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities are consistent with its knowledge of the business.

11. The Authority further confirms that:

a) all significant retirement benefits, including any arrangements that:

- are statutory, contractual or implicit in the employer's actions;
- arise in the UK and the Republic of Ireland or overseas;
- are funded or unfunded; and
- are approved or unapproved,

have been identified and properly accounted for; and

b) all settlements and curtailments have been identified and properly accounted for.

This letter was tabled and agreed at the meeting of the Audit Committee on 22 September 2011.

Yours faithfully,

[Chair of the Audit Committee] , [Chief Financial Officer]

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REPORT

FYLDE BOROUGH COUNCIL

REPORT OF	MEETING	DATE	ITEM NO
GOVERNANCE AND PARTNERSHIPS	AUDIT COMMITTEE	SEP 22 2011	7

CONSTITUTION

Public/Exempt item

This item is for consideration in the public part of the meeting.

Summary

The council's constitution needs to be re-adopted by the council each year. The report to the Council in July this year contained some proposed amendments to the constitution that had not been considered by the Audit Committee. The Council referred some of those proposals to the Audit Committee

This report sets out those proposed changes. It also sets out some proposed changes to the delegated powers of the Chief Finance Officer. It invites the Audit Committee to endorse all of the proposed changes and recommend that the council makes the appropriate changes to the constitution.

Recommendation/s

1. Recommend the Council to agree the changes to the constitution set out in the report.

Cabinet portfolio

The item falls within the following cabinet portfolio: Corporate resources and finance (Councillor Karen Buckley).

Report

Changes referred back by the Council

1. Article 14 of the council's constitution requires the Monitoring Officer to submit a fully up-to-date text of the Constitution every year to the meeting following the Annual Meeting of the Council, with a view to its formal approval and re-adoption by the Council for the ensuing Municipal Year, with any amendments or alterations then considered appropriate or necessary by the Council.

2. The constitution, with some proposed changes, was considered by the Audit Committee at its meeting on June 23. Those changes were approved by the Council at its meeting on July 25. The report to Council also included other proposed changes that had not been considered by the Audit Committee because it had not been possible to compile them in time to be reported to the committee. The Council referred two of those proposed changes back to be considered by the Audit Committee. Paragraphs 3 and 4 set out those changes.

3. The powers delegated to the Director of Strategic Development Services would now include an express power to agree the terms of section 106 agreements (also called planning obligations) on behalf of the council as local planning authority as well as the power to agree to requests to vary or modify agreements. The change inserts the following as delegations to the Director of Strategic Development Services:

   5.28 Approving the terms of planning obligations under section 106 of the Town and Country Planning Act 1990

   5.29 Agreeing the modification or discharge of planning obligations under section 106A of the Town and Country Planning Act 1990

4. These changes have been proposed by the section 151 officer:

   Include the underlined additional words in financial regulation 18.7:

   18.7 All directors must ensure that payments <u>(including stage payments)</u> are made <u>only</u> against contractors' certificates <u>and only where the director is satisfied that payment has become due</u>. The Council must issue an authenticated receipt to the contractor within a period of three months. All variations must be agreed in advance by the Monitoring Officer.

Proposed changes: Delegations to Chief Finance Officer

5. The committee is also asked to consider some changes to the delegated powers of the Chief Finance Officer (Section 151 Officer), to bring them in line with the Financial Procedure Rules for completeness. The request therefore is that Audit committee endorse them, which will then go forward to the Council for confirmation. The changes are set out below.

   Include the underlined additional words in delegations 8.4 and 8.5:

   8.4 Agreeing virements up to £25,000 <u>(capital and revenue)</u> in the absence of the relevant director.

   8.5 Agreeing virements <u>(capital & revenue)</u> of between £25,000 and £50,000

Delete delegation 8.6, which is now delegated to the Head of the Revenues and Benefits Shared Service:

8.6 Recovering rates and council tax.

Delete delegation 8.12, which duplicates delegation 8.8:

8.12 Approving funded budget increases up to £50,000 from additional expenditure which is fully funded from additional external resources and does not place any residual liability on the council, in consultation with the executive member for finance and resources.

Insert the following delegations:

Approving and reflecting the slippage and/or accelerated spend of approved revenue and capital budgets at outturn in future years budgets.

Determining applications for discretionary rate relief and hardship relief.

Renumber the delegations as appropriate.

IMPLICATIONS	
Finance	None
Legal	The new delegate power to the Director of Strategic Development Services will remove any residual doubt about the matter concerned.
Community Safety	None.
Human Rights and Equalities	None
Sustainability	None
Health & Safety and Risk Management	None

REPORT AUTHOR	TEL	DATE	DOC ID
Ian Curtis	(01253) 658506	5 September 2011	

LIST OF BACKGROUND PAPERS		
NAME OF DOCUMENT	DATE	WHERE AVAILABLE FOR INSPECTION
Council constitution	July 2010	Town Hall, St Annes, or www.fylde.gov.uk

REPORT

FYLDE BOROUGH COUNCIL

REPORT OF	MEETING	DATE	ITEM NO
GOVERNANCE AND PARTNERSHIPS	AUDIT COMMITTEE	22 SEP 2011	8

REGULATION OF INVESTIGATORY POWERS ACT 2000: AUTHORISATIONS

Public/Exempt item

This item is for consideration in the public part of the meeting

Summary

Councillors are obliged to review the use of covert surveillance and covert human intelligence sources by the council at least quarterly. In the quarter to June 2011, there were no authorised operations. In the quarter to September 2011 there have been one at the date of writing.

Recommendation/s

1. Note the information in the report.

Cabinet portfolio

The item falls within the following cabinet portfolio[s]: Finance & resources: (Councillor Karen Buckley).

<u>Report</u>

The RIPA framework

1. The Regulation of Investigatory Powers Act 2000 (“RIPA”) regulates covert investigations by a number of bodies, including local authorities. It was introduced to ensure that individuals' rights are protected while also ensuring that law enforcement and security agencies have the powers they need to do their job effectively.

2. Fylde Borough Council is therefore included within RIPA framework with regard to the authorisation of both directed surveillance and of the use of covert human intelligence sources.

3. Directed surveillance includes the covert surveillance of an individual in circumstances where private information about that individual may be obtained. A covert human intelligence source ("CHIS") is a person who, pretending to be someone that they are not, builds up a relationship of trust with another person for the purpose of obtaining information as part of an investigation.

4. Directed surveillance or use of a CHIS must be authorised by the chief executive or a director. All authorisations are recorded centrally by the Head of Governance.

5. New regulations made last year require councillors to consider a report on the use of RIPA at least quarterly.

6. This is the required quarterly report on the use of RIPA. The information in the table below is about authorisations granted by the council during the quarters concerned.

Quarter	Directed surveillance	CHIS	Total	Purpose
Apr – Jun 2011	0	0	0	
Jul- Sep 2011[1]	1	0	1	Preventing or detecting crime: Benefit fraud

IMPLICATIONS	
Finance	No direct financial implications. This work will be delivered within existing revenue budget resources.
Legal	The report is for the information of councillors and is produced to comply with the council's obligations under the Regulation of Investigatory Powers (Directed Surveillance and Covert Human Intelligence Sources) Order 2010. The council is only able to authorise surveillance under RIPA if it is for the purpose of preventing or detecting crime or preventing disorder.
Community Safety	An authorising officer should consider any community safety issues among the other relevant factors in deciding whether to authorise surveillance.
Human Rights and	None arising directly from this report.

[1] Correct at the time the report was written. Any update will be reported verbally at the meeting and in writing in the next quarterly report.

Equalities	
Sustainability	None arising directly from this report.
Health & Safety and Risk Management	None arising directly from this report.

REPORT AUTHOR	TEL	DATE	DOC ID
Ian Curtis	(01253) 658506	5 September 2011	

LIST OF BACKGROUND PAPERS		
NAME OF DOCUMENT	DATE	WHERE AVAILABLE FOR INSPECTION
None		

REPORT

FYLDE BOROUGH COUNCIL

REPORT OF	MEETING	DATE	ITEM NO
GOVERNANCE & PARTNERSHIPS DIRECTORATE	AUDIT COMMITTEE	22 SEPT 2011	9

CORPORATE GOVERNANCE IMPROVEMENT PLAN 2011/12

Public Item

This item is for consideration in the public part of the meeting.

Summary

The Audit Committee is charged with adopting the Annual Governance Statement and monitoring the progress in fulfilling the Corporate Governance Improvement Plan. At the last meeting of the Committee on 23 June, a progress report on the 2011/12 Improvement Plan and details of any outstanding actions from the 2010/11 Improvement Plan were requested.

Recommendation

1. The Committee notes that the outstanding actions (marked with an asterisk on the attached appendix) from the 2010/11 Corporate Governance Improvement Plan have been carried forward to the 2011/12 Improvement Plan and that all other remaining actions for that period have been fully implemented.

2. The Committee notes the latest position with regard to each of the issues included on the Corporate Governance Improvement Plan 2011/12.

Reasons for recommendation

The report indicates the current situation

Alternative options considered and rejected

This report is for information and comment only

Cabinet Portfolio

Finance & Resources Councillor Karen Buckley

Report

1. The Annual Governance Statement for the year ended 31 March 2011, together with its associated improvement actions, was adopted by the Committee at its meeting on 23 June 2011. The responsibility for keeping the Corporate Governance Improvement Plan under review falls to the Audit Committee.

2. This interim report reveals the progress made so far in implementing the various actions to achieve improved corporate governance during 2011/12 and indicates areas where agreed actions have yet to be completed.

3. The 2011/12 Improvement Plan includes 8 actions to secure improved corporate governance and the current status (including target dates) as advised by the responsible managers is as set out in Appendix 1.

4. Progress monitoring will continue and a follow up of the all the improvements included in the plan will be undertaken once the final implementation date has passed. A further report will be prepared to indicate the revised position.

5. In terms of any outstanding actions arising from the 2010/2011 Annual Governance Statement, these have been brought forward to the 2011/12 Improvement Plan and reviewed with appropriate implementation dates. All other actions from that period have been fully implemented.

Risk Assessment

This item is for information only and makes no recommendations. Therefore there are no risks to address

Report Author	Tel	Date	Doc ID
Lyndsey Lacey	(01253) 658504	Date of report	5/9/11

List of Background Papers

Name of document	Date	Where available for inspection
Delivering Good Governance in Local Government	2007	All background papers or documents can be obtained from Savile Sykes – Head of Internal Audit on 01253 658413 or e-mail saviles@fylde.gov.uk

Attached documents

1. Corporate Governance Improvement Plan 2010/11.

IMPLICATIONS	
Finance	Good governance ensures development of the capacity and capability of the Council to be financially effective and efficient
Legal	No specific implications
Community Safety	No specific implications
Human Rights and Equalities	No specific implications
Sustainability and Environmental Impact	No specific implications
Health & Safety and Risk Management	Good governance encourages informed and transparent decisions which are subject to effective risk management

SIGNIFICANT GOVERNANCE ISSUES		AGREED IMPROVEMENT PLAN			
Objective	Actions	Officer	Date	Status	Comment
AGS 1. The development of corporate purchasing arrangements will be finalised with the roll out of the Civica purchasing module on an authority-wide basis.	1. Develop an effective plan and timetable for the roll-out of the Civica purchasing module for use across the whole Council	POD	Jun 11	Complete	An effective project management framework has been developed and approved by Management Team
	2. Complete roll-out process, including staff training, such that Civica purchasing module is operational on an authority-wide basis	POD	Mar 11 Dec 11	In progress	*B/f from 2010/11 Improvement Plan Electronic purchasing rolled out to Community Services Directorate (July 11)
AGS 2. Data Protection and Freedom of Information training and guidance will be provided for staff to refresh and embed knowledge concerning the individual's right to privacy with respect to the handling and processing of personal data.	3. Develop and deliver a targeted programme of data protection training to all relevant staff	IC	Mar 11 Mar 12	In progress	*B/f from 2010/11 Improvement Plan Training material developed
	4. Review and refresh the Council's Data Protection Policy to reflect best practice	IC	Dec 11	In progress & on target	*B/f from 2010/11 Improvement Plan with original implementation date Data Assurance Policy developed, awaiting adoption process
AGS 3. Training and guidance will be provided on equalities to ensure staff have the requisite knowledge concerning this area taking into account recent changes in legislation.	5. Develop and deliver a targeted programme of equalities training and guidance for all staff	AO	Mar 12	Pending	
AGS 4. Procurement arrangements will be enhanced further to achieve best value and effective use of resources.	6. Liaise directly with Heads of Service to determine where procurement resources should be focused to secure their most effective use, and to inform and validate the strategy	IC	Oct 11	Complete	Exercise completed and being used to inform and validate the procurement strategy
	7. Develop and upgrade the procurement strategy to achieve best value and effective use of resources taking account of Action 6 (above) and subject to review by scrutiny with recommendations to Cabinet	IC	Mar 11 Mar 12	In progress	*B/f from 2010/11 Improvement Plan Adopted 'The Chest' e-procurement solution Contract Standing Orders have been revised to require the use of electronic purchasing system Training delivered to senior managers on contract procurement and management
AGS 5. Business Continuity arrangements will be reviewed and refreshed to ensure that contingency plans remain robust in light of any emergency which may face the Council	8. Review and refresh the Business Continuity arrangements to ensure that contingency plans remain robust	TS/MT	Mar 12	In progress	Detailed Action Plan agreed by Strategic RM Group

REPORT

FYLDE BOROUGH COUNCIL

REPORT OF	MEETING	DATE	ITEM NO
INTERNAL AUDIT	AUDIT COMMITTEE	22 SEPT 2011	10

INTERNAL AUDIT ANNUAL REPORT 2010-11

Public Item

This item is for consideration in the public part of the meeting.

Summary

The report provides an opinion on the effectiveness of the Council's system of internal control in support of the Annual Governance Statement. It also summarises the work undertaken by internal audit from April 2010 to March 2011 and performance information for the same period.

The report meets the Head of Internal Audit's responsibility under the Code of Practice for Internal Audit in Local Government in the United Kingdom 2006.

