

# RIBBLE VALLEY BOROUGH COUNCIL

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date: 17 July 2017

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Dear Councillor

The next meeting of the **ACCOUNTS & AUDIT COMMITTEE** is at **6.30pm on WEDNESDAY, 26 JULY 2017** in the **TOWN HALL, CHURCH STREET, CLITHEROE.**

I do hope you can be there.

Yours sincerely

## CHIEF EXECUTIVE

To: Committee Members (copy for information to all other members of the Council)  
Directors  
Grant Thornton  
Press

## AGENDA

### Part 1 – items of business to be discussed in public

1. Apologies for absence.
- ✓ 2. Minutes of the meeting held on 29 March 2017 – copy enclosed.
3. Declarations of Pecuniary and Non-Pecuniary Interests (if any).
4. Public Participation (if any).

### DECISION ITEMS

- ✓ 5. Local Code of Governance – report of Director of Resources – copy enclosed.
- ✓ 6. Annual Governance Statement – report of Director of Resources – copy enclosed.
- ✓ 7. The Audit Findings - report of Grant Thornton – copy enclosed.

- ✓ 8. Letter of Representation – report of Director of Resources – copy enclosed.
- ✓ 9. Approval of Audited Statement of Accounts 2016/17 – report of Director of Resources – copy enclosed.
- ✓ 10. Risk Management Policy – report of Director of Resources – copy enclosed.

#### INFORMATION ITEMS

- ✓ 11. Response to Global Cyber Attack May 2017 (WannaCry) – report of Director of Resources – copy enclosed.
- ✓ 12. Internal Audit Annual Report 2016/17 – report of Director of Resources – copy enclosed.
- ✓ 13. Internal Audit Progress Report 2017/18 – report of Director of Resources – copy enclosed.
- ✓ 14. Planned Audit Fee – report of Grant Thornton – copy enclosed.
- ✓ 15. Year End Performance Information 2016/17 – report of Director of Resources – copy enclosed.
- ✓ 16. The Role of Independent Persons – report of Chief Executive – copy enclosed.
- 17. Reports from Representatives on Outside Bodies (if any).

#### Part II - items of business **not** to be discussed in public

None

# RIBBLE VALLEY BOROUGH COUNCIL

## REPORT TO ACCOUNTS & AUDIT COMMITTEE

Agenda Item No 5

meeting date: 26 JULY 2017  
title: LOCAL CODE OF CORPORATE GOVERNANCE  
submitted by: DIRECTOR OF RESOURCES  
principal author: SALMA FAROOQ

### 1 PURPOSE

1.1 To consider the revised Local Code of Corporate Governance.

1.2 Relevance to the Council's ambitions and priorities:

- Community Objectives – none identified.
- Corporate Priorities – a well-managed Council.
- Other Considerations – none identified.

### 2 BACKGROUND

2.1 The Council has reviewed and updated the Council's Code of Corporate Governance in line with CIPFA/SOLACE Framework Delivering Good Governance in Local Government (2016).

2.2 This document is **forward looking** and brings together in one document all the governance and accountability arrangements the Council currently has in place, and where necessary highlights any areas where more work is required.

### 3 ISSUES

3.1 The code is a public statement that sets out the way the Council will meet its commitment to demonstrating that it has the necessary Corporate Governance arrangements in place to perform effectively. It represents a key component of the Council's governance arrangements. It applies to all Council members, Officers, Partners and Stakeholders in their dealings with the Council.

3.2 The Council is not required to include the local code in the constitution and it is proposed that this revised code is published separately on the Council's website.

3.3 The Council must conduct a review at least once a year of the code. The Code for Corporate Governance is attached at Annex 1 and has been developed based upon the requirements and guidance received from CIPFA.

### 4 RISK ASSESSMENT

4.1 The approval of this report may have the following implications:

- Resources – None
- Technical, Environmental and Legal – None
- Political – None
- Reputation – The Council must ensure that it has a sound system of internal control in place.
- Equality & Diversity – None

5 RECOMMENDED THAT COMMITTEE

- 5.1 Approve the attached revised Local Code of Corporate Governance, which is attached at Annex 1.

SENIOR AUDITOR

DIRECTOR OF RESOURCES

AA9-17/SF/AC  
12 July 2017

BACKGROUND PAPERS

None

For further information please ask for Salma Farooq.

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# Local Code of Corporate Governance

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June 2017

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Ribble Valley  
Borough Council

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[www.ribblevalley.gov.uk](http://www.ribblevalley.gov.uk)

## Local Code of Corporate Governance

### 1 INTRODUCTION

- 1.1 Corporate Governance is the system by which the Council directs and controls its functions and relates to the community. Ribble Valley Borough Council is committed to the highest standards of good governance.
- 1.2 The Council has developed and adopted a local code of corporate governance which reflects the key components as set out in the CIPFA/SOLACE Delivering Good Governance in Local Government Framework 2016.

### 2 WHAT DO WE MEAN BY GOVERNANCE

- 2.1 The Council has accepted the definition of Governance as stated within the CIPFA/SOLACE Framework. "Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved. To deliver good governance in the public sector, both governing bodies and individuals working for public sector entities must try to achieve their entities objectives while acting in the public interest at all times. Acting in the public interest implies primary consideration of the benefits for society, which should result in positive outcomes for service users and other stakeholders".

### 3 CORE PRINCIPLES

- 3.1 The Council's Code of Corporate Governance is based on seven core principles.

**Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law**

- 3.2 The Council will put into place effective political and managerial structures and processes to govern its decision-making and the exercise of its authority, through:
- Behaving with integrity
  - Demonstrating strong commitment to ethical values
  - Respecting the rule of law

**Ensuring openness and comprehensive stakeholder engagement**

- 3.3 The Council will:
- Ensure openness
  - Engage comprehensively with institutional stakeholders
  - Engage with individual citizens and service users effectively

**Defining outcomes in terms of sustainable economic, social, and environmental benefits**

- 3.4 In carrying out its duties and responsibilities, the Council will demonstrate:
- Defining outcomes
  - Sustainable economic, social and environmental benefits

**Determining the interventions necessary to optimise the achievement of the intended outcomes**

- 3.5 The Council will:
- Determine interventions
  - Plan interventions
  - Optimise achievement of intended outcomes

**Developing the Council's capacity, including the capability of its leadership and the individuals within it**

- 3.6 The Council will:
- Develop its capacity
  - Develop the capability of its leadership and other individuals

**Managing risks and performance through robust internal control and strong public financial management**

- 3.7 The Council will establish and maintain a systematic strategy, framework and processes for managing risk, by:
- Managing risk
  - Managing performance
  - Robust internal control
  - Managing data
  - Strong public financial management

**Implementing good practices in transparency, reporting, and audit to deliver effective accountability**

- 3.8 The Council will:
- Implement good practice in transparency
  - Implement good practices in reporting
  - Provide assurance and effective accountability

**4 DELIVERY OF OUTCOMES WITHIN THE SEVEN PRINCIPLES**

- 4.1 Ribble Valley Borough Council will deliver the outcomes which lie beneath the seven core principles by:
- Reviewing on annual basis, its Governance arrangements to ensure compliance with this Code, the delivery of Good Governance within the Local Government Framework and current good practice. The purpose of the review will be to provide assurance that governance arrangements are adequate and operating effectively or to identify action which is planned to ensure effective governance in the future.
  - Reporting bi-annually to members and management team the corporate governance arrangements in place.
  - Annually assessing the 'Role of the Chief Financial Officer' and the 'Role of the Head of Internal audit', using guidance published by CIPFA.

- Producing an Annual Governance Statement documenting the extent to which the local code has been adhered to and the actions required where adherence has not been achieved.

4.2 The key elements of the Local Code of Corporate Governance that underpin this local code are listed at Annex 1.

**Key Elements of Local Code of Corporate Governance**

- Corporate Strategy
- Constitution of the Council
- Core Strategy
- Communications Strategy
- Sustainable Community Strategy
- Financial Regulations
- Contract Regulations
- Budgetary Procedures
- Medium Term Financial Strategy
- Treasury Management Strategy & Policies
- Annual Financial Reports (Budget and Statement of Accounts)
- Annual Governance Statement
- Procurement Policy
- Scheme of Delegation
- Access to Information Procedure Rules
- Standing Orders relating to meetings of the Council
- Code of Conduct for Members and Standards Committee
- Code of Conduct for Employees
- The Member/Officer Protocol
- Members Allowance Scheme
- Anti-Fraud and Corruption Policy
- Anti-Money Laundering Policy
- Whistleblowing Policy
- Complaints Procedure
- Disciplinary Procedure
- Corporate Health and Safety Policy
- Safeguarding Policy
- Risk Management Policy
- Risk Register
- Recruitment and Selection Policy
- Internal Audit Charter
- Internal Audit Plan
- Internal Audit Report
- External Audit Annual Plan
- External Audit Annual Letter
- External Audit Reports
- Performance Management System
- Performance Management Reporting (Performance Indicators)
- Citizen's Panel
- Accounts & Audit Committee
- Register of Interests
- Principles of Corporate Governance Framework (Review Document)
- Partnership Protocols
- [Business Continuity Plans](#)
- [Open Data & Transparency pages \(Council's website\)](#)

# RIBBLE VALLEY BOROUGH COUNCIL REPORT TO ACCOUNTS & AUDIT COMMITTEE

DECISION

Agenda Item No 6

meeting date: 26 JULY 2017  
title: ANNUAL GOVERNANCE STATEMENT FOR 2016/17  
submitted by: DIRECTOR OF RESOURCES  
principal author: SALMA FAROOQ

## 1 PURPOSE

1.1 To approve the Annual Governance Statement for the financial year 2016/17.

1.2 Relevance to the Council's ambitions and priorities:

- Community Objectives – none identified.
- Corporate Priorities – assessing the Council's system of internal control contributes to the achievement of the corporate priority of being a well-managed Council.
- Other Considerations – none identified.

## 2 BACKGROUND

2.1 CIPFA/SOLACE issued their revised governance framework 'Delivering Good Governance in Local Government' in 2016 which incorporated the requirement to produce an Annual Governance Statement.

2.2 The Annual Governance Statement sits alongside the Statement of Accounts and reports on the extent of the Council's compliance with its principles and practices of good governance i.e. our Local Code of Corporate Governance.

2.3 Effectively therefore this statement is assessing our governance arrangements **looking back** at the year ending March 2017.

2.3 The Statement sets out any required actions for planned changes over the coming year, based on the review of the previous year, where applicable.

2.4 The Statement provides an assurance to the Council and its stakeholders that good governance arrangements are in place. The Council is responsible for ensuring that its 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.

## 3 ISSUES

3.1 Under the Accounts and Audit (England) Regulations 2015 the Council is required to ensure that its financial management is adequate and effective, and that the Council has a sound system of internal control which facilitates the effective exercise of the council's functions and which includes arrangements for the management of risk.

3.2 The Council must conduct a review at least once a year of the effectiveness of its system of internal control. Following the review this Committee must approve an Annual Governance Statement, which must accompany the Statement of Accounts, and must be prepared in accordance with proper practices in relation to internal control.

3.3 The Annual Governance Statement for 2016/17 is attached at Annex 1 and has been developed based upon the requirements and guidance received from CIPFA. There are no significant governance issues to report, and no actions required for 2017/18.

#### 4 RISK ASSESSMENT

4.1 The approval of this report may have the following implications:

- Resources – None
- Technical, Environmental and Legal – None
- Political – None
  
- Reputation – The Council must ensure that it has a sound system of internal control in place.
  
- Equality & Diversity – None

#### 5 RECOMMENDED THAT COMMITTEE

5.1 Approve the attached Annual Governance Statement for 2016/17, which is attached at Annex 1.

SENIOR AUDITOR

DIRECTOR OF RESOURCES

AA10-17/SF/AC  
12 July 2017

BACKGROUND PAPERS

None

For further information please ask for Salma Farooq.

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# Annual Governance Statement

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2016/17

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Ribble Valley  
Borough Council

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[www.ribblevalley.gov.uk](http://www.ribblevalley.gov.uk)

## **Annual Governance Statement** **2016/17**

### 1. SCOPE OF RESPONSIBILITY

- 1.1 Ribble Valley Borough Council is responsible for ensuring that its 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. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.
- 1.3 The Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government* (2016). A copy of the code is on our website at [www.ribblevalley.gov.uk](http://www.ribblevalley.gov.uk). This statement explains how the Council has complied with the code and also meets the requirements of Accounts and Audit (England) Regulations 2015, which requires all relevant bodies to prepare an annual governance statement.

### 2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

- 2.1. The governance framework comprises the systems and processes, culture and values by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.
- 2.2. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.
- 2.3. The governance framework has been in place at the Council for the year ended 31 March 2017 and up to the date of approval of the statement of accounts.

### 3. THE GOVERNANCE FRAMEWORK

#### **Identifying and communicating the authority's vision of its purpose and intended outcomes for citizens and service users**

- 3.1. The Council's vision, priorities and objectives are clearly set out in the approved Corporate Strategy document 2015 - 2019, which is available to view on the Council's website.
- 3.2. The Core Strategy 2008-28 sets out the long term vision for the Borough and the strategic policies that will deliver that vision, including the Development Management policies. The Core Strategy was adopted by the Council on 16 December 2014.
- 3.3. The Community Strategy 2014-2019 sets out the Council's community's aspirations, needs and priorities. The strategy outlines a series of priorities and objectives, including tackling rural isolation, affordable housing, tourism, the environment and public transport.

### **Reviewing the authority's vision and its implications for the authority's governance arrangements**

- 3.4. The Corporate Strategy 2015-19 was approved by Policy and Finance Committee in January 2016 and has been reviewed on an annual basis. A new Corporate Strategy detailing Council's priorities will be produced in 2017.

### **Translating the vision into objectives for the authority and its partnerships**

- 3.5. The Council has established a performance management and strategic planning framework for detailed planning, implementation and monitoring of the Corporate Strategy.
- 3.6. Mechanisms in place for the monitoring of performance include:
- Performance indicators are reported to Corporate Management Team (CMT) on a quarterly basis and reported annually to the relevant committee;
  - Improvement and Statutory Reviews (for example inspections by DWP);
- 3.7. The Council uses a bespoke performance management software system to measure progress towards the achievement of individual performance targets and their combined effect on the accomplishment of corporate objectives. Reports produced by the system demonstrate progress towards the achievement of performance indicators in terms of trends and percentage variances against target.
- 3.8. The Medium Term Financial Strategy outlines how we intend to use and raise the resources needed to deliver our services and priorities over the medium term.
- 3.9. The Council's Risk Register sets out the risks that we have to manage to help us achieve our objectives.

### **Measuring the quality of services for users, for ensuring they are delivered in accordance with the authority's objectives and for ensuring that they represent the best use of resources and value for money**

- 3.10. The Corporate Strategy Action Plan sets out underlying actions that have been established in order to support, and measure progress towards, the achievement of the Council's objectives detailed in the strategy.
- 3.11. A medium term financial strategy is set based upon regularly refreshed priorities.
- 3.12. It is ensured that the financial management of the Council is sound, by regular and timely reporting to budget holders, Management Team, Leaders and the Council as a whole. This includes both revenue and capital monitoring.

### **Defining and documenting the roles and responsibilities of the executive, non-executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication in respect of the authority and partnership arrangements**

- 3.13. The functions of statutory officers are detailed in the constitution and the roles of the Committees are documented within the constitution.
- 3.14. The officer delegation scheme details specific chief officer responsibilities.

### **Developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff**

- 3.15. All policies are subject to internal review to ensure these are adequately maintained. The council keeps all staff aware of changes in policy and new legislation as necessary, by a variety of means, and where appropriate arranges training for all or key members of staff.
- 3.16. The standards of ethical behaviour expected from Members and Staff are defined in codes of conduct that are distributed as part of the induction process. These incorporate procedures for the disclosure of pecuniary interests and offers of gifts and hospitality.
- 3.17. Included in the Constitution are the terms of reference for Committees and a protocol for Member/ Officer Relations.
- 3.18. The procedures for the public to follow in order to register a complaint regarding the deliverance of the Council's services or a breach of the member's code of conduct are detailed on the Council's website.

### **Reviewing the effectiveness of the authority's decision-making framework, including delegation arrangements, decision making in partnerships and robustness of data quality**

- 3.19. The Constitution sets out how the Council operates, how decisions are made and the procedures followed to ensure that these are efficient, transparent and accountable to local people. The Council's Constitution and procedural notes/ manuals are reviewed periodically to ensure continued compliance with changing laws and regulations, and internal policies and procedures.
- 3.20. In compliance with the Freedom of Information Act 2000 procedures for requesting access to information are in place. The details are noted on the Council's website.

### **Reviewing the effectiveness of the framework for identifying and managing risks and demonstrating clear accountability**

- 3.21. The Council has a risk management policy in place which is published on the Internet.
- 3.22. The Council has embedded a robust structure and system for identifying, evaluating and monitoring all significant business risks at both strategic and operational levels.
- 3.23. The Leadership Team receive monthly risk management updates and areas of high risk are reported promptly to Accounts and Audit Committee for scrutiny.

### **Ensuring effective counter-fraud and anti-corruption arrangements are developed and maintained**

- 3.24. The Council has an Anti-Fraud and Corruption Policy on the Council's intranet. The Council's anti-money laundering policy recognises its obligation to establish formalised internal procedures to prevent its services in the use of money laundering.
- 3.25. The Council participate in the National Fraud Initiative.

### **Ensuring effective management of change and transformation**

- 3.26. The Medium Term Financial Strategy is a 3 year strategy; however this is reviewed annually to reflect any changes.
- 3.27. Training is offered to both Staff and Councillors to be able to deal with change effectively.

**Ensuring the authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on The Role of the Chief Financial Officer in Local Government (2016)**

- 3.28. The Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government. This is reviewed on an annual basis.
- 3.29. The Council has designated the Director of Resources as chief finance officer under Section 151 of the Local Government Act 1972.
- 3.30. The management structure of the Council ensures that the Chief Financial Officer reports directly to the Chief Executive and is a member of the leadership team with direct responsibility for the Council's financial activities. The leadership team meets on a weekly basis to discuss matters of strategic and operational importance to the Council.

**Ensuring the authority's assurance arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010)**

- 3.31. The Council's internal audit arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit in public service organisations. This is reviewed on annual basis.
- 3.32. The Council has delegated responsibility for maintaining an adequate internal audit function to the Head of Financial Services.

**Ensuring effective arrangements are in place for the discharge of the monitoring officer function**

- 3.33. The Council has designated the Head of Legal & Democratic Services as Monitoring Officer, who plays a key role in ensuring compliance. After consulting with the Chief Executive, the Monitoring Officer will report to the full Council if she considers that any proposal, decision or omission would give risk to unlawfulness or maladministration. Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered.

**Ensuring effective arrangements are in place for the discharge of the head of paid service function**

- 3.34. The Chief Executive is designated as the Head of Paid Service and fulfils the responsibilities of the role.
- 3.35. The roles and functions of the head of paid service, monitoring officer and chief financial officer are set out in the Constitution. The arrangements in place for the discharge of functions by specific officers under delegation are set out in the Officer Delegation Scheme.

**Undertaking the core functions of an audit committee, as identified in CIPFA's Audit Committee – Practical Guidance for Local Authorities**

- 3.36. The Council maintains a sound Internal Audit function that operates to the standards set out in the 'CIPFA Public Sector Internal Audit Standards'.
- 3.37. The Accounts and Audit Committee operates to an agreed terms of reference which defines its core functions, roles and responsibilities. The terms of reference is contained within the Constitution.

### **Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful**

- 3.38. The Council aims to ensure compliance with established policies, procedures, laws and regulations through a variety of mechanisms, including:
- Monitoring Officer
  - Section 151 Officer
  - Internal Audit
  - External Audit
  - Performance Management System
  - Risk Register
  - Member and Officer training and development
- 3.39. A structured approach to financial and contract management is set out in Financial Regulations and Contract Procedure Rules. These provide guidance on managing our finances, ensuring compliance with legislation and value for money is considered in all purchasing activities.
- 3.40. Internal Audit report four times annually to the Accounts and Audit Committee and are a prime source of assurance to the Council regarding its financial management (including the adequacy of its financial systems, budgetary control and the efficient and effective use of resources). Internal Audit also provides assurance in the areas of governance, risk management and compliance.
- 3.41. The Council has an objective and professional relationship with its external auditors and statutory inspectors.

### **Whistle blowing and for receiving and investigating complaints from the public**

- 3.42. The Council is committed to the highest possible standards of openness, integrity and accountability. In line with this commitment the Council has adopted a whistle-blowing policy to encourage employees and others with serious concerns to come forward in confidence.
- 3.43. There is a clear complaints procedure on the Council's website.

### **Identifying the development needs of members and senior officers in relation to their strategic roles, supported by appropriate training**

- 3.44. Key policies and procedure documents are distributed to Members and Officers during the induction process. Up to date electronic copies are available to view on the Council's internal website.
- 3.45. Officer training needs are identified during performance appraisals. There is a thorough Member training and development plan in operation that reflects the requirements of a modern Councillor.

### **Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation**

- 3.46. The Council is committed to informing, consulting and involving local people in decision-making.

- 3.47. The Council has adopted a Constitution, which sets out how the Council operates, how decisions are made and the procedures that are followed to ensure that these are efficient, transparent and accountable to local people. The Constitution is published on the Council's website.
- 3.48. Policy and decision-making is facilitated through a Committee System including Accounts and Audit Committee and Policy and Finance Committee. Committee meetings are open to the general public except where personal or confidential matters are being disclosed and Committee minutes and agendas are publicised on the Council's website.
- 3.49. A Citizens Panel was set up in 2004 to enable the Council and its partners to access the views of Ribble Valley people. The results are used to develop policies & strategies, inform decision-making and identify where service improvements may be required.
- 3.50. The Council is part of the Infusion Research partnership. This partnership helps with research and consultations.

**Enhancing the accountability for service delivery and effectiveness of other public service providers**

- 3.51. Policy and Finance Committee approved the Council's medium term financial strategy (2016 - 2019) in February 2016. This strategy helps to ensure that financial resources available to the Council are sufficient to support the delivery of priorities, and to plan sustainable services and budgets. The financial strategy includes a budget forecast that is reviewed bi-annually.
- 3.52. Budget setting, control and reporting requirements are set out in the Council's Financial Regulations, which have full regard to internal and external regulations and relevant codes of practice.
- 3.53. Capital and Revenue budgets are monitored closely and reports on budget allocations and expenditures are submitted to the leadership team each month and to relevant Committees each quarter. Budget Working Group minutes are reported to Policy and Finance Committee periodically.
- 3.54. Heads of Departments are accountable for the service delivery and performance is reported to the relevant committees.
- 3.55. Senior Officers attend regular meetings with other local authorities in the neighbouring areas to ensure good working practice.
- 3.56. Relevant officers attend regular partnership meetings, i.e. Community Safety Partnership, etc. to ensure objectives are being met efficiently and effectively.

**Incorporating good governance arrangements in respect of partnerships and other joint working and reflecting these in the authority's overall governance arrangements**

- 3.57. The lead officer for the partnership completes an assurance certificate with an internal control checklist on annual basis. These assurance statements are forwarded to CMT.

**4. REVIEW OF EFFECTIVENESS**

- 4.1. Ribble Valley Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the assurance statements completed by the Heads of Service within the authority who have responsibility for the development and maintenance of the governance environment, partnership lead officers, the head of internal audit's annual

report, and also by comments made by the external auditors and other review agencies and inspectorates.

### **Corporate Management Team**

- 4.2. The Corporate Management Team meets each week to discuss policy issues and also considers internal control issues, including risk management, performance management, compliances, efficiency and value for money, and financial management.

### **Corporate Level Review**

- 4.3. The Corporate Management Team consisting of the following officers during 2016/17 oversees the compilation of the Annual Governance Statement.

- Chief Executive (Head of Paid Service);
- Director of Resources (S.151 Officer);
- Director of Community Services;

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

### **Directorate Level Review**

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

### **Monitoring Officer**

- 4.6. As the Council's Monitoring Officer, The Head of Legal and Democratic Services has a duty to monitor and review the operation of the Constitution to ensure its aims and principles are given full effect. The Council reviews the Constitution each year at its Annual Meeting.

### **Accounts and Audit Committee**

- 4.7. The Council has appointed an Accounts and Audit Committee whose terms of reference comply with the latest CIPFA guidelines. These extend to monitoring the Council's governance and risk management framework and include reviewing the adequacy of the governance framework.

### **Internal Audit**

- 4.8. Internal Audit is responsible for monitoring the quality and effectiveness of the system of governance and internal control. A risk-based Internal Audit Plan is produced each financial year. The reporting process for Internal Audit requires a report of each audit to be submitted to the relevant Directorate. The report includes recommendations for improvements that are included within an Action Plan and require agreement or rejection by Heads of Service. The process includes follow-up reviews of agreed recommendations to ensure that they are acted upon.

- 4.9. The Internal Audit Annual Report contains an opinion on the overall levels of internal control (a view based on the relative significance of the systems reviewed during the year, in the context of the totality of the control environment).

### **External Audit**

- 4.10. In accordance with the National Audit Office's Code of Audit Practice, the Council receive regular reports on elements of its internal control environment, including performance management, risk management, financial management and governance.

5. THE EUROPEAN INSTITUTE FOR COMBATting CORRUPTION AND FRAUD (TEICCAF): PROTECTING THE PUBLIC PURSE (2016)

- 5.1. A checklist was issued for the 'Protecting the Public Purse' document. Authorities were encouraged to use the checklists to ensure that they have sound governance and counter-fraud arrangements in place and that they are working as intended.

- 5.2. No significant issues were highlighted as a result of this review.

6. CIPFA: FIGHTING FRAUD AND CORRUPTION LOCALLY 2016-19

- 6.1. The strategy sets out the approach local authorities should take and the main areas of focus over the next three years in order to transform counter fraud and corruption performance. There is a checklist to measure counter fraud and corruption culture and response.

- 6.2. No issues were highlighted as a result of this review.

7. GRANT THORNTON'S - REFORGING LOCAL GOVERNMENT (2016)

- 7.1. The review focussed on pace of change, the financial challenge, the new governance agenda and the way forward. These areas were examined and no issues were highlighted as a result of this review.

8. LOCAL GOVERNMENT TRANSPARENCY CODE 2015

- 9.1. This document sets out the minimum data that local authorities should be publishing, the frequency it should be published and how it should be published. It also sets out details of data that the Government recommends local authorities to publish. There were no significant issues to raise in this area.

9. SIGNIFICANT GOVERNANCE ISSUES

- 10.1. We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Corporate Management Team, and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. No significant governance issues have been highlighted.

**Signed:**

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Leader of the Council  
**On behalf of Ribble Valley Borough Council**

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Chief Executive



# The Audit Findings for Ribble Valley Borough Council

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**Year ended 31 March 2017**

July 2017

**Karen Murray**

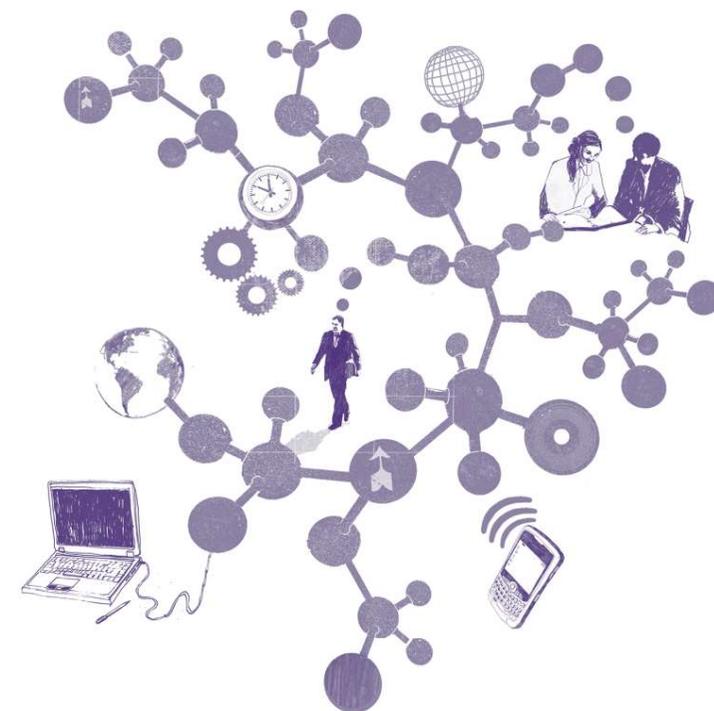
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26 July 2017

Dear Members of the Accounts and Audit Committee

**Audit Findings for Ribble Valley Borough Council for the year ending 31 March 2017**

This Audit Findings report highlights the key findings arising from the audit that are significant to the responsibility of those charged with governance (in the case of Ribble Valley Borough Council, the Accounts and Audit Committee), to oversee the financial reporting process, as required by International Standard on Auditing (UK & Ireland) 260, the Local Audit and Accountability Act 2014 and the National Audit Office Code of Audit Practice. Its contents have been discussed with officers.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland) ('ISA (UK&I)'), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements and giving a value for money conclusion. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Yours sincerely

Karen Murray

Engagement lead

**Chartered Accountants**

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# Section 1: Executive summary

**01. Executive summary**

**02. Audit findings**

**03. Value for Money**

**04. Fees, non audit services and independence**

**05. Communication of audit matters**

## Purpose of this report

This report highlights the key issues affecting the results of Ribble Valley Borough Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2017. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of ISA (UK&I) 260, and the Local Audit and Accountability Act 2014 ('the Act').

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Council's financial statements give a true and fair view of the financial position of the Council and its income and expenditure for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting. .

We are also required to consider other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report, whether it is consistent with the financial statements, apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Council acquired in the course of performing our audit; or otherwise misleading.

We are required to carry out sufficient work to satisfy ourselves on whether the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion'). Auditor Guidance Note 7 (AGN07) clarifies our reporting requirements in the Code and the Act. We are required to provide a conclusion whether in all significant respects, the Council has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the year.

The Act also details the following additional powers and duties for local government auditors, which we are required to report to you if applied:

- a public interest report if we identify any matter that comes to our attention in the course of the audit that in our opinion should be considered by the Council or brought to the public's attention (section 24 of the Act);
- written recommendations which should be considered by the Council and responded to publicly (section 24 of the Act);
- application to the court for a declaration that an item of account is contrary to law (section 28 of the Act);
- issue of an advisory notice (section 29 of the Act); and
- application for judicial review (section 31 of the Act).

We have not had to exercise these powers or duties.

We are also required to give electors the opportunity to raise questions about the accounts and consider and decide upon objections received in relation to the accounts under sections 26 and 27 of the Act.

## Introduction

In the conduct of our audit we have not had to alter or change our audit approach, which we communicated to you in our Audit Plan dated 29 March 2017.

Our audit is substantially complete although we are finalising our procedures in the following areas:

- review of the final version of the financial statements
- obtaining and reviewing the management letter of representation and
- updating our post balance sheet events review, to the date of signing the opinion

We received draft financial statements and accompanying working papers at the commencement of our work, in accordance with the agreed timetable.

## **Key audit and financial reporting issues**

### **Financial statements opinion**

We have not identified any adjustments affecting the Council's reported financial position (details are recorded in section two of this report). The draft financial statements for the year ended 31 March 2017 recorded Total Comprehensive Income and expenditure of £468k;

The key messages arising from our audit of the Council's financial statements are:

- The accounts and supporting working papers prepared were of a high quality
- There were no amendments required to the accounts as a result of the audit.

Further details are set out in section two of this report.

We anticipate providing a unqualified audit opinion in respect of the financial statements (see Appendix B).

### **Other financial statement responsibilities**

As well as an opinion on the financial statements, we are required to give an opinion on whether other information published together with the audited financial statements is consistent with the financial statements. This includes if the AGS and Narrative Report is misleading or inconsistent with the information of which we are aware from our audit.

Based on our review of the Council's Narrative Report and AGS we are satisfied that they are consistent with the audited financial statements. We are also satisfied that the AGS meets the requirements set out in the CIPFA/SOLACE guidance and that the disclosures included in the Narrative Report are in line with the requirements of the CIPFA Code of Practice.

## **Controls**

### **Roles and responsibilities**

The Council's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the Council.

### **Findings**

Our work has not identified any control weaknesses which we wish to highlight for your attention.

Further details are provided within section two of this report.

## **Value for Money**

Based on our review, we are satisfied that, in all significant respects, the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

Further detail of our work on Value for Money are set out in section three of this report.

## **Other statutory powers and duties**

We have not identified any issues that have required us to apply our statutory powers and duties under the Act.

## **Grant certification**

In addition to our responsibilities under the Code, we are required to certify the Council's Housing Benefit subsidy claim on behalf of the Department for Work and Pensions. At present our work on this claim is in progress and is not due to be finalised until 30 November 2017. We will report the outcome of this certification work through a separate report to Accounts and Audit Committee in November 2017.

## **The way forward**

Matters arising from the financial statements audit and our review of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources have been discussed with the Director of Resources.

We have made a number of recommendations, which are set out in the action plan at Appendix A. Recommendations have been discussed and agreed with the Director of Finance and the finance team.

## **Acknowledgement**

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

**Grant Thornton UK LLP**  
July 2017

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## Section 2: Audit findings

01. Executive summary

**02. Audit findings**

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

# Materiality

In performing our audit, we apply the concept of materiality, following the requirements of ISA (UK&I) 320: Materiality in planning and performing an audit. The standard states that 'misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements'.

As we reported in our audit plan, we determined overall materiality to be £414k (being 2% of gross expenditure at the cost of services level). We have considered whether this level remained appropriate during the course of the audit and have made no changes to our overall materiality.

We also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulated effect of such amounts would have a material impact on the financial statements. We have defined the amount below which misstatements would be clearly trivial to be £21k. This remains the same as reported in our audit plan.

As we reported in our audit plan, we identified the following items where we decided that separate materiality levels were appropriate. These remain the same as reported in our audit plan.

Balance/transaction/disclosure	Explanation	Materiality level
Disclosures of officers' remuneration, salary bandings and exit packages in the notes to the financial statements	Due to public interest in these disclosures and the statutory requirement for them to be made.	£5k
Disclosure of related party transactions in the notes to the financial statements	Due to public interest in these disclosures.	£20,000 (Individual misstatements will also be evaluated with reference to how material they are to the other party)

Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered. (ISA (UK&I) 320)

# Audit findings against significant risks

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

Risks identified in our audit plan	Work completed	Assurance gained and issues arising
<p><b>The revenue cycle includes fraudulent transactions</b></p> <p>Under ISA (UK&amp;I) 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Ribble Valley Borough Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition;</li> <li>• opportunities to manipulate revenue recognition are very limited; and</li> <li>• the culture and ethical frameworks of local authorities, including Ribble Valley Borough Council, mean that all forms of fraud are seen as unacceptable.</li> </ul>	<p>Our audit work has not identified any issues in respect of revenue recognition.</p>
<p><b>Management over-ride of controls</b></p> <p>Under ISA (UK&amp;I) 240 it is presumed that the risk of management over-ride of controls is present in all entities.</p>	<p>We have</p> <ul style="list-style-type: none"> <li>• reviewed your entity level controls</li> <li>• review of journal entry process and selection of unusual journal entries for testing back to supporting documentation</li> <li>• review of accounting estimates, judgements and decisions made by management</li> </ul>	<p>Our audit work has not identified any evidence of management over-ride of controls.</p> <p>In particular the findings of our review of journal controls and testing of journal controls and testing of journal entries has not identified any significant issues</p>

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty." (ISA (UK&I) 315) . In making the review of unusual significant transactions "the auditor shall treat identified significant related party transactions outside the entity's normal course of business as giving rise to significant risks." (ISA (UK&I) 550)

# Audit findings against significant risks continued

We have also identified the following significant risks of material misstatement from our understanding of the entity. We set out below the work we have completed to address these risks.