Recommendation

1. To approve the annual report of the Head of Internal Audit

2. To note the Internal Audit opinion that reliance can be placed on the Council's control environment in terms of the overall adequacy and effectiveness of the controls and processes which are in place to achieve the objectives of the Council

Reasons for recommendation

The report is principally informative and provided for the purpose of assurance.

Alternative options considered and rejected

In accordance with the Audit Committee's terms of reference, no other course of action is available to the Committee

Cabinet Portfolio

The item falls within the Finance & Resources portfolio (Councillor Karen Buckley)

1 Introduction

1.1 The Role of Internal Audit

The role of internal audit is to provide management with an objective assessment of the adequacy and effectiveness of internal control, risk management and governance arrangements. Internal audit is therefore a key part of the Council's internal control system and integral to the framework of assurance that the Audit Committee can place reliance upon in its assessment of the internal control system.

1.2 Definition of Internal Audit

Internal audit operates in compliance with CIPFA's Code of Practice for Internal Audit in Local Government in the United Kingdom. The definition of internal audit, as described in the Code, is set out below:

- Internal Audit is an assurance function that primarily provides an independent and objective opinion to the organisation on the control environment comprising risk management, control and governance by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.

- Whilst Internal Audit "primarily" provides an independent and objective opinion to the organisation on the control environment, it may also undertake other, non-assurance work at the request of the organisation subject to the availability of skills and resources. This can include consultancy work; indeed, Internal Audit intrinsically delivers consultancy services when making recommendations for improvement arising from assurance work, and fraud-related work.

1.3 Purposes of the Report

1.3.1 The statutory Code of Practice for Internal Audit in Local Government in the United Kingdom requires that the Head of Internal Audit must provide a written report to those charged with governance, timed to support the Annual Governance Statement.

1.3.2 The Head of Internal Audit's annual report to the organisation must:

- Include an opinion on the overall adequacy and effectiveness of the organisation's control environment
- Disclose any qualifications to that opinion, together with the reasons for the qualification
- Present a summary of the audit work from which the opinion is derived, including reliance placed on work by other assurance bodies
- Draw attention to any issues the Head of Internal Audit judges particularly relevant to the preparation of the Annual Governance Statement
- Compare the work actually undertaken with the work that was planned and summarise the performance of the internal audit function against its performance measures and targets
- Comment on compliance with the standards (the Code of Practice) and communicate the results of the internal audit quality assurance programme

1.3.3 The report also summarises the activities of internal audit for the financial year 2010-11 to provide managers and members with the opportunity to review the service provided to the Council.

2 The Statement of Assurance

2.1 Context

2.1.1 The Council's internal auditors are required to provide the Audit Committee with assurance on the system of internal control. In giving our opinion it should be noted that assurance can never be absolute. The most that internal audit can provide to the Audit Committee is a reasonable assurance that there are no major weaknesses in risk management, governance and control processes.

2.1.2 The matters raised in this report are only those which came to our attention during our internal audit work and are not necessarily a comprehensive statement of all the weaknesses that exist, or of all the improvements that may be required.

2.2 Internal Audit Opinion

2.2.1 We are satisfied that sufficient internal audit work has been undertaken to allow us to draw a reasonable conclusion as to the adequacy and effectiveness of the Council's risk management, internal control and governance processes.

2.2.2 In our opinion, based upon the work we have undertaken, for the 12 months ended 31 March 2011, reliance can be placed on the Council's control environment in terms of the overall adequacy and effectiveness of the controls and processes that are in place to achieve the objectives of the Council. There were no qualifications to the opinion.

2.2.3 The evidence to support the opinion is contained within this report.

2.3 Scope of the Internal Audit Opinion

2.3.1 In arriving at our opinion, we have taken into account:

- The results of all internal audits undertaken during the year ended 31 March 2011 (see Table Two for details of the opinions given during the year);
- The results of follow-up action taken in respect of audits completed;
- Whether or not any fundamental or significant recommendations have not been accepted by management and the consequent risks;
- The results of external audit work during the year and any concerns expressed by the External Auditor;
- The results of any other external inspection or assessment
- The effectiveness of the Council's risk management arrangements
- The effectiveness of the Council's governance arrangements, including internal audit

2.4 Basis of the Opinion

2.4.1 In reaching this opinion the following factors were taken into particular consideration:

<u>External Audit Work during 2010/11</u>

2.4.2 The main part of the external auditor's work relates to the Council's financial accounts. The external auditor's Annual Audit and Inspection Letter for 2009/10, which was reported to the meeting of the Audit Committee on 23 September 2010, allowed some satisfaction to be drawn from positive comments in relation to the good quality of the accounts and working papers and the strengthened financial reporting process.

2.4.3 The Annual Audit Letter, presented to the 31 January 2011 meeting, reported that an unqualified opinion on the Council's accounts was issued. There were no recommendations arising from the external auditor's work.

2.4.4 The Certification of Grants and Returns Report, also reported to the January committee, summarised outcomes of the external auditor's certification work. An unqualified certificate was issued for all grants and returns in 2009/10.

Other External Inspection

2.4.5 There have been no governance or control based external inspections or assessments during 2010/11, other than the normal external audit work

Risk Management

2.4.6 The Council's risk management framework is established by the Risk Management Strategy. It provides information on the approach, responsibilities, processes and procedures and sets the context in terms of how risks will be identified, profiled, managed and reviewed. The Strategic Risk Management Group is fundamental to the process and meets to ensure risk management remains high on the corporate agenda. There is also regular reporting to the Audit Committee, the elected member committee with responsibility for risk management.

2.4.7 An audit of the risk management process carried out during the year provided moderate assurance that the controls in operation were adequate, and were being applied. It is considered that although reliance can reasonably be placed on the effectiveness of the Council's risk management arrangements, the implementation of audit recommendations will improve the assurance level to substantial.

Governance

2.4.8 A self assessment exercise was undertaken by the Chair and Vice Chair of the Audit Committee in relation to the effectiveness of the Committee. The main conclusion drawn from the self assessment was that the Audit Committee had the framework in place to act effectively and did so in practice. There were no new issues arising from the review, which was presented to the committee on 24 June 2010.

2.4.9 The Head of Internal Audit is a member of the Corporate Governance Group, which is charged with the compilation of the annual governance statement and improvement plan. As part of standard internal audit work, the corporate governance framework was also reviewed against the CIPFA/Solace Good Governance Framework and there were no fundamental weaknesses or exceptions to report. Some areas for improvement or development are included in the 2011 Annual Governance Statement.

Internal Audit

2.4.10 The Accounts and Audit Regulations 2011 state that each local authority "must, at least once in each year, conduct a review of the effectiveness of its internal audit". The regulations go on to state that the findings of this review should be considered by a committee of the relevant body as part of the wider consideration of the Council's system of internal control.

2.4.11 The guidance relating to the assessment of internal audit allows for different methods of review. The expected understanding is that reviews of internal audit by external audit will take place triennially. In other years the spirit of the regulations points to an independent review conducted externally where possible. However, this needs to be balanced against the practicalities either in terms of cost or the resources required to undertake a reciprocal external review each year.

2.4.12 Therefore, the following approach has been adopted for each three year period:

Year 1 - Assessment by external audit
Year 2 - Self assessment via the checklist with independent and reciprocal peer review
Year 3 - "Light touch" approach – review checklist and the completion of any actions outstanding from the previous reviews

2.4.13 Year 3 of this cycle was reached in 2010-11 and consequently a 'light touch' self assessment exercise was carried out. Compliance with the Code of Practice was confirmed, performance against targets was assessed and a comparison of bench-marked costs with other Lancashire districts was made. A report of this exercise was presented to the Audit Committee on 23 September 2011. There were no actions arising from the review.

Internal Control

2.4.14 The Accounts and Audit Regulations 2011 require local authorities to conduct a review at least once in a year of the effectiveness of its system of internal control. This section of the report provides an opportunity for the Committee to consider the work of Internal Audit and whether the outcomes provide evidence of a satisfactory level of internal control within the organisation.

2.4.15 During the financial year 2010-11 twenty four (24) reports were issued with a further report (2) agreed subsequently that were in progress at year-end. All have been accepted by management and in all cases action plans are now in place. The agreed reports and action plans are available to view via the Audit Work page on the Intranet.

2.4.16 In action plans arising from audit work, we categorise recommendations as high, medium or low priority. High indicates a significant control weakness that may lead to material loss, exposure to fraud or failure to meet regulatory requirements. Medium suggests a less important vulnerability not fundamental to system integrity. Low priorities relate to good practice improvements or enhancements to procedures that merit management attention.

2.4.17 We also measure the overall level of assurance based on the adequacy and effectiveness of internal control in a system on a five-point scale. Table One sets out the assurance levels and definitions as follows:

Table One: Levels of Assurance

Level		Definition
5	Full Assurance	There is a sound system of control designed to achieve the system objectives and manage the risks to achieving those objectives
4	Substantial Assurance	While there is basically a sound system of control, there are some minor weaknesses, which put some of the system objectives at risk
3	Moderate Assurance	While there is on the whole a sound system of control, there are some more significant weaknesses that may put some of the system objectives at risk
2	Limited Assurance	There are significant/serious weaknesses in key areas in the systems of control that put the system objectives at risk
1	No Assurance	The control framework is generally weak leaving the system open to significant error or abuse

2.4.18 Table Two shows the category of recommendations identified for each audit completed, together with the level of assurance for the system reviewed.

Table Two: Reports, Risk & Assurance

Audit Area	High Risks	Medium Risks	Low Risks	Assurance Level
IT Code of Connection[1]	1	7	3	Substantial
HMO Licensing[1]	1	3	5	Limited
Main Accounting[1]	-	5	3	Substantial

Contract Procedures & Tendering[1]	-	11	9	Moderate
Council Tax[1]	-	4	3	Substantial
Business Rates	-	3	-	Full
Asset Management	-	8	2	Limited
Cash Collection	-	8	3	Substantial
Creditors	-	1	2	Substantial
Development Control (Strategic Dev. Dir.)	1	8	6	Limited
Development Control (Customer Services)	-	2	2	-
Complaints	-	6	8	Moderate
Expenses	-	1	7	Substantial
Sundry Debtors	-	2	2	Full
Sandwinning (Strategic Development Dir.)	2	4	-	None
Sandwinning (Finance)	-	-	1	-
Information Governance[2]	5	2	-	-
Officer's Car Loans	-	-	4	Moderate
Payroll	-	5	8	Substantial
Members' Allowances	-	1	-	Substantial
Annual Leave & Flexi-time	-	3	5	Moderate
Mayoral Charity	-	4	6	Moderate
Dog Kennelling	-	13	2	Limited
Civica Application[3]	2	6	1	-
Risk Management[4]	-	8	4	Moderate
Housing & Council Tax Benefits[4]	-	6	1	Substantial
Total	12	121	87	

[1] Reviews from 2009/10 finalised in 2010/11
[2] Review performed by LCC
[3] Non-Assurance Review
[4] Finalised after year-end

2.4.19 Table Three shows both the average and main system assurance scores for those systems reviewed by Internal Audit over the last five years and the average for the same period:

Table Three: Assurance Ratings

Audit Area	2006/07	2007/08	2008/09	2009/10	2010/11	Average
All Reviews Average	3.4	3.4	3.1	3.5	**3.3**	3.3
Main Financial Systems:	3.4	3.7	3.4	3.8	**4.2**	3.7
Business Rates	*4.2*	*4.3*	*3.8*	*	***4.5***	*4.2*
Cash Collection	*3.0*	*3.5*	*3.5*	*3.8*	***3.8***	*3.5*
Council Tax	*3.8*	*4.3*	*3.8*	*4.0*	*	*4.0*
Creditors	*3.2*	*2.9*	*2.9*	*4.0*	***4.4***	*3.5*
Housing Benefits	*4.5*	*4.8*	*4.1*	*	***4.0***	*4.4*
Main Accounting	*	*	*3.5*	*3.5*	*	*3.5*
Payroll	*2.5*	*3.0*	*3.0*	*3.4*	***3.6***	*3.1*
Sundry Debtors	*3.1*	*3.9*	*3.3*	*4.0*	***4.6***	*3.8*
Treasury Management	*2.7*	*2.8*	*2.4*	*4.2*	*	*3.0*

* Not Undertaken

2.4.20 For those systems reviewed during the year the average assurance score on the scale of 1 to 5 was 3.3. Main financial systems had a better average score of 4.2. The 'All Reviews' figure shows a downturn compare to last year but equals the five year average score. In the case of the 'Main Financial Systems' the figures show a clear improvement on the previous year, exceed the five year average and represent the highest score achieved.

2.4.21 The 'All Reviews' score equates to moderate assurance, while the 'Main Financial Systems' score equates to substantial assurance. Taken together they indicate that overall there is a basically sound framework of control in place but some controls in the systems reviewed were not operating effectively.

2.4.22 There were twelve high priority controls brought to the attention of management during the year and one unresolved item brought forward from 2009/10. Dates for remedial actions to be in place were agreed with management for all of them.

2.4.23 Table Four sets out the issues, the relevant department and the agreed dates for resolution.

Table Four: High Priority Risks Identified

Risk		Directorate	Resolution Date
1.	A group was not established to oversee the Code of Connection implementation project	Customer & Operational Services	Completed
2.	Production of mandatory certificates for licensed HMO properties was not enforced	Community Services	Completed
3.	Income received via the Planning Portal could not be reconciled either in total or to applications processed	Strategic Development	Completed[2]
4.	The licence for sand extraction had expired and MT had not established a proper basis for operations	Strategic Development	Completed
5.	Insurance certificates in relation to the sand extraction operation had not been examined	Strategic Development	Completed[2]
6.	A Senior Information Risk Owner had not been identified with responsibility for data security	Corporate	Completed
7.	Information Asset Owners had not been nominated for all key data sets containing personal data	Corporate	Completed[2]
8.	A comprehensive information audit was required to identify how personal data is secure and protected	Corporate	Completed[2]
9.	An action plan was needed to address areas of data security weakness that may be identified	Corporate	May 11[1]
10.	A Corporate Information Security Policy had not been developed	Governance & Partnerships	Completed
11.	Annual system upgrades and bug fixes were not carried out as required by contract terms	Customer & Operational Services	Jan 11[1]
12.	System upgrade process was not carried out in test environment before migrating to live	Customer & Operational Services	Completed[2]

[1] Implementation in progress
[2] Subject to evidential verification

2.4.24 The present position in summary based on managers' advice and evidence available is as follows:

- Ten risks have been addressed in full or substantially – numbers 1,2, 3, 4, 5, 6, 7, 8, 10, 12
- Two agreed actions are in the process of being implemented – numbers 9, 11

Actions 9 and 11 were both dependent upon the completion of actions 7 and 8, which themselves were delayed in their implementation from the original dates.

Follow Up

2.4.25 Follow-up reviews are performed to appraise management of post audit actions and provide assurance that audit recommendations have been implemented. Twenty five (25) follow-up reviews have been completed during the year. Table Five shows the total number and percentage of agreed recommendations that were implemented by managers.

Table Five: Agreed Recommendations Implemented

Audit Area	Recommendations		
	Total Agreed	Number Implemented	% Implemented
Previous Years' Reports			
Interest, Gifts & Hospitality	14	14	100%
IT Application (Civica - Financials)	5	4	80%
Cheques (OSS)	1	1	100%
Petty Cash/Floats (Finance)	4	4	100%
Fraud Awareness (HR)	3	3	100%
Officers' Expenses	10	10	100%
Council Tax (Governance)	1	1	100%
Land Transactions	5	5	100%
IT Application (LALPAC)	7	7	100%
IT Application (Acolaid)	8	8	100%
Cheques (Finance)	1	1	100%
Vehicle & Plant	12	12	100%
Petty Cash & Floats (Community Servs)	2	2	100%
Council Tax (Revenues)	6	6	100%
IT Application (Paybase)	8	6	75%
Contracts & Tendering (Finance)	1	1	100%
Anti-Fraud & Corruption (HR)	5	3	67%
Treasury Management	2	1	50%
HMO Licensing	9	9	100%
Performance Indicators	10	10	100%
2010/11 Reports			
Sandwinning (Finance)	1	1	100%
Complaints	14	14	100%
Creditors	3	3	100%
Officer's Car Loans	4	3	75%
Development Control (Customer Servs.)	2	2	100%
Total	138	131	94.9%

2.4.26 The overall implementation rate for all reports followed up in 2010/11 is 94.9% compared to last year's 92.0%. This is the highest overall implementation figure achieved, and exceeds the target of 90%. The effect of the Internal Audit Reports Protocol, which limits the number of time extensions to one and permits the escalation of outstanding issues to the most senior levels of management, may be a continuing positive factor.

2.4.27 In addition to the overall rate, the percentage of high and medium priority recommendations implemented is also measured. Table Six shows the total number of agreed high and medium recommendations that were implemented by managers. Those follow up reviews where no high or medium recommendations were made have been omitted from the table.

Table Six: High & Medium Recommendations Implemented

Audit Area	High Priority		Medium Priority		% Implemented
	Yes	No	Yes	No	
Previous Years' Reports					
Interest, Gifts & Hospitality	-	-	9	-	100%
IT Application (Civica - Financials)	-	-	3	1	75%
Cheques (OSS)	-	-	1	-	100%
Fraud Awareness (HR)	-	-	1	-	100%
Officers' Expenses	-	-	4	-	100%
Council Tax (Governance)	-	-	1	-	100%
Land Transactions	4	-	1	-	100%
IT Application (LALPAC)	-	-	2	-	100%
IT Application (Acolaid)	-	-	6	-	100%
Vehicle & Plant	-	-	7	-	100%
Petty Cash & Floats	-	-	2	-	100%
Council Tax (Revenues)	-	-	3	-	100%
IT Application (Paybase)	-	-	5	1	83%
Anti-Fraud & Corruption (HR)	-	-	-	2	0%
Treasury Management	-	-	-	1	0%
HMO Licensing	1	-	3	-	100%
Performance Indicators	-	-	5	-	100%
2010/11 Reports					
Complaints	-	-	6	-	100%
Creditors	-	-	1	-	100%
Development Control (Customer Ser.)	-	-	2	-	100%
Total	5	-	62	5	93.1%

2.4.28 The classification of recommendations as 'high', 'medium' or 'low' priority indicates where resources might best be applied. The percentage of high and medium priority recommendations implemented in 2010/11 was 93.1% compared to last year's 93.3%. This result is slightly lower than the overall rate and below the target of 95%.

2.4.29 Table Seven shows both the overall and 'high/medium' priority implementation rates for those reviews followed up by Internal Audit over the last five years and the average for the same period:

Table Seven: Annual Implementation Rates

Category	2006/07	2007/08	2008/09	2009/10	2010/11	Average
Overall Implementation %	63.4	82.6	78.5	92.0	94.9	82.3
High/Medium Implementation %	63.7	80.5	75.4	93.3	93.1	81.2

2.4.30 The general progress over the period is clearly demonstrated by the table. It can be seen that last year's improved rates of implementation have been consolidated in 2010/11. The overall rate of implementation was highest achieved and the percentage of high and medium priority recommendations implemented showed only a marginal reduction from last year's highest score.

3 Other Internal Audit Work

3.1 Special Investigations and Counter Fraud Work

Investigations

3.1.1 During the year the audit team commenced one special investigation into allegations of fraud and corruption. This arose as a result of an allegation from a member of staff. However, the investigation was ended when co-incidentally the circumstances that gave rise to the allegation ceased to exist and it was concluded that evidence to substantiate a case would no longer be available. The matter was passed to line management for action.

3.1.2 Table Eight summarises the results of the various special investigations during 2010/11 compared with previous years.

Table Eight: Results of Special Investigations

Outcome	Number 2006-07	Number 2007-08	Number 2008-09	Number 2009-10	Number 2010-11
Disciplinary action	1	4	3	-	-
Employee Resigned prior to conclusion	-	1	-	-	-
No evidence to support allegation	2	1	-	1	-
Inconclusive evidence	2	1	-	-	-
Investigation terminated	-	1	-	-	1
Police investigation, inconclusive	2	-	-	-	-
Standards Board referral, no action	1	-	-	-	-
Investigation Ongoing	-	-	-	-	-
Total	8	8	3	1	1

3.1.3 In addition to the single investigation undertaken in 2010/11 by the audit team, the Head of Internal Audit assisted our external auditors in connection with elector questions relating to tendering procedures. This exercise has continued into 2011/12.

3.1.4 Altogether a total of 14.5 days was taken up dealing with reactive fraud work during the year. This compares with a total of 18 days spent on reactive fraud in 2007/08 and 17 days in 2008/09. The fact that the incidence of reported fraud remains at such a low level suggests good standards of probity among Council employees, reinforced by the Council's zero tolerance commitment to fraud and corruption.

National Fraud Initiative

3.1.5 The Head of Internal Audit has acted as key contact for the National Fraud Initiative data matching exercise; nominating data download contacts and co-ordinating the production of housing benefit, payroll, council tax, creditor and licensing information for a data matching exercise. Savings generated from the exercise are estimated to be around £25,000 most of which will be ongoing in future years. The main savings in previous years were achieved in the area of Council Tax with around many Single Person Discounts discontinued.

Benefit Fraud

3.1.6 The Head of Internal Audit is responsible for overseeing the delivery of the benefit fraud service provided by Preston City Council. The performance measures in the Service Level Agreement were all substantially exceeded. In 2010/11 323 investigations were concluded against a target of 275, resulting in overpayments identified of £195,407 against the annual target of £110,000 with 37 prosecutions and sanctions against a target of 36.

Other Counter Fraud Work

3.1.7 In addition to the above, internal audit has undertaken the following counter fraud work, which is not an exhaustive list:

- prepared and delivered Manager's Fraud Awareness presentation to all Directorates highlighting common types of fraud, why fraud is committed and ways to reduce the incidence of fraud
- completed Audit Commission Fraud & Corruption modules to highlight areas of potential fraud risk
- performed a 'fitness for purpose' check and comprehensive refresh of the Council's Anti-fraud & Corruption, Whistleblowing, Money Laundering and Sanction & Prosecution policies
- prepared articles for Grapevine highlighting whistleblowing and ethical conduct

3.2 Projects, Consultancy and Advice

3.2.1 This section summarises the range of services, beyond internal audit's assurance role. Such work is often requested by clients, rather than forming part of the risk-based audit function. Commonly, tasks will involve problem-solving issues as an aid to management for the enhancement of their service. The nature and scope of the work may include participation in projects, facilitation, process design, training, and advisory services, but this list is not exhaustive.

3.2.2 During the year internal audit has undertaken project work, provided advice or acted in a consultancy capacity in the following areas, which is not an exhaustive list:

- Corporate Governance - as part of the new governance framework the Head of Internal Audit is a member of the Corporate Governance Group, which leads on the production of the Annual Governance Statement and the monitoring of the Corporate Governance Improvement Plan.
- Performance Management - performed a detailed verification of the information, data and calculations supporting the published National Indicator figures. The input from Internal Audit resulted in a fully accurate publication of performance indicators.
- Strategic Risk Management - jointly led the annual exercise to identify strategic risks facing the Council, set the corporate risk appetite and devise action plans to manage unacceptable risks. This work involved interviewing members of Management Team and senior councillors and facilitating a risk management day in conjunction with the Risk Management Officer.
- New Burdens Grant (Efficiency Information & Council Tax Demands) - carried out investigations to ensure conditions applying to the grant were complied with.
- Mobile Phones - provided assurance to s.151 Officer concerning the Council's arrangements for employee mobile phones.
- Civica Authority Financials Application - investigated the circumstances leading to the partial failure of the system and developed a preventative action plan
- Lowther Trust - provided assurance to the Trust's auditors with regard to financial and other associated operations.
- Forensic Readiness – assessed arrangements for the collection of digital evidence to the standard required for civil proceedings and tribunals in response to internal user abuse of an organisation's computer system
- Business Process Re-engineering - the Senior Auditor is a trained member of the BPR Group and has contributed to several projects to raise the efficiency and effectiveness of Council operations within the context of a robust control framework.

4 Performance of Internal Audit

4.1 Internal Audit Plan

4.1.1 A risk assessed annual audit plan was prepared for 2010-11 based on the resources available. The plan was agreed by the Management Team and received approval from the Audit Committee. The total number of days in the plan was 648, not including non-productive time for things such as holidays, sickness and training.

4.1.2 In the event the outturn figure was 713 days, an increase of 65 days largely as a result of filling the post of part time audit assistant combined with the low sickness rate for the audit team, which allowed additional days to be used productively. The results are set out in Table Nine.

Table Nine: Internal audit plan

Audit Activity	Plan days	% of total	Actual days	% of total
Main Financial systems	119	18.4	132	18.5
Strategic Risks	61	9.4	59	8.3
Operational Risks	66	10.2	98	13.8
Corporate Governance	35	5.4	23	3.2
Performance Management	14	2.2	18	2.5
Computer audit*	23	3.6	26	3.7
Anti-fraud audit	24	3.7	27	3.8
Other audit	19	2.9	16	2.2
Reactive audit	45	6.9	43	6.0
Consultancy & Advice	23	3.6	35	4.9
Management & Admin	154	23.7	175	24.5
Non-Audit Work	65	10.0	61	8.6
Total	648	100%	713	100%

* Does not include bought-in days

4.1.3 The analysis of outturn days shows that rather more time was spent on main financial systems than was planned. This was caused by increases generally on most of the audits undertaken, offset to partially by some of the work on the Housing Benefits audit, carried out jointly with Blackpool Council internal audit, slipping into the following year. Although the time on strategic risks is similar overall, there were differences within this category. The Purchasing audit could not be undertaken because the relevant system module was not rolled to users but the time saved was used to complete the planned review of Asset Management, which took longer than anticipated. Additional time was also spent on operational risks, in particular for the Annual Leave & Flexitime and Development Control audits. The first was as a result of considerable analysis and observations required, while the second was a more detailed piece of work than originally envisaged. The time spent on consultancy and advice also increased. Naturally internal audit is always accessible to provide *ad hoc* advice to managers and it is impossible to estimate with any precision how much time will be needed in any period.

4.1.4 There were two main areas where actual days totalled significantly less than planned – corporate governance and non-audit work. The time saved in relation to corporate governance was as a result of not undertaking the planned work in connection with the Use of Resources regime, which was abolished by the government. The non-audit work undertaken by the team tends to reduce slowly year-on-year and this trend has continued.

4.1.5 The percentage of the 2010/11 revised audit plan completed to 31 March was 93.9%, exceeding the 90% target for the year. However, taking into account the completion of ongoing audit work slipped into 2011/12 the annual rate now stands at 96.4%.

4.2 Client Satisfaction

4.2.1 All audit reports issued include a client feedback questionnaire for the auditee to give their views on the different aspects of the audit. Table Ten sets out the questions and the responses received.

Table Ten: Summary of Client Feedback Questionnaires

Question	Average Score	Excellent %	Good %	Satis %	Fair %	Poor %
Audit review covered key control risks	85	50	42	8	-	-
Review was carried out in a timely and efficient manner	84	50	42	8	-	-
Auditors were polite, positive and professional	94	92	8	-	-	-
Involvement of auditee in the process was appropriate	92	75	25	-	-	-
Well structured and clear audit reporting	90	67	33	-	-	-
Findings and recommendations were accurate and useful	87	50	50	-	-	-
Review provided assurance or resulted in beneficial change	86	59	33	8	-	-
Average	88	63	33	4	-	-

4.2.2 The overall satisfaction rate was 88% slightly below the 90% target. However, it is pleasing to note that 96% of managers responding considered the audit service delivered to be either excellent or good. Unfortunately only about a half of surveys issued were returned completed by managers.

4.3 Performance Indicators

4.3.1 In 2009 an exercise was carried out to canvass the views of stakeholders in developing a new suite of performance indicators for internal audit. This was one of the enhancements to arrangements arising from the review of internal audit effectiveness.

4.3.2 Subsequently the Audit Committee adopted the seven indicators that had received the highest usefulness rating and established targets for achievement. Table Eleven sets out the targets for 2010/11, together with the actuals. The description of indicator IA7 was amended slightly to allow for easier calculation, from percentage of recommendations implemented by first agreed date to the current definition.