Risks identified in our audit plan	Work completed	Assurance gained and issues arising
<p><b>Business rates pool</b></p> <p>The Council is acting as the Lead Authority on the Lancashire Business Rates Pool. The pooling arrangement took effect from 1 April 2016. This is a new accounting requirement for 2016/17.</p> <p>We identified a risk that the values included in the financial statements and related disclosure notes in relation the pool are not correct.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>gained an understanding of the controls put in place by management to ensure the values in relation to the Lancashire Business Rates Pool are not materially misstated</li> <li>reviewed the toolkit used to calculate the Business Rates Pool values</li> <li>reviewed the accounting entries in the financial statements to ensure they are consistent with our understanding of supporting documentation and with the requirements of the CIPFA Code of Practice.</li> </ul>	<p>Our audit work has not identified any significant issues in relation to the risk identified</p>
<p><b>Valuation of pension fund net liability</b></p> <p>The Council's pension fund asset and liability as reflected in its balance sheet represent a significant estimate in the financial statements.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>identified the controls put in place by management to ensure that the pension fund liability is not materially misstated and assessed that they were implemented as expected and that they are sufficient to mitigate the risk of material misstatement.</li> <li>reviewed the competence, expertise and objectivity of the actuary who carried out your pension fund valuation and gained an understanding of the basis on which the valuation was carried out.</li> <li>undertook procedures to confirm the reasonableness of the actuarial assumptions made.</li> <li>reviewed the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary.</li> </ul>	<p>Our audit work has not identified any significant issues in relation to the risk identified</p>

# Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses are attached at appendix A.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<p><b>Employee remuneration</b></p>	<p>Payroll expenditure represents a significant percentage of the Council's gross expenditure.</p> <p>We identified the completeness of payroll expenditure in the financial statements as a risk requiring particular audit attention:</p> <ul style="list-style-type: none"> <li>Employee remuneration accruals understated (Remuneration expenses not correct)</li> </ul>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>documented our understanding of processes and key controls over the transaction cycle</li> <li>undertaken walkthrough of the key controls to confirm the controls were operating in line with our documented understanding</li> <li>completed our trend analysis and risk identification for monthly payroll costs for the full financial year</li> <li>reviewed the reconciliation of payroll expenditure recorded in the general ledger to the subsidiary systems and interfaces</li> </ul>	<p>Our audit work has not identified any significant issues in relation to the risk identified</p>
<p><b>Operating expenses</b></p>	<p>Non-pay expenditure represents a significant percentage of the Council's gross expenditure. Management uses judgement to estimate accruals of un-invoiced non-pay costs.</p> <p>We identified the completeness of non-pay expenditure in the financial statements as a risk requiring particular audit attention:</p> <ul style="list-style-type: none"> <li>Creditors understated or not recorded in the correct period (Operating expenses understated)</li> </ul>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>documented our understanding of processes and key controls over operating expenditure</li> <li>undertaken walkthrough of the key controls to confirm the controls were in line with our documented understanding</li> <li>reviewed management's processes to raise accruals and ensure the accruals recognised are materially complete</li> <li>tested a sample of creditor balances and accruals recognised in the year end balance sheet</li> <li>tested cash payments made after the year-end to identify potential unrecorded liabilities and gain assurance over the completeness of the payables balance in the accounts</li> </ul>	<p>Our audit work has not identified any significant issues in relation to the risk identified</p>

"In respect of some risks, the auditor may judge that it is not possible or practicable to obtain sufficient appropriate audit evidence only from substantive procedures. Such risks may relate to the inaccurate or incomplete recording of routine and significant classes of transactions or account balances, the characteristics of which often permit highly automated processing with little or no manual intervention. In such cases, the entity's controls over such risks are relevant to the audit and the auditor shall obtain an understanding of them." (ISA (UK&I) 315)

## Audit findings against other risks continued

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<p><b>Changes to the presentation of local authority financial statements</b></p>	<p>CIPFA has been working on the 'Telling the Story' project, for which the aim was to streamline the financial statements and improve accessibility to the user and this has resulted in changes to the 2016/17 CIPFA Code of Practice.</p> <p>The changes affect the presentation of income and expenditure in the financial statements and associated disclosure notes. A prior period adjustment (PPA) to restate the 2015/16 comparative figures is also required.</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>• documented and evaluated the process for the recording the required financial reporting changes to the 2016/17 financial statements</li> <li>• reviewed the re-classification of the Comprehensive Income and Expenditure Statement (CIES) comparatives to ensure that they are in line with the Council's internal reporting structure</li> <li>• reviewed the appropriateness of the revised grouping of entries within the Movement In Reserves Statement (MIRS)</li> <li>• tested the classification of income and expenditure for 2016/17 recorded within the Cost of Services section of the CIES</li> <li>• tested the completeness of income and expenditure by reviewing the reconciliation of the CIES to the general ledger</li> <li>• tested the classification of income and expenditure reported within the new Expenditure and Funding Analysis (EFA) note to the financial statements</li> <li>• reviewed the new segmental reporting disclosures within the 2016/17 financial statements to ensure compliance with the CIPFA Code of Practice.</li> </ul>	<p>Our audit work has not identified any significant issues in relation to the risk identified</p>

### Going concern

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK&I) 570).

We reviewed the management's assessment of the going concern assumption and the disclosures in the financial statements and concluded that the going concern is an appropriate basis to prepare the accounts.

# Accounting policies, estimates and judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Council's financial statements.

Accounting area	Summary of policy	Comments	Assessment
<p><b>Revenue recognition</b></p>	<p>The Council's accounting policy for income is included in accounting policy 2. This sets out that:</p> <ul style="list-style-type: none"> <li>• activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:</li> <li>• revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.</li> <li>• revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.</li> </ul> <p>Accounting policy 10 states the Council will not credit grant income to the Comprehensive income and expenditure statement until any conditions attached to the grant or contribution have been recognised.</p>	<ul style="list-style-type: none"> <li>• The Council's accounting policy is in line with the requirements of the CIPFA code and is adequately disclosed in the accounts.</li> <li>• Our testing of income, grants income and debtors confirmed that the Council is recognising income in line with its accounting policy.</li> </ul>	<p style="text-align: center;">● <b>(Green)</b></p>
<p><b>Judgements and estimates</b></p>	<ul style="list-style-type: none"> <li>• Key estimates and judgements include:                             <ul style="list-style-type: none"> <li>– Useful life of PPE</li> <li>– Revaluations</li> <li>– Impairments</li> <li>– Accruals</li> <li>– Valuation of pension fund net liability</li> <li>– Provision for NNDR appeals</li> </ul> </li> </ul>	<p>We have:</p> <ul style="list-style-type: none"> <li>• reviewed the estimates and judgements made in the accounts as part of our work with no matters arising.</li> <li>• reviewed the process by which management have used an external expert to provide a desktop valuation of the Council's property assets</li> <li>• sample tested valuations undertaken in the year to confirm they are appropriately included in the statement of accounts.</li> <li>• reviewed the calculation of your provision for business rate appeals and confirmed that the judgements made by management are reasonable and consistent with prior years.</li> </ul>	<p style="text-align: center;">● <b>(Green)</b></p>

**Assessment**

# Accounting policies, estimates and judgements continued

Accounting area	Summary of policy	Comments	Assessment
<b>Going concern</b>	<p>The Director of Resources, as s151 officer has a reasonable expectation that the services provided by the Council will continue for the foreseeable future. Members concur with this view.</p> <p>For this reason, the Council continue to adopt the going concern basis in preparing the financial statements.</p>	<p>We have reviewed the Council's assessment and are satisfied with management's assessment that the going concern basis is appropriate for the 2016/17 financial statements.</p>	<p style="text-align: center;"> <b>(Green)</b></p>
<b>Other accounting policies</b>	<p>The Council has reviewed the standard CIPFA accounting policies and adopted them as appropriate to its statement of accounts.</p>	<p>We have reviewed the Council's policies against the requirements of the CIPFA Code of Practice. The Council's accounting policies are appropriate and consistent with the Code and with previous years.</p>	<p style="text-align: center;"> <b>(Green)</b></p>

**Assessment**

# Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

	Issue	Commentary
1.	<b>Matters in relation to fraud</b>	<ul style="list-style-type: none"> <li>We have previously discussed the risk of fraud with the Accounts and Audit Committee.</li> <li>We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit procedures</li> </ul>
2.	<b>Matters in relation to related parties</b>	<ul style="list-style-type: none"> <li>From the work we carried out, we have not identified any related party transactions which have not been disclosed.</li> </ul>
3.	<b>Matters in relation to laws and regulations</b>	<ul style="list-style-type: none"> <li>You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations.</li> <li>We have not identified any incidences from our audit work.</li> </ul>
4.	<b>Written representations</b>	<ul style="list-style-type: none"> <li>A standard letter of representation has been requested from the Council, which is included in the Audit and Accounts Committee papers</li> </ul>
5.	<b>Confirmation requests from third parties</b>	<ul style="list-style-type: none"> <li>We requested from management permission to send a confirmation request to your bank. This permission was granted and the request were sent.</li> <li>The request was returned with positive confirmation.</li> </ul>
6.	<b>Disclosures</b>	<ul style="list-style-type: none"> <li>Our review found no material omissions in the financial statements</li> </ul>
7.	<b>Matters on which we report by exception</b>	<ul style="list-style-type: none"> <li>We are required to report on a number of matters by exception in a number of areas: We have not identified any issues we would be required to report by exception in the following areas</li> <li>If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit</li> <li>The information in the Narrative Report is materially inconsistent with the information in the audited financial statements or our knowledge of the Group/Council acquired in the course of performing our audit, or otherwise misleading.</li> </ul>

## Misclassifications and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Adjustment type	Account balance	Impact on the financial statements
1 Disclosure	Note 26	<p>Following publication of the accounts, management identified the element of note 26 relating to staff paid more than £50,000 in bandings had been incorrectly reproduced in the accounts. This has been corrected.</p> <p>The amendment is to the note only.</p>
2 Disclosure	Collection Fund	<p>The amounts relating to Council Tax for “transfers to General Fund – Council Tax Benefits” of £21k and “Provision for Bad/ doubtful debts” of £64k had been transposed. These have now been corrected on the face of the Collection Fund and have no overall impact.</p>

# Internal controls – review of issues raised in prior year

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1.	✓	<ul style="list-style-type: none"> <li>The Council uses journals to reclassify income, expenditure and balances to ensure they are classified correctly in the Council’s accounting records after their original posting.</li> <li>The Director of Resources has access rights to raise journals. In the 2015/16 year we identified that journals had been raised by her in respect of election expenditure.</li> <li>There were three small journals raised by the Director of Resources in 2016/17 which totaled less than £200. These were all reclassifications of expenditure to the correct code.</li> </ul>	<ul style="list-style-type: none"> <li>Management wish to retain the Director of Resource’s ability to raise journals as the size of the finance team means there will be occasion where this ability is needed. Management have also sought to minimize the number of journals raised by the Director of Resources to ensure adequate control over the raising of journals.</li> </ul>

**Assessment**

- ✓ Action completed
- X Not yet addressed

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## Section 3: Value for Money

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non-audit services and independence

05. Communication of audit matters

## Background

We are required by section 21 of the Local Audit and Accountability Act 2014 ('the Act') and the NAO Code of Audit Practice ('the Code') to satisfy ourselves that the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council. The Act and NAO guidance state that for local government bodies, auditors are required to give a conclusion on whether the Council has put proper arrangements in place.

In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in November 2016. AGN 03 identifies one single criterion for auditors to evaluate:

*In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.*

AGN03 provides examples of proper arrangements against three sub-criteria but specifically states that these are not separate criteria for assessment purposes and that auditors are not required to reach a distinct judgement against each of these.

## Risk assessment

We carried out an initial risk assessment in February 2017 and identified no significant risks in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated this to you in our Audit Plan dated 29 March 2017.

We have continued our review of relevant documents up to the date of giving our report, and have not identified any further significant risks where we need to perform further work.

### **Significant qualitative aspects**

AGN 03 requires us to disclose our views on significant qualitative aspects of the Council's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the identifying whether there were any significant risks to our VfM conclusion that we identified in the Council's arrangements. We reported to you in our audit plan that we had identified no risks at that stage.

We ensured that we updated our review of your arrangements to ensure that there were no additional risks identified. Our work included reviewing key documents and discussing issues with your officers.

### **Overall conclusion**

Based on the work we performed to address the significant risks, we concluded that:

- the Council had proper arrangements in all significant respects to ensure it delivered value for money in its use of resources.

The text of our report, which confirms this can be found at Appendix B.

### **Significant difficulties in undertaking our work**

We did not identify any significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

### **Significant matters discussed with management**

There were no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or those charged with governance.

### **Any other matters**

There were no other matters from our work which were significant to our consideration of your arrangements to secure value for money in your use of resources.

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## Section 5: Fees, non-audit services and independence

01. Executive summary

02. Audit findings

03. Value for Money

**04. Fees, non audit services and independence**

05. Communication of audit matters

We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non audit services.

### Fees

	Proposed fee £	Final fee £
Council audit	40,202	40,202
Grant certification	6,690	6,690
<b>Total audit fees (excluding VAT)</b>	<b>46,892</b>	<b>46,892</b>

The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA)

### Grant certification

Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited.

### Independence and ethics

- We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and confirm that we are independent and are able to express an objective opinion on the financial statements.
- We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.
- For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council.

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## Section 6: Communication of audit matters

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

# Communication to those charged with governance

ISA (UK&I) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

This document, The Audit Findings, outlines those key issues and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

## Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by Public Sector Audit Appointments Limited (<http://www.psa.co.uk/appointing-auditors/terms-of-appointment/>)

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England at the time of our appointment. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the NAO (<https://www.nao.org.uk/code-audit-practice/about-code/>). Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged Details of safeguards applied to threats to independence	✓	✓
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to auditor's report, or emphasis of matter		✓
Unadjusted misstatements and material disclosure omissions		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern	✓	✓

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# Appendix

## A. Audit Opinion

# A: Audit opinion

**We anticipate we will provide the Council with an unmodified audit report**

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RIBBLE VALLEY BOROUGH COUNCIL**

We have audited the financial statements of Ribble Valley Borough Council (the "Authority") for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014 (the "Act"). The financial statements comprise, the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement the Balance Sheet, the Cash Flow Statement, the Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Act and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the Director of Resources and auditor**

As explained more fully in the Statement of Responsibilities, the Director of Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, 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, the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the "Code of Audit Practice") and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

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

### **Opinion on financial statements**

In our opinion:

- the financial statements present a true and fair view of the financial position of the Authority as at 31 March 2017 and of its expenditure and income for the year then ended; and
- the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and applicable law.

### **Opinion on other matters**

In our opinion, the other information published together with the audited financial statements in the Narrative Report, [and] the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the audited financial statements.

### **Matters on which we are required to report by exception**

We are required to report to you if:

- in our opinion the Annual Governance Statement does not comply with the guidance included in 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE; or
- we have reported a matter in the public interest under section 24 of the Act in the course of, or at the conclusion of the audit; or

- we have made a written recommendation to the Authority under section 24 of the Act in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Act.

We have nothing to report in respect of the above matters.

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

Respective responsibilities of the Authority and auditor

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

We are required under Section 20(1)(c) of the Act to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria issued by the Comptroller and Auditor General in November 2016, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criteria as that 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 2017.

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 has put in place proper arrangements for securing 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 issued by the Comptroller and Auditor General in November 2016, we are satisfied that in all significant respects the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

#### Certificate

We certify that we have completed the audit of the financial statements of the Authority in accordance with the requirements of the Act and the Code of Audit Practice.

Karen Murray  
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

4 Hardman Square  
Spinningfields  
Manchester  
M3 3EB



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# RIBBLE VALLEY BOROUGH COUNCIL

## REPORT TO ACCOUNTS AND AUDIT COMMITTEE

Agenda Item No 8

meeting date: 26 JULY 2017  
title: LETTER OF REPRESENTATION  
submitted by: DIRECTOR OF RESOURCES  
principal author: JANE PEARSON

### 1 PURPOSE

- 1.1 To approve the Letter of Representation for 2016/17 on behalf of the Council.

### 2 BACKGROUND

- 2.1 As you will be aware, each year our external auditors request a letter of representation from management confirming all material items have been disclosed within the financial statements.
- 2.2 The letter sets out assurances from the Council to Grant Thornton that relevant accounting standards have been complied with and gives further assurances that the Council has disclosed information where to withhold it would have undermined the accuracy and reliability of the Statement of Accounts. The letter also covers my own responsibilities and those of the Council in producing the annual accounts for the authority. Grant Thornton requires you to approve the Letter of Representation before they can issue their opinion and conclusion on our accounts for 2016/17.

### 3 2016/17 LETTER OF REPRESENTATION

- 3.1 The letter sets out assurances from the Council to Grant Thornton that relevant accounting standards have been complied with and gives further assurances that the Council has disclosed information where to withhold it would have undermined the accuracy and reliability of the Statement of Accounts.

### 4 RECOMMENDED THAT COMMITTEE

- 4.1 Approve the Letter of Representation to Grant Thornton for 2016/17.

DIRECTOR OF RESOURCES

AA12-17/JP/AC  
17 July 2017

For further information please ask for Jane Pearson



# RIBBLE VALLEY BOROUGH COUNCIL

---

Please ask for: Mrs J Pearson  
Our ref: JP4-17/AC  
Your ref:  
Email: jane.pearson@ribblevalley.gov.uk

Council Offices  
Church Walk, Clitheroe  
BB7 2RA

Tel: 01200 425111

[www.ribblevalley.gov.uk](http://www.ribblevalley.gov.uk)

26 July 2017

Dear Karen

## **Ribble Valley Borough Council Financial Statements for the year ended 31 March 2017**

This representation letter is provided in connection with the audit of the financial statements of Ribble Valley Borough Council for the year ended 31 March 2017 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

### **Financial Statements**

- i We have fulfilled our responsibilities for the preparation of the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 ("the Code") which give a true and fair view in accordance therewith.
- ii We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.
- iii The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- vi We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. There are no other material judgements that need to be disclosed.

- vii Except as disclosed in the financial statements:
- there are no unrecorded liabilities, actual or contingent
  - none of the assets of the Council has been assigned, pledged or mortgaged
  - there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- ix Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of the Code.
- x All events subsequent to the date of the financial statements and for which the Code requires adjustment or disclosure have been adjusted or disclosed.
- xi Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of the Code.
- xii We have considered the adjusted disclosures changes schedules included in your Audit Findings Report. The financial statements have been amended for these disclosure changes and are free of material misstatements, including omissions.
- xiii We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiv We believe that the Council's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

### **Information Provided**

- xv We have provided you with:
- access to all information of which we are 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 us for the purpose of your audit; and
  - unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence.
- xvi We have communicated to you all deficiencies in internal control of which management is aware.
- xvii All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xviii We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xix We have disclosed to you all our knowledge of fraud or suspected fraud affecting the Council involving:
- management;
  - employees who have significant roles in internal control; or
  - others where the fraud could have a material effect on the financial statements.

- xx We have disclosed to you all our knowledge of any allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, regulators or others.
- xxi We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xxii We have disclosed to you the identity of all the Council's related parties and all the related party relationships and transactions of which we are aware.
- xxiii We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

**Annual Governance Statement**

- xxiv We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

**Narrative Report**

- xxv The disclosures within the Narrative Report fairly reflect our understanding of the Council's financial and operating performance over the period covered by the financial statements.

**Approval**

The approval of this letter of representation was minuted by the Council's Accounts and Audit Committee at its meeting on 26 July 2017.

Name:

Position: Director of Resources

Date 26 July 2017

Yours sincerely

Jane Pearson  
Director of Resources

Grant Thornton UK LLP  
4 Hardman Square  
Spinningfields  
MANCHESTER  
M3 3EB

# RIBBLE VALLEY BOROUGH COUNCIL

## REPORT TO ACCOUNTS AND AUDIT COMMITTEE

Agenda Item No 9

meeting date: 26 JULY 2017  
title: APPROVAL OF AUDITED STATEMENT OF ACCOUNTS FOR 2016/17  
submitted by: DIRECTOR OF RESOURCES  
principal author: LAWSON ODDIE

### 1 PURPOSE

1.1 To seek Member approval of the Statement of Accounts for 2016/17, following completion of the audit.

1.2 Relevance to the council's ambitions and priorities

- Community Objectives – none identified
- Corporate Priorities - to continue to be a well-managed Council, providing efficient services based on customer need and meets the objective within this priority of maintaining critical financial management controls, ensuring the authority provides council tax payers with value for money
- Other Considerations – none identified

### 2 BACKGROUND

2.1 Approval of the Statement of Accounts is within the terms of reference of this committee.

2.2 Our full Statement of Accounts was signed off for audit by the Director of Resources on 31 May 2017 and that audit has now been completed.

2.3 Elsewhere on the agenda is the Audit Findings Report of our external auditors, Grant Thornton.

2.4 The 2017/18 financial year will be the first where we are required to meet the new deadlines for release of our Statement of Accounts for external audit by the 31 May and approval following audit by 31 July.

2.5 We undertook to meet this deadline a year earlier and successfully published our Statement of Accounts (subject to audit) for 2016/17 on our website on 1 June.

2.6 Members' role in approval of the Statement of Accounts following the conclusion of the audit is to demonstrate their ownership of the statements, their confidence in the Director of Resources (section 151 officer) and the process by which accounting records are maintained and the statements prepared.

2.7 The outturn position for each of our committees will be reported in the next cycle of meetings and will include details of the variances against the budget estimate. This will help in the budget setting process for the 2018/19 financial year, and also in revising the estimate for the current financial year.

### 3 STATEMENT OF ACCOUNTS FOR 2016/17

3.1 The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) specifies the principles and practices of accounting required to give a 'true and fair' view of the financial position and transactions of the council. This year the main areas from the Code that have impacted on this council have been:

- Presentation of the Financial Statements – new formats and reporting requirements for the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement, together with the introduction of the new Expenditure and Funding Analysis as a result of the *Telling the Story* review of the presentation of local authority financial statements.
- Amendments to reflect the new requirements in the Accounts and Audit Regulations 2015 for English authorities for a Narrative Report.
- Additions to the definition of a related party in relation to related Party Disclosures to reflect the changes to IAS 24 *Related Party Disclosures* in relation to key management personnel.

3.2 Members will be taken through the full statement of accounts for 2016/17 at the meeting. Obviously the accounts are very detailed and do contain a considerable amount of technical information.

3.3 However, it is crucial that members consider the important aspects of the various statements and therefore attached at Annex 1 is 'A Guide to Local Authority Accounts' which is a document produced by Grant Thornton to assist members. Whilst some elements of this are a little out of date, the principles and the descriptions of the different statements are still relevant.

#### 4 AMENDMENTS REQUIRED FOLLOWING THE EXTERNAL AUDIT

4.1 We are very pleased that there have been only a few amendments required. These changes have no impact on the overall position as previously reported in the Statement of Accounts (subject to audit).

4.2 The key changes made can be summarised as:

- Following publication of the accounts, we identified the element of note 26 relating to staff paid more than £50,000 in bandings had been incorrectly reproduced in the accounts. This was brought to the attention of Grant Thornton and has now been corrected.
- The amounts relating to Council Tax for "transfers to General Fund – Council Tax Benefits" of £21k and "Provision for Bad/ doubtful debts" of £64k had been transposed. These have now been corrected on the face of the Collection Fund and have no overall impact.

#### 5 GENERAL FUND OUTTURN POSITION 2016/17

5.1 Shown below is the final position for the 2016/17 financial year.

<b>Committee</b>	<b>Original Estimate</b>	<b>Revised Estimate</b>	<b>Actual</b>	<b>Original Estimate Compared to Actual</b>	<b>Revised Estimate Compared to Actual</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Community Services	3,524	3,413	3,513	-11	100
Health & Housing	935	860	663	-272	-197
Planning & Development	552	493	365	-187	-128
Policy & Finance	2,157	2,094	1,922	-235	-172
<b>Committee Expenditure</b>	<b>7,168</b>	<b>6,860</b>	<b>6,463</b>	<b>-705</b>	<b>-397</b>

<b>Committee</b>	<b>Original Estimate</b>	<b>Revised Estimate</b>	<b>Actual</b>	<b>Original Estimate Compared to Actual</b>	<b>Revised Estimate Compared to Actual</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Interest Payable	9	9	9	0	0
Parish Precepts	377	377	377	0	0
Interest Received	-29	-21	-22	7	-1
<b>Net Operating Expenditure</b>	<b>7,525</b>	<b>7,225</b>	<b>6,827</b>	<b>-698</b>	<b>-398</b>
Precept from Collection Fund (including parish precepts)	-3,585	-3,585	-3,585	0	0
Collection Fund Surplus - Council Tax	-48	-48	-48	0	0
Localisation of Council Tax Support - Parish Payment	6	6	6	0	0
Transition Grant	-20	-20	-20	0	0
New Homes Bonus	-1,367	-1,367	-1,367	0	0
New Homes Bonus - Returned Funding	0	0	-3	-3	-3
Rural Areas Delivery Grant	-107	-107	-107	0	0
Revenue Support Grant	-623	-623	-623	0	0
Business Rates Baseline Funding	-1,240	-1,240	-1,240	0	0
Retained Rates Income	-339	-339	-339	0	0
10% Retained Business Rates Levy - Paid to LCC	39	38	38	-1	0
S31 Grant	-528	-458	-462	66	-4
Retained Rates - Renewable Energy	0	-36	-33	-33	3
Collection Fund Deficit - Business Rates	420	420	420	0	0
<b>Deficit/(Surplus) for year</b>	<b>133</b>	<b>-134</b>	<b>-536</b>	<b>-669</b>	<b>-402</b>
Depreciation	-838	-856	-856	-18	0
Minimum Revenue Provision	135	134	134	-1	0
Net Transfer to/from earmarked reserves	770	864	1,220	450	356
<b>Deficit/(Surplus) for year</b>	<b>200</b>	<b>8</b>	<b>-38</b>	<b>-238</b>	<b>-46</b>

5.2 You will see we have made a surplus of £38,000 during the year, compared with the Revised Estimate which showed a deficit of £8,000, and the Original Estimate which showed a deficit of £200,000. When the Revised Estimates were considered in January we explained the main differences between the Original and Revised Estimates.

5.3 During the preparation of the revised estimate a number of changes were made to the budget:

Item	£'000
Net Decrease in Service Committee Costs	-315
Decrease in Interest Received	8
Decrease in Forecast 10% Retained Levy Payable to Lancashire County Council	-1
Decrease in S31 Grants Receivable	70
Increase in retained Rates from Renewable Energy	-36
Increase in amount removed for Depreciation	-18
Reduction in Minimum Revenue Provision	-1
Increase in amount set aside in Earmarked Reserves	101
<b>Net decrease in amount to take from balances for the year compare to the Original Estimate</b>	<b>-192</b>

**Final Position Compared to the Revised Estimate**

5.4 During the 2016/17 financial year there are many variances that occur which are highlighted in our budget monitoring reports to committee. The main variations affecting our final position compared with the **revised estimate** can be summarised below. Favourable variances are denoted by values with a minus sign:

Variation	Committee Variance £'000	Impact on Earmarked Reserves £'000	Net Variance £'000
<b><u>Expenditure Variations</u></b>			
Direct Employee Costs	85		85
Tuition Fees and Training	-14		-14
Electricity	15		15
Gas	-11		-11
Vehicle Repairs and Maintenance	91		91
Rural Areas Delivery Grant Expenditure	-107	107	0
Purchase of Equipment and Materials	-14	9	-5
Purchase of wheeled bins for onward sale	20		20
Cost Sharing Paper Penalty Charge	31		31
Printing and Stationery	-12		-12
Postages	-18	10	-8
Software Maintenance	-11	2	-9
Subscriptions	-10		-10
Inspection Fees	-11	10	-1

Variation	Committee Variance £'000	Impact on Earmarked Reserves £'000	Net Variance £'000
Tipping Charges	13		13
Promotional Activities and Ribble Valley News	-18	10	-8
Council Tax Flood Discount	70		70
Contribution Towards General Fund Rent Rebates	-13		-13
Rent Allowance Payments	-32		-32
Grants	-14		-14
Grants to Individuals	-80	1	-79
<b>Total Expenditure Variances</b>	<b>-40</b>	<b>149</b>	<b>109</b>
<b><u>Income Variations</u></b>			
HRA Rent Rebate Grant	11		11
Storm Eva Flood S31 Grant	-70		-70
DCLG Community Housing Grant	-158	158	0
DCLG Custom and Self Build Grant	-15	15	0
DCLG Brownfield Register and PIP Grant	-15	15	0
Contributions and Donations Received	-17	14	-3
VAT Shelter Reimbursements	-43	43	0
Flood Resilience Funding S31 Grant (via LCC)	78		78
Sale of Vehicles	-10	10	0
Sale of Paper (see associated penalty charge above, under expenditure)	-31		-31
Sale of wheeled bins	-31		-31
Planning Fees	-35		-35
Commercial Trade Waste Collection	-23		-23
DCLG Property Searches New Burdens Grant	-5	5	0
Land Rents	14		14
Business Rates Volatility Reserve (no longer to be set aside)	0	-44	-44
Transition Grant (no longer to be set aside)	0	-20	-20
<b>Total Income Variances</b>	<b>-348</b>	<b>196</b>	<b>-154</b>
Other Variations	-7	11	4
<b>Net Variation on Committee Expenditure</b>	<b>-397</b>	<b>356</b>	<b>-41</b>
Increased Interest Received			-1
<b>Variation on Net Operating Expenditure</b>			<b>-42</b>

Variation	Committee Variance £'000	Impact on Earmarked Reserves £'000	Net Variance £'000
Increased New Homes Bonus Returned Funding			-3
Increased S31 Grants			-4
Retained Rates - Renewable Energy			3
<b>Increase in amount to add to balances compared to Revised Estimate</b>			<b>-46</b>

- 5.5 As can be seen, a substantial proportion of these variations result in more transfers to our earmarked reserves. This is largely due to a high number of variances relating to grant income that has yet to be expended, and the required accounting treatment of the same through set aside in earmarked reserves for future use.

### General Fund Balances

- 5.6 As mentioned earlier in the report, we had originally planned to take £200,000 from general fund balances to help finance the 2016/17 spending plans. However, this was revised later in the year to taking £8,070 from general fund balances. The final position shows that the council has added £37,737 to general fund balances.

General Fund Balance	£'000
<b>General Fund Balances: Brought forward at 1 April 2016</b>	<b>2,678,832</b>
Surplus in 2016/17 added to General Fund Balances	<b>37,737</b>
<b>General Fund Balances: Carried forward at 31 March 2017</b>	<b>2,716,569</b>

### Earmarked Reserves

- 5.7 With regard to earmarked reserves, in support of the revenue account and excluding capital transactions, we had originally planned to add £769,954. However, this was revised later in the year to adding £863,493 (after virements) to earmarked reserves. The final position shows that the council has added £1,220,067 to earmarked reserves for revenue purposes.
- 5.8 For capital purposes we took £440,364 from earmarked reserves to fund the capital programme. The overall net movement was £779,703 added to earmarked reserves. Full details of the movement on our earmarked reserves is shown at Note 12 of the Statement of Accounts (page 81).

Earmarked Reserves	£
<b>Earmarked Reserves: Brought forward at 1 April 2016</b>	<b>6,005,502</b>
Net added to Earmarked Reserves for revenue purposes	<b>1,220,067</b>
Net taken from Earmarked Reserves for capital purposes	<b>-440,364</b>
<b>Earmarked Reserves: Carried forward at 31 March 2017</b>	<b>6,785,205</b>

- 5.9 Two of the larger in-year additions to earmarked reserves have been from the VAT Shelter arrangements (£200,561) and unused New Homes Bonus (£579,923). There have been other movements both in and out of our earmarked reserves.

## **Business Rates**

- 5.10 To support our budget we use the business rates that we collect from within the borough. This consists of many elements and also the amount we received from one year to the next can be heavily influenced by external factors that are wholly out of our control. As a consequence of these uncertainties we operate a Business Rates Volatility Earmarked Reserve to cushion any impacts.
- 5.11 We use retained business rates at a baseline level set by the government, plus growth on business rates that has been realised. The council also receives a number of grants, known as Section 31 Grants, to compensate the council for business rates income lost as a result of measures introduced by the Government.
- 5.12 This Council is part of the Lancashire Business Rates Pool which began on 1 April 2016. In a Business Rate Pool, tariffs, top-ups, levies and safety nets can be combined. This can result in a significantly lower levy rate or even a zero levy rate meaning that more or all of the business rate growth can be retained within the pool area instead of being payable to the Government.
- 5.13 For this council, by being part of the Lancashire Business Rates Pool we were able to retain levy that would have otherwise been payable to central government of £376,130. Of this 10% (£37,613) was paid to Lancashire County Council under the governance arrangements of the pool, resulting in net retained levy of £338,517 for this council.
- 5.14 Finally, there was a deficit on the Collection fund for business rates, which the council is required to contribute to.

	<b>£'000</b>
Total Business Rates Income Forecast for 2016/17	-14,850
Less Payable to Central Government	7,425
Less Payable to Lancashire County Council	1,337
Less Payable to Lancashire Combined Fire Authority	148
<b>Balance Retained by Ribble Valley Borough Council</b>	<b>-5,940</b>
Less Tariff Payable to Central Government	4,361
<b>Baseline Business Rates Income of £1,240,000 plus Growth of £339,000</b>	<b>-1,579</b>
Business Rates retained on Renewable Energy Schemes	-33
Section 31 Grants <i>(To compensate the council for business rates income lost as a result of measures introduced by the Government)</i>	-462
Less 10% Retained Business Rates Levy Payable to Lancashire County Council	38
Less Business Rates Collection Fund Deficit	420
<b>Overall Net Retained Business Rates Related Income</b>	<b>-1,616</b>
<b>Business Rates Income Used In-Year</b>	
Baseline Business Rates Income	1,240
Use of Business Rates Growth	263
<b>Total Business Rates Income Used In-Year</b>	<b>1,503</b>
<b>Balance set aside in the Business Rates Volatility Earmarked Reserve</b>	<b>113</b>

### **Collection Fund**

- 5.15 As billing authority, the council maintain a separate collection fund for the collection of and distribution of council tax and business rates.
- 5.16 With regard to council tax, each precepting body declares the precept that they require from the collection fund to support their services in February each year. This forms the basis for what we, as billing authority, then charge residents as council tax. Due to the change of circumstances for residents and changes to occupied property numbers, the actual amount of council tax collected from residents can be higher or lower than the total amount required to be paid to precepting bodies. This results in either a forecast surplus or deficit, which is declared in the following January each year and is either paid to or collected from precepting bodies in the following financial year.
- 5.17 For business rates, similar principles apply. Total forecast collectable rates are paid from the Collection Fund at fixed shares to Central Government, Ribble Valley Borough Council, Lancashire County Council and Lancashire Fire and Rescue. Due to the change of circumstances for businesses, the actual amount of business rates collected can be higher or lower than the total amount required to be paid out in fixed shares.
- 5.18 This results in either a forecast surplus or deficit, which is declared in the following January each year and is either paid to or collected from Central Government, Ribble Valley Borough Council, Lancashire County Council and Lancashire Fire and Rescue in the following financial year.
- 5.19 Full details of the Collection Fund position can be seen on page 128 of the Statement of Accounts.

### **Capital**

- 5.20 During the year the Council spent £715,910 on capital schemes. The main areas of expenditure included:
- Replacement Vehicles and Plant
  - Improvement works at Ribblesdale Pool
  - ICT Infrastructure Refresh
  - Play Area Improvements
  - Payment of Grants
- 5.21 Shown below is a summary of how we performed on the capital programme compared to the budget.

<b>Capital Programme</b>	<b>Original Estimate</b>	<b>Revised Estimate</b>	<b>Actual</b>	<b>Original Estimate Compared to Actual</b>	<b>Revised Estimate Compared to Actual</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Community Services Committee	374,500	440,955	416,094	41,594	-24,861
Planning and Development Committee	30,200	30,200	0	-30,200	-30,200
Policy and Finance Committee	100,000	104,530	123,990	23,990	19,460
Health and Housing Committee	411,000	386,020	175,826	-235,174	-210,194
<b>Total Capital Expenditure</b>	<b>915,700</b>	<b>961,705</b>	<b>715,910</b>	<b>-199,790</b>	<b>-245,795</b>
Grants and Contributions	-311,000	-438,600	-271,020	39,980	167,580
Borrowing	-175,000	-4,530	-4,526	170,474	4
Earmarked Reserves	-429,700	-518,575	-440,364	-10,664	78,211
<b>Total Resources</b>	<b>-915,700</b>	<b>-961,705</b>	<b>-715,910</b>	<b>199,790</b>	<b>245,795</b>

5.22 As shown in the table above, comparing spend to budget, there is a variance of £245,795 between the revised capital programme and actual spend, after netting off a capital adjustment that is required for the treatment of Performance Reward Grants, the variance is increased to £271,906.

5.23 At the end of the financial year work on some schemes was still underway. This can be carried forward into the new financial year and is known as slippage. Of the £271,906 variance £270,640 is accounted for as slippage in to the 2017/18 financial year, and is summarised below:

Scheme Name	Slippage in to the 2017/18 Financial Year £
Play Area Improvements	6,780
Ribblesdale Pool Improvement Work	16,820
Planning System Update and Portal Link	30,200
ICT Infrastructure Refresh	6,650
Disabled Facilities Grants	170,130
Landlord/Tenant Grants	25,520
Affordable Warmth Grants	14,540
<b>Total Capital Slippage</b>	<b>270,640</b>

### Balance Sheet

5.24 The Balance Sheet shows our assets, liabilities and reserves. The reserves are split in to usable and unusable and as the name suggests, the unusable reserves are not available to the council but are part of technical accounting requirements.