Table Eleven: Performance Indicators for Internal Audit

Performance Indicator	Target 2010/11	Actuals 2010/11
IA1 % of audit plan completed	90%	96.4%
IA2 % satisfaction rating indicated by post-audit surveys	90%	88.2%
IA3 % of audit recommendations agreed with management	95%	98.6%
IA4 % of agreed actions implemented by management	90%	94.9%
IA5 % of ‘High Priority’ actions implemented by management	100%	100%
IA6 % of ‘High/Medium Priority’ actions implemented by management	95%	93.1%
IA7 % of recommendations implemented at initial follow up	75%	81.8%

4.3.3 The fist two performance indicators reflect specifically on the work and service of the internal audit team. The remaining indicators relate to the effectiveness of the audit service as a result of management's action or inaction.

Risk Assessment

This item is for information only and makes no active recommendations. Therefore there are no risks to address

Report Author	Tel	Date	Doc ID
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List of Background Papers		
Name of document	Date	Where available for inspection
Audit Plan 2010-11 Audit reports & documents	March 2010 Various	Internal Audit Office by arrangement

IMPLICATIONS	
Finance	The Accounts and Audit Regulations 2011 require the Council to ensure that its financial management is adequate and effective and that it has a sound system of internal control which facilitates the effective exercise of its functions and which includes arrangements for the management of risk. There is a statutory requirement for the Council to undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control (Accounts and Audit Regulations 2011) A number of audit projects carried out in 2010/11related to finance, resource or property
Legal	The report also contributes towards the production of the Annual Governance Statement published each year by the Council. Effective audit and risk management enhance good governance and probity of Council action
Community Safety	None arising directly from this report
Human Rights and Equalities	None arising directly from this report
Sustainability and Environmental Impact	None arising directly from this report

Health & Safety and Risk Management	Internal audit work covers key areas of risk and should therefore strengthen the internal control framework. The Annual Internal Audit report arises from that work and is an important element of the assurance process for the effectiveness of the Council's systems of internal control.

REPORT

FYLDE BOROUGH COUNCIL

REPORT OF	MEETING	DATE	ITEM NO
HEAD OF INTERNAL AUDIT	AUDIT COMMITTEE	22/09/11	11

HIGH PRIORITY ACTIONS 2010-11 (UPDATE)

Public Item

This item is for consideration in the public part of the meeting.

Summary

At its meeting in June 2011 the committee considered the Internal Audit Annual Report for 2010/11. The Head of Internal Audit was requested provide a further report concerning the high priority actions identified. This report sets out the current position.

Recommendations

The Committee notes the latest position with regard to each of the high priority actions agreed by management arising from internal audit work in 2010-11.

Reasons for recommendation

The report indicates the current situation.

Alternative options considered and rejected

This report is for information and comment only.

Cabinet Portfolio

The item falls within the Finance & Resources portfolio (Councillor Karen Buckley)

Background

1. During 2010/11 there were twelve high priority actions agreed by management including one unresolved item brought forward from 2009/10. Dates for remedial actions to be in place were agreed with management for all of them

2. The Internal Audit Annual Report for 2010/11 noted that ten of the actions had been implemented in full or substantially but five of these were based on manager's assurances and still subject to evidential verification. The remaining two actions were in progress of being implemented. Both of these actions were dependent upon the completion of other actions, which themselves were delayed in their implementation from the original dates.

3. At its meeting in June 2011 the Audit Committee requested the Head of Internal Audit to provide a further report outlining the current position. This report set out the position at 6 September 2011.

Current Position

4. The Table below sets out the issues, the relevant department and the current implementation status:

Table: High Priority Risks Identified

Risk		Directorate	Resolution Status/Date
1.	A group was not established to oversee the Code of Connection implementation project	Customer & Operational Services	Completed
2.	Production of mandatory certificates for licensed HMO properties was not enforced	Community Services	Completed
3.	Income received via the Planning Portal could not be reconciled either in total or to applications processed	Strategic Development	Completed
4.	The licence for sand extraction had expired and MT had not established a proper basis for operations	Strategic Development	Completed
5.	Insurance certificates in relation to the sand extraction operation had not been examined	Strategic Development	Completed
6.	A Senior Information Risk Owner had not been identified with responsibility for data security	Corporate	Completed
7.	Information Asset Owners had not been nominated for all key data sets containing personal data	Corporate	Completed
8.	A comprehensive information audit timetable to be agreed by Management Team for key data sets	Corporate	Completed
9.	An action plan was needed to address areas of data security weakness that may be identified	Corporate	May 11 / Sep 11[1]
10.	A Corporate Information Security Policy had not been developed	Governance & Partnerships	Completed
11.	Annual system upgrades were not carried out as required by contract terms	Customer & Operational Services	Jan 11 / Oct 11[2]
12.	System upgrade process was not carried out in test environment before migrating to live	Customer & Operational Services	Completed

[1] Implementation in progress and on target
[2] Action amended

5. At the time of the previous report the position with regard to implementation was as follows:

- 5 actions fully implemented and confirmed – numbers 1, 2, 4, 6 and 10
- 5 actions completed based on managers' assurance but subject to evidential verification - numbers 3, 5, 7, 8 and 12
- 2 actions outstanding where implementation was in progress – numbers 9 and 11

6. Satisfactory evidence has since been obtained to confirm the assurance received from managers for actions 3, 5, 7 8 and 12.

7. The completion date for action 9 has been extended to the end of September. As mentioned above this action was dependent upon the completion of another related action, in particular, the identification of key data sets and the responsible 'owners' of the relevant information systems. Action plans to address security weaknesses identified are currently being developed (at the time of writing) and the action is reported to be on target for completion by the revised date.

8. Action 11 related to the timely implementation of system upgrades in accordance with contract terms. The full wording of the agreed action is "

> *System upgrades to be carried out as contractually required (generally at least annually) and managed by IT under the authority of the system Information Asset Owner (IAO)*

Essentially this action is in place with upgrades being carried out as envisaged, but management has decided that the wording of the action is too prescriptive. There is a need to for IAOs to take account of system functionality and available resources before initiating an upgrade. In addition, sometimes suppliers may push for upgrades that are not appropriate to the Council's prevailing circumstances.

9. As a result the Senior Information Risk Owner and the Head of IT have agreed the following revised wording for the action:

> *System upgrades to be carried out in general as contractually required and performed by IT, where appropriate, under the authority of the Information Asset Owner (IAO) (subject to a documented business risk assessment signed by the IAO where this is not the case).*

This arrangement allows the IAO to formally assess and record the risks of implementing an upgrade where it appears there is no valid business requirement for it. The risk assessment can be carried out in consultation with the IT service. It is envisaged that this amended action should be communicated and fully operational by the end of October 2011.

Risk Assessment

This item is for information only and makes no recommendations. Therefore there are no risks to address.

Report Author	Tel	Date	Doc ID
Savile Sykes	(01253) 658413	22/09/11	

List of Background Papers		
Name of document	Date	Where available for inspection
Head of Internal Audit's Annual Report	23/06/11	All background papers or copies can be obtained from Savile Sykes – Head of Internal Audit on 01253 658413 or e-mail saviles@fylde.gov.uk

IMPLICATIONS	
Finance	The Accounts and Audit Regulations 2003 require the Council to ensure that its financial management is adequate and effective and that it has a sound system of internal control which facilitates the effective exercise of its functions and which includes arrangements for the management of risk.
Legal	No specific implications
Community Safety	No specific implications
Human Rights and Equalities	No specific implications
Sustainability and Environmental Impact	No specific implications
Health & Safety and Risk Management	Internal audit work covers key areas of risk and should therefore strengthen the internal control framework.

REPORT

FYLDE BOROUGH COUNCIL

REPORT OF	MEETING	DATE	ITEM NO
GOVENANCE & PARTNERSHIPS DIRECTORATE	AUDIT COMMITTEE	22 SEPT 2011	12

RISK MANAGEMENT INTERIM REPORT

Public item

This item is for consideration in the public part of the meeting.

Summary

The Audit Committee at its meeting on 23 June 2011, requested the Insurance & Risk Management Officer to present to the September 2011 meeting of the committee the following documents:

a) An updated Strategic Risk Management Strategy incorporating the recommendations made in the Internal Audit Review of Risk Management.

b) A reformatted copy of the Strategic Risk Register 2011/2012, updated with actions completed prior to the 31/08/2011

c) An update on Action no. 1 of Risk Action Plan 3 FBC Solutions Ltd.

Recommendations

1. To approve the Strategic Risk Management Strategy (amended Sept 2011) is approved.
2. To approve the Strategic Risk Register 2011-12 is approved in it's reformatted style.
3. To note the update on Action no. 1 of Risk Action Plan 3 is noted.

Reason for Recommendations

1. A Strategic Risk Strategy is required to be adopted by the Audit Committee on an annual basis.

2. Recommendation 2 is to approve the new format for the Strategic Risk Register.

3. Recommendation 3 is for information only

Alternative options considered and rejected

Not to approve the Strategic Risk Management Strategy – if the proposed SRMS is rejected the current SRMS would remain in place as the current adopted strategy.

Not to approve the new format for the Strategic Risk Register would leave the Strategic Risk Register as currently formatted as the adopted SRR for the Council

Recommendation 3 is for information only.

Executive Portfolio

The item falls within the following executive portfolio: Finance & Resources (Cllr Karen Buckley)

Report

1 Introduction

1.1 The Insurance and Risk Management Officer presented his annual report on Risk Management to the 23 June 2011, meeting of the Audit Committee. At the time of the committee meeting the Risk Management Officer advised Members that due to a review by Internal Audit which had only recently been concluded, he was unable to present the committee with an updated Strategic Risk Management Strategy as was the usual practice with the annual report to the committee.

1.2 The recommendations of the 23 June 2011, Audit Committee were that the Insurance & Risk Management Officer should

i) Present the revised Strategic Risk Management Strategy to the next meeting of the Committee for approval.
ii) Reformat the style of the approved Strategic Risk Register 2011-2011, and re-present the document to the September Committee meeting.
iii) Provide the Committee with an update on Action 1 of Action Plan 3 (FBC Solutions Ltd)

2 Review of the Risk Management Strategy

2.1 A copy of the draft Strategic Risk Management Strategy **(Appendix 1)** is presented to the committee for approval. The document has been amended after review by Internal Audit. The table below outlines the observations of the audit review, the agreed actions in relation to the observations and the subsequent changes made to the Strategy as presented.

Observation	Agreed Action	Alteration made to Strategy
The Strategy's objectives were not clearly and demonstrably aligned with the Council's "Corporate Objectives"	The wording in the SRMS will be amended to show the link between the strategy and the corporate objectives	Page 2 - 1st bullet point added Page 4 - Aim statement amended to show the link Page 5 – Section 3 now included link to Corporate Objectives Page 7 – Section 5 last line refers to Corporate Objectives
The Strategic Risk Management Group did not meet in accordance with the timetable set out in the SRMS (6 weekly)	The wording in the SRMS will be amended to state that the SRMG & ORMG will each meet at least 4 times per year with additional meetings called when necessary	Page 19 Appendix B Strategic & Operational RM Groups Terms of Reference – Minimum of 4 meetings per year now included.
Directorate Operational Risk Registers – not all DORR's conform to the Corporate Standard	Amendments to be made to the SRMS to identify specific duties for Directors and Risk Champions in relation to DORR	Page 14 Directors Responsibilities – amendment made to 4th bullet point Page 14 – Risk Champions Responsibilities amendments made to 4th & 7th bullet points

3 Restyling the Strategic Risk Register

3.1 The current landscape format of the Strategic Risk Register has led to some confusion for Members and Officers in connection with Existing Controls in place (column 1) and Required Management Actions/Controls (column 2). There is a tendency to read across these columns and to link the actions in each column. These 2 columns are in fact lists of two completely separate actions, those already undertaken and those that are to be undertaken in future. There was no link between actions in column 1 and 2.

3.2 To avoid this misunderstanding of the content of the action plans these have now been restyled into a portrait format with the Existing Controls being listed in the first shaded table and the new "Required management actions/controls" being listed in the second un-shaded table. The new format **(Appendix 2)** has been well received by the Officers using the documents and it is hope that Members will similarly endorse the new easier to understand style.

4 FBC Solutions Ltd

4.1 Action Plan No.3 FBC Solutions was discussed at the June meeting of the committee. Members requested that a formal recommitment to the principle of trading as FBC Solutions Ltd should be sought from Members (Post Election)

4.2 The target for achieving this action originally was the end of June 2011. Continued Member commitment to the proposals for FBC Solutions Ltd will be sought in a report both to the Community Focus Scrutiny Committee and to Cabinet during September 2011.

5 Risk Assessment

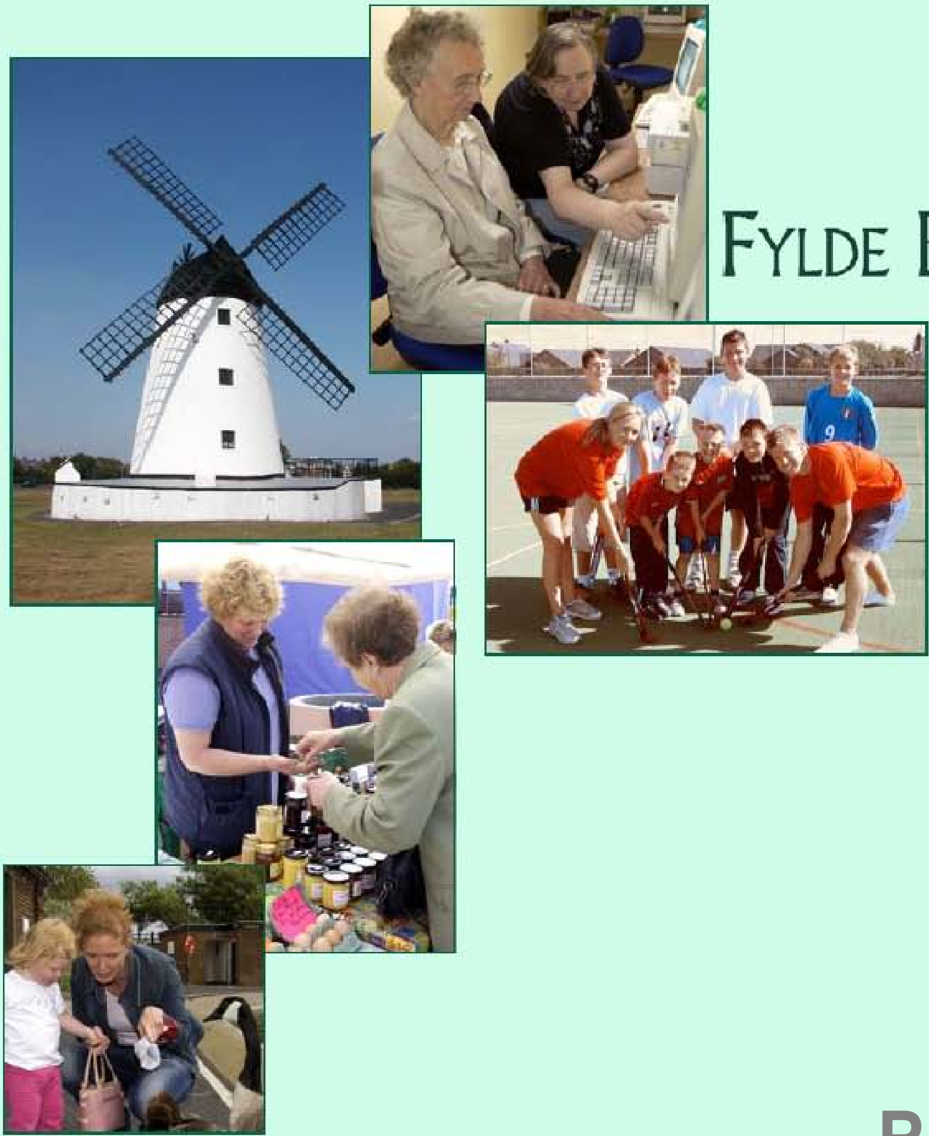
This item is for information only and makes no recommendations. Therefore there are no risks to address

Implications	
Finance	The Accounts and Audit Regulations 2003 require the Council to ensure that its financial management is adequate and effective and which includes arrangements for the management of risk. The Use of Resources Judgement (assessment undertaken by External Audit) includes a section on Risk Management. Risk Management is included as a key part of the Internal Control assessment.
Legal	The annual risk review forms a key part of the council's corporate governance arrangements.
Community Safety	None arising from this report
Human Rights and Equalities	None arising from this report
Sustainability	None arising from this report
Health & Safety and Risk Management	The work of the Risk Management Officer in producing the Strategic Risk Register and reviewing the Strategic Risk Management Strategy helps to fulfil the requirement of the Accounts Regulations and contributes to the scoring on the Use of Resources Inspection and Comprehensive Area Assessment.

Report Author	Tel	Date	Doc ID
Andrew Wilsdon	(01253) 658412	Date of report	Audit Cttee Sept 11

List of Background Papers		
Name of document	Date	Where available for inspection

Appendix 1



FYLDE BOROUGH COUNCIL

Risk Management Strategy

Audit Committee September 2011

FOREWORD

Welcome to the Council's Strategic & Operational Risk Management Strategy, revised in September 2011 The aim of the Strategy is to improve strategic and operational risk management throughout the Council. Effective risk management allows the Council to:

- have increased confidence in achieving its corporate objectives
- mitigate threats to acceptable levels
- take informed decisions about exploiting opportunities
- ensure that it gets the right balance between rewards and risks
- improve its partnership working arrangements and corporate governance

Effective risk management will help to ensure the Council maximises its opportunities and minimises the impact of the risks it faces, thereby improving its ability to deliver its core objectives and improve outcomes for its residents.

This strategy explains Fylde Borough Council's approach to strategic and operational risk management, and the framework that it will operate to ensure that it arranges its risks effectively.

Cllr, Karen Buckley
Cabinet
Portfolio Holder
Finance & Resources

Phillip Woodward
Chief Executive Officer
Fylde Borough Council

CONTENTS

Information Box	
Title	Risk Management Strategy version 3.3 revised September 2011
Description	Fylde Borough Council's Risk Management Strategy
Primary audience	Members, Chief Executive, Corporate Management Team, Heads of Service and all Fylde Borough Council staff
Contact	Insurance & Risk Management Officer Governance & Partnerships Directorate Tel. No.: 01253 658412
Last revised	June 2010

1. Introduction

This document forms Fylde Borough Council's Risk Management Strategy. It sets out:

- What is meant by risk management
- Why we need a risk management strategy
- The philosophy of our risk management
- An overview of the methodology to be adopted and its links with existing processes
- A summary of the implementation timetable
- An outline of the associated roles and responsibilities of members, chief officers and other employees.
- A summary of future monitoring and reporting lines for risk management

Aim:

The aim of this strategy is to improve the Council's ability to deliver its core objectives **(Places, People, Prosperity & Performance)** by managing its threats, enhancing its opportunities and creating an environment that adds value to ongoing operational activities.

Council's Objectives:

The Council has adopted a Corporate Plan that sets out the Council's Vision and identifies four key corporate objectives required to achieve it. The corporate vision is to work with partners to provide and maintain a welcoming, inclusive place with flourishing communities through four corporate objectives:

- (Places) The promotion and enhancement of the natural and built environment
- (People) The promotion of cohesive communities
- (Prosperity) The promotion of a thriving economy
- (Performance) Meeting the expectations of our customers

Risk Strategy Objectives:

- fully integrate strategic and operational risk management into the culture of the Council and into the Council's strategic planning processes
- ensure that the framework for identifying, analysing, prioritising, action planning, monitoring and monitoring and reviewing risks across the Council is implemented and understood by all relevant staff
- communicate the Council's approach to risk management to its stakeholders and partners
- promote the co-ordination of risk management activities across the Council
- ensure that the Executive, Corporate Management Team (CMT) and external regulators can obtain the necessary assurance that the Council is mitigating the risks of not achieving its objectives, and thus complying with good corporate governance practice.
- ensure consistency throughout the Council in the management of risk

This strategy outlines how Fylde Borough Council is taking on its responsibility to manage risks and opportunities using a structured and focused approach.

A policy statement is attached at Appendix A.

2. What is Risk Management?

Risk Management can be defined as:

> "The management of integrated or holistic business risk in a manner consistent with the virtues of economy, efficiency and effectiveness. In essence it is about making the most of opportunities (making the right decisions) and about achieving objectives once those decisions are made. The latter is achieved through controlling, transferring and living with risks"
> *ZMMS/SOLACE, Chance or choice?, July 2000.*

Risk management is a strategic tool and is an essential part of effective and efficient management and planning.

Fylde BC delivers a diversity of services that provides a vast potential for personal injury and loss or damage. Risk management will allow us to reduce that potential and in respect of strategic risk it will allow us to effectively manage the barriers to achievement of the Council's objectives.

3. Why do we need a Risk Management Strategy?

Risk management will strengthen the ability of the Council to achieve its objectives **(Places, People, Prosperity & Performance)** and enhance the value of services provided.

Strategic risk management is also an integral requirement of demonstrating continuous improvement.

Risk management is also an essential part of the CIPFA/SOLACE framework on Corporate Governance that was to be adopted by all Authorities in 2002/03. The CIPFA/SOLACE framework requires Fylde Borough Council to make a public assurance statement annually, on amongst other areas, the Council's risk management strategy, process and framework. The Framework requires the Council to establish and maintain a systematic strategy, framework and processes for managing risk. The assurance statement is disclosed in the Annual Statement of Accounts and referred to in the Performance Plan and is signed by the Leader of the Council and the Chief Executive.

4. What is our philosophy?

The Council will seek to embed risk management into its culture, processes and structure to ensure that opportunities are maximised. The council will seek to encourage managers to identify, understand and manage risks, and learn how to accept the right risks. Adoption of this strategy must result in a real difference in the Council's behaviour.

Risk management is something that everyone within Fylde Borough Council undertakes almost daily to varying degrees. Risk Management cuts across all areas of management and it is, therefore, difficult to draw clear boundaries around risk management. However, at Fylde Borough Council risk management falls within the following main areas:

- Health & Safety
- Emergency Planning
- Business Continuity Planning
- Projects
- Business Risks i.e. risks identified in the Corporate & Operational Risk Registers
- Partnerships/Shared Services

The risk management process contained in this strategy applies primarily to the Strategic Business and Project risk areas, however, the principle of the strategy can be applied to operational risk areas.

The main areas of risk identified above are managed by the following Directorates

Risk Area	Service Area with Lead Responsibility
Health & Safety Risks	Governance & Partnerships (Client) Blackpool Occupational Health & Safety Team (Delivery)
Emergency Planning	Community Services
Business Continuity Planning	Governance & Partnerships
Project Risks	Initiating Directorate
Business Risks	Governance & Partnerships
Partnership Risks	Initiating Directorate

Health & Safety and Emergency Planning

The Council has long established and effective processes for the management of risks falling within the Health & Safety and Emergency Planning areas of operation. The arrangements in place for these processes are not superseded by this strategy.

Business Continuity Management

Although there are clear inter-dependences between Business Continuity Planning and Strategic Risk Management, the Council's Business Continuity Planning arrangements are dealt with separately to this Strategy (Business Continuity Plan).

Project Risks

Projects risks can be managed using one, or a combination of the following risk management processes:

- Risk management techniques associated with the project management methodology used i.e. PRINCE2
- The Council's Strategic Risk Management Process

The size and scope of the project is likely to dictate the process best suited to managing the risks. However, all projects must undertake full risk assessments.

Business Risks

The risk management process outlined within this strategy should be used to identify and manage all risks to the Council's ability to deliver its priorities. This should cover both strategic priorities (delivery of the Council's core objectives and corporate plans) and operational activities (delivery of actions identified in directorate service plans)

Partnership Risks

Although there are clear inter-dependencies between Partnership Risks and Strategic Risk Management, the Council's partnership working arrangements are dealt with separately to this Strategy. (Partnership Protocol)

5. What is the Risk Management Process?

Implementing the strategy involves identifying, analysing, managing and monitoring risks.

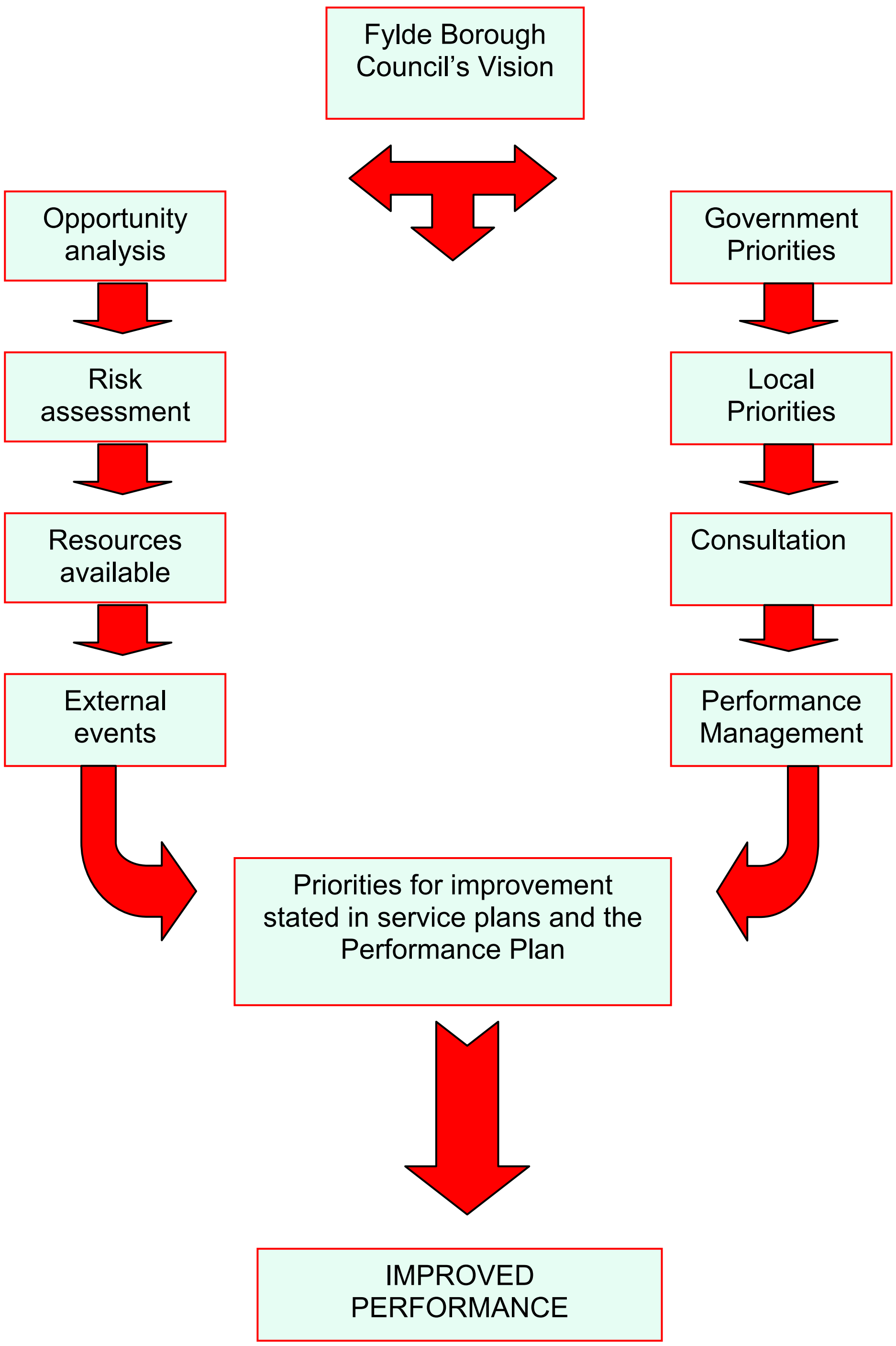
The identification of risks is derived from both a 'top down' (corporate) and a 'bottom up' (operational) process of risk assessment and analysis resulting in coverage of the whole Council. The process then prioritises the risks resulting in a focus on the key risks and priorities. The risks are then managed through the development of appropriate action plans and fed into overall service plans and the Corporate Plan. Relevant PI's are identified and then monitored through the developing performance management framework ensuring that the focus remains on achieving Fylde Borough Council's objectives (**Places, People, Prosperity & Performance**).