5.25 The main movements on the balance sheet between 31 March 2016 and 31 March 2017 are summarised below:

- **Property, Plant and Equipment** has increased partly due to the revaluation of a number of assets following the annual desktop exercise undertaken by the Valuation Office and also due to the addition of assets through the capital programme.
- **Short Term Debtors** has increased mainly because of a one-off large debtor due from Lancashire County Council for Flood Resilience Grants.
- **Cash and Cash Equivalents** is higher at the 31 March 2017 due to a higher level of short term investments that were in place at year end (£8.370m) compared to 31 March 2016 (£6.030m)
- **Short Term Creditors** has increased for several reasons. Firstly, there was an increase of £780k in Business Rates and Council Tax related creditors due to Central Government and other Lancashire Precepting Authorities. In addition, £135k was due to Lancashire County Council for curatorial services and there was a £132k increase in Commuted Sums held by the Council.
- **Net Pension Liability** has increased and this is mainly due to a net loss on remeasurements, which impacts on the change in the benefit obligation (liabilities)

between the start and end of the year. Movements were experienced in the following areas under remeasurements:

	<b>£'000</b>
<b>Remeasurements (liabilities)</b>	
Experience Gain	-2,629
Loss on Financial Assumptions	11,379
Gain on Demographic Assumptions	-412
<b>Remeasurements (assets)</b>	-6,193
<b>Net movement from remeasurements</b>	<b>2,145</b>

- **Earmarked Reserves** are held for numerous reasons including due to continued uncertainty around various funding streams, e.g. New Homes Bonus, Business Rates and VAT Shelter. The Council continues to review the level of its earmarked reserves in order to meet its future financial pressures and also a healthy level of general fund balances in light of these future uncertainties. Earmarked reserves have increased by £800,000 at 31 March 2017 compared to the previous year end.

5.26 There have been a number of fluctuations in the unusable reserves such as the capital adjustment account and revaluation reserve. This is a reflection of the general year-end review of all asset valuations and the addition of assets through the capital programme.

5.27 The council has always worked to minimise the impacts of reduced government funding and will work to minimise the impact of future forecast reductions in government funding.

## 6 CONCLUSION

6.1 The final outturn of a **surplus of £38,000** means that we have added £46,000 **more** to general fund balances than was estimated when we prepared the Revised Estimates. There has also been £356,000 more (revenue only) added to earmarked reserves than forecast at revised estimate, which was largely due the accounting treatment required for grants received but yet to be spent.

6.2 In previous years we have experienced significant savings/extra income between the setting of the revised estimate and our outturn position which meant we have added large amounts to general fund balances/earmarked reserves.

6.3 However, for 2016/17 our net outturn is a variance of £46k which is very close to our predicted position when we set the revised estimate in January 2017.

## 7 RISK ASSESSMENT

7.1 The approval of this report may have the following implications:

- Resources – none as a direct result of this report.
- Technical, Environmental and Legal – The Code of Practice and all Financial Reporting Standards have been adhered to in the preparation of the Statement of Account
- Political – none.
- Reputation –The early completion of the audit and approval of the final audited Statement of Accounts at this meeting with minimal amendment can only be good for the Council's reputation.

- Equality and Diversity – none

8 RECOMMENDED THAT COMMITTEE

8.1 Approve the audited Statement of Accounts for 2016/17.

HEAD OF FINANCIAL SERVICES

DIRECTOR OF RESOURCES

PF13-17/LO/AC  
17 July 2017



# A guide to local authority accounts

March 2014



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# Introduction

This guide is designed to help members of audit committees discharge their responsibilities for the financial statements. It aims to help them understand and challenge the accounts, supporting notes and other statements.

Local authority audit committee members are not expected to be financial experts, but they are responsible for approving and issuing the authority's financial statements. They also play a key role in ensuring accountability and value for money are demonstrated to the public.

However, local authority financial statements are complex and can be difficult to understand: they must comply with CIPFA's Local Authority Code of Practice, which is based on International Financial Reporting Standards (IFRS), and also the requirements of accounting and financing regulations of central government. IFRS provides a comprehensive framework (over 3,000 pages of mandatory requirements) for the production of financial statements in the public and private sector. This framework is continually being refined.

We have prepared this guide for members to use as part of their review of the financial statements. It explains the key features of the primary statements and notes that make up a set of financial statements. It also includes key challenge questions to help members assess whether the financial statements show a true and fair view of their authority's financial performance and financial position.

*“It sounds extraordinary, but it's a fact that balance sheets can make fascinating reading.”*

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**Mary Archer**  
British scientist



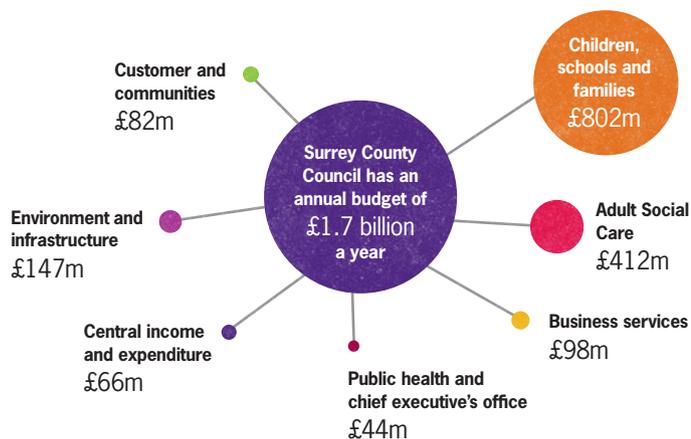
# Explanatory foreword

The purpose of the explanatory foreword is to provide a commentary on the financial statements. It should include an explanation of key events and their effect on the financial statements.

The information included in the explanatory foreword should not be a surprise and should be familiar to you from the budget reports provided during the year. The explanatory foreword should therefore ideally also reconcile the year end financial position reported to members (the outturn) to the statutory financial accounts.

However, in a recent survey on governance, conducted by Grant Thornton, 40% of respondents did not agree that the explanatory foreword aids public understanding of local government accounts. Too often, explanatory forewords repeat key elements of the accounts and run the risk of being overly long, rather than provide a clear commentary in plain English. This indicates there is still some way to go before the explanatory foreword achieves its purpose.

Key financial information should be clearly explained and authorities should consider the best way to present it. Below is an example of the presentation of financial information that we consider to be helpful.



## Challenge questions

- 1 Does the explanatory foreword provide a clear summary of the authority's financial performance and financial position at the year end?
- 2 Is the summary in line with your expectations? Is the financial performance in line with budget reports? Are the key events described in the explanatory foreword those you expected to see?
- 3 Can you trace the figures to the financial statements? Are they consistent?
- 4 If last year's figures have been restated, is the reason clearly explained?
- 5 Is there a better way that this information could be presented or communicated?

For more information, see **Grant Thornton's Local Government Governance Review 2014**



# Annual governance statement

The annual governance statement (AGS) sets out the arrangements the authority has put in place to manage and mitigate the risks it faces when meeting its responsibilities. The AGS should give the reader a clear sense of the risks facing the authority and the controls in place to manage them.

While the AGS is prepared by the authority at the end of the year, it should be built up from processes designed, run and tested throughout the year. There should be no surprises for members of the audit committee as all of the issues described should already have been discussed. However, surprises can occur if the first sight of the document is not until June. We recommend making the AGS an iterative document which is presented in draft to audit committee members towards the end of the calendar year.

The AGS should be consistent with:

- the rest of the financial statements
- internal audit findings
- the results of any external inspections of the authority during the year.

## Challenge questions

- 1 Is the content of the AGS consistent with your knowledge of the operations of the authority over the year?
- 2 Does the AGS succinctly describe the control environment in an understandable way?
- 3 In particular, does the AGS include:
  - all significant risks that you were aware of during the year?
  - the actions the authority is taking to address the identified risks?

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*Only 65% of respondents to our survey agreed that the AGS helps the public to understand how the organisation manages risk.*



# Movement in reserves statement

Reserves represent the authority's net worth and show its spending power. Reserves are analysed into two categories: usable and unusable.



## Usable reserves

- Result from the authority's activities
- Can be spent in the future
- Include:
  - general fund
  - earmarked reserves
  - capital receipts reserve

The level of usable reserves, the spending plans of the authority and other sources of funding will determine how much council tax needs to be raised.

The movement in reserves statement (MIRS) analyses the changes in each of the authority's reserves from year to year. It should be clear to see what has caused the movement in each reserve. The statement shows:

- **opening balances** – these should be the same as the previous year's closing balances
- **total income or expenditure for the year** – this should agree with the comprehensive income and expenditure account
- **statutory transfers between reserves** – these are made as the result of regulation
- **voluntary transfers between reserves** – these are made as the result of the authority's decisions
- **closing balances** – these should agree to those on the balance sheet.

Transfers between reserves should not result in a change in the overall level of reserves.

### Unusable reserves

- Derive from accounting adjustments
- Cannot be spent
- Include:
  - pensions reserve
  - revaluation reserve
  - capital adjustment account

Statutory transfers are adjustments that are made to usable reserves to:

- remove transactions that are required by accounting standards
- add transactions required by statute.

For example, accounting standards require depreciation to be charged to the general fund to represent the cost of assets used in the delivery of services. Statute requires that all capital transactions are removed from the general fund. Depreciation is therefore taken out of the general fund and replaced with the minimum revenue provision (MRP). The MRP represents the authority's estimate of how much it should contribute to capital expenditure each year and is approved by members at the start of every year.

Voluntary transfers include the earmarking of reserves. Members may choose to earmark reserves, putting aside cash to deliver specific longer-term objectives, such as the replacement of vehicles, plant and equipment. The purpose and usage of each earmarked reserve should be clearly set out.

### Challenge questions

- 1 Are the movements in the two types of reserves shown in separate tables?
- 2 Do the opening balances agree with last year? Have any restatements been clearly explained?
- 3 Do the figures in the MIRS agree to the comprehensive income and expenditure statement?
- 4 Can you trace the figures in the MIRS to the relevant notes? Do the notes adequately explain the major movements?
- 5 Are the purposes of the material earmarked reserves consistent with the authority's objectives and the authority's decisions?

For more information, see **Grant Thornton's Approving the MRP Policy**



# Comprehensive income and expenditure statement

The comprehensive income and expenditure statement (CIES) reports on how the authority performed during the year and whether its operations resulted in a surplus or deficit.

The CIES is sometimes described as a 'film' of all the transactions in the year. It includes cash payments made to employees and for services, as well as non-cash expenditure such as depreciation and accruals. It also shows all sources of income received and accrued in the year. Accrued expenditure represents the value of goods or services received by the authority by 31 March which have not been paid. Similarly, accrued income represents income due, but not yet received.

The CIES shows the accounting position of the authority before statutory overrides are applied. It analyses income and expenditure based on services. This means that it does not have the same headings you see in commercial financial statements.

The standard format of the CIES means that it will differ from the layout in your budget book, which will be based on your authority's own activities and internal reporting needs. A note to the accounts should reconcile the figures reported internally to those included in the CIES.



## Five broad sections within the CIES

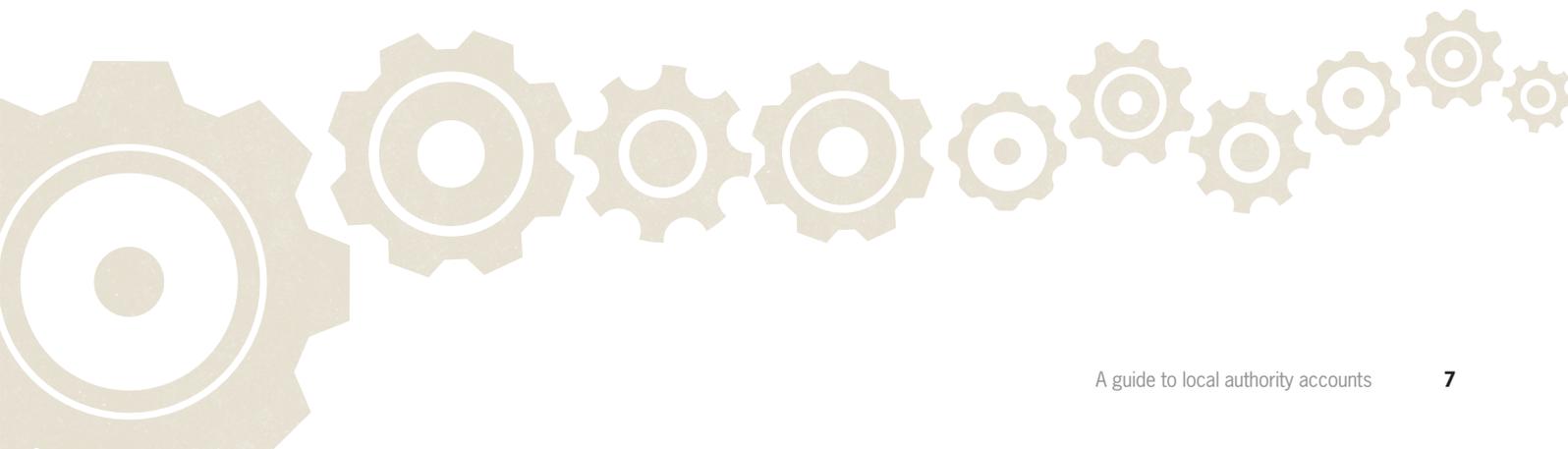
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<b>Cost of services</b>	Presented in a standardised format as set out by the 'Service reporting code of practice for local authorities'. Includes service specific income and expenditure. Any large and/or unusual items which may affect the reader's view of the accounts should be disclosed separately.
<b>Other operating income and expenditure</b>	Includes the surplus or deficit from the sale of property, plant and equipment.
<b>Financing and investment income and expenditure</b>	Includes interest payable and receivable.
<b>Taxation and general grant income</b>	Includes revenue from council tax and the revenue support grant.
<b>Other comprehensive income and expenditure</b>	Items which are not allowed to be accounted for elsewhere in the CIES, such as increases in the value of land and buildings and changes in the actuarial assessment of pension liabilities.

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## Challenge questions

- 1 Does the CIES reflect the financial performance of your authority as you know it?
- 2 Have there been significant changes year on year? If so, are these clearly explained?
- 3 Is there a detailed note to reconcile the CIES to budget reports? Is it easy to find? Can you trace the figures through?



# Balance sheet

The balance sheet is a ‘snapshot’ of the authority’s financial position at a specific point in time, showing what it owns and owes at 31 March.

The balance sheet is always divided into two halves that should, as the name suggests, balance:

- assets less liabilities (the top half)
- reserves (the bottom half).

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<b>Non current assets including:</b> <ul style="list-style-type: none"><li>• <b>property, plant and equipment</b></li><li>• <b>heritage assets</b></li><li>• <b>intangible assets</b></li><li>• <b>investment property</b></li></ul>	Non-current assets have a life of more than one year. For most authorities the biggest balance by far is property, plant and equipment. These are tangible assets that are used to deliver the authority’s objectives. With some exceptions they need to be shown at a value based on market prices. Changes in valuations are matched by changes in reserves (generally the revaluation reserve). The cost of property, plant and equipment is spread over the period in which it is used by charging depreciation.
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<b>Current assets</b>	Includes cash and other assets that, in the normal course of business, will be turned into cash within a year from the balance sheet date. Other assets include investments, non-current assets held for sale, inventories and debtors.
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<b>Current liabilities</b>	Comprises short-term borrowing, trade creditors, amounts owed to other government bodies and receipts in advance. Receipts in advance arise when the authority receives income this year for expenditure it will incur, or services it will provide, in future years.
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<b>Long-term liabilities</b>	Includes borrowings, any amounts owed for leases and private finance initiative (PFI) deals. There will also be an estimate for the cost of meeting the authority’s pension obligations earned by past and current members of the pension scheme.
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<b>Provisions</b>	Represent future liabilities of the authority, but there is uncertainty about how much the authority owes or when it will have to pay.
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<b>Reserves</b>	These are usable and unusable reserves.
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## Challenge questions

- 1 Have any significant changes between years been sufficiently explained?
- 2 Are there clear references to the notes where more detailed information is available?
- 3 Are the changes in property, plant and equipment what you would expect, based on any major disposals of assets, the authority’s capital programme and movements in market prices?
- 4 Are movements in investments and borrowing consistent with the authority’s treasury plans and with the cash movements in the cash flow statement?
- 5 Are the reasons for provisions and details of how they have been calculated clearly shown?
- 6 Do the reserves in the balance sheet agree to the balances in the movement in reserves statement?

# Other statements

A number of other statements will be included within the financial statements, though not all will be relevant to every authority.

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<b>Cash flow statement</b>	<p>Sets out the authority's cash receipts and payments during the year, analysing them into operating, investing and financing activities.</p> <p>Cash flows are related to income and expenditure, but are not equivalent to them. The difference arises from the accruals concept, whereby income and expenditure are recognised in the CIES when the transactions occurred, not when the cash was paid or received.</p> <p>The Local Authority Code of Practice allows two different methods of presentation to be used, and therefore formats may vary between neighbouring authorities.</p>
<b>Collection fund</b>	<p>Shows the transactions in respect of council tax and business rates during the year.</p>
<b>Housing revenue account</b>	<p>Shows the transactions in respect of council housing during the year. It is ring-fenced, so it cannot subsidise or be subsidised by other activities.</p>
<b>Pension fund accounts</b>	<p>Included within the financial statements of a pension fund administering authority, such as a county or unitary council. Shows the transactions and net assets/liabilities of the pension fund as a whole.</p>
<b>Group accounts</b>	<p>Prepared if the authority has a significant subsidiary, such as a local authority trading company. Shows the combined income and expenditure and balances of all the constituent bodies.</p>

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## Challenge questions

- 1 Have any significant changes between years been sufficiently explained?
- 2 Are there clear references to the notes where more detailed information is available?



# Additional disclosures

The notes to the financial statements are generally the least read part of any set of accounts. This is because they appear complicated and are rarely written in plain English.

However, additional disclosures include important information and provide the context for the figures in the primary financial statements.

<b>Accounting policies</b>	Set out the accounting rules the authority has followed in compiling its financial statements, for example that land and buildings are shown at valuation rather than at cost. They are largely specified by International Financial Reporting Standards and the Local Authority Code of Practice. Authorities have limited discretion to amend them, but should: <ul style="list-style-type: none"><li>• provide additional information where needed</li><li>• remove accounting policies that are not relevant or apply to immaterial amounts.</li></ul>
<b>Critical judgments</b>	Show the key areas where officers have made judgements about the application of accounting policies. For example: <ul style="list-style-type: none"><li>• classification of leases and public finance initiative (PFI) schemes</li><li>• identification of provisions</li><li>• impairment of assets.</li></ul> The aim is to highlight key areas of the accounts where others may have made different judgments about the accounting treatment.
<b>Estimates</b>	The authority may need to use estimates to value assets, liabilities and transactions. The major sources of estimation uncertainty should be disclosed if there is a significant risk the estimate will need to be materially adjusted next year.
<b>Property, plant and equipment</b>	Details about assets acquired and disposed of during the year, whether they have been revalued, the impact of any changes in value and the amount of depreciation charged.
<b>Leases and PFI schemes</b>	Set out how much will be paid annually to leasing companies and how much will be paid in total over the lifetime of the agreement.
<b>Employee remuneration</b>	Details of the pay of the most senior officers, all officers' remuneration, disclosed in bands, and the cost of any redundancies. Other notes show the annual cost and cumulative liabilities of pensions.
<b>Contingent liabilities</b>	Details of possible costs that the authority may need to meet, but has not charged to the CIES because it thinks that it will probably be able to avoid them. The most common contingent liability is for legal claims.

## Challenge questions

- 1 Have you already seen and been able to comment on the proposed accounting policies?
- 2 Are you comfortable with the critical judgements disclosed?
- 3 Do the figures reported in the financial statements agree to those included in the relevant notes?
- 4 Are the notes easy to find and follow?
- 5 Is too much information included? Could it be better presented?

# And finally...

Once you have completed your review of the detail, you may wish to reflect upon the financial statements as a whole and what could be done to improve the process for future years.

## About the financial statements

- 1 Are they clear, concise and easy to follow?
- 2 Are they presented in the best format? Could graphs or diagrams be used to help explain information more easily?
- 3 Is detailed information on the most important items easy to find?
- 4 Are technical terms explained in plain English? Is there a glossary?
- 5 Is it clear how a reader could find out more information?
- 6 Where are the accounts to be published? Are they easy to find?

## About the process

- 1 Does your authority recognise that producing robust financial statements is important for strong financial governance?
- 2 Has your authority set targets to produce shorter, clearer, earlier financial statements?
- 3 What support can you give your officers to meet these challenges? Do they have sufficient resources? Are they given enough support from senior management?
- 4 What support do you need to help you discharge your responsibilities? Are there any areas in which you need training?

For more information, see **Grant Thornton's Declutter your accounts – top 10 tips**



**CIPFA's Financial statements: a good practice guide for local authorities**



# About us

Dynamic organisations know they need to apply both reason and instinct to decision making. At Grant Thornton, this is how we advise our clients every day. We combine award-winning technical expertise with the intuition, insight and confidence gained from our extensive sector experience and a deep understanding of our clients.

Grant Thornton UK LLP is a leading business and financial adviser with client-facing offices in 25 locations nationwide. While we understand regional differences and can respond to needs of local authorities, our clients can also have confidence that our team of local government specialists is part of a firm led by more than 185 partners and employing over 4,200 professionals, providing personalised audit, tax and specialist advisory services to over 40,000 clients.

Grant Thornton has a well established market in the public sector, and has been working with local authorities for over 30 years. We are the largest employer of CIPFA members and students and our national team of experienced local government specialists, including those who have held senior positions within the sector, provide the growing range of assurance, tax and advisory services that our clients require.

We are the leading firm in the local government audit market, and are the largest supplier of audit and related services to the Audit Commission, and count 40% of local authorities in England as external audit clients.

We also audit local authorities in Wales and Scotland via framework contracts with Audit Scotland and the Wales Audit Office. We have over 180 local government and related body audit clients in the UK and over 75 local authority advisory clients. This includes London boroughs, county

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EPI1074





# **Statement of Accounts**

**[Audited]**

**2016/2017**

**Ribble Valley Borough Council**

This document can be made available in alternative formats or languages. Anyone wishing to request this document in an alternative format or language should contact the Head of Financial Services

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# Independent Auditors' Report to Members

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# Narrative Report

## 1 INTRODUCTION

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### **Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (Based on International Financial Reporting Standards)**

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) specifies the principles and practices of accounting required to give a 'true and fair' view of the financial position and transactions of the council.

The Code sets out the proper accounting practices required by section 21(2) of the Local Government Act 2003. These proper practices apply to:

- Statement of Accounts prepared in accordance with the statutory framework established for England by the Accounts and Audit (England) Regulations 2015.
- The audit of those accounts undertaken in accordance with the statutory framework established by section 4 of the Local Audit and Accountability Act 2014.

The Code prescribes the accounting treatment and disclosures for all normal transactions of a local authority, and is based on the following hierarchy of standards:

- International Financial Reporting Standards (IFRSs) (including International Accounting Standards (IASs) and International Financial Reporting Interpretations Committee (IFRIC) and Standing Interpretations Committee (SIC) interpretations) as adopted by the European Union (i.e. EU-adopted IFRS).
- International Public Sector Accounting Standards (IPSASs)
- UK Generally Accepted Accounting Practice (GAAP) (Financial Reporting Standards (FRSs), Statements of Standard Accounting Practice (SSAPs) and Urgent Issues Task Force (UITF) Abstracts).

This year the main changes to the code that have impacted on this council have been:

- Presentation of the Financial Statements – new formats and reporting requirements for the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement, together with the introduction of the new Expenditure and Funding Analysis as a result of the *Telling the Story* review of the presentation of local authority financial statements.
- Amendments to reflect the new requirements in the Accounts and Audit Regulations 2015 for English authorities for a Narrative Report.
- Additions to the definition of a related party in relation to related Party Disclosures to reflect the changes to IAS 24 *Related Party Disclosures* in relation to key management personnel.

## 2 RIBBLE VALLEY DEMOGRAPHICS AND ECONOMY

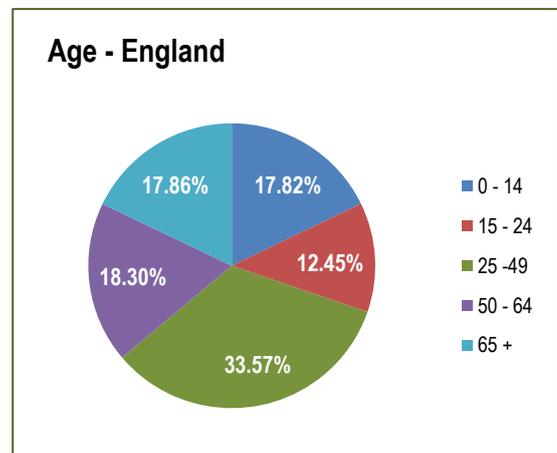
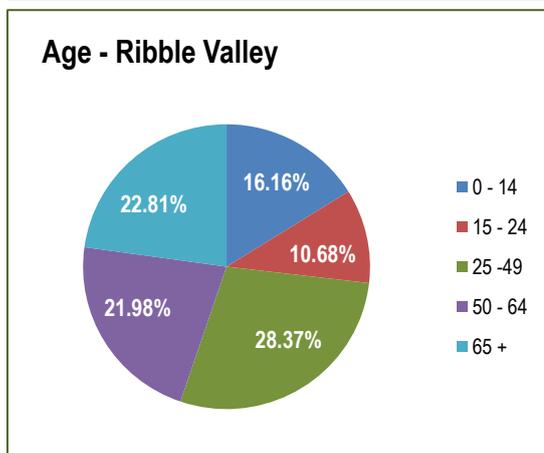
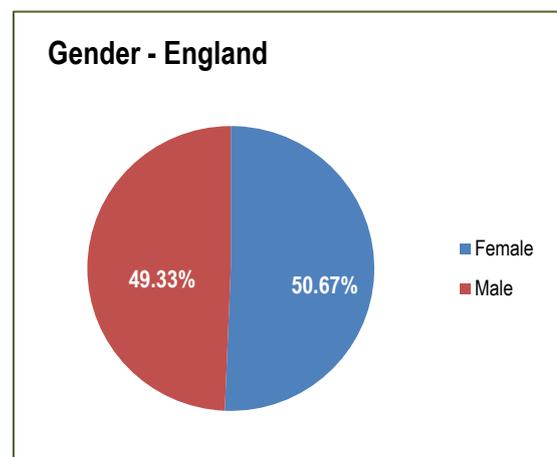
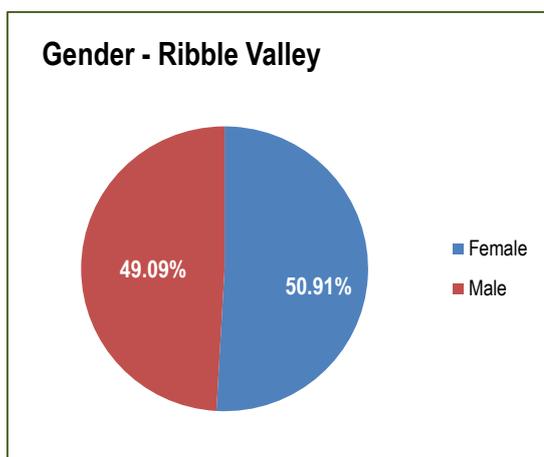
### Locality

Ribble Valley is in the County of Lancashire bordering neighbouring councils in Pennine Lancashire, Craven District Council in North Yorkshire, South Ribble, Preston, Wyre and Lancaster Borough Councils. The administrative centre for the district is the historic market town of Clitheroe. The industrial and commercial centre for the west of the borough is the town of Longridge.

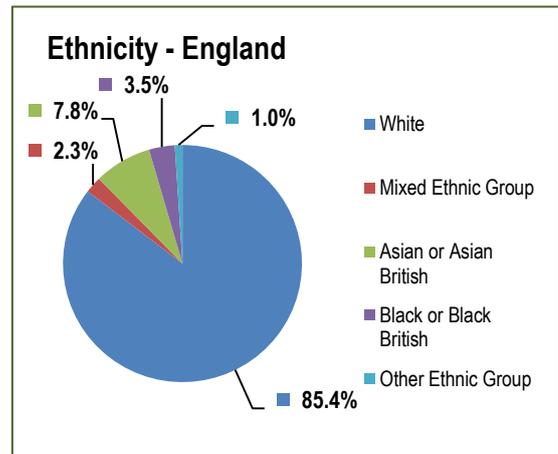
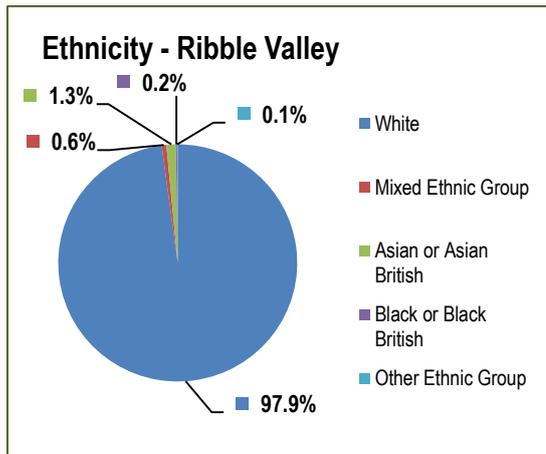
The remaining area is mainly rural, ranging from large villages to small hamlets. Some settlements are accessible along the A59 corridor; others are more remote from services and public transport. Along with ancient woodland, biological heritage sites, conservation areas and sites of special scientific interest, two thirds of Ribble Valley is part of the Forest of Bowland Area of Outstanding Natural Beauty (AONB).

### Population

Shown below are key population figures as provided by the Office for National Statistics. These are based on 2015 Mid-Year Estimates for gender and age and March 2011 (Census) for Ethnicity. The total population for the borough, based on these statistics, is 58,480. The statistics for Ribble Valley are shown alongside those for England as a whole for comparison.



**Narrative Report**

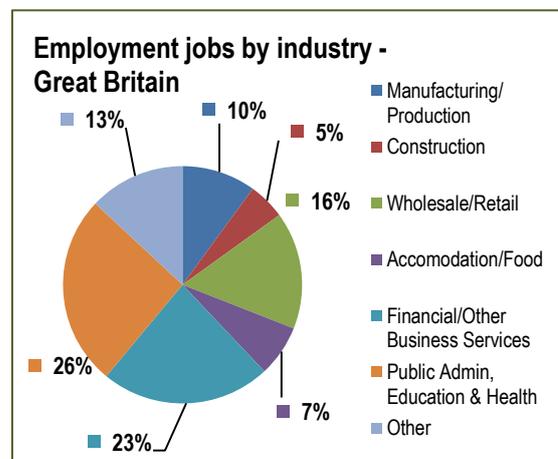
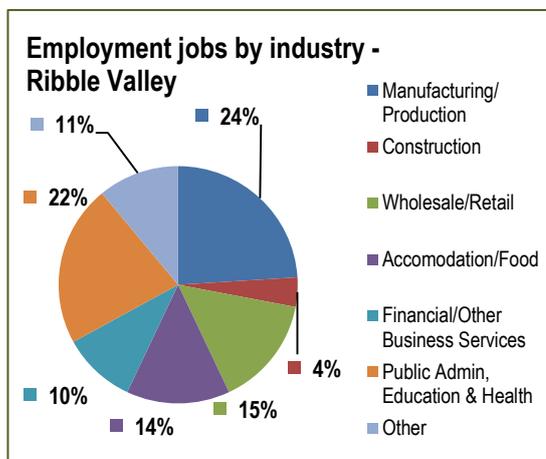


**Local Economy and Business Information**

Located just east of the M6 and north of the M65 motorways with links to major airports and the rail network, Ribble Valley is home to a diverse range of independent, international and rural businesses.

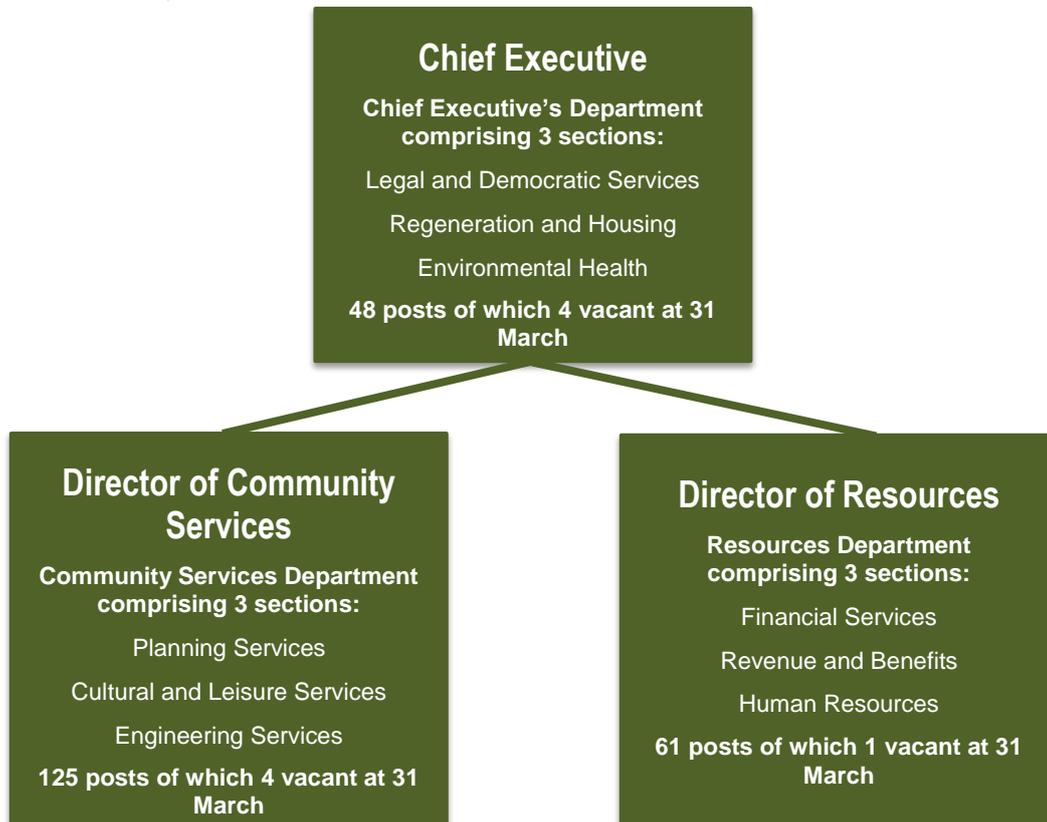
The borough's key characteristics are in its low unemployment rates, high quality natural environment and successful businesses. The borough contains a number of well-established local employers with Key Business Sectors including Advanced Manufacturing and Aerospace (BAE Systems and site of the Lancashire Enterprise Zone), Creative and Digital, Chemicals and Mineral Extraction, Tourism and Agriculture.

The area also has a strong agricultural association, with high value meat and milk products, and has a large number of farm holdings in the dairy and grazing categories. A number of farming businesses have diversified to offer locally produced food and drink, retail and leisure facilities and tourist attractions. In comparison to the national average, the borough has a relatively high proportion of jobs in the private sector. Agriculture is reflected in the statistics below under manufacturing/production (summarised from Nomis Statistics).

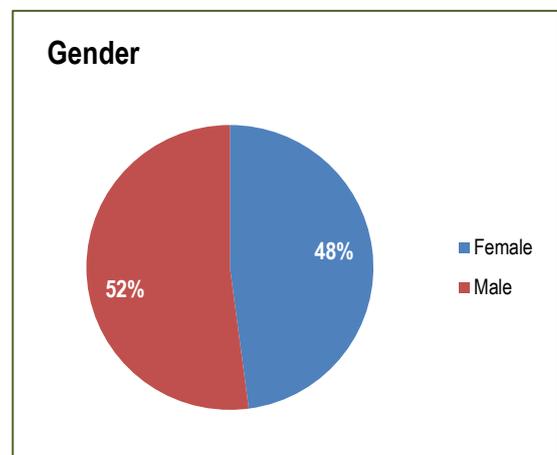
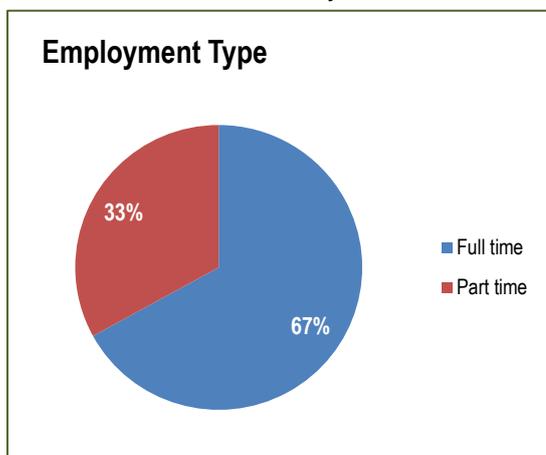


### 3 OUR EMPLOYEES

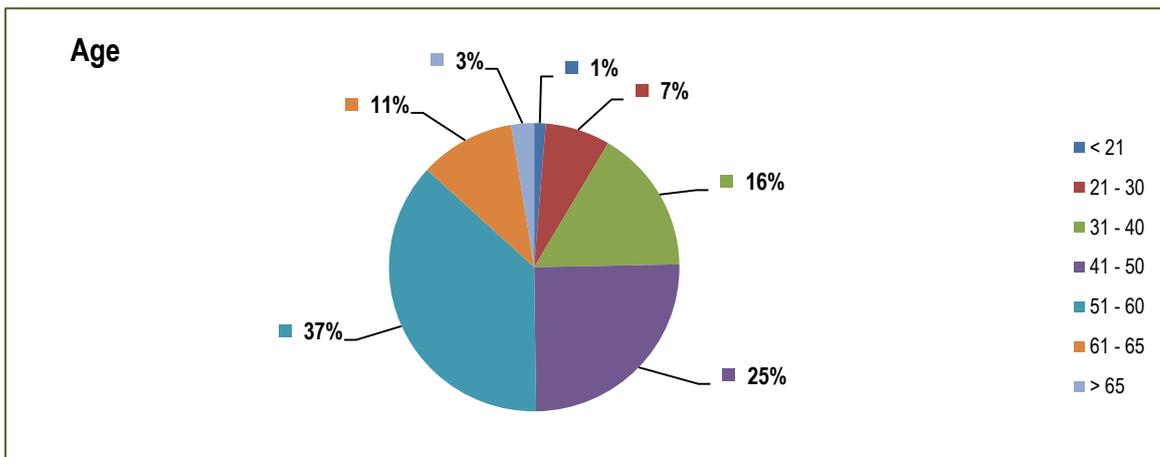
The organisational structure of the council is headed by the Corporate Management Team which consist of the Chief Executive, Director of Community Services and Director of Resources. Each member of the Corporate Management Team has responsibility for one of the council's 3 departments, as shown below.