Step	Element	Activity Description
1	**Risk Identification**	Individual interviews are held in Dec / Jan each year with the Chief Executive, Directors, Council Leader/Deputy, Portfolio Holder and Chairman/Vice Chairman of the Audit Committee to identify strategic risks facing the Council over the next 12 months. Specific consideration is given to risks and opportunities associated with the Council's core objectives and priorities.
2	**Risk Analysis**	The risks identified in step 1 are analysed and clustered around common areas. These are then written into scenarios by the Risk Management Officer and Chief Internal Auditor that show the vulnerability, trigger and consequences of each risk type.
3	**Risk Priority**	The risk scenarios are presented to a Corporate Management Team workshop to decide if the risk presented is in fact valid, if it is it is prioritised on a 5x4 matrix measuring Likelihood against Impact. Once all the risks are plotted on the matrix the risk appetite line is added. All risks above the line are then actioned planned.
4	**Action Planning**	Each risk identified above the line is action planned. This process shows what action is already taken to mitigate the risk and identifies what further actions should be taken to reduce the risk to a more acceptable level by reducing the likelihood of the risk occurring or the impact if it does. Each risk is assigned to a Champion who oversees the implementation of the action plan

Step	Element	Activity Description
5	**Monitoring**	The strategic risk management group monitors progress on the implementation of the agreed action plans throughout the year to ensure that all actions are completed. If necessary it will recommend to the CMT that new risk are added to the Risk Register should the need arise during the year.
6	**Monitoring & Review**	The whole process is monitored and reviewed on an annual basis. Once the outcomes of the current years activities are known the cycle starts over with interviews to Identify the risks for the next years risks register
7	**Operational Risk**	The managing of operational risks is conducted using the same framework but within each directorate. Operational Risks Registers are set up in each directorate and they are monitored by the directorate Risk Champion. Reports on the progress of the individual directorate risk registers will be made to the operational risk management group twice yearly by the directorate risk champions

6. How will it feed into our existing processes?

The information resulting from the process acts as one of eight key pieces of information that will be incorporated into the development of the service and Best Value Performance Plans. Risk management will become an essential element to establishing policy, developing plans and enhancing operational management.



Effective risk management may also be integrated into the existing VFM guidance. It can help to narrow down the options for future service delivery. It can also be used as mechanism of identifying areas of service improvement.

The risk management methodology can also be adopted for individual projects and can be used to strengthen all decision-making processes.

Links to Corporate Governance

Risk Management is part of the Council's overall Corporate Governance arrangements:

Governance is the system by which the Council directs and controls its functions and relates to the Community. In other words, the way in which it manages its business, determines its strategy and objectives and how it goes about achieving its objectives. The fundamental principles are openness, integrity and accountability. The risk management strategy forms part of Fylde Borough Council's corporate governance arrangements. The other main elements are Internal Control, Performance Management, Health & Safety and Internal Audit.

Internal Controls are those elements of an organisation (including systems, resources, processes, culture, structure and tasks) that, taken together support people in the achievement of the Council's objectives. Internal financial control systems form part of the wider system of internal controls. The Council's internal controls forms part of its risk management process and have a key role to play in the management of significant risks to the fulfilment of its business objectives. For example all reports to non-regulatory committees where a decision is being recommended must have a risk assessment completed with the significant findings of the risk assessment included in the report. The report should also identify the risk register in which the risks and required risk mitigation actions will be entered and monitored. If it is considered that a risk assessment is not appropriate this information must be reported.

Performance Management and risk management are closely aligned. The Council's Performance Management process closely mirrors the Risk Management process.

The **Health & Safety** policy of the Council is a key component of the Council's structure of controls contributing to the management and effective control of risks affecting staff, contractors, volunteers, service users and the general public.

Internal Audit is a major component of the Council's system of controls protecting its financial and other physical assets. The risk management process in turn serves the Internal Audit function by enabling it to identify areas of high risk, and so target its resources more effectively.

7. How will this be implemented?

A detailed implementation plan has been developed to support the strategy. The following is a summary of the overall timetable:

Action	Timescale	Responsibility of
Corporate assessment and prioritisation of risks	Feb/Mar each year	Corporate Management Team
Develop strategy, report to CMT and recommend for approval by members. Report % achievement of pervious years Risk Actions	End of June each year	Insurance & Risk Management Officer
Raise awareness of risk management as an effective management tool	ongoing	Insurance & Risk Management Officer
Directorate service plans -assessment and prioritisation of risks	Feb/Mar each year	Directorate Risk Teams
Report to Audit Committee on progress on the current years Risk Actions contained in the Risk Register	Jan each year	Insurance & Risk Management Officer

8. What are the different roles and responsibilities?

The following describes the roles and responsibilities that members and officers will play in introducing, embedding and owning the risk management process: -

Role	Responsibilities
The Audit Committee	➢ Overseeing effective risk management across the Council ➢ Agreeing Fylde Borough Council's Risk Management Strategy ➢ Ensuring that risk management is delivered by the Director of Governance & Partnerships on behalf of the Council ➢ Ensuring that a Strategic Risk Register, including details of actions taken to mitigate the risks identified, is established and regularly monitored ➢ Ensuring that the Risk Management Strategy and Strategic Risk Register are reviewed at least annually ➢ Seeking assurances that action is being taken on risk related issues identified ➢ Facilitating a risk management culture across the Council
Leader	➢ Appointing a Member with responsibility for Risk Management within the cabinet
Chief Executive & Corporate Management Team	➢ Leading risk management across the Council, with the Director of Governance & Partnerships as the designated CMT lead on Risk ➢ Advising members on effective risk management and ensuring that they receive regular monitoring reports ➢ Recommending a Risk Management Strategy to Members of the Audit Committee ➢ Identifying and managing the business risks and opportunities facing the Council ➢ Co-ordinating risk management across the Council ➢ Being responsible for ensuring that the Council fully complies will all corporate governance requirements, including the Annual Statement of Internal Control

Role	Responsibilities
Directors	Directors will demonstrate their commitment to risk management through: - ➢ Ensuring that risk management within their directorate is implemented in line with the Council's Risk Management Strategy and the Minimum Standard for Performance Management ➢ Ensuring partnerships initiated by their directorates are constituted in accordance with the Partnerships Protocol ➢ Appoint a risk champion who is authorised to progress effective risk management throughout their directorate that adheres to corporate guidelines ➢ Identifying, analysing, prioritising, and action planning risks arising from their business area. Identified risks to be recorder in a Directorate Operational Risk Register. DORR's to be kept up to date and reported on as required. ➢ Balancing an acceptable level of operational risk against programme and project objectives and business opportunity ➢ Reporting systematically and promptly to the Corporate Management Team any perceived new risk or failures of existing control measurers ➢ Attending the Strategic Risk Management Group
Risk Champions	➢ Acting as the main contact for their directorate on risk matters, and ensuring that corporate information and requirements are communicated to the directorate ➢ Progressing across their directorate effective risk management that adheres to corporate guidelines, including ensuring that all reporting requirements are met ➢ Representing their directorate at the Operational Risk Management Group when required and at the Strategic Risk Management Group in the absence of the Director ➢ Provide the ORMG with twice yearly reports on the status of their directorate's Risk Register and progress made on implementing the DORR risk action plan. ➢ Providing support on risk management to Directors and middle managers within their directorate ➢ Promoting the benefits of risk management across the directorate ➢ Maintaining, on behalf of Director an up to date DORR that complies with corporate guidelines.

Role	Responsibilities
Heads of Service	➢ Communicating to staff the corporate approach to risk management ➢ Identifying the risk management training needed by staff, and reporting this to the directorate Risk Champion ➢ Ensuring that they and their staff are aware of corporate requirements, seeking clarification from the risk champion when required
Staff	➢ Understanding their accountability for individual risks ➢ Reporting systematically and promptly to their managers any perceived new risks or failures of existing controls
Internal Audit	➢ Auditing the key elements of the Council's Risk Management Process ➢ Using the results of the Council's Risk Management Process to focus and inform the overall internal audit plan ➢ Ensuring that internal controls are robust and operating correctly
Risk Management Groups	The purpose of the risk management groups is to promote good practice on risk management across the Authority and act as a "Champion" on risk management issues. The Groups will also: ➢ Promote the "positive" effects that good risk management can have when embedded into all Council policies and procedures ➢ Ensure that risk management is seen as a tool to "make things happen" in a safe and beneficial way, not a process used to "stop things from progressing". ➢ Investigate issues referred to it by the Corporate Management Team and report back in a timely manner ➢ Standardise procedures and practices to reduce property and liability losses and claims ➢ Advise Corporate Management Team on risk management issues referred to it by individual directorates. ➢ Receive reports from the Risk Management Officer and Directorate Risk Champions on the status of the various Risk Registers and progress made on implementing the associated action plans.

Role	Responsibilities
Risk Management Groups	➢ Adopt SMART reporting techniques for all issues sent to the group from whatever source ➢ Introduce more sophisticated systems to analyse and forecast losses ➢ Investigate the feasibility of allocating risk costs in line with the risk features of each budget holder ➢ Use deductibles or self-insurance where financially beneficial to provide a vested interest in loss control. Dependence on insurance will be reduced and cover sought on a 'value for money' basis, seeking cover where financially prudent ➢ Wherever possible, improve risk management information and investigative procedures within the authority The terms of reference for the risk management group is attached at appendix B
Insurance, Risk Management & Business Continuity Officer	➢ Provide advice and guidance on insurable risks ➢ Provide strategic direction on the Council's approach to risk management ➢ Ensure effective liaison between risk areas (see table on page 6) ➢ Co-ordinating the Council's approach to risk management ➢ Provide advice to the Council on risks arising from partnership working, and possible mitigation actions such as use of Service Level Agreements ➢ Report on the status of the Council's Corporate Risk Register and the implementation of the associated action plans

9. How will the monitoring and reporting of risk management happen?

A framework of monitoring and reporting will be established that will allow: -

- An annual review of the risk management strategy by CMT approved by the Audit Committee
- Monitoring of the effective management of risks through developing performance management mechanisms including regular reporting on service and corporate performance indicators to CMT and members.
- An annual review of the overall process and a report to CMT and members on the effectiveness of risk management and internal control by Internal Audit.

An annual report to the Audit Committee outlining the effectiveness of the strategic and operational risk management actions undertaken as part of the Corporate and individual Directorate Risk Registers. The ultimate measure of effective risk management is that the Council:

- has resilience to deliver its services and core objectives
- is protected from the possibility of being impacted by an unforeseen risk
- is protected from the possibility of a foreseen risk having significantly greater impact than anticipated
- is able to take cost-effective measurers to reduce or eliminate the effects of negative risk
- is able to identify, and take maximum advantage of, the occurrence of positive risk.

10. Conclusion

The adoption of a sound risk management approach should achieve many benefits for the Council. It will assist in demonstrating that the Council is continuously improving and will go a long way to demonstrating effective corporate governance.

The challenge is to implement a comprehensive risk management process without significantly increasing workloads. This should be achieved in part by making risk management part of existing processes and reviews rather than treating it as a separate function.

Appendix A

Risk Management Policy Statement

The diversity of services offered by the Council presents a vast potential for personal injury, loss and damage. It is essential for the Council to develop Risk Management programmes which ensure that, in discharging its responsibilities to the citizens, the likelihood of personal injury and loss or damage to physical assets is minimised by means of anticipating and controlling our exposure to risk.

Accordingly it is the responsibility of every member of staff to identify, analyse, eliminate and control exposure to risk and to minimise such losses as they may occur. The purpose of the risk management policy is to achieve the following:

1. To support operating units in their efforts to appraise the risks to which they are exposed.
2. To provide advice through networks of specialists.
3. To provide guidance on best practice in loss control.
4. To motivate managers and others to manage risk effectively.
5. To provide incentives in order to increase the level of risk management.
6. To ensure that adequate risk financing is available.

The Council's Strategic and Operational Risk Management Groups are fundamental to this process. Elected Members, the Chief Executive, Directors and staff of all directorates must be fully supportive of the initiative.

It is the responsibility of every directorate to implement a sound Risk Management strategy. Management at directorate and cost centre level has the responsibility and accountability for managing the risks to which their area is exposed.

This philosophy has the support of the Council which recognises that any reduction in injury, illness or damage benefits the whole community.

Appendix B

Strategic & Operational Risk Management Groups – Terms of Reference

Meetings

The risk management groups will meet on a regular basis (minimum of 4 meetings per year); however the Chairman of either group may call extra meetings as necessary.

Chairmanship

The Chairmen of the Groups will normally appointed by the CMT.

Secretary

The Secretary of the Groups will normally be the Insurance and Risk Management Officer.

Membership of the Groups

Every directorate will be represented on the each Group. Each directorate will nominate a senior member of the directorate to represent the directorate on the group. Directorate membership should, where possible, be rotated over a cycle of a number of meetings so that risk management is promoted to as many senior officers as possible. Additional staff members may attend the meeting where it is considered beneficial to have their input on matters being discussed.