As at the 31 March 2017 the council employed 235 members of staff. The overall establishment consisted of 234 posts, of which 9 were vacant posts at 31 March. The tables below provide some information on the profile of our employees as at the end of the 2016/17 financial year.



**Narrative Report**



**4 ELECTED MEMBERS**

Ribble Valley Councillors are elected every four years in local elections. They represent 24 wards and make decisions about local services in the borough.

There are 40 Councillors, all of which are elected by registered voters in their ward. The last full election for Ribble Valley Councillors was in May 2015, with the next due to take place in 2019.

Councillors are there to represent the views of local people. They also assist people in need or help people to access public services. Councillors work in the best interests of the borough and their local neighbourhood.

As well as representing the public, Councillors also represent political parties. Currently, our Councillors represent the following parties:

Conservative Party	35 Councillors
Liberal Democrat Party	4 Councillors
Labour Party	1 Councillor
<b>Total</b>	<b>40 Councillors</b>

As the Conservative Party has the most number of Councillors, they have control of the Council.

The Council operates on a Committee System. Since the Localism Act this option is now available to all councils. Previously it was available only to district councils with populations under 85,000, such as this council. Committee system councils make most decisions in committees, which are made up of a mix of Councillors from all political parties.

The diagram below shows the committee structure as at the 31 March 2017, and which operated throughout the 2016/17 financial year:



## 5 OUR FINANCIAL PERFORMANCE - REVENUE

Whilst the Comprehensive Income and Expenditure Statement is presented on the basis of our committee structure, it also includes a number of items that need adjusting for between accounting basis and funding basis under regulation (which are adjusted for under the Movement in Reserves Statement). The table below summarises the position after such adjustments have been made.

After allowing for income from fees and charges, sales, rentals and miscellaneous grants and contributions, the Council's General Fund services are paid for by:

- government grants and contributions
- retained business rates
- council tax

Shown below is a summary of the general fund accounts comparing actual expenditure with the original and revised budgets for the year.

## Narrative Report

Committee	Original Estimate	Revised Estimate	Actual	Original Estimate Compared to Actual	Revised Estimate Compared to Actual
	£'000	£'000	£'000	£'000	£'000
Community Services	3,524	3,413	3,513	-11	100
Health & Housing	935	860	663	-272	-197
Planning & Development	552	493	365	-187	-128
Policy & Finance	2,157	2,094	1,922	-235	-172
<b>Committee Expenditure</b>	<b>7,168</b>	<b>6,860</b>	<b>6,463</b>	<b>-705</b>	<b>-397</b>
Interest Payable	9	9	9	0	0
Parish Precepts	377	377	377	0	0
Interest Received	-29	-21	-22	7	-1
<b>Net Operating Expenditure</b>	<b>7,525</b>	<b>7,225</b>	<b>6,827</b>	<b>-698</b>	<b>-398</b>
Precept from Collection Fund (including parish precepts)	-3,585	-3,585	-3,585	0	0
Collection Fund Surplus - Council Tax	-48	-48	-48	0	0
Localisation of Council Tax Support - Parish Payment	6	6	6	0	0
Transition Grant	-20	-20	-20	0	0
New Homes Bonus	-1,367	-1,367	-1,367	0	0
New Homes Bonus - Returned Funding	0	0	-3	-3	-3
Rural Areas Delivery Grant	-107	-107	-107	0	0
Revenue Support Grant	-623	-623	-623	0	0
Business Rates Baseline Funding	-1,240	-1,240	-1,240	0	0
Retained Rates Income	-339	-339	-339	0	0
10% Retained Business Rates Levy - Paid to LCC	39	38	38	-1	0
S31 Grant	-528	-458	-462	66	-4
Retained Rates - Renewable Energy	0	-36	-33	-33	3
Collection Fund Deficit - Business Rates	420	420	420	0	0
<b>Deficit/(Surplus) for year</b>	<b>133</b>	<b>-134</b>	<b>-536</b>	<b>-669</b>	<b>-402</b>
Depreciation	-838	-856	-856	-18	0
Minimum Revenue Provision	135	134	134	-1	0
Net Transfer to/from earmarked reserves	770	864	1,220	450	356
<b>Deficit/(Surplus) for year</b>	<b>200</b>	<b>8</b>	<b>-38</b>	<b>-238</b>	<b>-46</b>

**Analysis of our income and expenditure by type**

The table above includes a summary total of our net committee expenditure for the financial year (replicated below).

Committee	Original Estimate	Revised Estimate	Actual	Original Estimate Compared to Actual	Revised Estimate Compared to Actual
	£'000	£'000	£'000	£'000	£'000
Community Services	3,524	3,413	3,513	-11	100
Health & Housing	935	860	663	-272	-197
Planning & Development	552	493	365	-187	-128
Policy & Finance	2,157	2,094	1,922	-235	-172
<b>Committee Expenditure</b>	<b>7,168</b>	<b>6,860</b>	<b>6,463</b>	<b>-705</b>	<b>-397</b>

This net expenditure can also be analysed across the various income and expenditure types as shown below. This provides more of an insight in to where the variances on our income and expenditure have been for the year.

Income or Expenditure Type	Original Estimate	Revised Estimate	Actual	Original Estimate Compared to Actual	Revised Estimate Compared to Actual
	£'000	£'000	£'000	£'000	£'000
Employee Related	6,238	6,209	6,277	39	68
Premises Related	1,515	1,549	1,603	88	54
Transport Related	1,586	1,520	1,679	93	159
Supplies & Services	1,759	1,855	1,786	27	-69
Third Party Payments	382	378	368	-14	-10
Transfer Payments	7,365	7,965	7,823	458	-142
Support Services	6,197	6,106	6,191	-6	85
Depreciation and Impairment	838	856	856	18	0
<b>Total Expenditure</b>	<b>25,880</b>	<b>26,438</b>	<b>26,583</b>	<b>703</b>	<b>145</b>
Government Grants	-7,275	-7,351	-7,604	-329	-253
Other Grants and Contributions	-668	-1,457	-1,449	-781	8
Customer and Client Receipts	-2,708	-2,839	-2,927	-219	-88
Recharges and Oncosts	-8,061	-7,931	-8,140	-79	-209
<b>Total Income</b>	<b>-18,712</b>	<b>-19,578</b>	<b>-20,120</b>	<b>-1,408</b>	<b>-542</b>
<b>Net Expenditure</b>	<b>7,168</b>	<b>6,860</b>	<b>6,463</b>	<b>-705</b>	<b>-397</b>

## Narrative Report

### Amendments to our budget in the year

As can be seen above, a revision of the budget for the year is prepared part way through the year. This provides us with an opportunity to better assess the level of movement anticipated within our earmarked reserves and balances, and to allow us to better forecast for the next financial year.

During the preparation of the revised estimate a number of changes were made to the budget. These were:

Item	£'000
Net Decrease in Service Committee Costs	-315
Decrease in Interest Received	8
Decrease in Forecast 10% Retained Levy Payable to Lancashire County Council	-1
Decrease in S31 Grants Receivable	70
Increase in retained Rates from Renewable Energy	-36
Increase in amount removed for Depreciation	-18
Reduction in Minimum Revenue Provision	-1
Increase in amount set aside in Earmarked Reserves	101
<b>Net decrease in amount to take from balances for the year</b>	<b>-192</b>

### How our revenue services are financed

As shown earlier our total actual net expenditure for committees was £6.463m. This is after allowing for numerous elements of service income such as fees and charges, sales and service specific grants and contributions.

There are a number of further additions and subtractions to this net committee expenditure:

- Removal of depreciation and addition of the minimum revenue provision (which represents the minimum amount which must be charged to an authority's revenue account each year for financing of capital expenditure that was initially funded by borrowing).
- The addition of interest paid on external borrowing less income that has been earned on external investments
- Payment of parish precepts
- Payments made to parish councils in relation to the impacts of the localisation of council tax support
- A small payment of redistributed New Homes Bonus was received in year. These are funds not needed to support the main New Homes Bonus Scheme, which is then redistributed to all councils.
- The use of some of the capital receipts monies received in year from the sale of assets with a value of over £10,000. This is to fund the costs associated with disposing of the assets, which have been charged to revenue.

- Of the committee income and expenditure, an element is often required to either be set aside in an earmarked reserve for use for a specific purpose in future years, or alternatively released from an earmarked reserve as expenditure has now been incurred.
- General fund balances are reserves that are not set aside for any specific purpose but are a resource that is used to either support general net expenditure in a given year, or is where resources are set aside as a resource to help support future financial years.

Following the above movements, the council was left with net expenditure of £7.238m to be financed. This expenditure was financed from our major sources of financing:

### Council Tax

This is the Council Tax precept payable to the council for its own precept and that paid to Parishes. Also included here is a share of income received from the Collection Fund which represents a Surplus on the Collection Fund account from previous years.

Council Tax Element	£'000
Ribble Valley Borough Council Precept	-3,208
Precept relating to all Parishes	-377
Collection Fund Surplus	-48
<b>Total Net Council Tax Income</b>	<b>-3,633</b>

### Business Rates

This is retained business rates at a baseline level set by the government, plus growth on business rates that has been realised. The council also receives a number of grants, known as Section 31 Grants, to compensate the council for business rates income lost as a result of measures introduced by the Government.

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

For this council, by being part of the Lancashire Business Rates Pool we were able to retain levy that would have otherwise been payable to central government of £376,130. Of this 10% (£37,613) was paid to Lancashire County Council under the governance arrangements of the pool, resulting in net retained levy of £338,517 for this council.

Finally, there was a deficit on the Collection fund for business rates, which the council is required to contribute to.

## Narrative Report

Business Rates Element	£'000
Total Business Rates Income Forecast for 2016/17	-14,850
Less Payable to Central Government	7,425
Less Payable to Lancashire County Council	1,337
Less Payable to Lancashire Combined Fire Authority	148
<b>Balance Retained by Ribble Valley Borough Council</b>	<b>-5,940</b>
Less Tariff Payable to Central Government	4,361
<b>Baseline Business Rates Income of £1,240,000 plus Growth of £339,000</b>	<b>-1,579</b>
Business Rates retained on Renewable Energy Schemes	-33
Section 31 Grants	-462
Less 10% Retained Business Rates Levy Payable to Lancashire County Council	38
Less Business Rates Collection Fund Deficit	420
<b>Overall Net Retained Business Rates Related Income</b>	<b>-1,616</b>

### Revenue Support Grant

This is a source of funding that has seen a steady decrease over past years and is forecast to cease in 2019/20. In 2016/17 we received £623,087 (2015/16 £1,011,321)

### New Homes Bonus

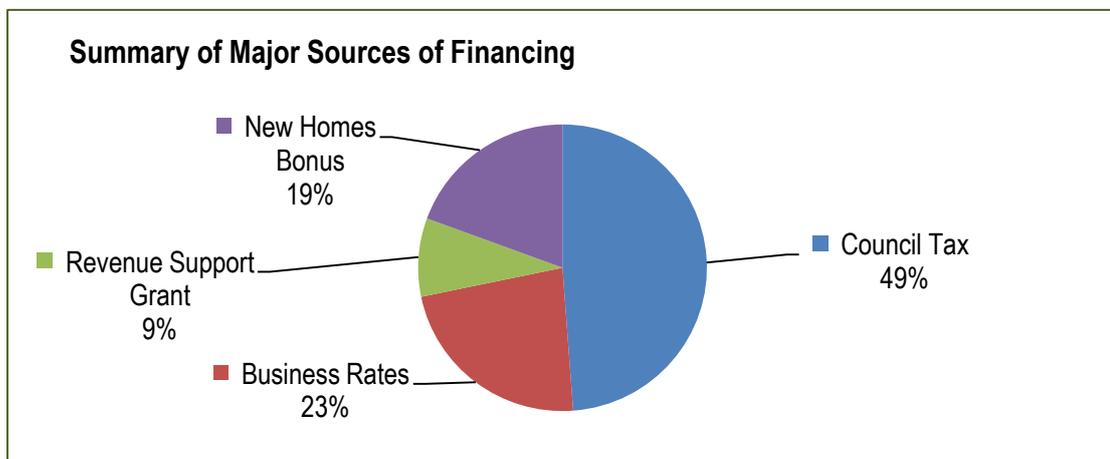
The New Homes Bonus commenced in April 2011 and is paid to the council by the Government for new homes and empty properties brought back in to use. The amount receivable is equivalent to the national average council tax for each property and is receivable every year for the following six years. The amount is also supplemented with an additional amount for affordable homes.

There are now new added pressures on this resource following the significant changes that have been announced in the tapering of the grant over the coming years.

- In 2017/18 allocations paid will reduce from 6 years to 5.
- In 2018/19 allocations paid will reduce from 5 years to 4.
- A new growth baseline of 0.4% has been set for 2017/18 below which the bonus will not be paid. The Government will announce each year what the growth baseline will be.
- From 2018/19 the Government will consider withholding New Homes Bonus from local authorities that are not planning effectively ie making positive decisions on planning applications and delivering housing growth. They will also consider withholding payments from homes built following an appeal.

Our allocation for 2016/17 was £1,366,883 and is shown in the table below (2015/16 £968,616)

New Homes Bonus	£'000
2011/12 Allocation - last year payable is 2016/17	-62
2012/13 Allocation - last year payable is 2016/17	-118
2013/14 Allocation - last year payable is 2017/18	-188
2014/15 Allocation - last year payable is 2017/18	-227
2015/16 Allocation - last year payable is 2018/19	-374
2016/17 Allocation - last year payable is 2019/20	-398
<b>Total New Homes Bonus received in 2016/17</b>	<b>-1,367</b>



### Variations to the revised budget at the end of the financial year

During 2016/17 there were many variances identified when we monitored our budget. The main variations affecting our final position compared with the **revised estimate** can be summarised as follows (please note that favourable variances are denoted by figures with a minus symbol):

Variation	£'000
<b><u>Expenditure Variations</u></b>	
Direct Employee Costs	85
Tuition Fees and Training	-14
Electricity	15
Gas	-11
Vehicle Repairs and Maintenance	91
Rural Areas Delivery Grant Expenditure	-107
Purchase of Equipment and Materials	-14
Purchase of wheeled bins for onward sale	20

## Narrative Report

Variation	£'000
Cost Sharing Paper Penalty Charge	31
Printing and Stationery	-12
Postages	-18
Software Maintenance	-11
Subscriptions	-10
Inspection Fees	-11
Tipping Charges	13
Promotional Activities and Ribble Valley News	-18
Council Tax Flood Discount	70
Contribution Towards General Fund Rent Rebates	-13
Rent Allowance Payments	-32
Grants	-14
Grants to Individuals	-80
<b>Total Expenditure Variances</b>	<b>-40</b>
<b><u>Income Variations</u></b>	
HRA Rent Rebate Grant	11
Storm Eva Flood S31 Grant	-70
DCLG Community Housing Grant	-158
DCLG Custom and Self Build Grant	-15
DCLG Brownfield Register and PIP Grant	-15
Contributions and Donations Received	-17
VAT Shelter Reimbursements	-43
Flood Resilience Funding S31 Grant (via LCC)	78
Sale of Vehicles	-10
Sale of Paper (see associated penalty charge above, under expenditure)	-31
Sale of wheeled bins	-31
Planning Fees	-35
Commercial Trade Waste Collection	-23
DCLG Property Searches New Burdens Grant	-5
Land Rents	14
<b>Total Income Variances</b>	<b>-348</b>

Variation	£'000
Other Variations	-7
<b>Net Variation on Committee Expenditure</b>	<b>-397</b>
Increased Interest Received	-1
<b>Variation on Net Operating Expenditure</b>	<b>-398</b>
Increased New Homes Bonus Returned Funding	-3
Increased S31 Grants	-4
Retained Rates - Renewable Energy	3
<b>Variation on Deficit/(Surplus) for Year</b>	<b>-402</b>
Extra Transfers to Earmarked Reserves (for Revenue)	356
<b>Increase in amount to add to balances compared to Revised Estimate</b>	<b>-46</b>

### **General Fund Balance and Earmarked Reserves**

We had originally planned to take £200,000 from general fund balances to help finance the 2016/17 spending plans. However, this was revised later in the year to taking £8,070 from general fund balances. The final position shows that the council has added £37,737 to general fund balances.

General Fund Balance	£'000
<b>General Fund Balances: Brought forward at 1 April 2016</b>	<b>2,678,832</b>
Surplus in 2016/17 added to General Fund Balances	37,737
<b>General Fund Balances: Carried forward at 31 March 2017</b>	<b>2,716,569</b>

With regard to earmarked reserves, in support of the revenue account and excluding capital transactions, we had originally planned to add £769,954. However, this was revised later in the year to adding £863,493 (after virements) to earmarked reserves. The final position shows that the council has added £1,220,067 to earmarked reserves for revenue purposes. For capital purposes we took £440,364 from earmarked reserves to fund the capital programme. The overall net movement was £779,703 added to earmarked reserves.

Earmarked Reserves	£
<b>Earmarked Reserves: Brought forward at 1 April 2016</b>	<b>6,005,502</b>
Net added to Earmarked Reserves for revenue purposes	1,220,067
Net taken from Earmarked Reserves for capital purposes	-440,364
<b>Earmarked Reserves: Carried forward at 31 March 2017</b>	<b>6,785,205</b>

## Narrative Report

### 6 OUR FINANCIAL PERFORMANCE - CAPITAL

We keep a separate account of all our capital expenditure and income transactions, examples of such transactions would be:

- Buying or selling land or property.
- Improvements to our existing assets.
- Building new properties.
- Purchase of vehicles and plant.
- Awarding improvement grants for private sector renewal.

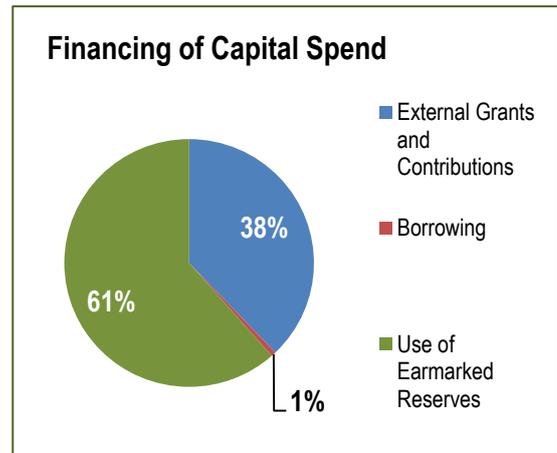
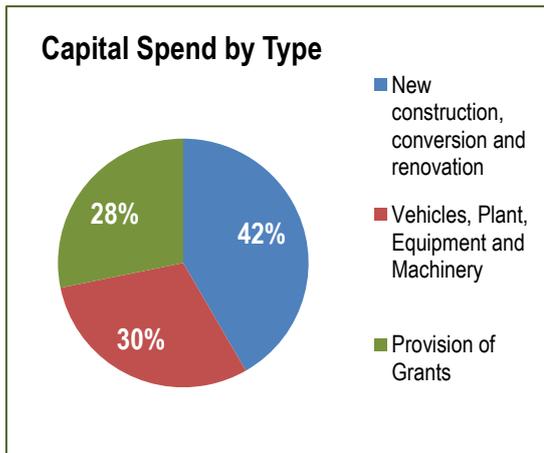
During the year the Council spent £715,910 on capital schemes. The main areas of expenditure included:

- Replacement Vehicles and Plant
- Improvement works at Ribblesdale Pool
- ICT Infrastructure Refresh
- Play Area Improvements
- Payment of Grants

Shown below is a summary of how we performed on the capital programme compared to the budget.

Capital Programme	Original Estimate	Revised Estimate	Actual	Original Estimate Compared to Actual	Revised Estimate Compared to Actual
	£	£	£	£	£
Community Services Committee	374,500	440,955	416,094	41,594	-24,861
Planning and Development Committee	30,200	30,200	0	-30,200	-30,200
Policy and Finance Committee	100,000	104,530	123,990	23,990	19,460
Health and Housing Committee	411,000	386,020	175,826	-235,174	-210,194
<b>Total Capital Expenditure</b>	<b>915,700</b>	<b>961,705</b>	<b>715,910</b>	<b>-199,790</b>	<b>-245,795</b>
Grants and Contributions	-311,000	-438,600	-271,020	39,980	167,580
Borrowing	-175,000	-4,530	-4,526	170,474	4
Earmarked Reserves	-429,700	-518,575	-440,364	-10,664	78,211
<b>Total Resources</b>	<b>-915,700</b>	<b>-961,705</b>	<b>-715,910</b>	<b>199,790</b>	<b>245,795</b>

Shown below are summaries of the type of expenditure that is represented in the £715,910 of capital expenditure shown in the table above and its financing.



As shown in the table above, comparing spend to budget, there is a variance of £245,795 between the revised capital programme and actual spend, after netting off a capital adjustment that is required for the treatment of Performance Reward Grants, the variance is increased to £271,906. At the end of the financial year work on some schemes was still underway. This can be carried forward into the new financial year and is known as slippage. Of the £271,906 variance £270,640 is accounted for as slippage in to the 2017/18 financial year, and is summarised below:

Scheme Name	Slippage in to the 2017/18 Financial Year £
Play Area Improvements	6,780
Ribblesdale Pool Improvement Work	16,820
Planning System Update and Portal Link	30,200
ICT Infrastructure Refresh	6,650
Disabled Facilities Grants	170,130
Landlord/Tenant Grants	25,520
Affordable Warmth Grants	14,540
<b>Total Capital Slippage</b>	<b>270,640</b>

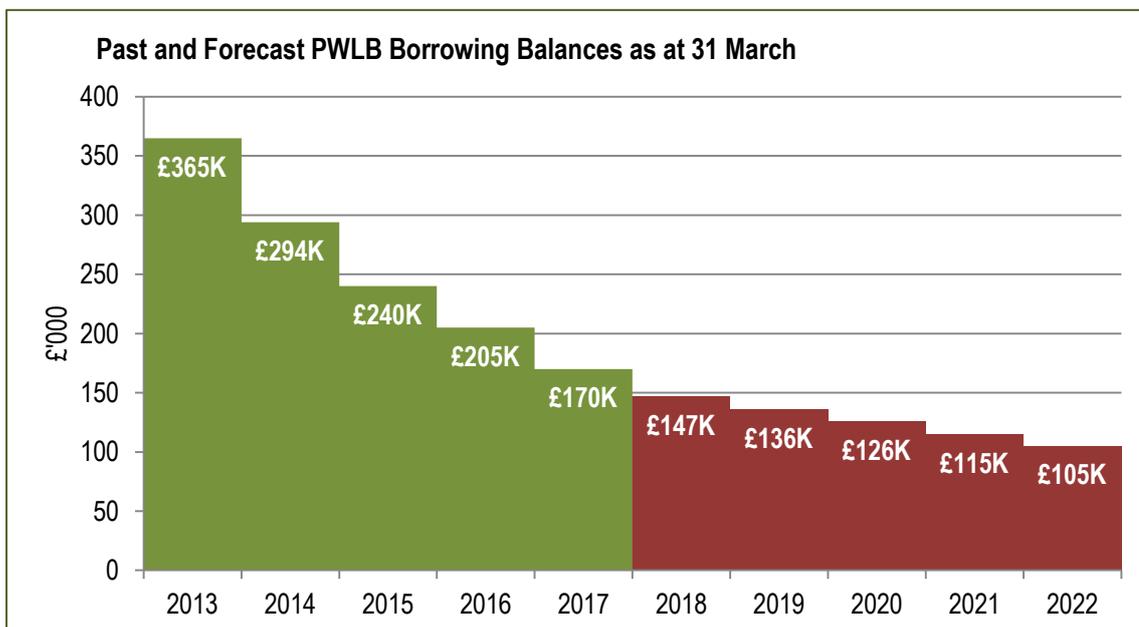
Within the resources used for financing the capital programme is internal borrowing. This is a resource generally used to finance assets of a longer life such as land and buildings. This is in order to minimise the level of impact on the revenue budget through the Minimum Revenue Provision, which is calculated based on asset life.

We did not need to undertake any external borrowing in year; however, the Council always looks to make full use of advantageous lending terms that are offered by the Public Works Loan Board.

The total Public Works Loan Board loans outstanding as at 31 March 2017 was £170k. These are included in the Balance Sheet within Short Term Borrowing and Long Term Borrowing. A detailed analysis of the Council's long term borrowing is shown in note 15 to the core financial statements.

The table below provides a summary of our year end Public Works Loan Board external borrowing over the last five years and forecast for the future five years, based on our current Public Works Loan Board loans.

## Narrative Report



Past actuals shown in green, forecast (based on Public Works Loan Board loans held at 31 March 2017) shown in red

Further external borrowing may be required over the medium term in order to fulfil economic development objectives and planned capital works around car parking.

## 7 OUR FINANCIAL PERFORMANCE – COLLECTION FUND

As billing authority, the council maintain the collection fund for the collection of and distribution of council tax and business rates.

With regard to council tax, each precepting body declares the precept that they require from the collection fund to support their services in February each year. This forms the basis for what we, as billing authority, then charge residents as council tax. Due to the change of circumstances for residents and changes to occupied property numbers, the actual amount of council tax collected from residents can be higher or lower than the total amount required to be paid to precepting bodies. This results in either a forecast surplus or deficit, which is declared in the following January each year and is either paid to or collected from precepting bodies in the following financial year.

For business rates, similar principles apply. Total forecast collectable rates are paid from the Collection Fund at fixed shares to Central Government, Ribble Valley Borough Council, Lancashire County Council and Lancashire Fire and Rescue. Due to the change of circumstances for businesses, the actual amount of business rates collected can be higher or lower than the total amount required to be paid out in fixed shares. This results in either a forecast surplus or deficit, which is declared in the following January each year and is either paid to or collected from Central Government, Ribble Valley Borough Council, Lancashire County Council and Lancashire Fire and Rescue in the following financial year.

## Narrative Report

Performance of the Collection fund for 2016/17 is summarised in the table below, compared to the forecast performance.

Collection Fund	Original Estimate	Revised Estimate	Actual	Original Estimate Compared to Actual	Revised Estimate Compared to Actual
	£'000	£'000	£'000	£'000	£'000
<b>Council Tax - Expenditure</b>					
Total of all Precepts	34,476	34,476	34,476	0	0
Total Collection Fund Surplus distributed	459	459	459	0	0
Council Tax Benefit	0	18	21	54	3
Bad Debts Provision	258	120	64	-194	-56
<b>Expenditure Subtotal - Council Tax</b>	<b>35,193</b>	<b>35,073</b>	<b>35,020</b>	<b>-140</b>	<b>-53</b>
<b>Business Rates - Expenditure</b>					
Deficit Brought Forward	1,052	920	920	-132	0
Cost of Collection	90	90	90	0	0
Enterprise Zones	17	17	20	3	3
Renewable Energy Schemes	15	36	33	18	-3
Transitional Protection	0	91	96	96	5
Total Distribution of Business Rates	14,850	14,850	14,850	0	0
Appeals Provision	238	102	97	-141	-5
Bad Debts Provision	154	130	86	-68	-44
<b>Expenditure Subtotal - Business Rates</b>	<b>16,416</b>	<b>16,236</b>	<b>16,192</b>	<b>-224</b>	<b>-44</b>
<b>Total Expenditure</b>	<b>51,609</b>	<b>51,309</b>	<b>51,212</b>	<b>-364</b>	<b>-97</b>
<b>Council Tax - Income</b>					
Surplus Brought Forward	459	598	598	139	0
Council Tax Income	34,734	35,047	35,025	291	-22
Council Tax Benefit	0	1	1	1	0
Flood Relief - Chargeable to Revenue	0	0	98	98	98
DCLG Grant	0	0	4	4	4
<b>Income Subtotal - Council Tax</b>	<b>35,193</b>	<b>35,646</b>	<b>35,726</b>	<b>533</b>	<b>80</b>
<b>Business Rates - Income</b>					
Net Rates Payable (before appeals)	15,364	15,297	15,227	-137	-70
Total Collection Fund Deficit recovered	1,052	1,052	1,052	0	0
<b>Income Subtotal - Business Rates</b>	<b>16,416</b>	<b>16,349</b>	<b>16,279</b>	<b>-137</b>	<b>-70</b>
<b>Total Income</b>	<b>51,609</b>	<b>51,995</b>	<b>52,005</b>	<b>396</b>	<b>10</b>
Council Tax (Surplus)/Deficit carried forward	0	-573	-706	-706	-133
Business Rates (Surplus)/Deficit carried forward	0	-113	-87	-87	26
<b>Total Net (Surplus)/Deficit carried forward</b>	<b>0</b>	<b>-686</b>	<b>-793</b>	<b>-793</b>	<b>-107</b>

## Narrative Report

### 8 OUR NON-FINANCIAL PERFORMANCE

#### *The Council's Performance on Corporate Priorities*

Within this section is provided a summary of our progress over the last financial year against the objectives that support the council's Corporate Priorities.

**Priority 1: To ensure a well-managed council providing efficient services based on identified customer needs.**

- **To maintain critical financial management and controls, and ensure the authority provides council tax payers with value for money, within the current financial constraints:** The council had the lowest Band D Council Tax in Lancashire and one of the lowest in the Country. In the 2016 Perception Survey 71% of respondents said that they agreed that Ribble Valley Borough Council provides value for money.
- **To treat everyone equally and ensure that access to services is available to all, including our most vulnerable citizens:** Ribble Valley Borough Council continues to work with the Alzheimer's Society and several businesses, community groups and public sector organisations to promote the area as a centre of excellence in dementia awareness. The refurbishment work has been completed at Ribblesdale Pool which has improved the reception area and the changing room facilities, providing improved disabled access.
- **To engage with our communities to ensure we deliver services to meet customer needs and expectations:** In the 2016 Perception Survey 74% of respondents said that they were happy with the way in which the council ran services.

**Priority 2: To sustain a strong and prosperous Ribble Valley.**

- **To promote stronger, more confident and more active communities throughout the borough:** The Council provides technical support and assistance as well as making necessary decisions at key stages for town and parish councils who are developing a Neighbourhood Development Plan. Neighbourhood planning is a key part of the Localism Act and allows communities to become directly involved in planning policy. There are currently three areas that have been designated. Of these one area has submitted its plan for examination and another area is close to formal submission. We are also supporting the Village Halls Association by providing a secretariat. The Association promotes strong and inclusive communities and helps improve access to services.
- **To encourage economic development throughout the borough with a specific focus on tourism, the delivery of sufficient land for business development, and supporting high growth business opportunities:** The Council is actively seeking to acquire land within the borough for employment to encourage economic development and help maintain a strong local economy. We are still working towards securing an appropriate town centre redevelopment to support business and local services.

- **To seek to improve the transport network, especially to our rural areas:** Despite cuts by Lancashire County Council to some rural bus services, Ribble Valley Borough Council continues to provide grant funding to The Little Green Bus which offers a community transport service for the elderly and vulnerable people. We also continue to support the Clitheroe Interchange.
- **To work with our partners to ensure that the infrastructure in the Ribble Valley is improved, in order to be fit for purpose:** A capital scheme to support the uplift of Clitheroe Townscape was approved by the council. This was to be a multi-agency scheme involving Lancashire County Council and other potential partners, however due to withdrawal of funding from Lancashire County Council the scheme has had to be put on hold and a review will be carried out as to the works that could be carried out within our own funding. There is ongoing work through the planning process to ensure that the road infrastructure supports new developments, such as the requirements for a new roundabout on the A59 near the Standen development.

**Priority 3: To help make people's lives safer and healthier.**

- **To improve the health of people living and working in our area:** The refurbishment work has been completed at Ribblesdale Pool which has improved the facility and will see an increase in user numbers in line with targets set with Sport England. We supported the Ribble Valley Cycle Festival in partnership with other local organisations and businesses with an interest in cycling development.
- **To improve the opportunity for young people to participate in recreational and sporting activity:** The Council annually awards grants to young residents of the borough for equipment and tuition for youngsters who excel in sport, dance, drama and music. We co-ordinated a summer activity programme for young people which saw over 5,000 attendees accessing the activities.
- **To ensure that Ribble Valley remains a safe place to live:** According to the British Crime Survey Ribble Valley is the safest place to live in Lancashire and one of the safest places in the UK. CAN and CANSAFE (joint initiative between Lancashire Constabulary, Lancashire Trading Standards Service, HARV, Hyndburn and Ribble Valley CAPSS and other partner agencies agreed locally) operates regularly on Friday evenings in the Ribble Valley. Targeted patrols look at regular hotspots where youths gather to consume alcohol under age, take illegal drugs and place themselves in risk situations. We support a number of initiatives such as the volunteer mounted police who provide a visual crime prevention presence and Home Wise who provide home security checks as part of a package to support older and more vulnerable people in the borough. Through the Community Safety Partnership the Council supports targeting road safety information to young drivers in order to reduce the number of serious and fatal accidents. This included attendance for all year 12 and 13 students at a Road Safety Conference.

## Narrative Report

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- **To take a leading role in working with partners on the evolving public health agenda:** The Council received an Affordable Warmth Grant awarded by Lancashire County Council through which the council offered financial support to residents of the borough to help insulate homes, replace boilers and provide emergency top ups for gas and electricity. The council works in partnership with Lancashire County Council and East Lancashire Clinical Commissioning Group through the provision of 'Up and Active' schemes and cardiac rehabilitation. There are a number of schemes which fall under the umbrella of 'Up and Active' including exercise referral, weight management and healthy walks.
- **To combat rural isolation:** The council provides financial support to various luncheon clubs throughout the borough through the provision of grants. There has also been work to actively encourage the development of new luncheon clubs. Grant assistance was also provided to the Village Halls Association which promotes schemes to tackle rural isolation such as the Good Neighbours Scheme which funds activities in village halls and community centres to help rural residents overcome isolation.

### Priority 4: To protect and enhance the existing environmental quality of our area.

- **To conserve our countryside, the natural beauty of the area and enhance our built environment:** Primrose Lodge has been registered with 'The Environment Bank' which is an environmental credit scheme allowing developers to purchase conservation credits from The Environment Bank, which are used to fund the creation and management of conservation sites. The resulting monies will be used to restore the lodge. The lodge is already a Lancashire biological heritage site and the council is consulting with Lancashire Wildlife Trust on how the site might be transformed into a nature reserve.
- **To increase the recycling of waste material:** The council undertook the 'Make Metals Matter' recycling campaign in conjunction with Lancashire County Council and the metal packaging manufacturing industry to encourage residents to recycle their share of cans, aerosols, foil trays, and wrapping foil.
- **To provide a high quality environment, keeping land clear of litter and refuse, and reducing the incidents of dog fouling:** The council introduced its new 'Pick Up or Pay Up' campaign against dog fouling within the borough. This involved the introduction of dog control orders where owners who do not clean up after their dogs receive fines or fixed penalty notices.

### Priority 5: To match the supply of homes in our area with the identified housing needs.

- **To meet the housing needs of all sections of the Community:** The council offers disabled facilities grants to enable disabled people within the borough to have better freedom of movement around the house and remain in their own home. Additionally, through the planning process we ensure the provision of older people accommodation on all sites over 30 units. We are working to improve the private rented sector housing stock through the Housing Health and Safety Rating System (HHSRS system).

- **To provide additional affordable homes throughout the Ribble Valley:** The council offers Landlord/Tenant Grants in which the Council match funds a landlord's investment in a property in return for an affordable rental property. The grant ensures that the council has nomination rights to the property and that rents are set in line with the Local Housing Allowance.

### **Resident Satisfaction Surveys**

The Lancashire authorities that make up the Infusion research and consultation partnership carry out a biennial survey based on the questions asked in the previous national Place Survey. The survey focused on the local area, well-being, service satisfaction, perceptions of the Council and value for money. A summary is provided below, broken down in to the key areas. The next survey is due to be carried out during the 2017/18 financial year.