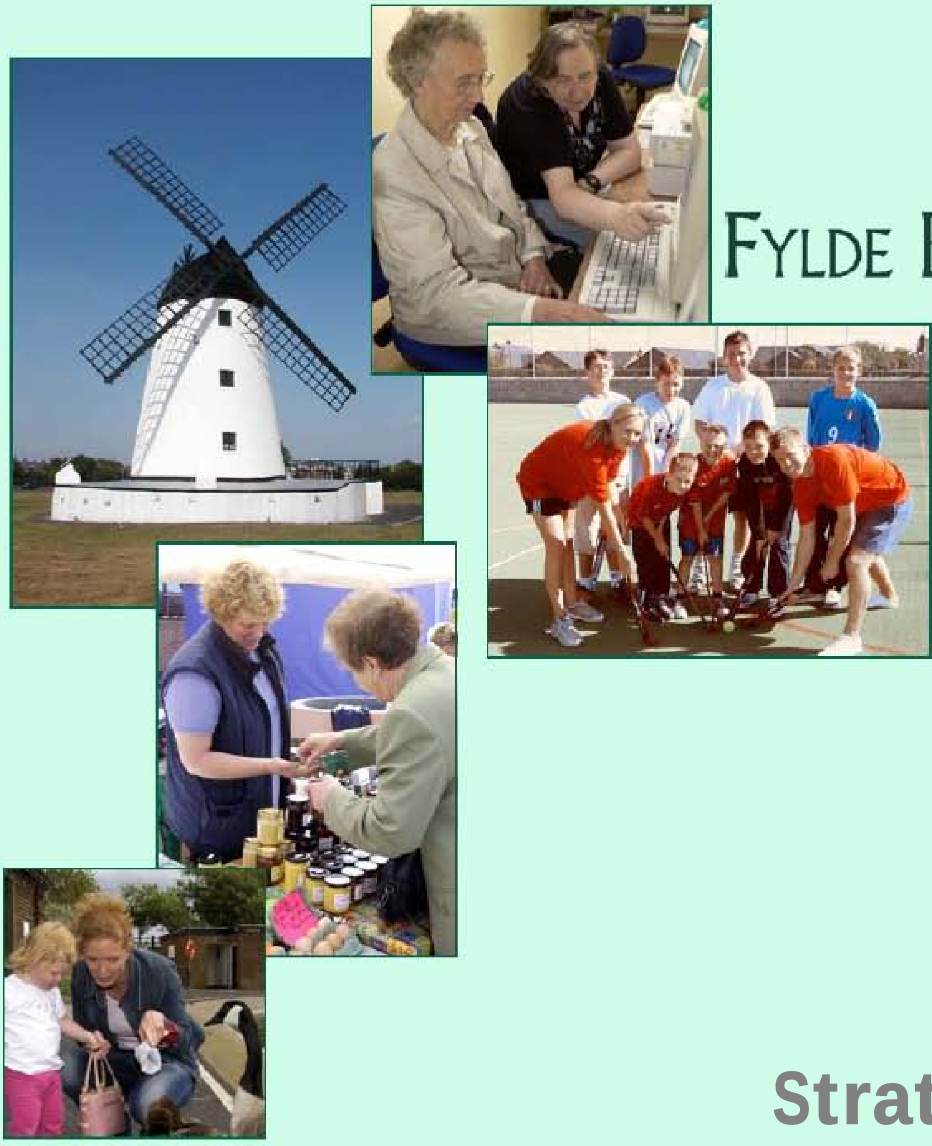
Purpose, Focus and Scope of the Risk Management Group

- The purpose of the risk management group is to promote good practice on risk management across the Authority and act as a “Champion” on risk management issues.
- The group should promote the “positive” effects that good risk management can have when embedded into all Council policies and procedures.
- Risk management should be seen as a tool to “make things happen” in a safe and beneficial way, not a process used to “stop things from progressing”.
- The risk management group should investigate issues referred to it by the Corporate Management Team and report back in a timely manner.
- The group should also advise Corporate Management Team on risk management issues referred to it by directorates.
- The group should adopt SMART reporting techniques for all issues sent to the group from whatever source.
- The Strategic Risk Management Group manages Corporate risks which affect the Council’s ability to fulfil its Corporate Objectives and is concerned with major Business risk.
- The Operational Risk Management Group will manage Operational risks which affect the Council’s ability to run its day to day services.

Minutes and Reports

Minutes of meetings should be kept and the Chairman of each Group should present these to the Corporate Management Team at the next available meeting. All reports issued by the groups should also be reported to CMT. Once minutes and reports are approved by the CMT they should be posted onto the risk management page of the Intranet.

Appendix 2



working together for excellence

FYLDE BOROUGH COUNCIL

Strategic Risk Register 2011/2012

**Approved by Audit Cttee
23 June 2011**

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2011/1212 Risk Register
Risk Management Action Plan No: 1
Champion – Director of Governance & Partnerships

Issue: **Financial**	**Description: To achieve the financial targets set in the Council's 2011/12 Budget**
Council Objective	**Performance**

Existing Controls in place
• Embedded MTFS process identifying savings & risks
• Embedded budget management control procedures
• Robust Financial Regulations
• Reserves and Balances Policy
• Treasury Management Strategy in place
• Previous growth items suspended
• Significant in-year savings achieved

Required management action/control	Responsible for action	Critical success factors & KPI's	Review frequency	Key Dates
Continue to develop budget profiling	POD / Budget Holders	No overspends at outturn annually	Ongoing	Apr 12
Achieving savings identified 1. - Strategic Mgmt Partnership with PCC	PWw/TS	- Secure Continued commitment post May '11 elections - Project Group established - Model development for joint management and the delivery of shared services - Sign off by both Councils	Monthly reports to Mgmt Team	Work to begin post May '11 elections **To be updated post restructure**
Achieving savings identified 2. – Accommodation	PWa	Wesham site disposal in Oct 2011 St Davids Road site disposal in Oct 2011, Public Offices disposal in Oct 2012. A delay in disposing these sites will affect achievement of these savings.		Oct 11 Oct 12
Achieving savings identified 3. – Terms & Conditions	PWw/AO	- Implement savings on management costs re: terms and conditions - Implement savings with respect to wider workforce		Apr 12 Nov 11
Quarterly information from Revs & Bens service to inform New Homes Bonus payments	TS/POD	- Agree the provision of the information with the Shared Service - Monitor information		Jun 11 **Arrangements in place**
Review Reserves & Balances Policy	JS/POD	Reviewed by S151 annually as part of MTFS process and formally signed off by Portfolio Holder/Cabinet annually in January		Jan 12

2011/1212 Risk Register
Risk Management Action Plan No: 2
Champion – Chief Executive

Issue: **Partnerships**	**Description: Managing the Council's partnership working with our neighbouring authorities**
Council Objective	**Performance**

Existing Controls in place
• Identified preferred strategic partner
• Project Team established
• Member Group established
• SLA's in place for existing shared services
• Signed up to LCC framework agreement
• Existing ICT infrastructure with LCC/Wyre/Blackpool
• Agreed exit strategy for Wyre contract
• SLA's actively monitored
• Scrutiny of partnerships

Required management action/control	**Responsible for action**	**Critical success factors & KPI's**	**Review frequency**	**Key Dates**
Establish project team (with partner - PCC) to develop business case using project planning templates	Ch Ex	Project team established & met. Outline business case published	Six monthly	Nov 11
Establish communication strategy in relation to the above.	Ch Ex	Included in the above.	Six monthly	Nov 11
Investigate opportunities of working with One Connect (LCC)	Dir of Cust. & Ops Services	Options appraisal report considered by portfolio holder	N/A	Jan 12
Review existing shared service SLA's	Dir of Gov. & Partnerships	Presentation of review reports to Scrutiny Committee	Annually	Mar 12
Implement Wyre waste contract exit strategy.	Dir of Cust. & Ops Services	Smooth contract handover on 31.03.12	Year end	Mar 12

2011/1212 Risk Register
Risk Management Action Plan No: 3
Champion – Director of Community Services

Issue: **FBC Solutions Ltd**	**Description: To achieve the successful set up and operation of FBC Solutions Ltd**
Council Objective	**Performance**

Existing Controls in place
• Business case produced
• Current contract success
• Invested in depot facility at Snowden Road

Required management action/control	**Responsible for action**	**Critical success factors & KPI's**	**Review frequency**	**Key Dates**
Check Member (new administration) buy in to progress principle of trading as FBC Solutions Ltd.	Ch Exec	Members restate commitment to principle	Quarterly	Jun 11 **report to Sept Cabinet**
Develop business plan and organisational impact assessment, to address legal and financial implications of set up including VAT / taxation, marketing, audit, staffing costs etc.	Dir Comm. Services	Business plan developed	6 monthly	Nov 11
Present business plan for Member approval and commitment to trading as FBC Solutions for medium term	Ch Exec	Business plan approved and FBC commits to trading as FBC Solutions for medium term	6 monthly	Dec 11
Appoint Directors and Managing Director	Ch Exec	Appointments made	6 monthly	Jan 12

2011/1212 Risk Register
Risk Management Action Plan No: 4
Champion – Director of Strategic Development Services

Issue: **Accommodation**	**Description: To complete the accommodation project**
Council Objective	**People, Performance**

Existing Controls in place
• Option selected (current preferred) (Town Hall)
• Initial proposals produced
• Surplus assets identified
• Consultation on proposals undertaken
• MTFS reflects costs/savings
• Layout plans agreed
• Cabinet sub-committee on Accommodation

Required management action/control	Responsible for action	Critical success factors & KPI's	Review frequency	Key Dates
Consider depot/storage needs/rationalise	PLW/GS	Storage needs identified, specified and costed		Jun 11 **completed**
Receive bids for site disposals report to members to agree sale	PLW/GS	Bids received and evaluated and report prepared for members		Aug 11 **Bids have been received and reported to the Accom Project working group**
Once members agree the sale complete legal agreements & transfer sites – Derby Rd & St Davids Rd	GS/IC	Complete agreements		Dec 11
Submit planning application for work on Town Hall, complete surveys necessary to achieve planning permission	AD/SB	Application submitted surveys completed & application processed and determined		Jul 11 **completed**
Works tendered & contractor appointed	PLW/AD/SB	Contractor appointed		Oct 11
Staff decampment and works commenced	AD/SB	Some staff moved to allow phase 1 to commence		Jan 12
Public Offices disposed of by Oct 2012	PLW/GS	Site disposed		Oct 12

2011/1212 Risk Register
Risk Management Action Plan No: 5
Champion – Director of Strategic Development Services

Issue: **Planning LDF**	**Description: Successfully complete the Fylde Borough Council LDF**
Council Objective	**Places, People, Prosperity, Performance**

Existing Controls in place
• Preparation of evidence base commenced
• Formed LDF steering group
• Identified & confirmed resources to deliver corporate strategy
• Considered impact of localism bill
• Undertaken Vision, Issues and Objectives consultation
• Updated Statement of Community Involvement

Required management action/control	**Responsible for action**	**Critical success factors & KPI's**	**Review frequency**	**Key Dates**
Consultation responses – confirm & publish vision summary of issues	ME/JG	All representations addressed and plan updated or reason for not adopting suggestions provided, Summary of issues agreed by Council		~~Jul 11~~ Summary of issues to go to LDF SG for consideration in Oct 11 Originally to go to Sep meeting but Steering Group rescheduled to **Oct 11**
Prepare Scoping Report and Consult with Statutory Bodies and calculate draft housing requirement	ME/JG	Consultation with statutory agencies completed & draft housing requirement agreed for consultation		~~Aug 11~~ 1. Scoping Report has been prepared and statutory bodies consulted 2. Draft housing figure is to be considered at LDF SG on **19 Sep 11**
Complete Topic Papers and propose policy options to deal with identified issues	ME/JG	Topic papers completed and published for comment. Option papers prepared & published for consultation		Oct 11
Carry out sustainability appraisal of options, complete Habitats Regulations Assessment of options & consult on proposed options	ME/JG	Sustainability report completed in line with agreed matrix, appropriate Assessment completed & options consultation completed		Dec 11
Analyse consultation responses and select preferred options	ME/JG	All representations addressed and plan updated or reason for not adopting suggestions provided & preferred option published		Apr 12

REPORT

FYLDE BOROUGH COUNCIL

REPORT OF	MEETING	DATE	ITEM NO
STRATEGIC DEVELOPMENT SERVICES	**AUDIT COMMITTEE**	**22 SEPTEMBER 2011**	**13**

SANDWINNING OPERATIONS

Public Item

This item is for consideration in the public part of the meeting.

Summary

At its last meeting on 23 June the committee resolved "To request the Director of Strategic Development to attend the next meeting of the Committee to update members on matters associated with the sandwinning operation", following an audit report which identified risks to the Council arising from the operation.

The purpose of this report is to provide the Committee with more information on the issues giving rise to those risks and the measures which are being taken to address them.

Recommendation

That the Committee recognises the inter-relationship of the various issues arising from the Sandwinning operation and the fact that dealing with some of those could result in the loss of some or all of the income it produces for the Council.

That the Committee notes the actions now in place to mitigate risk to the Council.

Alternative options considered and rejected

N/A

Cabinet Portfolio

The item falls within the following Cabinet portfolio:
Portfolio Title: Planning Councillor Name: Cllr. Dr. T. Fiddler

Report

1) Background

a) Sandwinning has been in operation on St Annes foreshore since the 1970's and produced an income to the Council of £75,525 in the financial year to March 2011. This reflects a downturn in the construction industry with income exceeding £90,000 p.a. at its peak.

b) The Habitat Regulations 1994 placed a new obligation on Mineral Planning Authorities to review any minerals planning consent which is likely to have a significant effect on a European site, and where appropriate to revoke or modify that consent. In this context the planning authority is Lancashire County Council (LCC) and discussions are continuing to resolve this matter.

c) The sand is extracted under contract to Wm Rainfords Ltd on a 10 year agreement which expired in 2005. Under the terms of this contract Rainfords provide weighbridge tickets on a weekly basis and pay to the Council an agreed rate per tonne. The contract has not been formally renewed since 2005 because of the uncertainty over the planning review – if a further 10 year contract was entered into the Council could be forced by the planning review to impose conditions which would put it in breach of the contract.

2) Internal Audit

a) An internal audit which was completed earlier this year identified a number of issues and resulted in an action plan being prepared. It also resulted in some of the main issues being put before the Management Team for their consideration.

3) Issues and actions arising from Management Team decisions

a) <u>Accuracy of weighbridge tickets</u> - Management Team recommended that the possibility of remote monitoring of sand extraction be explored. Discussions have taken place with Rainfords who comment that they do not currently have the technology to allow weightings to be monitored remotely. If such technology is acquired in the future they would be happy to make that information accessible from the Town Hall. In the meantime, arrangements have been made to periodically monitor the weighbridge throughput on –site.

b) <u>Review of Planning Conditions</u> - A meeting was held early in the year at which LCC agreed to provide a summary of the current position and details of the further information they require. This information is still awaited.

c) <u>Drafting of a new legal agreement</u> – Current legal advice is that the existing agreement would continue to be legally binding, providing there was an exchange of letters between the parties confirming agreement to continuation of its terms until further notice. This is the avenue which has been followed as it avoids the problem of drafting a new long term agreement before the review of planning conditions is completed.