#### **Your Local Area**

- Health services, the level of crime and access to nature are seen to be the three most important things that make the local area a good place to live
- 94% of residents are satisfied with their local area as a place to live

#### **Local Public Services**

- Around 9 in 10 residents are satisfied with refuse and recycling services provided by the Council
- Dissatisfaction with dog fouling is down from 49% in 2013 to 37%
- 71% feel the Council provides value for money, down from 76% in 2013, but still higher than the County Council (41%)
- Around 3 in 4 residents are satisfied with the Council overall

#### **Recycling Services**

- More than 9 out of 10 residents regularly recycle glass, cans, plastic, paper/cardboard and green waste

#### **Information and Customer Service**

- People feel less informed about the Council than they did two years ago
- But elements of customer service are on the up – waiting times, politeness of staff and how easy information is to understand
- Residents still prefer printed publications for information and prefer to contact the Council by telephone or in person

#### **Local Community**

- Perceptions of safety and anti-social behaviour in the local area are similar to 2013

## Narrative Report

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- But the perception that the police and public services are dealing with these issues successfully is down from 54% in 2013 to 43%

### **When comparing the 2013 survey results to the 2015 results**

- In 9.09% of the comparable questions satisfaction has been seen to improve
- In 72.73% of the comparable questions satisfaction has stayed roughly the same
- In 18.18% of the comparable questions satisfaction has been seen to decline

When comparing this council's results with similar surveys conducted in other Lancashire authorities, satisfaction with services was higher across the board in all but the following area - Satisfaction with parks and open spaces.

### **Change and Improvement**

Within the 2016/17 financial year we have seen a refurbishment of our Ribblesdale Pool facilities, which was part funded by grant monies from Sport England. The scheme comprised modernisation work to the reception and changing areas and pool viewing balcony, and the creation of separate disability changing area provision with access from reception and straight to the pool hall.

Under the Lancashire Waste Partnership the council has a cost sharing agreement with Lancashire County Council. This partnership was set up to encourage more household recycling and less waste being delivered to landfill sites. Lancashire County Council have given notice that due to financial constraints they will no longer contribute towards the cost of recycling in Ribble Valley with effect from 31 March 2018. Under the current agreement we receive £326,600 (net).

The withdrawal of funding will inevitably mean that we will have to review our approach to household recycling in order to bridge this future funding gap.

Smarter working with our existing ICT infrastructure across all services is seen as a priority to ensure that we maximise the return from our investment and drive efficiencies in providing our services. We continue to work hard to enable better connectivity of our systems to our website to help our customers access our services at times that are convenient to them.

## 9 PENSIONS

The statement of accounts reflects the full adoption of International Accounting Standard 19 (IAS19). This requires that:

- Pension costs charged to services are based on the cost of providing retirement benefits to employees in the period that the benefits are earned by the employee rather than the actual cash contributions to the Lancashire County Pension Fund. This cost, referred to as the current service cost, is calculated by the fund's actuary, Mercer Ltd.

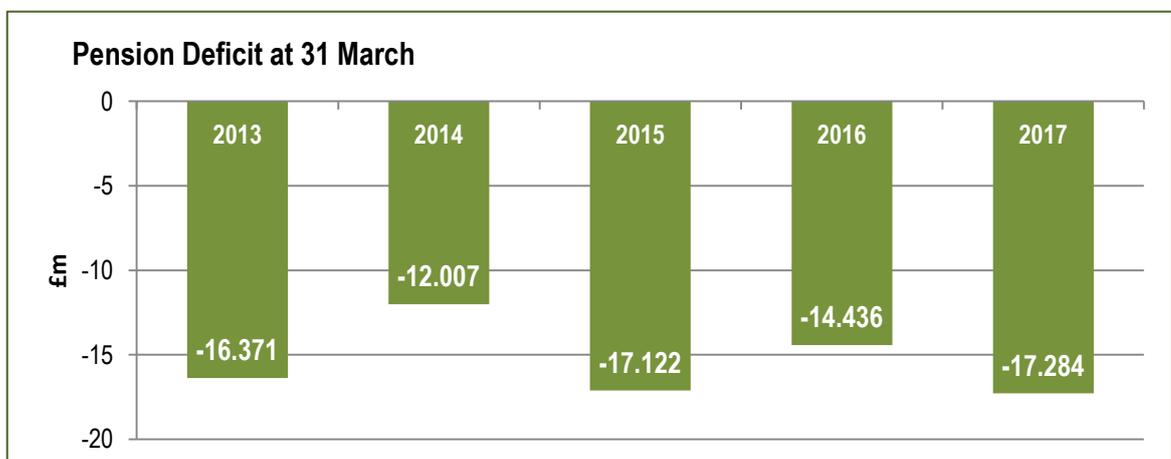
The net pension asset/liability in respect of the surplus/deficit on the pension fund, as calculated by the fund's actuary, is included in the council's balance sheet. In Ribble Valley Borough Council's case the net liability as at 31 March 2017 increased to £17.284m (31 March 2016 £14.436m).

The reason for the increase in net liability is mainly due to a net loss on remeasurements, which impacts on the change in the benefit obligation (liabilities) between the start and end of the year.

Movements were experienced in the following areas under remeasurements:

	£'000
<b>Remeasurements (liabilities)</b>	
Experience Gain	-2,629
Loss on Financial Assumptions	11,379
Gain on Demographic Assumptions	-412
<b>Remeasurements (assets)</b>	-6,193
<b>Net movement from remeasurements</b>	<b>2,145</b>

The Pension deficit has fluctuated quite widely over the past few years and as mentioned above, the main fluctuations year to year have been around financial assumptions. The last full revaluation was undertaken in 2016.



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### 10 CURRENT ECONOMIC CLIMATE AND OUTLOOK

In October 2016 this Council submitted an Efficiency Plan to the Government in order to secure a multi-year finance settlement. We were notified in November 2016 that we were formally on the multi-year settlement and could expect to receive the allocations published as part of the 2016/17 local government finance settlement in 2017/18, 2018/19 and 2019/20.

Key funding streams are to disappear in future years such as Revenue Support Grant whilst others will reduce substantially, following recent consultation, namely New Homes Bonus.

With regard to the proposals for the 100% retention of Business Rates, there is to be a further government consultation on the design and implementation of the new scheme.

The council's medium term financial strategy for the period 2017/2021 uses the four year settlements provided by the government following the Spending Review and allows for a number of assumptions and known local pressures, such as the cessation of Cost Sharing payments from Lancashire County Council in 2018. The table below provides a summary of the medium term financial outlook for the council.

	2017/18 Forecast £	2018/19 Forecast £	2019/20 Forecast £	2020/21 Forecast £
Net Expenditure	6,381,670	6,743,911	6,892,367	7,043,865
Interest Receipts	-15,660	-30,000	-50,000	-70,000
Use of Superannuation Reserve	-36,512	-36,512	-36,512	-36,512
Rural Services Grant	-86,603	-66,618	-86,603	-86,603
Use of Business Rates Growth	-275,514	-275,514	-275,514	-275,514
Use of New Homes Bonus	-793,079	-793,079	-793,079	-793,079
(Use of)/Contribution to Balances	-250,000	-250,000	-250,000	-250,000
<b>Savings Required</b>	<b>0</b>	<b>-414,046</b>	<b>-544,478</b>	<b>-674,027</b>
<b>Budget Requirement</b>	<b>4,924,302</b>	<b>4,878,142</b>	<b>4,856,181</b>	<b>4,858,130</b>
Government Funding	-1,589,488	-1,414,666	-1,243,088	-1,092,771
Collection Fund (Deficit)/Surplus	-59,557	-25,000	-25,000	-25,000
<b>Precept</b>	<b>3,275,257</b>	<b>3,438,476</b>	<b>3,588,093</b>	<b>3,740,359</b>
Taxbase	22,481	22,818	23,046	23,277
<b>Band D Council Tax</b>	<b>£145.69</b>	<b>£150.69</b>	<b>£155.69</b>	<b>£160.69</b>
Projected Council Tax increase	<b>0%</b>	<b>£5 max</b>	<b>£5 max</b>	<b>£5 max</b>

A balanced budget has been set for the 2017/18 financial year; however based on forecast future funding the council will need to make substantial savings in future years. This will be achieved through close working between officers and members across all committees and particularly the targeted work of the Budget Working Group, which is made up of both members and officers and is chaired by the Leader of the council.

The level of net expenditure needed in future years will also be very sensitive to changing income levels from fees and charges. Certainly a number of discretionary service areas are sensitive to the levels of disposable income that residents and visitors may have to hand, most notably recreation and leisure services. Additionally, there is the inability to attract income from other services to support the provision of council services overall, as the government have indicated that they should be provided at cost only.

Future pressure on services is also foreseen due to the expected increase in housing in the borough. This could impact on an array of services; however the actual level of housing growth can't be anticipated year by year, nor the timing of any major impact on the ability to continue providing services at the level of current resources.

It is very important for the council to maintain a healthy level of balances to cover for unforeseen events and also provide a stable level of resources for future planning. This has been particularly important in more recent years with very general knowledge of likely continuing falls in local government core funding, but little knowledge of who will be affected and by how much.

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## **11 PRINCIPAL RISKS AND UNCERTAINTIES**

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The Council's risk management approach is designed to form an integral part of the performance management approach of the Council.

Risks are scored based on their gross and net likelihood and impact levels, gross being the likelihood and impact level if no controls were in place and net being the risk level once controls have been considered. Risks are then allocated an overall risk score based on these levels, translating to green risks, amber risks and red risks. All red risks are closely monitored and reported in detail to Corporate Management Team and Accounts and Audit Committee.

Key risks and uncertainties for the council have been summarised below:

### **Future of Local Government Finance Settlement**

- Four year settlement
- Revenue Support Grant disappearing

### **Availability of Staffing**

- Ageing Workforce
- Recruitment difficulties
- Staff sickness

## Narrative Report

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### **Business Rates Retention Scheme**

- Radical changes planned
- Risk of large appeals
- Recession

### **Business Continuity**

- Major fire, flooding or utilities fault

### **ICT**

- Use of ICT infrastructure is not maximised
- Obsolescence – Changing service needs
- External threats and Data Security

### **Cost Sharing**

- Future funding gap

### **Unable to Meet Service Demands**

- Increasing number of households
- Changing expectations – services not evolving to meet need/demand

## **12 THE STATEMENTS**

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The Council's statement of accounts for the year ended 31 March 2017 is set out on the following pages. These have been prepared in accordance with the Chartered Institute of Public Finance and Accountancy's Code of Practice on Local Authority Accounting in the United Kingdom and are based on International Financial Reporting Standards. The statements produced for 2016/17 are detailed in the following paragraphs.

### **Statement of Responsibilities**

The code requires that the chief financial officer should sign and date the Statement of Accounts under a statement that the accounts give a true and fair view of the financial position of the council at the accounting date and its income and expenditure for the year then ended.

### **Statement of Accounting Policies**

Accounting Policies are the specific principles, bases, conventions, rules and practices applied by the council in preparing and presenting its financial statements. The council is required to set out its accounting policies in compliance with the Code of Practice on Local Authority Accounting in the United Kingdom and include them within the Statement of Accounts.

**Movement in Reserves Statement**

The Movement in Reserves Statement (MiRS) is a summary of the changes that have taken place in the bottom half of the Balance Sheet over the financial year. It does this by analysing:

- the increase or decrease in the net worth of the council as a result of incurring expenses and generating income.
- the increase or decrease in the net worth of the council as a result of movements in the fair value of its assets.
- movements between reserves to increase or reduce the resources available to the council according to statutory provisions.

**Comprehensive Income and Expenditure Statement**

This statement consolidates all the gains and losses experienced by the council during the financial year. As councils do not have any equity in their Balance Sheets, these gains and losses will reconcile to the overall movement in net worth. The statement has two sections:

- Surplus or Deficit on the Provision of Services – the increase or decrease in the net worth of the council as a result of incurring expenses and generating income.
- Other Comprehensive Income and Expenditure – shows any changes in net worth which have not been reflected in the Surplus or Deficit on the Provision of Services. Examples include the increase or decrease in the net worth of the council as a result of movements in the fair value of its assets and actuarial gains or losses on pension assets and liabilities.

**Balance Sheet**

The Balance Sheet summarises the council's financial position at 31 March each year. In its top half it contains the assets and liabilities that it holds or has accrued with other parties. As councils do not have equity, the bottom half is comprised of reserves that show the nature of the council's net worth, falling into two categories

- Usable Reserves - which include the revenue and capital resources available to meet future expenditure
- Unusable Reserves – unrealised gains and losses, particularly the revaluation of property plant and equipment (e.g. the Revaluation Reserve) and adjustment accounts such as the Capital Adjustment Account.

## Narrative Report

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### **Cash Flow Statement**

The Cash Flow Statement summarises the flows of cash that have taken place into and out of the council's bank accounts over the financial year. It separates the flows into:

- those that have occurred as a result of the council's operations.
- those arising from the council's investing activities.
- those attributable to financing decisions

### **Collection Fund Statement**

This reflects the statutory requirement for billing authorities, such as Ribble Valley Borough Council, to maintain a separate fund for the collection and distribution of amounts due in respect of council tax and Business Rates

There is no requirement for a separate Collection Fund Balance Sheet. Instead Collection Fund balances are distributed across the Balance Sheets of the billing authority, the Government and precepting bodies.

# Statement of Responsibilities

The following responsibilities are placed upon the Authority and the Director of Resources in relation to the Council's financial affairs:

## **The Authority's Responsibilities**

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The authority 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 Director of Resources.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

## **The Director of Resources' Responsibilities**

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The Director of Resources is responsible for the preparation of the authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom* (the Code).

In preparing this Statement of Accounts the Director of Resources has:

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

The Director of Resources has also:

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

I hereby certify that the Statement of Accounts gives a true and fair view of the financial position of the authority at the reporting date and its income and expenditure for the year ended 31 March 2017.

Jane L Pearson  
Director of Resources CPFA  
17 July 2017

**Approval of the Statement of Accounts**

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## Approval of the Statement of Accounts

I confirm that these accounts, including the Comprehensive Income and Expenditure Statement on page 59 and the Balance Sheet on page 63, were approved by the Accounts and Audit Committee at its meeting held on 26 July 2017.

Signed by:

Cllr Stuart Hirst  
Chairman of Accounts and Audit Committee  
26 July 2017

# Statement of Accounting Policies

## 1 GENERAL PRINCIPLES

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

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

## 2 ACCRUALS OF INCOME AND EXPENDITURE

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Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

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

## Statement of Accounting Policies

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### 3 CASH AND CASH EQUIVALENTS

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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 highly liquid investments that mature in 3 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 Council's cash management.

### 4 PRIOR PERIOD ADJUSTMENTS, CHANGES IN ACCOUNTING POLICIES AND ESTIMATES AND ERRORS

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Prior period adjustments may arise as a result of a change in accounting policies 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.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

### 5 CHARGES TO REVENUE FOR NON-CURRENT ASSETS

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Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year:

- Depreciation attributable to the assets used by the relevant service
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.
- Amortisation of intangible assets attributable to the service

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance MRP, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

**6 COUNCIL TAX AND NON-DOMESTIC RATES (NDR)**

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

**Accounting for Council Tax and NDR**

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

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

**7 EMPLOYEE BENEFITS**

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**Benefits Payable during Employment**

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 Council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs. Should the value of 'holiday entitlements earned by employees but not taken' not move materially from one financial year end to the next, then the existing accrual level is maintained.

## Statement of Accounting Policies

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### **Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service in the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

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

### **Post-Employment Benefits**

Employees of the Council are eligible to join the Local Government Pension Scheme, administered by Lancashire County Council. The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees work for the Council.

### **The Local Government Pension Scheme**

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Lancashire County Pension Fund attributable to Ribble Valley Borough 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 projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 2.5% (3.5% 31 March 2016) based on the indicative rate of return on AA rated corporate bonds.
- The assets of the Lancashire County Pension Fund attributable to Ribble Valley Borough Council are included in the Balance Sheet at their fair value:
  - Quoted securities – current bid price
  - Unquoted securities – professional estimate
  - Unitised securities – current bid price
  - Property – market value

**Statement of Accounting Policies**

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- The Change in the Net Pensions Liability is analysed into the following components:
- **Service cost comprising:**
  - Current Service Cost – the increase in liabilities as a result of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
  - Past Service Cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.
  - Net Interest on the Net Defined Benefit Liability (Asset) – i.e. net interest expense for the Council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
- **Remeasurements comprising:**
  - The Return of Plan Assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
  - Actuarial Gains and Losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- **Contributions:**
  - Contributions paid to the Lancashire County Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards.

## Statement of Accounting Policies

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In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the Pension Fund and pensioners and any such amounts payable but unpaid at the year-end.

The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

### **Discretionary Benefits**

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

## **8 EVENTS AFTER THE REPORTING PERIOD**

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

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

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

## **9 FINANCIAL INSTRUMENTS**

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### **Financial Liabilities**

Financial liabilities are recognised on the Balance Sheet when the Council 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.

**Statement of Accounting Policies**

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For most of the borrowings that the Council 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.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The reconciliation of the amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

**Financial Assets**

Financial assets are classified into two types:

- Loans and receivables - assets that have fixed or determinable payments but are not quoted in an active market.
- Available-for-sale assets - assets that have a quoted market price and/or do not have fixed or determinable payments.

**Loans and Receivables**

Loans and receivables are recognised on the Balance Sheet when the Council 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. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Should the Council make loans at less than market rates (soft loans), a loss would be recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal.

## Statement of Accounting Policies

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Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a higher effective rate of interest than the rate that would be receivable from the soft loan, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement. The Council has made no material soft loans.

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

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

### **Available-for-sale Assets**

Available-for-sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Council.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted market prices – multiple valuation techniques (which include market approach, income approach and cost approach).

**Statement of Accounting Policies**

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The inputs to the measurement techniques are categorised in accordance with the following three levels:

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

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the asset has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any accumulated gains or losses previously recognised in the Available-for-Sale Reserve.

Where fair value cannot be measured reliably, the instrument is carried at cost (less any impairment losses).

**10 GOVERNMENT GRANTS AND CONTRIBUTIONS**

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

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

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

## Statement of Accounting Policies

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

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

### 11 HERITAGE ASSETS

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#### **Tangible and Intangible Heritage Assets (described in this summary of significant accounting policies as Heritage Assets)**

Heritage Assets are

- Tangible assets with historical, artistic, scientific, technological, geophysical or environmental qualities which are held and maintained principally for their contribution to knowledge and culture.
- Intangible heritage assets with cultural, environmental or historical significance, such as recordings of significant historical events.

In considering assets that it holds, the Council has identified the following assets as Heritage Assets and looks to hold these assets in perpetuity:

- The Castle Keep at Clitheroe
- The Clitheroe Castle Museum Collection
- Civic Regalia
- The Roman Bath site at Ribchester

#### **The Castle Keep at Clitheroe**

- Built in 1186 by Robert de Lacy, the Norman Keep of Clitheroe Castle is said to be one of the smallest Keeps in England. The Council considers that obtaining a valuation for the Keep would involve a disproportionate cost in comparison to the benefits to the users of the Council's financial statements. Therefore the Council does not recognise this heritage asset on the balance sheet.

**Statement of Accounting Policies**

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- The Council maintains and preserves the Castle Keep and last undertook substantial work over the period 2006 to 2009. The Keep is open to the general public without charge and the council retains detailed information about its history much of which can be seen with chargeable admission to the Clitheroe Castle Museum.

**The Clitheroe Castle Museum Collection**

- The Clitheroe Castle Museum Collection principally includes archaeological artifacts, geological collections, militaria and items of local social historical interest. Due to the diverse nature of the museum collection, and without accurate valuation information on any individual asset within the collection, the council has included the collection at insurance value as provided by the Lancashire County Museum Service.
- The Clitheroe Castle Museum collection is maintained and managed by the Lancashire County Museum Service who act as custodians on behalf of the Council. A full list of the collection is retained by both the Council and Lancashire County Museum Service. Not all of the collection is on display at the Clitheroe Castle Museum due to the volume and nature of some of the items within the collection. However, those items on display at the Clitheroe Castle Museum can be seen with chargeable admission to the Museum. At this premises the collection is interspersed with items under the ownership of Lancashire County Museum Service.
- Any acquisitions to the collection would generally be made by donation; however the collection has remained relatively static over recent years. Any donation of note would be recognised at valuation ascertained by the museum's curator or at insurance valuation.

**Civic Regalia**

- The Civic Regalia includes a number of chains of office. Some of these were passed to this Council at the time of Local Government reorganisation in 1974. These heritage assets have been included on the Council's balance sheet at insurance valuation.
- The civic regalia can be viewed by appointment through contact with the main council offices or alternatively the current civic regalia can be viewed at most mayoral functions.
- The acquisition of further Civic Regalia would not be made, and a programme of ongoing maintenance is carried out to ensure that the condition of the items is maintained.

**The Roman Bath site at Ribchester**

- The Council owned site at Ribchester consists of the archaeological remains of a Roman bath house. Due to the unique nature of the site, the Council considers that obtaining a valuation for the bath house site would involve a disproportionate cost in comparison to the benefits to the users of the Council's financial statements. Therefore the Council does not recognise this heritage asset on the balance sheet.

## Statement of Accounting Policies

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- General maintenance of the site is undertaken by the Council on a routine basis; however, no preservation works have recently been undertaken. The council would look to work together with third parties in undertaking any such works.
- Access to the site is open to the general public without charge.

### **Heritage Assets - General**

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment – see *Accounting Policy 16* on Property, Plant and Equipment in this summary of significant accounting policies. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts (again see *Accounting Policy 16* on Property, Plant and Equipment in this summary of significant accounting policies)

## **12 INTANGIBLE ASSETS**

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Expenditure on non-monetary assets that do not have physical substance but are controlled by the Council as a result of past events (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Council will be able to generate future economic benefits or deliver service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the asset held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

**Statement of Accounting Policies**

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Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

**13 INVENTORIES AND LONG TERM CONTRACTS**

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Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned at cost price.

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.

**14 LEASES**

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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.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

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

There are no finance leases within the Council where the Council acts as either Lessee or Lessor.

**Operating Leases Where the Council is Lessee**

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant and 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 (e.g. there is a rent-free period at the commencement of the lease).

**Operating Leases Where the Council is Lessor**

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

## Statement of Accounting Policies

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### 15 OVERHEADS AND SUPPORT SERVICES

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

### 16 PROPERTY, PLANT AND EQUIPMENT

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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.

#### *Recognition*

Expenditure in excess of £10,000 on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

#### *Measurement*

Assets are initially measured at cost, comprising:

- The purchase price
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Donated assets are measured initially at fair value. The difference between fair value and any consideration paid is credited to the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement, unless the donation has been made conditionally. Until conditions are satisfied, the gain is held in the Donated Assets Account. Where gains are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

## Statement of Accounting Policies

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

- Infrastructure, community assets and assets under construction – depreciated historical cost
- All other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV)

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

Where decreases in value are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

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

The carrying amount of assets that would be recognised in the Statement of Accounts under the cost model are summarised in the table below:

Property, Plant and Equipment Classification	31 March 2017	
	Revalued Amount in Balance Sheet £	Equivalent Carrying Amount Under Cost Model £
Other Land and Buildings	13,371,200	7,026,990
Vehicles, Plant, Furniture and Equipment	1,640,270	1,640,271
Infrastructure Assets	306,084	306,084
Community Assets	1,572,881	1,559,340
Surplus Assets (Not for Sale)	74,767	68,154
<b>Total</b>	<b>16,965,202</b>	<b>10,600,839</b>

## Statement of Accounting Policies

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### *Impairments*

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.

Where impairment losses are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

### *Depreciation*

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. 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).

The Council operates a straight-line method for depreciation over the useful economic life of the asset as follows:

	Years
Buildings	50
Infrastructure	40
Large Equipment	10
Large Vehicles	8
Small Vehicles	5
Small Plant/Equipment	3

The useful economic life used for an asset in the calculation of depreciation will only differ from the above table where an updated asset life is provided at the time of any revaluation of council assets. Such updated asset lives would be used for future depreciation calculations.

**Statement of Accounting Policies**

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Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

***Disposals and Non-current Assets Held for Sale***

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal, generally in excess of £10,000, are categorised as capital receipts. The receipts are set aside in the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

## Statement of Accounting Policies

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### ***Componentisation***

Where the council holds an asset with a value of £500,000 or above, any significant element of that asset would be treated as a separate component for the purposes of asset recognition, measurement, impairment, depreciation or disposal. A 'significant element' is any element of an asset with a value of 10% or above of the overall asset value.

## **17 PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

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### **Provisions**

Provisions are made where an event has taken place that gives the council 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. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the authority settles the obligation.

### **Contingent Liabilities**

A contingent liability arises where an event has taken place that gives the Council 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 Council. Contingent liabilities also arise in circumstances 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.

### **Contingent Assets**

A contingent asset arises where an event has taken place that gives the Council 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 Council.

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.

**Statement of Accounting Policies**

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**18 RESERVES**

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The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Council - these reserves are explained in the relevant policies.

**19 REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE**

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Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

**20 VAT**

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VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

**Comprehensive Income and Expenditure Statement**

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# Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

The Comprehensive Income and Expenditure Statement consolidates all the gains and losses experienced by the Council during the financial year. As Councils do not have any equity in their Balance Sheets, these gains and losses reconcile to the overall movement in net worth.

The Comprehensive Income and Expenditure Statement has two sections:

- Surplus or Deficit on the Provision of Services – the increase or decrease in the net worth of the Council as a result of incurring expenses and generating income.
- Other Comprehensive Income and Expenditure – shows any changes in net worth which have not been reflected in the Surplus or Deficit on the Provision of Services. Examples include the increase or decrease in the net worth of the Council as a result of movements in the fair value of its assets and actuarial gains and losses on pension assets and liabilities.

## Comprehensive Income and Expenditure Statement

2015/16 - Restated			2016/17				
Gross Expenditure £	Gross Income £	Net Expenditure £		Gross Expenditure £	Gross Income £	Net Expenditure £	Note
7,013,803	-3,521,669	3,492,134	Community Services Committee	7,994,500	-4,360,363	3,634,137	
8,614,744	-7,787,850	826,894	Health and Housing Committee	8,129,578	-7,507,865	621,713	
1,359,095	-839,654	519,441	Planning and Development Committee	1,292,895	-901,921	390,974	
3,715,763	-1,432,313	2,283,450	Policy and Finance Committee	4,008,377	-2,009,047	1,999,330	
<b>20,703,405</b>	<b>-13,581,486</b>	<b>7,121,919</b>	<b>Cost of Services</b>	<b>21,425,350</b>	<b>-14,779,196</b>	<b>6,646,154</b>	<b>1/2</b>
			<b>Other Operating Expenditure</b>				
		363,992	Payment of Precepts to Parishes			376,779	
		18,000	Pensions Administration Expenses			23,000	<b>32</b>
		11,500	Payment of Localisation of Council Tax Support Grant to Parishes			5,750	
		-133,513	Gains/Losses on the Disposal of non-Current Assets			-59,851	
		133	Payment of Housing Capital Receipts to Government Pool			0	
			<b>Financing and Investment Income and Expenditure</b>				
		11,141	Interest Payable on Debt			9,484	
		-34,184	Investment Interest Income			-22,308	
		533,000	Net Interest on the net defined benefit liability (asset)			489,000	<b>32</b>
		-45,797	(Gain)/Loss on Trading Accounts			-44,948	
			<b>Taxation and Non-Specific Grant Income</b>				
		-3,467,871	Council Tax			-3,644,042	<b>8</b>
		-870,353	Non Domestic Rates Income and Expenditure			-1,555,836	<b>8/11</b>
		-1,011,321	Revenue Support Grant (RSG)			-623,087	<b>8</b>
		-26,500	Capital Grants and Contributions			-153,000	<b>8</b>
		-1,697,863	Other Non-Specific Grants			-1,959,674	<b>8</b>
		<b>772,283</b>	<b>(Surplus) or Deficit on Provision of Services</b>			<b>-512,579</b>	<b>1/2/4</b>
		-773,857	(Surplus) or Deficit on Revaluation of Property, Plant and Equipment Assets			-1,163,694	
		-3,550,000	Actuarial (Gains)/Losses on Pensions Assets/Liabilities			2,145,000	<b>32</b>
		<b>-4,323,857</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>981,306</b>	
		<b>-3,551,574</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>468,727</b>	

**Movement in Reserves Statement**

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## Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable' reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable' reserves.

It shows how the movements in year of the council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year.

The Net Increase/Decrease 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.

## Movement in Reserves Statement

Movements in 2016/17	General Fund Balance £	Earmarked General Fund Reserves £	Total General Fund Balance £	Capital Grants Unapplied £	Usable Capital Receipts Reserve £	Total Usable Reserves £	Unusable Reserves £	Total Council Reserves £
<b>Balance as at 31 March 2016</b>	<b>2,678,832</b>	<b>6,005,502</b>	<b>8,684,334</b>	<b>27,110</b>	<b>745,046</b>	<b>9,456,490</b>	<b>-1,410,685</b>	<b>8,045,805</b>
Total Comprehensive Income and Expenditure	-267,125	779,704	<b>512,579</b>			<b>512,579</b>	-981,306	<b>-468,727</b>
Adjustments between Accounting Basis and Funding Basis Under Regulations <i>See Note 10</i>	304,862		<b>304,862</b>	170,577	59,233	<b>534,672</b>	-534,672	<b>0</b>
<b>Increase/Decrease in Year</b>	<b>37,737</b>	<b>779,704</b>	<b>817,441</b>	<b>170,577</b>	<b>59,233</b>	<b>1,047,251</b>	<b>-1,515,978</b>	<b>-468,727</b>
<b>Balance at 31 March 2017 Carried Forward</b>	<b>2,716,569</b>	<b>6,785,206</b>	<b>9,501,775</b>	<b>197,687</b>	<b>804,279</b>	<b>10,503,741</b>	<b>-2,926,663</b>	<b>7,577,078</b>

Movements in 2015/16	General Fund Balance £	Earmarked General Fund Reserves £	Total General Fund Balance £	Capital Grants Unapplied £	Usable Capital Receipts Reserve £	Total Usable Reserves £	Unusable Reserves £	Total Council Reserves £
<b>Balance as at 31 March 2015</b>	<b>2,103,114</b>	<b>5,941,467</b>	<b>8,044,581</b>	<b>13,822</b>	<b>458,239</b>	<b>8,516,642</b>	<b>-4,022,411</b>	<b>4,494,231</b>
Total Comprehensive Income and Expenditure	-836,318	64,035	<b>-772,283</b>			<b>-772,283</b>	4,323,857	<b>3,551,574</b>
Adjustments between Accounting Basis and Funding Basis Under Regulations <i>See Note 10</i>	1,412,036		<b>1,412,036</b>	13,288	286,807	<b>1,712,131</b>	-1,712,131	<b>0</b>
<b>Increase/Decrease in Year</b>	<b>575,718</b>	<b>64,035</b>	<b>639,753</b>	<b>13,288</b>	<b>286,807</b>	<b>939,848</b>	<b>2,611,726</b>	<b>3,551,574</b>
<b>Balance at 31 March 2016 Carried Forward</b>	<b>2,678,832</b>	<b>6,005,502</b>	<b>8,684,334</b>	<b>27,110</b>	<b>745,046</b>	<b>9,456,490</b>	<b>-1,410,685</b>	<b>8,045,805</b>

**Balance Sheet**

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# Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council.

Reserves are reported in two categories:

- **Usable Reserves** are those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt).
- **Unusable Reserves** are those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

## Balance Sheet

31 March 2016 £		31 March 2017 £	Note
<i>Long Term Assets</i>			
16,147,730	Property, Plant and Equipment	16,965,202	13
892,392	Heritage Assets	892,392	14
52,558	Intangible Assets	23,420	
303,372	Long Term Debtors	294,155	15
<b>17,396,052</b>	<b>Total Long Term Assets</b>	<b>18,175,169</b>	
<i>Current Assets</i>			
10,000	Financial Asset Held for Sale	10,000	15
75,746	Inventories	57,587	
1,395,978	Short Term Debtors	1,768,618	6/15/16
6,231,486	Cash and Cash Equivalents	8,570,278	15/17
<b>7,713,210</b>	<b>Total Current Assets</b>	<b>10,406,483</b>	
<i>Current Liabilities</i>			
-42,894	Short Term Borrowing	-30,393	
-1,946,976	Short Term Creditors	-3,036,527	15/18
-468,600	Provisions	-507,560	6/19
<b>-2,458,470</b>	<b>Total Current Liabilities</b>	<b>-3,574,480</b>	
<i>Long Term Liabilities</i>			
-169,663	Long Term Borrowing	-146,770	
-14,435,324	Net Pensions Liability	-17,283,324	6
<b>-14,604,987</b>	<b>Total Long Term Liabilities</b>	<b>-17,430,094</b>	
<b>8,045,805</b>	<b>Net Assets</b>	<b>7,577,078</b>	
<i>Usable Reserves</i>			
2,678,832	General Fund Balance	2,716,569	20
6,005,502	Earmarked General Fund Reserves	6,785,206	12
745,046	Usable Capital Receipts Reserve	804,279	
27,110	Capital Grants Unapplied	197,687	
<b>9,456,490</b>	<b>Total Usable Reserves</b>	<b>10,503,741</b>	
<i>Unusable Reserves</i>			
7,119,622	Capital Adjustment Account	7,044,683	21
-305,678	Collection Fund Adjustment Account	107,926	
6,263,401	Revaluation Reserve	7,256,758	
-14,435,324	Pension Reserve	-17,283,324	
-52,706	Accumulated Absences Account	-52,706	
<b>-1,410,685</b>	<b>Total Unusable Reserves</b>	<b>-2,926,663</b>	
<b>8,045,805</b>	<b>Total Reserves</b>	<b>7,577,078</b>	

## Cash Flow Statement

# Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period.

The Statement shows how the Council 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 Council are funded by way of taxation and grant income or from the receipts of services provided by the Council.

Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council'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 Council.

2015/16 £		2016/17 £	Note
772,283	Net (Surplus) or Deficit on the Provision of Services	-512,579	
-1,533,328	Adjustments to Net Surplus or Deficit on the Provision of Services for Non-Cash Movements	-859,138	22
286,807	Adjustments for Items Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities	59,233	22
<b>-474,238</b>	<b>Net Cash Flows from Operating Activities</b>	<b>-1,312,484</b>	<b>22</b>
-180,656	Investing Activities	-64,631	23
-147,869	Financing Activities	-961,677	24
<b>-802,763</b>	<b>Net Increase or decrease in Cash and Cash Equivalents</b>	<b>-2,338,792</b>	
5,428,723	Cash and Cash Equivalents 1 April	6,231,486	
<b>6,231,486</b>	<b>Cash and Cash Equivalents 31 March</b>	<b>8,570,278</b>	<b>17</b>

# Notes to the Core Financial Statements

## 1 EXPENDITURE AND FUNDING ANALYSIS

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by the council in comparison with those resources consumed or earned by the council in accordance with generally accepted accounting practices.

It also shows how this expenditure is allocated for decision making purposes between the council's committee structure. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2016/17	Net Expenditure Chargeable to the General Fund £'000	Adjustments between the Funding and Accounting Basis £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
Community Services Committee	3,512,680	121,457	3,634,137
Health and Housing Committee	663,537	-41,824	621,713
Planning and Development Committee	364,878	26,096	390,974
Policy and Finance Committee	1,922,495	76,835	1,999,330
<b>Net Cost of Services</b>	<b>6,463,590</b>	<b>182,564</b>	<b>6,646,154</b>
Other Income and Expenditure	-7,281,031	122,298	-7,158,733
<b>(Surplus) or Deficit</b>	<b>-817,441</b>	<b>304,862</b>	<b>-512,579</b>
Opening General Fund Balance at 31 March 2016	-8,684,334		
<b>Closing General Fund Balance as at 31 March 2017</b>	<b>-9,501,775</b>		

## Notes to the Core Financial Statements

2015/16	Net Expenditure Chargeable to the General Fund £'000	Adjustments between the Funding and Accounting Basis £'000	Net Expenditure in the Comprehensive Income and Expenditure Statement £'000
Community Services Committee	3,303,589	188,545	3,492,134
Health and Housing Committee	678,252	148,641	826,893
Planning and Development Committee	473,352	46,089	519,441
Policy and Finance Committee	2,046,386	237,065	2,283,451
<b>Net Cost of Services</b>	<b>6,501,579</b>	<b>620,340</b>	<b>7,121,919</b>
Other Income and Expenditure	-7,141,332	791,696	-6,349,636
<b>(Surplus) or Deficit</b>	<b>-639,753</b>	<b>1,412,036</b>	<b>772,283</b>
Opening General Fund Balance at 31 March 2016	-8,044,581		
<b>Closing General Fund Balance as at 31 March 2017</b>	<b>-8,684,334</b>		

## 2 NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

This note explains the main adjustments from Net Expenditure Chargeable to the General Fund to arrive at the amounts in the Comprehensive Income and Analysis Statement.