4) Other issues and actions arising from the Internal Audit

a) Independent verification of weighbridge readings - The audit expressed concern that there is no independent confirmation of the weighbridge readings on which payments to the Council are based. Although Rainfords have assured the Council that their weighbridge policies are strictly observed for their own purposes, it was agreed that the Principal Estates Surveyor would undertake regular monitoring to check that vehicles leaving the site are weighed, and that their weighbridge tickets are passed on to the Council. A monitoring process has been put in place.

b) Insurance – The audit recommended that a copy of Rainford's liability insurance policy was obtained. This has been done and confirmed as satisfactory by the Council's Insurance and Risk Management Officer.

c) Review of payment rates - The Sandwinning contract allows for an annual review of the rate per tonne paid to the Council. The audit identified that this rate had not been reviewed since 2007. Arrangements are now in place for an annual review based on an aggregates price index.

d) Authorisation of invoices - The audit expressed concern that weighbridge tickets were sent direct to Finance by Rainfords, and invoices were sent out based on those tickets without being authorised by the responsible Directorate. A procedure has now been put in place whereby tickets are authorised by the Principal Estates Surveyor, and reconciled with his monitoring, then returned to Finance for invoicing.

5) Risk Assessment

a) The potential loss of Sandwinning income has been identified as a risk to the Council. However, the actions taken have reduced the risks.

6) Conclusion

a) Progress is being made to resolve the review of planning conditions with LCC although it is recognised that there is a chance that this may compromise the future of sandwinning and lead to a loss of income to the Council. The recommendations of the audit are now complete and implemented as much as they lie within the control of Fylde Borough Council.

Report Author	Tel	Date	Doc ID
Gary Sams. Principal Estates Surveyor	(01253) 658462	26 August 2011	

List of Background Papers		
Name of document	Date	Where available for inspection
None		

Attached documents

IMPLICATIONS	
Finance	The Council's base revenue budget currently contains estimated income of £72,665 per annum from the sale of sand. Current projections for the year to date indicate that this income target is likely to be achieved in 2011/12.
Legal	None arising directly from the report
Community Safety	None arising directly from the report
Human Rights and Equalities	None arising directly from the report
Sustainability and Environmental Impact	None arising directly from the report
Health & Safety and Risk Management	None arising directly from the report

Audit Committee

FYLDE BOROUGH COUNCIL

Date	Thursday, 23 June 2011
Venue	Town Hall, St. Annes
Committee members	Councillor John Singleton (Chairman) Councillor Brenda Ackers (Vice- Chairman) Councillors Ben Aitken, Christine Akeroyd, Leonard Davies, Kath Harper, Howard Henshaw, Linda Nulty
Other Councillors	None
Officers	Ian Curtis, Paul O'Donoghue, Savile Sykes, Andrew Wilsdon, Lyndsey Lacey
Other Attendees	Iain Leviston - KPMG

1. Declarations of interest

Members were reminded that any personal/prejudicial interests should be declared as required by the Council's Code of Conduct adopted in accordance with the Local Government Act 2000.

Councillor Brenda Ackers (Vice-Chairman) declared a personal interest in item 5 (Risk Management Annual Report) in so far as it made reference to the sale of the former Wesham Offices site which is currently being leased by the Conservative group.

2. Confirmation of minutes

RESOLVED: To approve the minutes of the Audit Committee meeting held on 31 March 2011 as a correct record for signature by the Chairman.

3. Substitute members

There were no substitutions.

4. Constitution

Ian Curtis (Head of Governance) reported that the Council's constitution needed to be re-adopted by the Council each year. The report highlighted some proposed changes and invited the committee to recommend to Council that it formally re-adopts the constitution subject to those changes.

In summary, the proposed changes related to:

- Appointment of Leader
- Name change to the Development Control Committee
- Temporary stop notices

- Land transaction procedures
- Petitions
- Planning Code

In addition to the above, the Chairman, Councillor John Singleton, suggested a couple of other changes relating to the substitution arrangements. Firstly, an increase from 4 to 6 substitutes allowed at meetings of the Development Control Committee (as recommended by that committee) and, secondly, that arrangements be put in place for party leaders or their deputies to nominate substitutes.

Councillor Linda Nulty asked for a definition of “close association” (paragraph 11 of the report referred). In response, Mr Curtis explained that this was covered in case and tribunal law.

Councillor Howard Henshaw enquired about the proposed name change of the Development Control committee. In doing so, he asked if there was a national directive requiring this. This was addressed by Mr Curtis.

Councillor Kath Harper sought clarification on the value limits of gifts and hospitality. In response, Mr Curtis read out an extract from the constitution which addressed this matter.

Following discussion, it was RESOLVED:

1. To recommend that Council re-adopt the constitution as appended to the report and incorporating the changes highlighted in the report.
2. To recommend to Council that it considers incorporating the additional changes to secure the following:
   - *The leader or deputy leader of a political group be entitled to nominate substitute members in addition to the member being substituted for.*
   - *An increase in the number of Reserve DC Members from 4 to 6.*

(The Chairman indicated that he was satisfied that the matter was not controversial and dealt with the matter by a show of hands rather than by taking a recorded vote on it).

5. <u>Risk Management Annual Report</u>

Andrew Wilsdon (Insurance and Risk Management Officer) introduced a report which summarised the year-end report on the 2010/2011 Risk Register Action Plans, the work undertaken by the Council’s Insurance and Risk Management Officer in producing the Strategic Risk Register for 2011/2012, and the annual review of the Risk Management Strategy.

In terms of the Risk Register, the report presented an update on the 44 actions that were highlighted in the 2010/11 period and 29 actions included in the 5 Risk Actions Plans for the 2011/12 period.

Mr Wilsdon further reported that the recommendations relating to the Risk Management Strategy was still under completion and that an updated report would be presented in due course.

Councillor Nulty commented on Action Plan 3 relating to the member buy in to progress the principle of trading as FBC solutions. She added that it was unclear as to whether the new Council was still committed to this principle.

Following discussion the Committee RESOLVED:

1. To note the year end report of the progress made on the 2010-2011 Risk Action plans.
2. To approve the Strategic Risk Register for 2011-2012 and that an updated report be presented (in a reformatted style) to the September meeting of the committee.
3. To present an updated report outlining the proposed amendments to the Risk Management Strategy to the September meeting of the committee
4. That Action Plan 3 relating to member buy in to FBC Solutions is carried out formally so that the new council has the opportunity to restate the commitment to the principle of FBC Solutions

(The Chairman indicated that he was satisfied that the matter was not controversial and dealt with the matter by a show of hands rather than by taking a recorded vote on it).

(Councillor Howard Henshaw requested that his name be recorded as having voted against the controls already in place with regard to the Treasury Management Strategy which had been considered and approved by Council at its meeting on 2nd March 2011 as part of the Medium term Financial Strategy report).

6. Annual Governance Statement

Ian Curtis (Head of Gocvernence) introduced a report on the Annual Governance Statement, prepared under the CIPFA/SOLACE framework (the local code of corporate governance), for approval.

Members were advised that the statement explained how Fylde Borough Council had complied with the code and showed how the effectiveness of governance arrangements had been monitored during the year.

The report highlighted the six core principles adopted from the CIPFA/SOLACE guidance which underpinned the council's system of governance. Under each core principle, the code identified a series of sub-principles, which in total provided a checklist. The Corporate Governance Group, comprising the Chief Executive, the Director of Governance and Partnerships, the Section 151 officer, the Head of Internal Audit and the Head of Governance, or the nominee of each such officer, had conducted a detailed self-assessment of the council's governance against this checklist.

A copy of the Annual Governance Statement was attached to the report for members' consideration.

Mr Curtis stated that building on 2010/11 improvements, the statement identified the following areas for improvement in 2011/12:

- The development of corporate purchasing arrangements will be finalised with the roll out of the Civica purchasing module on an authority-wide basis.
- Data Protection and Freedom of Information training and guidance will be provided for staff to refresh and embed knowledge concerning the individual's right to privacy with respect to the handling and processing of personal data.
- Training and guidance will be provided on equalities to ensure staff have the requisite knowledge concerning this area taking into account recent changes in legislation.
- Procurement arrangements will be enhanced further to achieve best value and effective use of resources.

- Business Continuity arrangements will be reviewed and refreshed to ensure that contingency plans remain robust in light of any emergency which may face the Council.

Mr Curtis added that although not an area necessarily for improvement it had also been identified that the Council would have to respond to emerging issues currently identified within the Localism Bill when enacted.

Councillor Nulty commented on the section within the code relating to taking informed and transparent decisions which are subject to effective scrutiny and management risk. In doing, so she referred to the recent decision relating to the sale of Melton Grove, which she did not think met the core principle.

Following detailed consideration it was RESOLVED:

1. To approve the Annual Governance Statement for signature by the Chairman.
2. To review at the next meeting the 5 Action Plans in relation to the areas identified for improvement as detailed above.
3. To review at the next meeting any outstanding actions arising from the 2010/2011 Annual Governance Statement Action Plan.

With regard to the above decision a recorded vote was taken and the voting was as follows:

For the above decision - Councillors John Singleton, Brenda Ackers, Ben Aitken, Christine Akeroyd, Leonard Davies, Kath Harper and Howard Henshaw

Against the above decision - Councillor Linda Nulty

7. Regulation of Investigatory Powers Act 200: Authorisations

Ian Curtis (Head of Governance) presented a report on the above. He explained that councillors are obliged to review the use of covert surveillance and covert human intelligence sources by the council at least quarterly.

Mr Curtis provided an overview of the RIPA framewok and advised that in the quarter to March 2011, there were no authorised operations. In the quarter to June 2011, there had been none at the date of reporting to committee.

It was RESOLVED that the Committee note the report.

(The Chairman indicated that he was satisfied that the matter was not controversial and dealt with the matter by a show of hands rather than by taking a recorded vote on it.)

8. Internal Audit Annual Report 2010 -11

Savile Sykes (Head of Internal Audit) presented a comprehensive report which summarised the work undertaken by Internal Audit from April 2010 to March 2011 and performance information for the same period. It also included an opinion on the soundness of the Council's internal control environment in support of the Annual Governance Statement.

In brief, the report set out the role, purpose and context of audit activity. It also provided details/updates of the 26 reports issued during 2010/11 period, the associated assurance level/rating for each area reviewed and the 12 high priority risks identified. The report also gave an overview of the follow-up work (which included details of agreed recommendations implemented) and information on other internal audit work relating to special investigations, counter fraud work, projects, consultancy and advice together with information on the performance of Internal Audit (which included feedback from the client feedback questionnaire).

Mr Sykes stated he was pleased to report that, based on the work undertaken for the 12 months (ended 31 March 2011), reliance could be placed on the Council's control environment in terms of the overall adequacy and effectiveness of the controls and processes that are in place to achieve the objectives of the Council. In addition, the financial system assurance score had exceeded the five year average and represented the highest score achieved. He added that the overall implementation rate for all reports followed up in 2010/11 was 95.7% compared to last year's 92.0% Mr Sykes stated that this was the highest overall implementation figure achieved and exceeded the target of 90%. Mr Sykes then went on to present the updated figure of high and medium priority recommendations implemented in 2010/11 (which was 94.4% compared to 93.3%) last year. In terms of the percentage of the 2010/11 revised audit plan (completed to 31 March), this was 93.9%, exceeding the 90% target for the year. However, as a result of on-going audit work slipped into 2012, the annual rate now stood at 96.4%. As far as the client satisfaction rate was concerned, this was 88% slightly below target of 90%

Councillor Henshaw enquired about the non-conformity of the sand winning review. Mr Sykes explained the issues highlighted and the processes and procedures that needed to be put in place in relation to that matter.

Councillors Nulty and Aiken asked about the nonconformity to the development control review. Mr Sykes made reference to various matters including payments via the Planning Portal, the speed of processing planning applications, possible delays in drawing up section 106 agreements and recommendations of the PAS report not being implemented.

Councillor Henshaw also asked about the controls in place for the signing of bank cheques. Both Mr Sykes and Mr O'Donoghue provided an assurance that adequate controls were in place through the expenditure authorisation and budget control processes in place before cheques are generated, and that these processes in themselves were the subject of audit checks.

Councillor Aitken expressed his disappointment about the number of feedback questionnaires returned by managers and suggested that consideration of this being made mandatory be given.

Following discussion the Committee RESOLVED:

1. To approve the annual report of the Head of Internal Audit.

2. To note the Internal Audit opinion that reliance can be placed on the Council's control environment in terms of the overall adequacy and effectiveness of the controls and processes which are in place to achieve the objectives of the Council.

3. To request the Director of Strategic Development to attend the next meeting of the committee to update members' on matters associated with the sand winning operation.

4. That an updated report be submitted to the next meeting of the committee on the 2010/11 high priority risks identified.

5. To make the completion of client feedback questionnaires mandatory for managers following an internal audit review.

(The Chairman indicated that he was satisfied that the matter was not controversial and dealt with the matter by a show of hands rather than by taking a recorded vote on it.)

9. Effectiveness of the Audit Committee

Savile Sykes (Head of Internal Audit) presented the findings of a self- assessment exercise undertaken by the Chairman and Vice-Chairman of the Committee, supported by the Head of Internal Audit, in relation to the effectiveness of the Audit Committee. The self assessment compared existing arrangements with those advocated by the Chartered Institute of Public Finance and Accountancy (CIPFA) in their published advice.

A copy of the Self-Assessment checklist was circulated with the agenda. Mr Sykes indicated that there were only four areas where partial divergence from the standard was noted. Only the need for induction training for new members was considered to be significant and that this had recently been addressed. He added there were no other matters that required attention.

Following discussion, the Committee RESOLVED to agree with the findings of the self-assessment of the effectiveness of the Audit Committee (against the checklist provided by the CIPFA better governance forum in their publication 'A Toolkit for Local Authority Audit Committees) undertaken by the Chairman and Vice-Chairman of the Committee.

(The Chairman indicated that he was satisfied that the matter was not controversial and dealt with the matter by a show of hands rather than by taking a recorded vote on it)

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