2016/17	Net Expenditure Chargeable to the General Fund £	Adjustments for Capital Purposes £	Net Change for the Pensions Adjustment £	Other Adjustments £	Net Expenditure in the Comprehensive Income and Expenditure Statement £
Community Services Committee	3,512,680	33,279	88,178	0	<b>3,634,137</b>
Health and Housing Committee	663,537	-112,773	26,001	44,948	<b>621,713</b>
Planning and Development Committee	364,878	0	26,097	0	<b>390,975</b>
Policy and Finance Committee	1,922,495	26,110	50,724	0	<b>1,999,329</b>
<b>Net Cost of Services</b>	<b>6,463,590</b>	<b>-53,384</b>	<b>191,000</b>	<b>44,948</b>	<b>6,646,154</b>
Other Income and Expenditure	-7,281,031	68,849	512,000	-458,551	-7,158,733
<b>(Surplus) or Deficit</b>	<b>-817,441</b>	<b>15,465</b>	<b>703,000</b>	<b>-413,603</b>	<b>-512,579</b>

## Notes to the Core Financial Statements

2015/16	Net Expenditure Chargeable to the General Fund £	Adjustments for Capital Purposes £	Net Change for the Pensions Adjustments £	Other Adjustments £	Net Expenditure in the Comprehensive Income and Expenditure Statement £
Community Services Committee	3,303,589	28,222	161,200	-877	3,492,134
Health and Housing Committee	678,252	81,862	21,763	45,017	826,894
Planning and Development Committee	473,352		48,305	-2,216	519,441
Policy and Finance Committee	2,046,386	159,357	80,732	-3,025	2,283,450
<b>Net Cost of Services</b>	<b>6,501,579</b>	<b>269,441</b>	<b>312,000</b>	<b>38,899</b>	<b>7,121,919</b>
Other Income and Expenditure	-7,141,332	35,949	551,000	204,747	-6,349,636
<b>(Surplus) or Deficit</b>	<b>-639,753</b>	<b>305,390</b>	<b>863,000</b>	<b>243,646</b>	<b>772,283</b>

**Adjustments for Capital Purposes**

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

- **Other Operating Expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- **Financing and Investment Income and Expenditure** – the statutory charges for capital financing ie Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- **Taxation and Non-Specific Grant Income and Expenditure** – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in year without conditions or for which conditions were satisfied in the year.

**Net Change for the Pensions Adjustments**

Net change for the removal of pension contributions and the addition of IAS19 *Employee Benefits* pension related expenditure and income:

- **For services** this represents the removal of the employer pension contributions made by the council as allowed by statute and the replacement with current service costs and past service costs.
- **For Financing and Investment Income and Expenditure** – the net interest on the defined benefit liability is charged to the Comprehensive Income and Expenditure Statement.

## Notes to the Core Financial Statements

### Other Adjustments

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

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

### 3 PRIOR PERIOD RESTATEMENT OF SERVICE EXPENDITURE AND INCOME

Expenditure on services and income relating to or derived from these services is classified in the Comprehensive Income and Expenditure Statement in accordance with the CIPFA Code of Local Authority Accounting in the UK. The 2016/17 Code requires that authorities present expenditure and income on services on the basis of its reportable segments. These reportable segments are based on the council's internal management reporting structure. This is a change from the previous requirement to present expenditure and income in accordance with the Service Reporting Code of Practice (SeRCOP). This note shows how the net expenditure and income has been restated.

As Reported in the Comprehensive Income and Expenditure Statement 2015/16			
Gross Expenditure	Gross Income	Net Expenditure	
£	£	£	
1,532,393	-732,276	<b>800,117</b>	Central Services to the Public
2,751,726	-1,261,748	<b>1,489,978</b>	Cultural and Related Services
3,831,574	-1,300,512	<b>2,531,062</b>	Environmental and Regulatory Services
1,652,537	-903,957	<b>748,580</b>	Planning Services
1,347,486	-1,369,692	<b>-22,206</b>	Highways and Transport Services
7,914,898	-7,533,905	<b>380,993</b>	Other Housing Services
10,586	-5,491	<b>5,095</b>	Adult Social Care
1,552,369	-473,905	<b>1,078,464</b>	Corporate and Democratic Core
109,836	0	<b>109,836</b>	Non Distributed Costs
<b>20,703,405</b>	<b>-13,581,486</b>	<b>7,121,919</b>	<b>Cost of Services</b>

## Notes to the Core Financial Statements

As Restated for 2015/16			
Gross Expenditure £	Gross Income £	Net Expenditure £	
7,013,803	-3,521,669	<b>3,492,134</b>	Community Services Committee
8,614,744	-7,787,850	<b>826,894</b>	Health and Housing Committee
1,359,095	-839,654	<b>519,441</b>	Planning and Development Committee
3,715,763	-1,432,313	<b>2,283,450</b>	Policy and Finance Committee
<b>20,703,405</b>	<b>-13,581,486</b>	<b>7,121,919</b>	<b>Cost of Services</b>

#### 4 EXPENDITURE AND INCOME ANALYSED BY NATURE

2015/16 £		2016/17 £
<i>Expenditure</i>		
6,958,183	Employee Expenditure	7,043,441
13,284,930	Other Service Expenses	13,893,477
1,124,835	Depreciation, Amortisation and Impairment	802,690
11,500	Payment of Localisation of Council Tax Support to Parishes	5,750
18,000	Pensions Administration Costs	23,000
133	Payments to Housing Capital Receipts Pool	0
11,141	Interest Payments	9,484
363,992	Precepts and Levies	376,779
<b>21,772,714</b>	<b>Total Expenditure</b>	<b>22,154,621</b>
<i>Income</i>		
-4,707,470	Fees and Charges and Other Service Income	-5,291,274
-133,513	Gain or Loss on Disposal of Non-Current Assets	-59,851
-4,338,224	Income from Council Tax and Business Rates	-5,199,878
-11,787,040	Government Grants, Contributions and Donations	-12,093,889
-34,184	Interest and Investment Income	-22,308
<b>-21,000,431</b>	<b>Total Income</b>	<b>-22,667,200</b>
<b>772,283</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>-512,579</b>

## Notes to the Core Financial Statements

### 5 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set at the beginning of the Statement of Accounts, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- There is a degree of uncertainty about the future levels of funding for local government services in the medium to long term and also the impact of the decision for Britain to leave the European Union remains unclear.

However, the Council has determined that this uncertainty is not sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

### 6 ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2017 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
<b>Pensions Liability</b>	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 are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.	<p>Mercer Limited are the actuaries for the Lancashire County Pension Fund. The Pension Fund Deficit for Ribble Valley at 31 March 2017 was £17.284m. The following sensitivity analysis is provided by Mercer Limited:</p> <ul style="list-style-type: none"> <li><b>+0.1% p.a. discount rate as at 31 March 2017:</b> deficit would be £16.220m</li> <li><b>+0.1% p.a. inflation as at 31 March 2017:</b> deficit would be £18.365m</li> <li><b>+0.1% p.a. pay growth as at 31 March 2017:</b> deficit would be £17.500m</li> <li><b>1 year addition to members' life expectancy as at 31 March 2017:</b> deficit would be £18.545m</li> </ul>

## Notes to the Core Financial Statements

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
<b>Arrears</b>	At 31 March 2017, the Council had a balance of sundry debtors of £961,540 (including overpaid housing benefits). A review of significant balances suggested that an impairment of doubtful debts of £168,478 (including overpaid housing benefits) was appropriate. However, the level of such an allowance may fluctuate in adequacy.	If collection rates were to deteriorate, a 10% increase in the impairment would equate to £16,848
<b>Business Rates Appeals Provision</b>	At the 31 March the Council made a provision on the Collection Fund of £1,268,900 in relation to the liability for any successful appeals lodged with the Valuation Office. The level of this provision which relates to this council is £507,560 as shown on the Balance Sheet. The impact from successful appeals can potentially be significant in its impact on the finances that the council retains under the localisation of business rates. The council also has an earmarked reserve to further protect itself from the volatilities around business rates and retained income.	If anticipated appeals were to be 10% higher than those allowed for in the provision, the increase would equate to £126,890 in total or a £50,756 share for this council.

## 7 MATERIAL ITEMS OF INCOME AND EXPENSE

### Housing Benefit

The Council has a statutory duty to administer Housing Benefit claims on behalf of the Department for Work and Pensions. The Council pays out Housing Benefits to eligible claimants. In 2016/17 £6.91m was paid out (£7.25m in 2015/16), after taking into account reimbursements from claimants for any overpayments made. The Council receives subsidy grant from the Department for Work and Pensions to cover the payments made. Subsidy grant of £6.97m was received from the Department for Work and Pensions in 2016/17 (£7.3m in 2015/16).

### Cost Sharing Agreement

In 2014/15 the Council entered into a Cost Sharing Agreement with Lancashire County Council for the disposal of recyclable household waste. In previous years the council received recycling credits. Under the terms of the Cost Sharing Agreement all recyclate is passed to Lancashire County Council with the exception of paper and cardboard, a waste stream which the Council is able to retain and sell, although the income received for paper and card is deducted from the annual cost sharing payment received.

Under the terms of the agreement any additional income received for materials in excess of tonnages collected in 2013/14 are shared on a 50/50 basis with Lancashire County Council. In 2016/17 the Council received £430,341 cost sharing income which was reduced by £121,491 due to the paper and cardboard penalty. This resulted in net cost sharing income of £308,850 (In 2015/16 - £430,431 cost sharing income which was reduced by £70,098 due to the paper and card penalty, resulting in net cost sharing income of 360,243).

## Notes to the Core Financial Statements

### Car Parking Pay and Display Income

The council maintains numerous public car parks throughout the borough of which 16 are chargeable. Car parking charges are operated in Longridge, Clitheroe, Slaidburn, Ribchester, Sabden and Chipping. The council, through committee, have full control of the level of the car parking charges that are set.

In 2016/17 the council received £339,652 in income from chargeable car parks (in 2015/16 chargeable car park income was £308,437). This income excludes that received from parking fines.

### Flood Resilience Grants

Following the floods of December 2015 (Storm Desmond and Storm Eva) the Government announced a scheme, administered by local authorities, to provide grants of up to £5,000 to homeowners and businesses that had been flooded as a result of storms Desmond and/or Eva to help fund additional flood resilience or resistance measures. The grants are intended to fund measures which improve the property's resilience or resistance to flooding, over and above repairs that would normally be covered by insurance.

The funding of the distributed grants was from DCLG, via Lancashire County Council. In 2016/17 the council paid grants totalling £553,564 to householders and £81,560 to businesses under the scheme. No payments were paid under the scheme in 2015/16.

### Planning application fees

Local government administer much of the planning system with district councils responsible for most planning matters, other than transport and minerals and waste planning which are typically functions of the county council. A planning application is only required in certain circumstances. If a planning application is required the council requires that the application is accompanied with a fee. In 2016/17 the council received £586,601 in planning application fees, which help fund the provision of the service. (£593,017 in 2015/16).

## 8 TAXATION AND NON-SPECIFIC GRANT INCOME

Included within this grouping on the Comprehensive Income and Expenditure Statement are four major categories of income.

### Council Tax

	2015/16 £	2016/17 £
Ribble Valley Borough Council Precept	-3,053,395	-3,208,677
Precept Relating to Parishes	-363,992	-376,779
Surplus Received in Year (Declared January Prior to Start of Year)	-22,004	-47,809
Movement on Collection Fund (Surplus) at Year End	-28,480	-10,777
<b>Total Council Tax</b>	<b>-3,467,871</b>	<b>-3,644,042</b>

## Notes to the Core Financial Statements

**Non-Domestic Rates Income and Expenditure**

	2015/16 £	2016/17 £
Ribble Valley Borough Council Share of Business Rates Income	-5,803,790	-5,940,126
Less Tariff Payable to Central Government	4,325,447	4,361,492
Business Rates Growth Levy Payable to Central Government	294,424	0
10% Retained Levy Payable to Lancashire County Council under Business Rates Pooling Arrangements	0	37,613
(Surplus)/Deficit Payment in Year (Declared January Prior to Start of Year)	46,136	420,692
Movement on Collection Fund Deficit/(Surplus) at Year End	279,025	-402,826
Business Rates Retained on Renewable Energy Schemes	-11,595	-32,681
<b>Overall Net Retained Business Rates Related Income</b>	<b>-870,353</b>	<b>-1,555,836</b>

**Revenue Support Grant**

This is a source of funding that has seen a steady decrease over past years and is forecast to cease in 2019/20. In 2016/17 we received £623,087 (2015/16 £1,011,321).

**Capital Grants and Contributions**

	2015/16 £	2016/17 £
Sport England	-23,500	-150,000
Longridge Town Council	-3,000	-3,000
<b>Total Capital Grants and Contributions</b>	<b>-26,500</b>	<b>-153,000</b>

## Notes to the Core Financial Statements

Other Non-Specific Grants

	2015/16 £	2016/17 £
Council Tax Freeze Grant	-32,380	0
New Homes Bonus	-968,616	-1,366,884
New Homes Bonus - Returned Funding	-4,002	-2,862
Rural Areas Delivery Grant	0	-107,254
Transition Grant	0	-20,424
Business Rates Section 31 Grants		
Small Business Rates Relief (SBRR) Scheme	-410,394	-420,254
SBRR on Existing Properties where 2nd Property is Occupied	-5,570	-3,352
'New Empty' Properties	-1,982	0
'Long Term Empty' Properties	-11,968	-7,725
Retail Relief	-215,375	474
Flooding Relief	-22,346	-3,234
In Lieu of transitional Relief	-7,989	-4,830
Multiplier Cap	-17,241	-23,329
<b>Total Council Tax</b>	<b>-1,697,863</b>	<b>-1,959,674</b>

**9 EVENTS AFTER THE REPORTING PERIOD**

The Statement of Accounts was authorised for issue on the 31 May 2017. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2017, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

**10 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS**

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

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

**General Fund Balance**

The General Fund is the statutory fund into which all the receipts of an authority are required to be paid and out of which all liabilities of the authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice.

The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year.

**Capital Receipts Reserve**

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

**Capital Grants Unapplied**

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

## Notes to the Core Financial Statements

Movements in 2016/17	Usable Reserves			Movement in Unusable Reserves £
	General Fund Balance £	Capital grants Unapplied £	Capital Receipts Reserve £	
<b>Adjustments primarily involving the Capital Adjustment Account</b>				
<b><u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</u></b>				
Charges for depreciation and impairment of non-current assets	826,917			-826,917
Revaluation losses on Property Plant and Equipment (Charged to surplus or Deficit on Provision of Services)	33,279			-33,279
Amortisation of Intangible Assets	29,138			-29,138
Capital Grants and Contributions Applied	-256,933			256,933
Revenue Expenditure Funded from Capital Under Statute	201,936			-201,936
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	0			0
<b><u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Account</u></b>				
Statutory Provision for the Financing of Capital investment	-134,610			134,610
Capital expenditure charged against General Fund Balances	-440,364			440,364
<b>Adjustments primarily involving the Capital Grants Unapplied Account</b>				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-184,664	184,664		
Application of grants to capital financing transferred to the Capital Adjustment Account		-14,087		14,087
<b>Adjustments primarily involving the Capital Receipts Reserve</b>				
Transfer of Cash Sale Proceeds Credited as Part of the Gain/Loss on Disposal to the Comprehensive Income and Expenditure Statement	-59,851		59,851	
Contribution from the Capital Receipts Reserve towards administrative cost of Non-Current asset disposals	618		-618	
Contribution from the Capital receipts Reserve to finance the payments to the Government Capital receipts pool	0		0	
Transfer from deferred capital receipts reserve upon receipt of cash			0	0

## Notes to the Core Financial Statements

Movements in 2016/17	Usable Reserves			Movement in Unusable Reserves £
	General Fund Balance £	Capital grants Unapplied £	Capital Receipts Reserve £	
<b>Adjustments primarily involving the Pensions Reserve</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	1,636,000			-1,636,000
Employer's pensions contributions and direct payments to pensioners payable in the year	-933,000			933,000
<b>Adjustments primarily involving the Collection Fund Adjustment Account</b>				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax and business rates income collected for the year in accordance with statutory requirements	-413,604			413,604
<b>Adjustments primarily involving the Accumulated Absences Account</b>				
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		0		0
<b>Total Adjustments</b>	<b>304,862</b>	<b>170,577</b>	<b>59,233</b>	<b>-534,672</b>

## Notes to the Core Financial Statements

Movements in 2015/16	Usable Reserves			Movement in Unusable Reserves £
	General Fund Balance £	Capital grants Unapplied £	Capital Receipts Reserve £	
<b>Adjustments primarily involving the Capital Adjustment Account</b>				
<b><u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</u></b>				
Charges for depreciation and impairment of non-current assets	826,228			-826,228
Revaluation losses on Property Plant and Equipment (Charged to surplus or Deficit on Provision of Services)	170,238			-170,238
Amortisation of Intangible Assets	29,138			-29,138
Capital Grants and Contributions Applied	-173,308			173,308
Revenue Expenditure Funded from Capital Under Statute	260,098			-260,098
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	153,250			-153,250
<b><u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Account</u></b>				
Statutory Provision for the Financing of Capital investment	-132,815			132,815
Capital expenditure charged against General Fund Balances	-526,722			526,722
<b>Adjustments primarily involving the Capital Grants Unapplied Account</b>				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-14,088	14,088		
Application of grants to capital financing transferred to the Capital Adjustment Account		-800		800
<b>Adjustments primarily involving the Capital Receipts Reserve</b>				
Transfer of Cash Sale Proceeds Credited as Part of the Gain/Loss on Disposal to the Comprehensive Income and Expenditure Statement	-286,763		286,763	
Contribution from the Capital Receipts Reserve towards administrative cost of Non-Current asset disposals	0		0	
Contribution from the Capital receipts Reserve to finance the payments to the Government Capital receipts pool	134		-134	
Transfer from deferred capital receipts reserve upon receipt of cash			178	-178

## Notes to the Core Financial Statements

Movements in 2015/16	Usable Reserves			Movement in Unusable Reserves £
	General Fund Balance £	Capital grants Unapplied £	Capital Receipts Reserve £	
<b>Adjustments primarily involving the Pensions Reserve</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	1,796,000			-1,796,000
Employer's pensions contributions and direct payments to pensioners payable in the year	-933,000			933,000
<b>Adjustments primarily involving the Collection Fund Adjustment Account</b>				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax and business rates income collected for the year in accordance with statutory requirements	250,545			-250,545
<b>Adjustments primarily involving the Accumulated Absences Account</b>				
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	-6,899			6,899
<b>Total Adjustments</b>	<b>1,412,036</b>	<b>13,288</b>	<b>286,807</b>	<b>-1,712,131</b>

## Notes to the Core Financial Statements

**11 LANCASHIRE BUSINESS RATES POOL**

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

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

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

With regard to this council, the retained levy would be £376,131, hence under pooling we have benefitted from extra income of £338,518. Lancashire County Council has received the remaining 10% of retained levy.

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

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

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

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

## Notes to the Core Financial Statements

The Net Retained Levy for the council is shown within Business Rates Retention income on the Comprehensive Income and Expenditure Statement, along with the council's own share of growth achieved in the year.

## 12 TRANSFERS TO/FROM EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund balance in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2016/17.

General Fund	Balance at 31 March 2015 £	Transfers In 2015/16 £	Transfers Out 2015/16 £	Balance at 31 March 2016 £	Transfers In 2016/17 £	Transfers Out 2016/17 £	Balance at 31 March 2017 £
<b>Reserves for Shorter Term Service Commitments</b>							
<b>Local Recreation Grants Fund</b> <i>Used to fund various Community Services Committee grants</i>	12,686	16,240		28,926	8,943		37,869
<b>Audit Reserve Fund</b> <i>Used for computer audit</i>	12,335			12,335			12,335
<b>Christmas Lights/RV in Bloom</b> <i>Available to fund contributions towards Christmas Lights and Ribble Valley in Bloom</i>	1,186		-350	836		-836	0
<b>Community Enhancement</b> <i>Used to fund grants to local organisations</i>	11,419		-11,419	0			0
<b>Conservation Reserve</b> <i>To fund conservation schemes completed after the financial year end</i>	6,210		-6,210	0			0
<b>Market Town Enhancement</b> <i>To fund grants under Market Towns Enhancement Scheme</i>	8,372		-8,372	0			0
<b>Refuse Collection</b> <i>To fund refuse collection costs of bin replacements and other cost pressures</i>	147,203	19,100	-115,984	50,319	17,955	-8,546	59,728
<b>Clean Air Reserve</b> <i>To fund clean air survey work</i>	2,681		-2,681	0			0
<b>Promotional Activities Reserve</b> <i>To fund planned publicity and promotional activities</i>	9,260		-9,260	0			0
<b>Core Strategy Reserve</b> <i>To fund the production of the Core Strategy</i>	22,453		-1,920	20,533		-20,533	0

## Notes to the Core Financial Statements

General Fund	Balance at 31 March 2015 £	Transfers In 2015/16 £	Transfers Out 2015/16 £	Balance at 31 March 2016 £	Transfers In 2016/17 £	Transfers Out 2016/17 £	Balance at 31 March 2017 £
<b>Human Resource Development</b> <i>To provide for staff training commitments</i>	27,500		-27,500	0			0
<b>Clitheroe Food Festival</b> <i>Resources set aside to help support the costs associated with the Clitheroe Food Festival</i>	6,204	13,653		19,857	6,056		25,913
<b>Tour of Britain Reserve</b> <i>To fund the potential cost of hosting a stage of the Tour of Britain Cycle Race</i>	89,826		-89,826	0			0
<b>Total Reserves for Shorter Term Service Commitments</b>	357,335	48,993	-273,522	132,806	32,954	-29,915	135,845
<b>Reserves to Smooth the Revenue Impact of Longer Term Cyclical Costs</b>							
<b>Elections Fund</b> <i>Used to fund borough elections held once every four years</i>	78,689	21,880	-81,493	19,076	22,448	-5,195	36,329
<b>Revaluation of Assets Reserve</b> <i>To contribute towards the revaluation of the Council's assets every five years.</i>	1,200	2,000		3,200	2,030		5,230
<b>Total Reserves to Smooth the Revenue Impact of Longer Term Cyclical Costs</b>	79,889	23,880	-81,493	22,276	24,478	-5,195	41,559
<b>Reserves for Trading or Business Units</b>							
<b>Building Control Fund</b> <i>Available to equalise net expenditure over a three year period</i>	-103,006		-2,001	-105,007	61,175		-43,832
<b>Total Reserves for Trading or Business Units</b>	-103,006	0	-2,001	-105,007	61,175	0	-43,832
<b>Reserves for Sums Set Aside for Major Schemes such as Capital Projects</b>							
<b>Capital</b> <i>Used to fund the capital programme</i>	692,623	598,921	-526,722	764,822	499,444	-442,845	821,421
<b>Clitheroe Cemetery Reserve</b> <i>To finance any future liabilities from the cemetery extension</i>	3,640		-3,640	0			0
<b>Civic Suite Reserve</b> <i>Resources set aside to fund future capital spend on the council chamber.</i>	11,420		-11,420	0			0

## Notes to the Core Financial Statements

General Fund	Balance at 31 March 2015 £	Transfers In 2015/16 £	Transfers Out 2015/16 £	Balance at 31 March 2016 £	Transfers In 2016/17 £	Transfers Out 2016/17 £	Balance at 31 March 2017 £
<b>ICT Repairs and Renewals</b> <i>To fund future software and hardware upgrades</i>	169,903		-7,614	162,289	15,910	-6,800	171,399
<b>Vehicle &amp; Plant Repairs and Renewals Reserve</b> <i>Resources set aside to fund a repairs and renewals fund for the replacement of Vehicles and Plant</i>	300,000	46,000		346,000	46,000		392,000
<b>Total Reserves for Sums Set Aside for Major Schemes such as Capital Projects</b>	1,177,586	644,921	-549,396	1,273,111	561,354	-449,645	1,384,820
<b>Reserves for Longer Term Strategic or Corporate Items</b>							
<b>VAT Shelter Reserve</b> <i>Funds received from the post LSVT VAT Shelter arrangements, partly used to contribute towards the future financing of the capital programme</i>	1,610,053	158,431	-392,204	1,376,280	200,561	-276,526	1,300,315
<b>Fleming VAT Claim</b> <i>VAT recovered from 'Fleming' claim challenge to HMRC</i>	234,903		-39,106	195,797		-123,585	72,212
<b>Insurance</b> <i>Available to meet any costs following demise of Municipal Mutual Insurance Company</i>	16,748		-2,167	14,581			14,581
<b>Repairs and Maintenance</b> <i>To fund emergency repairs and maintenance items, including legionella and asbestos abatement</i>	34,299	8,570	-5,000	37,869		-8,570	29,299
<b>Post LSVT</b> <i>To fund any costs post LSVT which may arise, such as pension fund liabilities</i>	328,613		-36,513	292,100		-36,512	255,588
<b>Restructuring Reserve</b> <i>To fund costs resulting from restructuring reviews</i>	227,541			227,541			227,541
<b>Equipment Reserve</b> <i>To fund essential and urgent equipment requirements</i>	93,560	41,053	-11,863	122,750	26,916	-34,533	115,133

## Notes to the Core Financial Statements

General Fund	Balance at 31 March 2015 £	Transfers In 2015/16 £	Transfers Out 2015/16 £	Balance at 31 March 2016 £	Transfers In 2016/17 £	Transfers Out 2016/17 £	Balance at 31 March 2017 £
<b><u>Invest to Save Fund</u></b> <i>To fund future invest to save projects</i>	250,000			250,000			250,000
<b><u>Planning Reserve</u></b> <i>To fund any future potential planning issues</i>	215,942		-59,204	156,738		-8,193	148,545
<b><u>Housing Benefit Reserve</u></b> <i>To help meet the challenges facing the service in the coming years</i>	100,000			100,000			100,000
<b><u>Business Rates Volatility Reserve</u></b> <i>To provide some protection against business rates volatilities</i>	314,751	350,043		664,794	338,518	-225,702	777,610
<b><u>New Homes Bonus Reserve</u></b> <i>To help finance future economic development capital schemes</i>	505,415	292,551	-35,662	762,304	579,923	-63,749	1,278,478
<b>Total Reserves for Longer Term Strategic or Corporate Items</b>	<b>3,931,825</b>	<b>850,648</b>	<b>-581,719</b>	<b>4,200,754</b>	<b>1,145,918</b>	<b>-777,370</b>	<b>4,569,302</b>
<b><i>Reserves for External Funding where Expenditure has yet to be Incurred</i></b>							
<b><u>Performance Reward Grant</u></b> <i>Performance Reward Grant received and to be used to finance Partnership posts</i>	214,682		-139,565	75,117		-7,540	67,577
<b><u>Forest of Bowland Reserve</u></b> <i>To fund access improvement schemes within the Ribble Valley section of the Forest of Bowland</i>	29,646		-29,646	0			0
<b><u>Land Charges Reserve</u></b> <i>To fund any potential restitution claims for personal search fees</i>	4,474	72,406	-28,321	48,559	5,172	-6,937	46,794
<b><u>Pendle Hill User Reserve</u></b> <i>To fund improvement schemes on Pendle Hill</i>	13,647	30,337	-11,465	32,519	14,000	-2,450	44,069
<b><u>Crime Reduction Partnership Reserve</u></b> <i>To fund cost of crime reduction initiatives</i>	19,105	5,070		24,175	5,702		29,877

## Notes to the Core Financial Statements

General Fund	Balance at 31 March 2015 £	Transfers In 2015/16 £	Transfers Out 2015/16 £	Balance at 31 March 2016 £	Transfers In 2016/17 £	Transfers Out 2016/17 £	Balance at 31 March 2017 £
<b><u>Wellbeing and Health Equality</u></b> <i>To fund expenditure on Wellbeing and Health</i>	47,428		-47,428	0			0
<b><u>Exercise Referral Reserve</u></b> <i>To fund potential residual staffing costs</i>	20,183	790	-4,572	16,401		-2,040	14,361
<b><u>Housing Related Grants Reserve</u></b> <i>Residual grant received, to be committed to future grant schemes</i>	26,480	54,460	-22,930	58,010	157,532	-28,138	187,404
<b><u>Planning Related Grants Reserve</u></b> <i>Residual grant received, to be committed to future grant schemes</i>	0			0	35,495		35,495
<b><u>Community Right to Bid/Challenge</u></b> <i>To fund any future costs under the Community Right to Bid and Community Right to Challenge Regulations</i>	46,224			46,224		-1,100	45,124
<b><u>Grant Funded Sports Development</u></b> <i>To finance future Sports Development grant funded expenditure</i>	3,500	2,010		5,510		-4,910	600
<b><u>Whalley Moor Reserve</u></b> <i>Grant received towards work at Whalley Moor Woodland</i>	4,970		-450	4,520			4,520
<b><u>Individual Electoral Registration Reserve</u></b> <i>Grant received for the implementation of Individual Electoral Registration which will be used to fund this work</i>	23,288	19,880	-25,266	17,902	12,977	-22,676	8,203
<b><u>Rural Services Reserve</u></b> <i>Grant received with the purpose of supporting rural services</i>	0			0	105,544		105,544
<b><u>Neighbourhood Planning Reserve</u></b> <i>DCLG Neighbourhood Planning Grant received to fund future related expenditure</i>	10,000	5,000		15,000			15,000

## Notes to the Core Financial Statements

General Fund	Balance at 31 March 2015 £	Transfers In 2015/16 £	Transfers Out 2015/16 £	Balance at 31 March 2016 £	Transfers In 2016/17 £	Transfers Out 2016/17 £	Balance at 31 March 2017 £
<b>Repossession Prevention Fund Reserve</b>							
<i>Ring-fenced DCLG funded reserve to help prevent repossessions and homelessness.</i>	34,211		-5,720	28,491			28,491
<b>Parish Grant Reserve</b>							
<i>PRG resources set aside to fund the Parish Grant Scheme</i>	0	109,134		109,134		-44,682	64,452
<b>Total Reserves for External Funding where Expenditure has yet to be Incurred</b>	497,838	299,087	-315,363	481,562	336,422	-120,473	697,511
<b>Total of all Earmarked Reserves</b>	5,941,467	1,867,529	-1,803,494	6,005,502	2,162,301	-1,382,598	6,785,206

## Notes to the Core Financial Statements

## 13 PROPERTY, PLANT AND EQUIPMENT

Movements in 2016/17	Other Land and Buildings £'000	Vehicles, Plant, Furniture and Equipment £'000	Infra-Structure Assets £'000	Community Assets £'000	Surplus Assets (Not Held for Sale) £'000	Total Property, Plant and Equipment £'000
<b><i>Cost or Valuation</i></b>						
At 1 April 2016	12,342	4,347	359	1,593	77	18,718
Additions/Acquisitions	265	249				514
Derecognition - Disposal		-75				-75
Revaluation increases/(decreases) recognised in the Revaluation Reserve	811					811
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	-33					-33
<b>At 31 March 2017</b>	<b>13,385</b>	<b>4,521</b>	<b>359</b>	<b>1,593</b>	<b>77</b>	<b>19,935</b>
<b><i>Accumulated Depreciation and Impairments</i></b>						
At 1 April 2016	0	-2,510	-43	-17	0	-2,570
Derecognition - Disposal		75				75
Depreciation Charge	-366	-446	-10	-3	-2	-827
Depreciation written out to the Revaluation Reserve	352					352
<b>At 31 March 2017</b>	<b>-14</b>	<b>-2,881</b>	<b>-53</b>	<b>-20</b>	<b>-2</b>	<b>-2,970</b>
<b><i>Net Book Value</i></b>						
<b>at 31 March 2016</b>	<b>12,342</b>	<b>1,837</b>	<b>316</b>	<b>1,576</b>	<b>77</b>	<b>16,148</b>
<b>at 31 March 2017</b>	<b>13,371</b>	<b>1,640</b>	<b>306</b>	<b>1,573</b>	<b>75</b>	<b>16,965</b>

## Notes to the Core Financial Statements

Movements in 2015/16	Other Land and Buildings £'000	Vehicles, Plant, Furniture and Equipment £'000	Infra-Structure Assets £'000	Community Assets £'000	Surplus Assets (Not Held for Sale) £'000	Total Property, Plant and Equipment £'000
<b><u>Cost or Valuation</u></b>						
At 1 April 2015	11,797	4,090	357	1,593	117	17,954
Additions/Acquisitions	239	439	2			680
Derecognition - Disposal		-182				-182
Revaluation increases/(decreases) recognised in the Revaluation Reserve	448				-12	436
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	-142				-28	-170
<b>At 31 March 2016</b>	<b>12,342</b>	<b>4,347</b>	<b>359</b>	<b>1,593</b>	<b>77</b>	<b>18,718</b>
<b><u>Accumulated Depreciation and Impairments</u></b>						
At 1 April 2015		-2,216	-34	-14		-2,264
Derecognition - Disposal		182				182
Depreciation Charge	-334	-476	-9	-3	-4	-826
Depreciation written out to the Revaluation Reserve	334				4	338
<b>At 31 March 2016</b>	<b>0</b>	<b>-2,510</b>	<b>-43</b>	<b>-17</b>	<b>0</b>	<b>-2,570</b>
<b><u>Net Book Value</u></b>						
<b>at 31 March 2015</b>	<b>11,797</b>	<b>1,874</b>	<b>323</b>	<b>1,579</b>	<b>117</b>	<b>15,690</b>
<b>at 31 March 2016</b>	<b>12,342</b>	<b>1,837</b>	<b>316</b>	<b>1,576</b>	<b>77</b>	<b>16,148</b>

**Notes to the Core Financial Statements**

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**Depreciation**

The Council charges its service accounts depreciation for all fixed assets (except freehold land) used in the provision of services. The council operates a straight-line method for depreciation. Provision for depreciation is made by allocating the cost (or revalued amount) less estimated residual value of the assets. The useful economic life used for assets is as follows:

	Years
Buildings	50
Infrastructure	40
Large Equipment	10
Large Vehicles	8
Small Vehicles	5
Small Plant/Equipment	3

The useful economic life used for an asset in the calculation of depreciation will only differ from the above table where an updated asset life is provided at the time of any revaluation of council assets. Such updated asset lives would be used for future depreciation calculations.

Assets are not depreciated in the year of acquisition but they are depreciated in the year of disposal. If an asset has major components with different estimated useful lives, these components are depreciated separately.

Revaluation gains are also depreciated with the difference between the current value depreciation and the historical cost depreciation being transferred from the Revaluation Reserve to the Capital Adjustment Account.

**Capital Commitments**

At 31 March 2017 and 31 March 2016, the Council had no major capital commitments.

**Effects of Changes in Estimates**

In 2016/17 the Council made no material changes to its accounting estimates for Property, Plant and Equipment.

**Revaluations**

The freehold and leasehold properties, which comprise the Council's property portfolio, were revalued on 1 March 2015 by the district valuer, Mr A T Snape BA (Hons) MRICS of the District Valuer Services (DVS), which is the commercial arm of the Valuation Office Agency, Preston. The valuations were made in accordance with the RICS Valuation Standards 6<sup>th</sup> Edition as published by the Royal Institute of Chartered Surveyors. A further desktop exercise is undertaken annually, with asset values adjusted accordingly on the balance sheet.

## Notes to the Core Financial Statements

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For each asset under Property, Plant and Equipment an Existing Use Value (EUV) was provided, unless they fell under one of the following categories.

In the case of specialised properties, that is, those properties which are rarely, if ever, sold in the market, except by way of a sale of the business or entity of which it is part, due to uniqueness arising from its specialised nature and design, its configuration, size, location or otherwise, the valuation approach used was Depreciated Replacement Cost (DRC). The DRC approach requires an estimate of the current cost of reproduction or replacement of an asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation. Such DRC valuations were made having regard to the prospect and viability of the continuance of the occupancy and use.

Assets being Held for Sale were valued at Fair Value, being the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

### Componentisation

Where the council holds an asset with a value of £500,000 or above, any significant element of that asset would be treated as a separate component for the purposes of asset recognition, measurement, impairment, depreciation or disposal. A 'significant element' is any element of an asset with a value of 10% or above of the overall asset value.

In 2015/16 work was undertaken on reroofing and also replacing the windows of the council offices in Church Walk, Clitheroe. Such works triggered our componentisation scheme. The asset has also been revalued at March 2016 by the district valuer, with no overall change to the asset value or asset life from that given at 31 March 2015.

**14 HERITAGE ASSETS**

Reconciliation of the Carrying Value of Heritage Assets Held by the Council	Clitheroe Castle Museum Collection £'000	Civic Regalia £'000	Total Heritage Assets £'000
<i><u>Cost or Valuation</u></i>			
At 1 April 2015	827	65	892
<b>At 31 March 2016</b>	<b>827</b>	<b>65</b>	<b>892</b>
<i><u>Cost or Valuation</u></i>			
At 1 April 2016	827	65	892
<b>At 31 March 2017</b>	<b>827</b>	<b>65</b>	<b>892</b>

**The Clitheroe Castle Museum Collection**

The Clitheroe Castle Museum Collection principally includes archaeological artifacts, geological collections, militaria and items of local social historical interest. The collection is managed by Lancashire Museum Services on behalf of the Council and is insured by them. The collection is reported in the Balance Sheet at insurance valuation. This value has been reviewed by Lancashire Museum Services prior to the latest insurance renewal.

**Civic Regalia**

The Council's civic regalia is reported in the balance sheet at insurance valuation.

**Additions and Disposals of Heritage Assets**

There have been no additions to or disposals of the council's Heritage Assets in the 2016/17 or 2015/16 financial years.

## Notes to the Core Financial Statements

## 15 FINANCIAL INSTRUMENTS

Categories of Financial Instruments

The following categories of financial instruments are carried in the Balance Sheet:

	<u>Long-Term</u>		<u>Current</u>	
	31 March 2016 £	31 March 2017 £	31 March 2016 £	31 March 2017 £
<u>Investments</u>				
Financial Asset Held for Sale	0	0	10,000	10,000
Loans and receivables	0	0	6,231,526	8,570,278
<b>Total Investments</b>	<b>0</b>	<b>0</b>	<b>6,241,526</b>	<b>8,580,278</b>
<u>Debtors</u>				
Loans and receivables	303,372	294,155		
Financial assets carried at contract amount	0	0	1,115,251	1,482,486
<b>Total Debtors</b>	<b>303,372</b>	<b>294,155</b>	<b>1,115,251</b>	<b>1,482,486</b>
<u>Borrowings</u>				
Financial liabilities at amortised cost	-169,664	-146,770	-35,393	-22,893
<b>Total Borrowings</b>	<b>-169,664</b>	<b>-146,770</b>	<b>-35,393</b>	<b>-22,893</b>
<u>Creditors</u>				
Financial liabilities carried at contract amount	0	0	-613,783	-775,484
<b>Total Creditors</b>	<b>0</b>	<b>0</b>	<b>-613,783</b>	<b>-775,484</b>

The Financial Instruments categorised above represent:

- Amounts shown under Financial Asset Held for Sale represent the subscribed for shares in the UK Municipal Bonds Agency plc (Local Capital Finance Company).
- Amounts shown under Investments as 'loans and receivables' consist of cash held by the council, bank accounts and short term investments.
- Amounts shown under debtors as 'loans and receivables' consist of car loans and a loan to Roefield Leisure Centre.
- Amounts shown under debtors as 'financial assets carried at contract amount' represents net operational (sundry) debtors.
- Amounts shown under borrowings as 'financial liabilities at amortised cost' are loans with the Public Works Loan Board.
- Amounts shown under creditors as 'financial liabilities at contract amount' are the Council's operational creditors.

## Notes to the Core Financial Statements

Income, Expenses, Gains and Losses

	2015/16		2016/17	
	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables
	£	£	£	£
Interest expenses	11,141	13,847	9,484	16,234
Interest Income	0	-48,031	0	-38,542
<b>Total</b>	<b>11,141</b>	<b>-34,184</b>	<b>9,484</b>	<b>-22,308</b>

Fair Values of Assets and Liabilities

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

- For loans from the Public Works Loan Board the fair value has been calculated by reference to the premature repayment set of rates in force on 31 March 2016 and 31 March 2017 respectively
- No early repayment or impairment is recognised
- Where an instrument will mature in the next 12 months, carrying amount is assumed to be approximate to fair value
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows

	31 March 2016		31 March 2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£	£	£	£
Financial Liabilities	205,057	256,060	169,664	220,010

The fair value is greater than the carrying amount because the Council's portfolio of loans are at fixed interest rates and the premature repayment set of rates in force at 31 March were generally higher than the rates at which the money was borrowed.

	31 March 2016		31 March 2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£	£	£	£
Long-term debtors	303,372	303,372	294,155	294,155

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

## Notes to the Core Financial Statements

**16 DEBTORS**

	31 March 2016	31 March 2017
	£	£
Central government bodies	218,327	293,873
Other local authorities	170,600	497,897
NHS Bodies	5,347	0
Public corporations and trading funds	5,059	10
Other entities and individuals		
- Sundry Debtors	787,441	766,605
- Business Rates	265,394	209,575
- Council Tax	182,810	193,528
- Prepayments	126,664	158,251
- Impairment	-365,664	-351,121
<b>Total</b>	<b>1,395,978</b>	<b>1,768,618</b>

**17 CASH AND CASH EQUIVALENTS**

	31 March 2016	31 March 2017
	£	£
Cash held by the Council	5,565	3,901
Bank Current Accounts	195,921	196,377
Short Term Investments	6,030,000	8,370,000
<b>Total</b>	<b>6,231,486</b>	<b>8,570,278</b>

**18 CREDITORS**

	31 March 2016	31 March 2017
	£	£
Central government bodies	-529,771	-907,366
Other local authorities	-638,280	-1,161,463
Public corporations and trading funds	-32,595	-38,996
Other entities and individuals		
- Sundry Creditors	-396,251	-379,181
- Business Rates	-38,211	-55,978
- Council Tax	-48,988	-123,622
- Commuted Sums	-178,816	-311,440
- Refundable Deposits	-12,583	-9,624
- Receipts in Advance	-71,481	-48,857
<b>Total</b>	<b>-1,946,976</b>	<b>-3,036,527</b>

## Notes to the Core Financial Statements

**19 PROVISIONS**

The only provision, which is shown in the table below, relates to amounts set aside to meet potential future liabilities from appeals due to the introduction of the business rates retention scheme. The timing of the fulfilment of such liabilities is unknown as these appeals have been lodged with the Valuation Office Agency by the individual ratepayers and relies on when the Valuation Office Agency reviews each appeal.

The provision is calculated based on past experience of the success of appeals and the amount of reduction in rateable value made. As a consequence there is a level of uncertainty around the estimation of this provision as referred to in note 6.

Business Rates Appeals Provision	2015/16 £	2016/17 £
Balance at 1 April	186,880	468,600
Additional provisions made in the year	281,720	38,960
<b>Balance at 31 March</b>	<b>468,600</b>	<b>507,560</b>

**20 USABLE RESERVES**

Movements in the Council's usable reserves are detailed in this note, the Movement in Reserves Statement and Note 10.

In summary the Usable Reserves are shown below. Detailed analysis of the council's earmarked reserves is available in Note 12.

31 March 2016 £	31 March 2017 £
2,678,832 General Fund Balance	2,716,569
6,005,502 Earmarked General Fund Reserves	6,785,206
745,046 Usable Capital Receipts Reserve	804,279
27,110 Capital Grants Unapplied	197,687
<b>9,456,490 Total Usable Reserves</b>	<b>10,503,741</b>

**General Fund Balance**

The general fund balance is a usable reserve of the council which is not earmarked or set aside for any specific purpose.

It is very important to maintain healthy levels of general fund balances to cover for unforeseen events and also provide a stable level of resources for future planning.

2015/16 £	2016/17 £
<b>2,103,114 Opening General Fund Balance</b>	<b>2,678,832</b>
575,718 Net amount added to (taken from) General Fund Balance	37,737
<b>2,678,832 Closing General Fund Balance</b>	<b>2,716,569</b>

## Notes to the Core Financial Statements

### Earmarked General Fund Reserves

Unlike the general fund balance, the council's Earmarked General fund Reserves have been set aside for a specific purpose. The Council has a variety of earmarked reserves and the specific details of each one can be seen at Note 12.

The table below provides a high level summary of the movement in the Council's Earmarked General Fund Reserves

2015/16 £	2016/17 £
<b>5,941,467</b> Opening Earmarked General Fund Reserves	<b>6,005,502</b>
1,867,529 Amounts added to Earmarked General Fund Reserves	2,162,301
-1,803,494 Amounts taken from Earmarked General Fund Reserves	-1,382,597
<b>6,005,502</b> Closing Earmarked General Fund Reserves	<b>6,785,206</b>

### Capital Grants Unapplied

Where a capital grant or contribution has been recognised as income in the Comprehensive Income and Expenditure Statement, but the expenditure to be financed from that grant or contribution has not been incurred at the Balance Sheet date, the grant or contribution is transferred to the Capital Grants Unapplied Account reflecting its status as a capital resource available to finance expenditure.

2015/16 £	2016/17 £
<b>13,822</b> Opening Capital Grants Unapplied	<b>27,110</b>
14,088 Amounts added to Capital Grants Unapplied	184,664
-800 Amounts taken from Capital Grants Unapplied	-14,087
<b>27,110</b> Closing Capital Grants Unapplied	<b>197,687</b>

### Usable Capital Receipts Reserve

Capital Receipts arise from the sale of assets owned by the Council. Any receipts from General Fund asset sales are credited to the Usable Capital Receipts Reserve to finance future capital expenditure.

2015/16 £	2016/17 £
<b>458,239</b> Opening Usable Capital Receipts Reserve	<b>745,046</b>
286,807 Amounts added to the Usable Capital Receipts Reserve	59,851
0 Amounts taken from the Usable Capital Receipts Reserve	-618
<b>745,046</b> Closing Usable Capital Receipts Reserve	<b>804,279</b>

**21 UNUSABLE RESERVES**

31 March 2016 £		31 March 2017 £
7,119,622	Capital Adjustment Account	7,044,683
-305,678	Collection Fund Adjustment Account	107,926
6,263,401	Revaluation Reserve	7,256,758
-14,435,324	Pension Reserve	-17,283,324
-52,706	Accumulated Absences Account	-52,706
<b>-1,410,685</b>	<b>Total Unusable Reserves</b>	<b>-2,926,663</b>

**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 additions to those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or subsequent costs as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert current and fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and subsequent costs.

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.

Note 10 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

## Notes to the Core Financial Statements

2015/16 £		2016/17 £	£
<b>7,446,267</b>	<b>Balance at 1 April</b>		<b>7,119,622</b>
	<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive income and Expenditure statement</b>		
-826,228	- Charges for depreciation and impairment of non-current assets	-826,917	
-170,238	- Revaluation losses on Property, Plant and Equipment	-33,279	
-29,138	- Amortisation of intangible assets	-29,138	
-260,098	- Revenue expenditure funded from capital under statute	-201,936	
-153,250	- 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	0	
<b>-1,438,952</b>			<b>-1,091,270</b>
278,662	Adjusting amounts written out of the Revaluation Reserve		170,337
<b>6,285,977</b>	<b>Net written out amount of the cost of non-current assets consumed in the year</b>		<b>6,198,689</b>
	<b>Capital financing applied in the year</b>		
173,308	- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	256,933	
800	- Application of grants to capital financing from the Capital Grants Unapplied Account	14,087	
132,815	- Statutory provision for the financing of capital investment charged against the General Fund	134,610	
526,722	- Capital expenditure charged against the General Fund balance	440,364	
<b>833,645</b>			<b>845,994</b>
<b>7,119,622</b>	<b>Balance at 31 March</b>		<b>7,044,683</b>

## Notes to the Core Financial Statements

**Collection Fund Adjustment Account**

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

2015/16 £		2016/17 £
-55,133	<b>Balance at 1 April</b>	-305,678
28,480	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	10,777
-279,025	Amount by which business rates income credited to the Comprehensive Income and Expenditure Statement is different from business rates income calculated for the year in accordance with statutory requirements	402,827
-305,678	<b>Balance at 31 March</b>	107,926

**Revaluation Reserve**

The Revaluation Reserve contains the gains made by the Council 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 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2015/16 £		2016/17 £
5,768,206	<b>Balance at 1 April</b>	6,263,401
896,506	Upward revaluation of assets	1,164,565
-122,649	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	-871
773,857	<b>Surplus or Deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services</b>	1,163,694
-143,470	Difference between fair value depreciation and historical cost depreciation	-170,337
-135,192	Accumulated gains on assets sold or scrapped	0
-278,662	<b>Amount written off to the Capital Adjustment Account</b>	-170,337
6,263,401	<b>Balance at 31 March</b>	7,256,758

## Notes to the Core Financial Statements

### Deferred Capital Receipts Account

The Deferred Capital Receipts Account 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 Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

2015/16 £	2016/17 £
<b>178</b>	<b>0</b>
<b>Balance at 1 April</b>	
-178	0
Transfer to the Capital Receipts Reserve upon receipt of cash	
<b>0</b>	<b>0</b>
<b>Balance at 31 March</b>	

### Pension 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 Council 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 Council makes employer's contributions to the pension fund 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 Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2015/16 £	2016/17 £
<b>-17,122,324</b>	<b>-14,435,324</b>
<b>Balance at 1 April</b>	
3,550,000	-2,145,000
Remeasurements of the net defined benefit liability/(asset)	
-1,796,000	-1,636,000
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	
933,000	933,000
Employer's pensions contributions and direct payments to pensioners payable in the year	
<b>-14,435,324</b>	<b>-17,283,324</b>
<b>Balance at 31 March</b>	

## Notes to the Core Financial Statements

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.

2015/16 £		2016/17 £
-59,605	Balance at 1 April	-52,706
59,605	Settlement or cancellation of accrual made at the end of the preceding year	52,706
-52,706	Amounts accrued at the year end of the current year	-52,706
6,899	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	0
-52,706	Balance at 31 March	-52,706

**22 CASH FLOW STATEMENT – OPERATING ACTIVITIES**

The cash flows for operating activities include the following items:

2015/16 £		2016/17 £
-34,184	Interest received	-22,308
11,141	Interest paid	9,484
-23,043	Net Interest	-12,824

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

2015/16 £		2016/17 £
286,807	Proceeds from the sale of property, plant and equipment and intangible assets	59,233
286,807		59,233

## Notes to the Core Financial Statements

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

2015/16 £		2016/17 £
-826,228	Depreciation	-826,917
-170,238	Impairment and downward valuations	-33,279
-29,138	Amortisation	-29,138
180,547	Increase/decrease in creditors	-103,133
140,426	Increase/decrease in debtors	213,423
8,355	Increase/decrease in inventories	-18,159
-281,720	Increase/decrease in provisions	-38,960
-863,000	Movement in pension liability	-703,000
-153,250	Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	0
173,307	Capital Grants and Contributions Applied	256,932
-260,098	Revenue Expenditure Funded from Capital Under Statute	-201,936
526,722	Capital Expenditure Charged against General Fund Balances	440,364
14,088	Capital Grants and Contributions Unapplied Credited to the Comprehensive Income and Expenditure Statement	184,665
6,899	Accumulated Absences Account	0
<b>-1,533,328</b>		<b>-859,138</b>

## 23 CASH FLOW STATEMENT – INVESTING ACTIVITIES

2015/16 £		2016/17 £
820,268	Purchase of property, plant and equipment, investment property and intangible assets	726,563
-286,807	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-59,233
-714,117	Other receipts from investing activities	-731,961
<b>-180,656</b>	<b>Net cash flows from investing activities</b>	<b>-64,631</b>

## 24 CASH FLOW STATEMENT – FINANCING ACTIVITIES

2015/16 £		2016/17 £
35,393	Repayments of short- and long-term borrowing	35,394
-183,262	Other payments for financing activities	-997,071
<b>-147,869</b>	<b>Net cash flows from financing activities</b>	<b>-961,677</b>

## Notes to the Core Financial Statements

**25 MEMBERS' ALLOWANCES**

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

	2015/16 £	2016/17 £
Basic Allowance	132,694	141,400
Special Responsibility Allowances	73,362	67,165
Expenses	5,096	5,111
	<b>211,152</b>	<b>213,676</b>

**26 OFFICERS' EMOLUMENTS**

Shown in the tables below are details of those officers where the **salary** element within officer remuneration is greater than £50,000.

**Remuneration Disclosure (excluding Pension Contributions)**

Post Holder Information	Salary	Benefits in Kind	Total Remuneration excluding Pension Contributions	Salary	Benefits in Kind	Total Remuneration excluding Pension Contributions
	2015/16 £	2015/16 £	2015/16 £	2016/17 £	2016/17 £	2016/17 £
Chief Executive <sup>1</sup>	111,927	9,663	<b>121,590</b>	104,110	8,042	<b>112,152</b>
Director of Community Services	79,621	8,770	<b>88,391</b>	79,629	10,142	<b>89,771</b>
Director of Resources	79,621	8,403	<b>88,024</b>	79,629	9,066	<b>88,695</b>
Head of Financial Services	51,601	6,072	<b>57,673</b>	52,116	5,550	<b>57,666</b>
Head of Planning Services	51,601	4,889	<b>56,490</b>	52,113	5,355	<b>57,468</b>
Head of Legal and Democratic Services <sup>2</sup>	41,281	3,060	<b>44,341</b>	41,693	3,348	<b>45,041</b>
	<b>415,652</b>	<b>40,857</b>	<b>456,509</b>	<b>409,290</b>	<b>41,503</b>	<b>450,793</b>

<sup>1</sup> The values for the Chief Executive include Acting Returning Officer Fees, which fluctuate from year to year depending on the elections called. (2016/17 £3,844 (£94 of which was pensionable) - EU Referendum, Police & Crime Commissioner and a By-Election and 2015/16 £11,671 - Parliamentary and Borough Wide District/Parish Elections)

<sup>2</sup> The Head of Legal and Democratic Services works part-time and the role equates to 0.8 full time equivalent. The full time equivalent salary for this post was £52,116 in 2016/17 (£51,601 in 2015/16) and therefore this officer is required to be disclosed in this note.

## Notes to the Core Financial Statements

In both financial years there were no employees with a salary of more than £150,000.

Where an employee is a member of the Local Government Pension Scheme a contribution is made by the council to the pension scheme in addition to the employee's own contribution. The employee's contributions for all staff are made on a sliding scale dependant upon salary level as shown in the table below.

The table below shows the contribution rates that applied in the 2015/16 and 2016/17 financial years. The band that an employee falls within is determined by reference to the actual pensionable pay received, not the full time equivalent rate of pay.

Salary Banding 2015/16	Salary Banding 2016/17	Employee Contribution Rate
£0 - £13,600	£0 - £13,600	5.50%
> £13,600 - £21,200	> £13,600 - £21,200	5.80%
> £21,200 - £34,400	> £21,200 - £34,400	6.50%
> £34,400 - £43,500	> £34,400 - £43,500	6.80%
> £43,500 - £60,700	> £43,500 - £60,700	8.50%
> £60,700 - £86,000	> £60,700 - £86,000	9.90%
> £86,000 - £101,200	> £86,000 - £101,200	10.50%
> £101,200 - £151,800	> £101,200 - £151,800	11.40%
> £151,800	> £151,800	12.50%

In 2016/17 and 2015/16, the contribution to the pension scheme which the council made was based upon the employee's salary, with a single rate of 14%. A further lump sum payment was also made by the council to the pension fund in year.

Elements of Contribution Rate	2015/16	2016/17
Percentage Contribution Rate	14.0%	14.0%
Lump Sum Payment from the Council	£203,904	£212,304

The table below sets out the remuneration disclosures for Senior Officers whose **salary** is less than £150,000 but equal to or more than £50,000 per year, together with the council's pension contributions. The pension contributions shown exclude those which were made by the employee and are based on the Percentage Contribution Rate shown above.

## Notes to the Core Financial Statements

## Remuneration Disclosure (including Pension Contributions)

Post Holder Information	Total Remuneration excluding Pension Contributions 2015/16 £	Pension Contributions 2015/16 £	Total Remuneration including Pension Contributions 2015/16 £	Total Remuneration excluding Pension Contributions 2016/17 £	Pension Contributions 2016/17 £	Total Remuneration including Pension Contributions 2016/17 £
Chief Executive <sup>1</sup>	121,590	15,670	<b>137,260</b>	112,152	14,050	<b>126,202</b>
Director of Community Services	88,391	11,147	<b>99,538</b>	89,771	11,148	<b>100,919</b>
Director of Resources	88,024	11,147	<b>99,171</b>	88,695	11,148	<b>99,843</b>
Head of Financial Services	57,673	7,224	<b>64,897</b>	57,666	7,296	<b>64,962</b>
Head of Planning Services	56,490	7,224	<b>63,714</b>	57,468	7,296	<b>64,764</b>
Head of Legal and Democratic Services <sup>2</sup>	44,341	5,779	<b>50,120</b>	45,041	5,837	<b>50,878</b>
	<b>456,509</b>	<b>58,191</b>	<b>514,700</b>	<b>450,793</b>	<b>56,775</b>	<b>507,568</b>

<sup>1</sup> The values for the Chief Executive include Acting Returning Officer Fees, which fluctuate from year to year depending on the elections called. (2016/17 £3,844 (£94 of which was pensionable) - EU Referendum, Police & Crime Commissioner and a By-Election and 2015/16 £11,671 - Parliamentary and Borough Wide District/Parish Elections)

<sup>2</sup> The Head of Legal and Democratic Services works part-time and the role equates to 0.8 full time equivalent. The full time equivalent salary for this post was £52,116 in 2016/17 (£51,601 in 2015/16) and therefore this officer is required to be disclosed in this note.

## Notes to the Core Financial Statements

The Council's employees receiving more than £50,000 **remuneration** for the year (excluding employer's pension contributions) were paid the following amounts. This table includes those officers listed in the previous tables, which showed officers where their **salary element** was more than £50,000:

	2015/16	2016/17
£50,000 - £54,999	**1	
£55,000 - £59,999	2	**3
£60,000 - £64,999		
£65,000 - £69,999		
£70,000 - £74,999		
£75,000 - £79,999		
£80,000 - £84,999		
£85,000 - £89,999	2	2
£90,000 - £94,999		
£95,000 - £99,999		
£100,000 - £104,999		
£105,000 - £109,999		
£110,000 - £114,999		*1
£115,000 - £119,999		
£120,000 - £124,999	*1	

\* The values for the Chief Executive include Acting Returning Officer Fees, which fluctuate from year to year depending on the elections called. (2016/17 £3,844 (£94 of which was pensionable) - EU Referendum, Police & Crime Commissioner and a By-Election and 2015/16 £11,671 - Parliamentary and Borough Wide District/Parish Elections)

\*\* The Head of Legal and Democratic Services works part-time and the role equates to 0.8 full time equivalent. The full time equivalent salary for this post was £52,116 in 2016/17 (£51,601 in 2015/16) and therefore this officer is required to be disclosed in this note.

There were no redundancy payments made in 2016/17 or 2015/16.

## Notes to the Core Financial Statements

**27 EXTERNAL AUDIT COSTS**

The Council 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 Council's external auditors:

	2015/16 £	2016/17 £
Fees Payable to Grant Thornton UK LLP with regard to external audit services carried out by the appointed auditor for the year	40,202	40,202
Fees payable to Grant Thornton UK LLP for the certification of grant claims and returns for the year.	8,920	10,560
<b>Total</b>	<b>49,122</b>	<b>50,762</b>

**28 GRANT INCOME**

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2016/17 and 2015/16:

	2015/16 £	2016/17 £
<b><i>Credited to Taxation and Non Specific Grant Income</i></b>		
Revenue Support Grant	-1,011,321	-623,087
New Homes Bonus	-968,616	-1,366,884
New Homes Bonus Adjustment Grant	-4,002	-2,862
Business Rates S31 Grant	-692,865	-462,250
Council Tax Freeze Grant	-32,380	0
Rural Areas Delivery Grant	0	-107,254
Transition Grant	0	-20,424
Capital Grants	-26,500	-153,000
<b>Total Credited to Taxation and Non Specific Grant Income</b>	<b>-2,735,684</b>	<b>-2,735,761</b>
<b><i>Credited to Services</i></b>		
<b><i>Grants Received for Capital Purposes</i></b>		
Disabled Facilities Grant	-160,895	-273,220
LCC Affordable Warmth Grant	0	-15,378
<b>Total Grants Received for Capital Purposes</b>	<b>-160,895</b>	<b>-288,598</b>

## Notes to the Core Financial Statements

	2015/16 £	2016/17 £
<b><u>Grants Received for Revenue Purposes</u></b>		
NNDR Administration	-90,494	-89,974
Lancashire Highways Partnership	-15,324	-11,625
East Lancashire CCG (Best Foot Forward and Cardiac Rehabilitation)	-23,887	0
Lancashire County Council	-68,977	0
DWP - Rent Allowance and Rent Rebate Subsidy	-7,298,594	-6,974,565
DWP and DCLG Council Tax and Housing Benefit Administration Grant	-165,338	-143,162
DCLG - New Burdens Grant - Localising Support for Council Tax	-11,229	0
Ribble Valley Community Safety Partnership	-8,500	-14,553
Affordable Warmth Public Health Grant (LCC)	-16,833	0
DWP LA Data Sharing IT Costs Funding	-7,416	-19,358
Individual Electoral Registration Grant	-19,880	-12,979
DCLG - Single Homelessness Initiative Funding	-25,000	0
DWP - Discretionary Housing Payments Fund	-27,729	-33,252
Home and Communities Grant	-20,000	0
Storm Desmond and Storm Eva Council Tax Relief Grant	-89,401	-98,215
Flood Resilience Grants	-11,500	-635,124
DCLG - Property Searches	-72,406	-5,172
DCLG Bellwin Flood Scheme	-50,903	0
LCC - Domestic Abuse Additional Support Services Grant	-28,375	0
DCLG - Community Housing Fund	0	-157,532
DCLG - Custom and Self Build Grant	0	-15,000
DCLG - Brownfield Register	0	-14,645
Other Grants	-27,953	-47,717
<b>Total Grants Received for Revenue Purposes</b>	<b>-8,079,739</b>	<b>-8,272,873</b>
<b>Total Credited to Services</b>	<b>-8,240,634</b>	<b>-8,561,471</b>

Where the Council receives grants, contributions and donations which have conditions attached to them that will require the monies or property to be returned to the giver, such grants, contributions and donations are not recognised as income in the Comprehensive Income and Expenditure Statement. At the end of both financial years there have been no such grants, contributions or donations.

**29 RELATED PARTY TRANSACTIONS**

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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. In this context, related parties include:

- Central Government (UK)
- Elected Members of the Council (including any organisation over which they or their close family may exert control or influence)
- Senior Officers of the Council (including any organisation over which they or their close family may exert control or influence)
- Other Public Bodies
- Entities controlled or significantly influenced by the Council.

**Central Government (UK)**

Central Government has effective control over the general operation of the Council – it is responsible for providing the statutory framework within which the Council operates, provides a large proportion of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in Note 28 on grant income.

**Elected Members**

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid is shown at Note 25.

Each year, Members declare interests by completing a 'Disclosable Pecuniary Interests' form (these are available for public inspection at the Council Offices, Clitheroe, and on the Council's website) and a 'Related Party Relationships' form.

In respect of the 2016/17 financial year, the council received income from one organisation which was financially significant to that organisation and a Member had disclosed an interest. This was in respect of £22,741 income received by the council from Longridge Town Council. This included £14,676 for one-off public conveniences refurbishment work and £8,065 for other goods and services.

The Member declaring an interest in Longridge Town Council did not take part in bidding for or pricing up the work for the public conveniences refurbishment and had no involvement in providing the other goods and services on behalf of the council.

## Notes to the Core Financial Statements

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In respect of the 2015/16 financial year, there were no material transactions between the Council and organisations where Members had declared a controlling interest, from the point of view of the Council.

A number of Members represent the views of the Council on various external bodies and organisations. Consequently, they have no personal controlling interests in those organisations. Please see 'Entities Controlled or Significantly Influenced by the Council' below.

### Senior Officers

Senior officers (Directors and Heads of Service) may exert influence or control over the Council's financial and operating policies. Each year, senior officers declare interests by completing a 'Register of Officer Interests' form.

In respect of the 2016/17 financial year, there were no material transactions between the Council and organisations where senior officers had declared a controlling interest, from the point of view of the Council. This was also the case in 2015/16.

### Other Public Bodies

The main transactions that have taken place with other public bodies are:

- Payment of precepts to Lancashire County Council, the Police and Crime Commissioner **for** Lancashire, Lancashire Fire and Rescue Service and Precepting Parish and Town Councils – see Collection Fund page 127.
- Other standard business transactions between the Council and Lancashire County Council, such as superannuation payments to Lancashire Pension Fund - see Note 32.
- The Lancashire Business Rates Pool was operational for the first time during 2016/17. Full details of the operation of the business rates pool and the role of this council are included under Note 11.

The Council and other public bodies operate under the common control and law of UK Central Government, and do not exert influence or control over each other.

### Entities Controlled or Significantly Influenced by the Council

The Council does not have any associated companies or joint venture partners.

A number of Members represent the views of the Council on a number of external bodies and organisations:

- Ribble Valley Homes
- Children's Trust
- Lancashire Tourism Forum
- Lancashire Waste Partnership
- Langho Football Club
- Longridge Social Enterprise Company Limited
- Ribble Valley Sport and Physical Activity Alliance

**Notes to the Core Financial Statements**

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- Ribble Valley Sports and Recreation (Roefield Leisure Centre)
- Salesbury and Copster Green Commons Management Committee
- Carer's Link
- Mersey Care NHS Foundation Trust (regarding Calderstones Hospital)
- Environment Agency Liaison Committee
- Hanson Cement Liaison Committee
- Health and Wellbeing Board (Lancashire County Council)
- Lancashire County Council Adult Social Care and Health Overview and Scrutiny Committee
- North West Regional Older Peoples Champion Network
- Pendle Club, Clitheroe
- Tarmac Liaison Committee
- North West Employers' Organisation
- Forest of Bowland (Area of Outstanding Natural Beauty) Advisory Committee
- SPARSE (Rural Services Partnership)
- Armed Forces Champion
- Clitheroe Royal Grammar School Foundation Trust
- Citizen's Advice Bureau
- Hyndburn and Ribble Valley Council for Voluntary Services
- Local Government Association Consultative Committee
- Police and Crime Panel
- Ribble Valley Community Safety Partnership
- Ribble Valley Community Transport
- Whalley Educational Foundation Trust.

The Council can exert some influence on these organisations but cannot determine the outcome of decisions made by these organisations. Consequently, the Council has no controlling interest over these organisations.

**30 CAPITAL EXPENDITURE AND CAPITAL FINANCING**

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The total amount of capital expenditure incurred in the year is shown in the table below, 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 Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. The CFR is analysed in the second part of this note.

## Notes to the Core Financial Statements

	2015/16 £	2016/17 £
<b>Opening Capital Financing Requirement</b>	<b>3,602,707</b>	<b>3,709,657</b>
<b><u>Capital Investment</u></b>		
Property, Plant and Equipment	680,497	513,974
Revenue Expenditure Funded from Capital Under Statute	260,098	201,936
<b><u>Sources of Finance:</u></b>		
Grants and Other Contributions	-174,107	-271,020
Sums set aside from revenue:		
- Revenue Contributions	-526,722	-440,364
- Minimum Revenue Provision	-132,816	-134,610
<b>Closing Capital Financing Requirement</b>	<b>3,709,657</b>	<b>3,579,573</b>
<b><u>Explanation of Movements in Year</u></b>		
Increase/(Decrease) in Underlying Need to Borrow (Unsupported by Government Financial Assistance)	106,950	-130,084
<b>Increase/(Decrease) in Capital Financing Requirement</b>	<b>106,950</b>	<b>-130,084</b>

## 31 LEASES

**Operating Leases with the Council as Lessee**

The council holds a number of vehicles, land and buildings on operating leases.

The future minimum lease payments due are:

	31 March 2016 £	31 March 2017 £
Not later than one year	92,399	92,550
Later than one year and not later than five years	190,243	202,249
Later than five years	607,644	566,247
	<b>890,286</b>	<b>861,046</b>

The expenditure charged to the Cost of Services in the Comprehensive Income and Expenditure Statement in relation to the above leases was £110,202 (£97,870 in 2015/16).

## Notes to the Core Financial Statements

**Operating Leases with the Council as Lessor**

The council leases out land and property under operating leases for community services such as sports and leisure, for economic development and for commercial use.

The future minimum lease payments receivable are:

	31 March 2016 £	31 March 2017 £
Not later than one year	-89,613	-75,399
Later than one year and not later than five years	-263,478	-177,034
Later than five years	-622,024	-552,039
	<b>-975,115</b>	<b>-804,472</b>

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

In 2016/17 income included under the Cost of Services in the Comprehensive Income and Expenditure Statement in relation to the above leases was £82,974. (£82,367 in 2015/16).

**32 DEFINED BENEFIT PENSION SCHEMES****Participation in Pension Scheme**

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until the employees retire, the Council has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme. The scheme is administered by Lancashire County Council. This is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

The Lancashire County Pension Fund is a multi-employer arrangement, under which each employer is responsible for the pension cost, liabilities and funding risks relating to its own employees and former employees. Each employer's contributions to the Fund are calculated in accordance with the LGPS Regulations, which require an actuarial valuation to be carried out every three years.

## Notes to the Core Financial Statements

The last actuarial valuation of the Fund was carried out at 31 March 2016, and at that date showed a funding level of 90% (assets of £6.0bn against accrued liabilities of about £6.7bn). The weighted average duration of the liabilities of the Fund as a whole is 16 years, measured on the IAS19 actuarial assumptions. The duration of the liabilities for the individual employers which participate in the scheme can be significantly different from this, reflecting the profile of its employees and former employees.

**Transactions relating to Post-employment Benefits**

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post-employment/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:

	Local Government Pension Scheme	
	2015/16 £'000	2016/17 £'000
<b>Comprehensive Income and Expenditure Statement</b>		
<b>Cost of Services</b>		
- current service costs	1,245	1,124
<b>Other Operating Expenditure</b>		
- administration expenses	18	23
<b>Financing and Investment Income and Expenditure</b>		
- net interest expense	533	489
<b>Total Post employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>1,796</b>	<b>1,636</b>
<b>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>		
<b>Remeasurement of the net defined benefit liability comprising</b>		
- return on plan assets (excluding the amount included in the net interest expenses)	-621	-6,193
- actuarial gain and losses arising on changes in demographic assumptions	0	-412
- actuarial gains and losses arising on changes in financial assumptions	-2,929	11,379
- experience gain	0	-2,629
<b>Total Post employment Benefit Charged to the Comprehensive Income and Expenditure Account</b>	<b>-1,754</b>	<b>3,781</b>
<b>Movement in Reserves Statement</b>		
- reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	-1,796	-1,636
<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>		
- employers' contributions payable to the scheme	<b>933</b>	<b>933</b>

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2017 is a loss of £2,145,000 (31 March 2016 gain of £3,550,000).

## Notes to the Core Financial Statements

**Pensions Assets and Liabilities Recognised in the Balance Sheet**

The amount included in the Balance Sheet arising from the council's obligation in respect of defined benefit plans is as follows:

Local Government Pension Scheme	2015/16 £'000	2016/17 £'000
Present value of the defined benefit obligation	54,250	64,082
Fair value of plan assets	-39,814	-46,798
<b>Net liability arising from defined benefit obligation</b>	<b>14,436</b>	<b>17,284</b>

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

Local Government Pension Scheme	2015/2016 £'000	2016/17 £'000
<b>Opening fair value of scheme assets</b>	<b>38,455</b>	<b>39,814</b>
Interest Income	1,223	1,384
Remeasurements gain/(loss):		
- the return on plan assets, excluding the amount included in the net interest expense	621	6,193
Administration Expenses	-18	-23
Contributions from employer	933	933
Contributions from employees into the scheme	295	296
Benefits/transfers paid	-1,695	-1,799
<b>Closing fair value of scheme assets</b>	<b>39,814</b>	<b>46,798</b>

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

Local Government Pension Scheme	2015/16 £'000	2016/17 £'000
<b>Opening balance at 1 April</b>	<b>55,578</b>	<b>54,250</b>
Current service cost	1,245	1,124
Interest Cost	1,756	1,873
Contributions from scheme participants	295	296
Remeasurement (gains) and losses:		
- Experience (gain)/loss	0	-2,629
- Actuarial (gains)/losses arising from changes in demographic assumptions	0	11,379
- Actuarial (gains)/losses arising from changes in financial assumptions	-2,929	-412
Benefits/transfers paid	-1,695	-1,799
<b>Closing balance at 31 March</b>	<b>54,250</b>	<b>64,082</b>

## Notes to the Core Financial Statements

***Local Government Pension Scheme Assets Comprised:***

Local Government Pension Scheme	Quoted	31 March 2016	31 March 2017
Fair value of scheme assets	Y/N	£'000	£'000
<b><i>Cash</i></b>			
- Cash and Cash Equivalents	N	1,345	486
- Net Current Assets	N	24	0
<b>Subtotal Cash</b>		<b>1,369</b>	<b>486</b>
<b><i>Equity Instruments by Industry Type</i></b>			
- Consumer discretionary	Y	2,026	0
- Consumer staples	Y	2,301	0
- Energy	Y	171	0
- Financials	Y	2,415	0
- Healthcare	Y	1,445	0
- Industrials	Y	1,725	0
- Information technology	Y	2,450	0
- Materials	Y	493	0
- Telecommunication services	Y	330	0
- Utilities	Y	330	0
<b>Subtotal Equities</b>		<b>13,686</b>	<b>0</b>
<b><i>Bonds</i></b>			
- UK corporate	Y	572	171
- Overseas corporate	Y	239	598
- UK Fixed gilts	Y	0	90
- UK index linked	Y	800	837
<b>Subtotal Bonds</b>		<b>1,611</b>	<b>1,696</b>
<b><i>Property</i></b>			
- Offices	N	805	864
- Offices/warehouse	N	82	86
- Industrial/warehouse	N	940	1,155
- Shops	N	477	407
- Retail warehouse	N	688	678
- Shopping centre	N	198	189
- Multi let commercial building	N	636	744
<b>Subtotal Property</b>		<b>3,826</b>	<b>4,123</b>
<b><i>Alternatives</i></b>			
- UK private equity	N	649	531
- Overseas private equity	N	1,748	2,481
- Infrastructure	N	3,181	5,647
- Credit funds	N	10,019	10,487
- Indirect property funds	N	550	660
- Overseas pooled equity funds	N	3,175	20,687
<b>Subtotal Alternatives</b>		<b>19,322</b>	<b>40,493</b>
<b>Total</b>		<b>39,814</b>	<b>46,798</b>

## Notes to the Core Financial Statements

**Basis for Estimating Assets and Liabilities**

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc.

The Local Government Pension Scheme has been estimated by Mercer Limited, an independent firm of actuaries, estimates for the fund being based on the latest full valuation of the scheme as at 31 March 2016.

The significant assumptions used by the actuary have been:

Local Government Pension Scheme	2015/16	2016/17
<b>Mortality Assumptions</b>		
Longevity at 65 for current pensioners:		
Men	23.0 years	22.6 years
Women	25.6 years	25.2 years
Longevity at 65 for future pensioners:		
Men	25.2 years	24.9 years
Women	27.9 years	27.9 years
Rate of CPI Inflation	2.0%	2.3%
Rate of increase in salaries ( <i>adjustment made for short term pay restraint in line with the latest actuarial valuation</i> )	3.5%	3.8%
Rate of increase in pensions	2.0%	2.3%
Rate for discounting scheme liabilities	3.5%	2.5%

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

The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Local Government Pension Scheme	Increase in Assumption
Impact on the Defined Benefit Obligation in the Scheme	£'000
Longevity (1 year increase in life expectancy)	1,261
Rate of inflation (+0.1% per annum)	1,081
Rate of increase in salaries (+0.1% per annum)	216
Rate of discounting scheme liabilities (+0.1% per annum)	-1,064

## Notes to the Core Financial Statements

### Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 16 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2019.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Service Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main public service schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

It is projected that the council will pay £1,010,000 in employer contributions to the scheme in 2017/18.

The weighted average duration of the defined benefit obligation for scheme members is 17 years (based on latest of 31 March 2016 and admission date)

### Scheme History

Local Government Pension Scheme	2012/13	2013/14	2014/15	2015/16	2016/17
	£'000	£'000	£'000	£'000	£'000
Present Value of Liabilities	49,987	46,474	55,578	54,250	64,082
Fair Value of Assets	-33,615	-34,466	-38,455	-39,814	-46,798
<b>Deficit in the scheme</b>	<b>16,372</b>	<b>12,008</b>	<b>17,123</b>	<b>14,436</b>	<b>17,284</b>

The liabilities show the underlying commitments that the council has in the long run to pay post-employment (retirement) benefits. The total liability of £17.284m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy.

**Governance and Risk Management**

The liability associated with the council's pension arrangements is material to the council, as is the cash funding required. Details, including the relevant provisions for governance and risk management, are set out below.

- **Nature of the Fund:** The Fund targets a pension paid throughout life. The amount of pension depends on how long employees are active members of the scheme and their salary when they leave the scheme (a 'final salary' scheme) for service up to 31 March 2014 and on revalued average salary (a 'career average' scheme) for service after 1 April 2014 onwards.
- **Governance:** Management of the Fund is vested in Lancashire County Council as Administering Authority of the Fund. Lancashire County Council has appointed a Pensions Fund Committee (comprised of a mixture of County Councillors and representatives from other employers) to manage the Fund. The Committee is assisted by an investment panel which advises the Committee on its investment strategy and risk management provisions.
- **Funding the Liabilities:** Regulations governing the Fund require the actuarial valuations to be carried out every three years. Contributions for each employer are set having regard to their individual circumstances. The Regulations require the contributions to be set with a view to targeting the Fund's solvency, and the detailed provisions are set out in the Fund's Funding Strategy Statement. The most recent valuation was carried out as at 31 March 2016, which showed a shortfall of assets against liabilities of £0.69 billion as at that date, equivalent to a funding level of 90%. The fund's employers are paying additional contributions over a period of 16 years in order to meet the shortfall. The weighted average duration of the authority's defined obligation is 17 years, measured on the actuarial assumptions used for IAS19 purposes.
- **Risks and Investment Strategy:** The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities (i.e. promised benefits payable to members). The aim of investment risk management is to balance the minimisation of the risk of an overall reduction in the value of the Fund with maximising the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and keep credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flow.
- **Market Risk:** Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. To mitigate market risk, the Fund and its investment advisors undertake appropriate monitoring of market conditions and benchmarking analysis.
- **Other Price Risk:** Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market process (other than those arising from interest rate risk or foreign exchange risk). The Fund's investment managers mitigate this price risk through diversification. The selection of securities and other financial instruments is monitored by the Fund to ensure it is within limits specified in the fund investment strategy.

## Notes to the Core Financial Statements

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- **Interest Rate Risk:** The Fund invests in financial assets from the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risks that the fair value of future cash flow of a financial instrument will fluctuate because of changes in market interest rates. The Fund's interest rate risk is routinely monitored by the Investment Panel and its investment advisors.
- **Currency Risk:** Currency risk represents the risk that the fair value cash flow of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund's currency rate risk is routinely monitored by the Fund and its investment advisors in accordance with the Fund's risk management strategy.
- **Credit Risk:** Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur financial loss. Credit risk is minimised by ensuring that counterparties meet the Fund's credit criteria. The Fund has also set limits as to the maximum percentage of the deposits placed with any class of financial institution.
- **Liquidity risks:** Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund therefore takes steps to ensure that there are adequate cash resources to meet its commitments, and the Fund has immediate access to its cash holdings.
- **Other risks:** Actions taken by the government, or changes to European legislation, could result in stronger local funding standards, which could materially affect the authority's cash flow. There is a risk that changes in the assumptions (e.g. life expectancy, price inflation, discount rate) could increase the defined benefit obligation and/or the liabilities for actuarial valuation purposes. Other assumptions used to value the defined benefit obligation are also uncertain, although their effect is less material. The sensitivity analysis above indicates the change in the defined benefit obligation for changes in the key assumptions.
- **Amendments, curtailments and settlements:** The provisions of the Fund were amended with effect from 1 April 2014. As explained above for service up to 31 March 2013 benefits were based on salaries when members leave the scheme, whereas for service after that date benefits are based on career average salary. Further details of the changes are available from the Fund's administering authority.
  - Curtailments shown in the accounting figures relate to the cost of providing retirement benefits for members who retire early, to the extent that provision has not already been made for the relevant defined benefit obligations.
  - Settlements shown in the accounting figures relate to the admission of new employers into the Fund, and who take on part of the authority's assets and liabilities as a result of employing members who have accrued benefits with the authority.

**33 CONTINGENT LIABILITIES**

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**Housing Stock Transfer Warranties****Collateral warranty by the Council in favour of Security Trustee (Prudential Trustee Company Ltd)**

The Council has given a number of warranties for up to 30 years from 1 April 2008 in respect of title, encumbrances, planning matters, statutory obligations, adverse orders, leases, tenancies and information and statistics supplied.

In addition the following specific warranties have been given:

- Unlimited warranty for up to 30 years from 1 April 2008 in respect of environmental pollution.
- Unlimited warranty for up to 30 years from 1 April 2008 in respect of claims relating to asbestos pollution, except that this shall not apply in respect of the first £381,000 of costs and expenses incurred in aggregate by the Trustees and Ribble Valley Homes in relation to works.

**Warranties by the Council in favour of Ribble Valley Homes**

The Council has given a number of warranties for up to 22 years from 1 April 2008 in respect of title, encumbrances, planning matters, statutory obligations, adverse orders, leases, tenancies and information and statistics supplied.

In addition the following specific warranties have been given:

- Warranty not exceeding £27m for up to 25 years from 1 April 2008 in respect of environmental pollution.
- Unlimited warranty for up to 15 years from 1 April 2008 in respect of claims relating to asbestos pollution, except in respect of the first £381,000 of costs and expenses in aggregate incurred in relation to the removal and treatment works.
- Unlimited warranty for an unlimited period in respect of claims relating to exposure to asbestos.
- Unlimited warranty for an unlimited period in respect of vires claims.
- Warranty for any losses arising as a result of incorrect application of the 2012 rent convergence.

## Notes to the Core Financial Statements

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### 34 CONTINGENT ASSETS

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#### VAT Sharing Arrangement

As part of the Voluntary Stock Transfer an agreement has been reached with Ribble Valley Homes Ltd to share the Value Added Tax that they can claim from HM Revenue and Customs. This arrangement is unique to Councils and Registered Social Landlords upon transfer. The agreement was planned to run for 15 years, starting in 2008/09. The Council's share of total reclaimable VAT received each year will depend on the actual amount of qualifying capital expenditure incurred by Ribble Valley Homes Ltd each year.

#### Receipts from Former Council House Sales

We have agreed to share any proceeds of former Council House Sales if they are subsequently sold by Ribble Valley Homes Ltd. The arrangement for sharing council house sales receipts lasts for 10 years from 1 April 2008 and the amount received will depend on the number of sales each year.

### 35 NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

- Credit Risk – the possibility that other parties might fail to pay amounts due to the Council.
- Liquidity Risk – the possibility that the Council might not have funds available to meet its commitments to make payments.
- Market Risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out within the Council's Financial Services team, under policies approved by the Council in the annual treasury management strategy.

The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash. The Council has adopted CIPFA's *Treasury Management in the Public Services: Code of Practice* and has set treasury management indicators to control key financial instrument risks.

### Overall Procedures for Managing Risk

Overall these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the Code of Practice;
- 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 to the maturity structure of its debt;
  - Its maximum annual exposures to investments maturing beyond a year.
- by approving a Treasury Management Strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance;

The Prudential Indicators are required to be reported and approved at or before the Council's annual Council Tax setting meeting in early March. These items are also 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 Members.

Treasury Management activity is monitored by the Financial Services 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 regularly.

### 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 as detailed in the Council's treasury management practices. The Council maintains strict credit criteria for investment counterparties and monitors activity against these criteria. As a result of this high credit criteria there has been no experience of defaults.

The credit criteria in respect of financial assets held by the council are detailed as below:

- Investments to Building Societies limited to top 8 based on total assets
- Institutions must have a short term Fitch IBCA rating of F2 or above
- Institutions are UK based

## Notes to the Core Financial Statements

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 Council does not generally allow credit for its sundry debtors. The sundry debtors outstanding which are past their due date for payment at 31 March 2017 can be analysed by age as shown in the table below. Note 16 to the accounts shows a total provision for the impairment of debts of £351,121 of which £13,299 relates to sundry debts (£168,478 including impairment for total Housing Benefit recovery impairment). The balance is in respect of this Council's share of the Council Tax and Business Rates impairment of debts.

The council's maximum exposure to credit risk in relation to its investments in banks and building societies at the 31 March was nil, based on past and current experience. A risk of irrecoverability applies to all of the council's deposits, but there was no evidence at the 31 March 2017 that this was likely.

The following analysis summarises the council's potential maximum exposure to credit risk on other financial assets, based on experience of default and uncollectability over the last five financial years, adjusted to reflect current market conditions. Shown in the table is a provision for 'bad and doubtful debts' which the council is confident is more than adequate to cover for future losses due to default.

	Amount at 31 March 2017	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2017	Estimated maximum exposure to default and uncollectability at 31 March 2017	Estimated maximum exposure at 31 March 2016
	£ A	% B	% C	£ (A x C)	£
Deposits with banks and building societies	8,370,000	0.00%	0.00%	0	0
Customers (Sundry Debt including overpaid Housing Benefits recovered from ongoing benefit)	961,540	4.81%	17.52%	168,478	168,864

The council expects settlement terms from debtors of no greater than 14 days. On this basis £317,986 of the sundry debtor balance at 31 March 2017 is past its due date for payment (£341,002 at 31 March 2016); however a proportion of this is being paid on an agreed alternative payment plan. The full sundry debtor balance due but not impaired can be analysed by age as follows:

## Notes to the Core Financial Statements

Aged Sundry Debt	As at 31 March 2016 £'000	As at 31 March 2017 £'000
Less than 30 days	152	511
30 days to 59 days	35	40
60 days to 89 days	1	15
90 days to 119 days	6	1
120 days +	284	258
	<b>478</b>	<b>825</b>

**Liquidity risk**

The council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the council has ready access to borrowings from the money markets, the Public Works Loans Board and through the UK Municipal Bonds Agency plc (Local Capital Finance Company). There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The Council manages its liquidity position through the risk management procedures, such as the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports, as well as through cash flow management procedures required by the Code of Practice.

The approved prudential indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategy addresses the main risks and the Financial Services team address the operational risks within the approved parameters.

The maturity analysis of financial liabilities is as follows:

Financial Liabilities by Maturity Risk	31 March 2016 £'000	31 March 2017 £'000
Less than one year	35	23
Between 1 and 2 years	23	10
Between 2 and 5 years	31	31
Between 5 and 10 years	51	50
More than 10 years	65	55
	<b>205</b>	<b>169</b>

## Notes to the Core Financial Statements

### Market Risk

#### Interest Rate Risk

The Council has limited exposure to interest rate movements on its borrowings and investments, particularly as its long term borrowing is on fixed rates.

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 Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

The aim of the prudential indicators is to contain the activity of the treasury function within certain limits thereby reducing the risk or likelihood of an adverse movement in interest rates or borrowing decisions that could impact negatively on the Council's overall financial position. These new indicators, which were approved as part of the annual budget in March 2016, are as follows:

Limits in Interest Rate Exposure	2016/17 Upper	2017/18 Upper	2018/19 Upper
Maximum Principal Sums Borrowed >364 Days	£6.764m	£6.653m	£6.956m
Limits on Fixed Interest Rates	100%	100%	100%
Limits on Variable Interest Rates	20%	20%	20%

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the 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 Financial Services team monitors market and forecast interest rates within the year to adjust exposures appropriately.

If all lending interest rates had been 1% higher with all other variables held constant the financial effect would impact on the interest receivable on variable rate investments by approximately £107,484. All other interest payable and receivable are fixed.

#### Price risk

The Council, excluding the pension fund, does not generally invest in instruments with this type of risk.

#### 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.

## Collection Fund

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

The Council has a statutory requirement to operate a Collection Fund as a separate account to the General Fund. The purpose of the Collection Fund therefore, is to isolate the income and expenditure relating to Council Tax and Non-Domestic Business Rates. The administrative costs associated with the collection process are charged to the General Fund.

Collection Fund surpluses declared by the billing authority in relation to Council Tax are apportioned to the relevant precepting bodies in the subsequent financial year. Deficits likewise are proportionately charged to the relevant precepting bodies in the following year. For Ribble Valley Borough Council, the Council Tax precepting bodies are Lancashire County Council, Police and Crime Commissioner (PCC) for Lancashire and Lancashire Combined Fire Authority.

In 2013/14, the local government finance regime was revised with the introduction of the retained business rates scheme. The main aim of the scheme is to give Councils a greater incentive to grow businesses in the Borough. It does, however, also increase the financial risk due to non-collection and the volatility of the NDR tax base.

The scheme allows the Council to retain a proportion of the total NDR received. The Ribble Valley Borough Council share is 40% with the remainder paid to precepting bodies. For Ribble Valley Borough Council the NDR precepting bodies are Central Government (50% share), Lancashire County Council (9% share) and Lancashire Combined Fire Authority (1% share).

Forecast surpluses declared earlier in the calendar year by the billing authority in relation to the Collection Fund are apportioned to the relevant precepting bodies in the subsequent financial year in their respective proportions. Deficits likewise are proportionately charged to the relevant precepting bodies in the following year.

The national code of practice followed by Local Authorities in England stipulates that a Collection Fund Income and Expenditure account is included in the Council's accounts. The Collection Fund balance sheet meanwhile is incorporated into the Council's consolidated balance sheet.

## STATEMENT OF ACCOUNTS 2016/17

## Collection Fund

2015/16 Total £'000		2016/17 Council Tax £'000	2016/17 Business Rates £'000	2016/17 Total £'000	Notes
<b>Income</b>					
33,345	Income from Council Tax Payers	35,025		35,025	
11	Transfers From General Fund - Council Tax Benefits	1		1	
90	Transfers From General Fund - Flood Relief	98		98	
2	Family Annexes Discount Grant (DCLG)	4		4	
14,677	Income from Business Ratepayers		15,228	15,228	1
	Share of Estimated Deficit				
58	- Central Government		526		
10	- Lancashire County Council		95	95	
46	- Ribble Valley Borough Council		420	420	
1	- Lancashire Combined Fire Authority		10	10	
<b>48,240</b>		<b>35,128</b>	<b>16,279</b>	<b>50,881</b>	
<b>Expenditure</b>					
	Precepts and Demands:				3
24,519	- Lancashire County Council	25,875		25,875	
3,417	- Ribble Valley Borough Council (including parishes)	3,585		3,585	
3,452	- Police and Crime Commissioner (PCC) for Lancashire	3,573		3,573	
1,408	- Lancashire Combined Fire Authority	1,443		1,443	
	Business Rates				
7,255	- Central Government		7,425	7,425	
1,306	- Lancashire County Council		1,336	1,336	
5,804	- Ribble Valley Borough Council		5,940	5,940	
145	- Lancashire Combined Fire Authority		149	149	
	Share of Estimated Surplus:				
155	- Lancashire County Council	343		343	
22	- Ribble Valley Borough Council	48		48	
9	- Lancashire Combined Fire Authority	20		20	
22	- Police and Crime Commissioner (PCC) for Lancashire	48		48	
54	Transfers to General Fund - Council Tax Benefits	21		21	
90	Costs of Collection		90	90	
11	Renewable Energy Schemes		33	33	
256	Provision for Bad/Doubtful Debts	64	86	150	4
18	Enterprise Zone		20	20	
13	Transitional Protection Payments		96	96	
704	Provision for Appeals		97	97	5
<b>48,660</b>		<b>35,020</b>	<b>15,272</b>	<b>50,292</b>	
<b>-420 (Deficit)/Surplus for the Year</b>		<b>108</b>	<b>1,007</b>	<b>589</b>	
98	(Deficit)/Surplus Brought Forward	598	-920	-322	
<b>-322 (Deficit)/Surplus Carried Forward</b>		<b>706</b>	<b>87</b>	<b>267</b>	
<b>Allocated to</b>					
-460	- Central Government		43	43	6
364	- Lancashire County Council	530	8	538	
-306	- Ribble Valley Borough Council	73	35	108	
63	- Police and Crime Commissioner (PCC) for Lancashire	73		73	
17	- Lancashire Combined Fire Authority	30	1	31	
<b>-322</b>		<b>706</b>	<b>87</b>	<b>793</b>	

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## 1 BUSINESS RATES

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In 2013/14, the administration of NNDR changed following the introduction of a business rates retention scheme which aims to give Councils a greater incentive to grow businesses but also increases the financial risk due to volatility and non-collection of rates. Instead of paying NDR to the central pool, local authorities retain a proportion of the total collectable rates due. In the case of Ribble Valley Borough Council the local share is 40%. The remainder is distributed to preceptors and for Ribble Valley Borough Council the NNDR precepting bodies are Central Government (50% share), Lancashire County Council (9% share) and Lancashire Combined Fire Authority (1% share).

The business rates shares payable for 2016/17 were estimated before the start of the financial year as £7.425m to Central Government, £1.336m to Lancashire County Council, £0.149m to Lancashire Combined Fire Authority and £5.940m to Ribble Valley Borough Council. These sums have been paid in 2016/17 and charged to the collection fund in year.

When the scheme was introduced, Central Government set a baseline level for each authority identifying the expected level of retained business rates and a top up or tariff amount to ensure that all authorities receive their baseline amount. Tariffs due from authorities payable to Central Government are used to finance the top ups to those authorities who do not achieve their targeted baseline funding. In this respect Ribble Valley Borough Council pays a tariff of £4.361m from the general fund.

The total income from business rate payers collected in 2016/17 was £15.228m (£14.677m in 2015/16).

For the 2016/17 financial year this council was part of the Lancashire Business Rates Pool, which began on 1 April 2016. In a Business Rate Pool, tariffs, top-ups, levies and safety nets can be combined. This can result in a significantly lower levy rate (the levy payment being due where a council experiences any growth above the baseline amount) or even a zero levy rate meaning that more or all of the business rate growth can be retained within the pool area instead of being payable to the Government.

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

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

With regard to this council, the retained levy would be £376,131, hence under pooling we have benefitted from extra income of £338,518. Lancashire County Council has received the remaining 10% of retained levy.

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

## Collection Fund

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The transactions listed above relating to the levy, retained levy, tariff and Business Rate Pool Management Fee are all transactions that operate outside of the Collection Fund but are referred to here for completeness and context.

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

For this council, by being part of the Lancashire Business Rates Pool we were able to retain levy that would have otherwise been payable to central government of £376,130. Of this 10% (£37,613) was paid to Lancashire County Council under the governance arrangements of the pool, resulting in net retained levy of £338,517 for this council.

In addition to the local management of business rates, authorities are expected to finance appeals made in respect of rateable values as defined by VOA and hence business rates outstanding as at 31 March 2017. As such, authorities are required to make a provision for these amounts. Appeals are charged and provided for in proportion of the precepting shares. The total provision at 31 March 2017 has been calculated at £1.269m (31 March 2016 £1.172m)

The total non-domestic rateable value at 31 March 2017 was £38,835,543 compared to £38,396,529 at 31 March 2016 based on the 2010 listing. The non-domestic rateable value at 31 March 2017 on the 2017 listing was £40,274,087.

The national non-domestic multiplier (rate in the pound) for the year 2016/17 was 49.7 pence compared to 49.3 pence in the year 2015/16.

The income collectable from business ratepayers differs from the yield; based on the total rateable value due to the award of transitional adjustments, empty property relief and mandatory relief.

## 2 COUNCIL TAX BASE

The gross amount of council tax payable for a property is determined by reference to a band that is allocated to the property by the Listing Officer who is an official of the Inland Revenue. There are eight property bands, A to H, each of which attracts a different level of council tax based upon the charge at band D.

The Council set a band D council tax of £1,548.27 which was calculated by dividing the aggregate of the Council's expenditure to be met from the council tax and the Lancashire County Council, Police and Crime Commissioner (PCC) for Lancashire and Lancashire Combined Fire Authority precept by the council tax base. The council tax base is the number of band D equivalent properties in the Council's area and it represents the amount of income that would be raised from a council tax levy of £1.00 at band D level. The council tax base has been calculated as follows:

Band	Ratio to Band D	Total No of Properties	Total Equivalent No After Discounts	Band D Equivalents
A (entitled to disabled relief)	5/9	10	9.3	5.1
A	6/9	3,560	2,956.7	1,971.1
B	7/9	4,919	4,334.9	3,371.6
C	8/9	4,892	4,404.3	3,914.9
D	1	4,479	4,131.3	4,131.3
E	11/9	3,356	3,148.4	3,848.0
F	13/9	2,090	1,979.4	2,859.1
G	15/9	1,865	1,768.8	2,947.9
H	18/9	199	188.7	377.4
<b>Totals</b>		<b>25,370</b>	<b>22,921.80</b>	<b>23,426.4</b>
			Adjustments	-1,236.0
			Adjustment for Collection Rate	-166.4
			<b>Council Tax Base</b>	<b>22,024</b>

## Collection Fund

### 3 BAND D COUNCIL TAX

The band D council tax set by the Council has been calculated as follows:

	2015/16 £	2016/17 £
Lancashire County Council Precept	24,519,615	25,875,117
Police and Crime Commissioner (PCC) for Lancashire Precept	3,452,079	3,572,733
Lancashire Combined Fire Authority Precept	1,407,657	1,442,572
Ribble Valley Borough Council Demand (excluding Parishes)	3,053,395	3,208,677
<b>Total to be Met From Council Tax</b>	<b>32,432,746</b>	<b>34,099,099</b>
Divided by Council Tax Base (Band D Equivalent Dwellings)	21,703	22,024
<b>Band D Council Tax (Average excluding Parishes)</b>	<b>£1,494.39</b>	<b>£1,548.27</b>

### 4 PROVISION FOR LOSSES

An analysis of the collection fund bad debt provision is set out below:

	Council Tax £	NNDR £	Total £
<b>Opening Balance 1 April 2016</b>	<b>450,000</b>	<b>375,000</b>	<b>825,000</b>
Write Offs in Year	-14,417	-130,947	-145,364
Increase to Provision	64,417	85,947	150,364
<b>Closing Balance 31 March 2017</b>	<b>500,000</b>	<b>330,000</b>	<b>830,000</b>

### 5 PROVISION FOR BUSINESS RATES APPEALS

An analysis of the collection fund provision for appeals is set out below:

	2015/16 £	2016/17 £
<b>Balance at 1 April</b>	<b>467,200</b>	<b>1,171,500</b>
Additional provisions made in the year	704,300	97,400
<b>Balance at 31 March</b>	<b>1,171,500</b>	<b>1,268,900</b>

## 6 PRECEPTS AND DEMANDS ON THE COLLECTION FUND

For both billing authorities and major preceptors, the Council Tax income included in the Income and Expenditure Account for the year must be the accrued income for the year. The table below shows the precept for each major precepting body for the year and the accrued deficit at the 31 March.

2015/16			2016/17	
Precept	Share of 31 March (Deficit) or Surplus		Precept	Share of 31 March (Deficit) or Surplus
£'000	£'000		£'000	£'000
24,519	447	Lancashire County Council	25,875	530
3,452	63	Police and Crime Commissioner for Lancashire	3,573	73
1,408	26	Lancashire Combined Fire Authority	1,443	30
3,417	62	Ribble Valley Borough Council	3,585	73
<b>32,796</b>	<b>598</b>	<b>Total</b>	<b>34,476</b>	<b>706</b>

The business rates shares as at the 31 March are shown in the table below. As with Council Tax, the income included in the Income and Expenditure Account for the year must be the accrued income for the year.

2015/16			2016/17	
Business Rates Share Paid	Share of 31 March (Deficit) or Surplus		Business Rates Share Paid	Share of 31 March (Deficit) or Surplus
£'000	£'000		£'000	£'000
7,255	-460	Central Government	7,425	43
1,306	-83	Lancashire County Council	1,337	8
145	-9	Lancashire Combined Fire Authority	148	1
5,804	-368	Ribble Valley Borough Council	5,940	35
<b>14,510</b>	<b>-920</b>	<b>Total</b>	<b>14,850</b>	<b>87</b>

## Collection Fund

The council has a statutory requirement to prepare an estimate each January of the surplus or deficit expected to arise at the end of the financial year. The total forecast surplus/deficit on the collection fund for council tax and business rates at January 2016 and January 2017 are shown in the table below.

(Deficit) or Surplus Declared January 2016				(Deficit) or Surplus Declared January 2017		
Business Rates £'000	Council Tax £'000	Total £'000		Business Rates £'000	Council Tax £'000	Total £'000
-526		<b>-526</b>	Central Government	57		<b>57</b>
-95	343	<b>248</b>	Lancashire County Council	10	430	<b>440</b>
	48	<b>48</b>	Police and Crime Commissioner for Lancashire		59	<b>59</b>
-11	20	<b>9</b>	Lancashire Combined Fire Authority	1	24	<b>25</b>
-421	48	<b>-373</b>	Ribble Valley Borough Council	45	59	<b>104</b>
<b>-1,053</b>	<b>459</b>	<b>-594</b>	<b>Total</b>	<b>113</b>	<b>572</b>	<b>685</b>

# Glossary of Terms

## **Accounting Period**

The period of time covered by the accounts, normally 12 months commencing on 1st April for local authorities.

## **Accounting Policies**

Those principles, bases, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are to be reflected in its financial statements through

- I. recognising,
- II. selecting measurement bases for, and
- III. presenting assets, liabilities, gains, losses and changes to reserves.

Accounting policies do not include estimation techniques.

Accounting policies define the process whereby transactions and other events are reflected in financial statements. For example, an accounting policy for a particular type of expenditure may specify whether an asset or a loss is to be recognised; the basis on which it is to be measured; and where in the revenue account or Balance Sheet it is to be presented.

## **Accruals**

Sums included in the final accounts to cover income or expenditure attributable to the accounting period but for which payment has not been made/received at the balance sheet date.

## **Accruals Basis**

An accounting concept which requires that income and expenditure are accrued (i.e. recognised as they are earned or incurred, not as they are received or paid). Under this concept therefore, inclusion or exclusion of an item of income or expenditure will depend on the period to which it relates, not the period in which it was received or performed.

## **Actuarial Gains and Losses**

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because:

- I. events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses), or
- II. the actuarial assumptions have changed.

## **Amortisation**

The loss in value of an intangible asset due to its use by the organisation.

## Glossary of Terms

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### Appointed Auditors

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

### Authorised Limit

This represents the legislative limit on the Council's external debt under the Local Government Act 2003.

### Balances

The total level of funds the council has accumulated over the years, available to support revenue expenditure within the year (also known as reserves)

### Capital Adjustment Account

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

### Capital Expenditure

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

### Capital Financing Costs

The annual cost of borrowing (principal repayments and interest charges), leasing charges and other costs of funding capital expenditure.

### Capital Receipt

Income from the sale of capital assets such as land or buildings.

### Carrying Amount

The amount at which an asset is recognised in the balance sheet after deducting accumulated depreciation and accumulated impairment losses.

### Chartered Institute of Public Finance and Accountancy (CIPFA)

CIPFA is the leading professional accountancy body for public services. CIPFA publishes the Code, which defines proper accounting practice for local authorities.

### Collection Fund

A separate account held by billing authorities in to which council tax and national non-domestic rates (NNDR) are paid.

**Community Assets**

Assets that the council 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 historical buildings.

**Consistency**

The principle that the accounting treatment of like items within an accounting period and from one period to the next is the same.

**Contingent Asset**

A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the local authority's control.

**Contingent Liability**

A contingent liability is either:

- I. a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the council's control, or
- II. a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.

**Corporate and Democratic Core**

The corporate and democratic core comprises all activities which local authorities engage in specifically because they are an elected, multi-purpose council. 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 Base**

The number of properties in each band is multiplied by the relevant band proportion in order to calculate the number of Band D equivalent properties in the area. The calculation allows for exemptions, discounts, appeals and a provision for non-collection.

**Council Tax Requirement**

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

**Creditors**

Amounts owed by the Council at 31st March for goods received or services rendered but not yet paid for.

## Glossary of Terms

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### **Current Assets**

Assets which can be expected to be consumed or realised during the next accounting period.

### **Current Liabilities**

Amounts which will become due or could be called upon during the next accounting period.

### **Current Service Cost (Pensions)**

The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.

### **Debtor**

Amounts owed to the Council, which are collectable or outstanding at 31st March.

### **Depreciation**

The measure of the cost or revalued amount of the benefits of the non-current asset that have been consumed during the period.

Consumption includes the wearing out, using up or other reduction in the useful life of a fixed asset whether arising from use, passing of time or obsolescence through either changes in technology or demand for the goods and services produced by the asset.

### **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**

The fair value of an asset is the price at which it could be exchanged in an arm's-length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.

### **Finance Lease**

A finance lease is one that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee. It should be presumed that such a transfer of risks and rewards occurs if at the inception of a lease the present value of the minimum lease payments including any initial payment amounts to substantially all (normally 90% or more) of the fair value of the leased asset.

### **Financial Instrument**

A contract that gives rise to a financial asset of one entity and a financial liability of another entity.

**Financial Regulations**

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

**Fixed Asset**

Assets which can be expected to be of use or benefit to the Council in providing its service for more than one accounting period.

**General Fund**

This is the main revenue fund of the council and includes the net cost of all services financed by local taxpayers and Government Grants.

**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.

**Impairment**

A reduction in the value of a fixed asset to a value below its carrying amount on the Balance Sheet.

**Infrastructure Assets**

Fixed 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 Asset**

This is a non-physical fixed asset. Intangible fixed assets include patents, brands, etc.

**Interest Cost (Pensions)**

For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

**Inventories**

The amount of unused or unconsumed stocks held in expectation of future use. When use will not arise until a later period, it is appropriate to carry forward the amount to be matched to the use or consumption when it arises.

## Glossary of Terms

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### Investment Properties

Property (land or a building, or part of a building or both) held solely to earn rentals or for capital appreciation or both, rather than for:

- I. use in the production or supply of goods or services or for administrative purposes, or
- II. sale in the ordinary course of operations.

### Long-term Contracts

A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or a combination of assets or services which together constitute a single project), where the time taken to substantially complete the contract is such that the contract activity falls into different accounting periods.

### Materiality

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

### Medium Term Financial Strategy

This is a financial planning document that sets out the future years financial forecast for the council. It considers local and national policy influences and projects their impact on the general fund revenue account and capital programme. For this council it usually covers the current year and future three years.

### Minimum Revenue Provision (MRP)

MRP is the minimum amount which must be charged to a council's revenue account each year to provide for the repayment of debt, as required by the Local Government and Housing act 1989

### Net Book Value

The amount at which fixed assets are included in the Balance Sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

### Net Current Replacement Cost

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 is made 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 Current Assets**

Assets that can be expected to be consumed or realised over a period greater than the next accounting period.

**Operating Lease**

A lease under which the ownership of the asset remains with the lessor; for practical purposes it is equivalent to contract hiring.

**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 improvement to, retirement benefits.

**Precepts**

The amount which local authorities which cannot levy a council tax directly on the public (i.e. County Council, Fire Authority, Police Authority or Parish Council) requires to be collected on its behalf.

**Prepayment**

The payment of a debt obligation before it is due

**Provision**

A liability of uncertain timing or amount

**Remuneration**

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 the employer are excluded.

**Reserves**

Amounts set aside in the accounts for the purpose of meeting particular future expenditure. A distinction is drawn between reserves and provisions, which are set up to meet known liabilities.

**Residual Value**

The net realisable value of an asset at the end of its useful life. Residual values are based on prices prevailing at the date of the acquisition (or revaluation) of the asset and do not take account of expected future price changes.

**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.

**Revenue Expenditure**

Spending on day-to-day items including employees' pay, premises costs and supplies and services.

## Glossary of Terms

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

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

### **Revenue Support Grant**

The main grant paid by central government to a local authority towards the costs of its services.

### **Scheme Liabilities**

The liabilities of a defined benefit scheme for outgoings due after the valuation date.

### **Tangible Fixed Assets**

Tangible assets that yield benefits to the local authority and the services it provides for a period of more than one year.

### **Useful Life**

The period over which the local authority will derive benefits from the use of a fixed asset.

### **Abbreviations used within the Statement of Accounts**

CIPFA	Chartered Institute of Public Finance and Accountancy
FRS	Financial Reporting Standard
GAAP	Generally Accepted Accounting Principles
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
LAAP	Local Authority Accounting Panel
LASAAC	Local Authority Accounts Advisory Committee
NNDR	National Non-Domestic Rates
PWLB	Public Works Loan Board
RSL	Registered Social Landlord
SeRCOP	Service Reporting Code of Practice
SOLACE	Society of Local Authority Chief Executives
SORP	Statement of Recommended Practice





Ribble Valley  
Borough Council

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**RIBBLE VALLEY BOROUGH COUNCIL**  
**REPORT TO ACCOUNTS AND AUDIT COMMITTEE**

DECISION

Agenda Item No 10

meeting date: 26 JULY 2017  
title: RISK MANAGEMENT POLICY REVIEW  
submitted by: DIRECTOR OF RESOURCES  
principal author: SALMA FAROOQ

1. PURPOSE

- 1.1. To ask Members to consider the approval of the updated and revised Risk Management Policy.
- 1.2. Relevance to the Council's ambitions and priorities:
  - Community Objectives – none identified.
  - Corporate Priorities – to be a well-managed Council.
  - Other Considerations – none identified.

2. BACKGROUND

- 2.1. A comprehensive review of the policy has been undertaken and committee are now asked to consider the revised policy attached at Appendix A for approval.

3. INFORMATION

- 3.1. There have been slight changes to the policy and this was to reflect updated regulations and procedures.
- 3.2. One of these changes includes the Risk Management Working Group no longer being in place. The original purpose of the Risk Management Working Group had been to implement the new risk management policy in 2010 and this is no longer applicable.

4. FURTHER POLICY REVIEWS

- 4.1 A number of further policies are currently being reviewed and will be brought to your next meeting in October for consideration and approval. These are:
  - Whistleblowing Policy
  - Anti-Fraud and Corruption Policy
  - Procurement Strategy

5. RECOMMEND THAT COMMITTEE

- 5.1 Note the amendments to the Risk Management Policy and approve the reviewed Risk Management policy.

SENIOR AUDITOR

DIRECTOR OF RESOURCES

AA14-17/SF/AC  
12 July 2017

BACKGROUND PAPERS

None

For further information please ask for Salma Farooq.

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# Risk Management Policy

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July 2017

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Ribble Valley  
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## Key Officer Contacts

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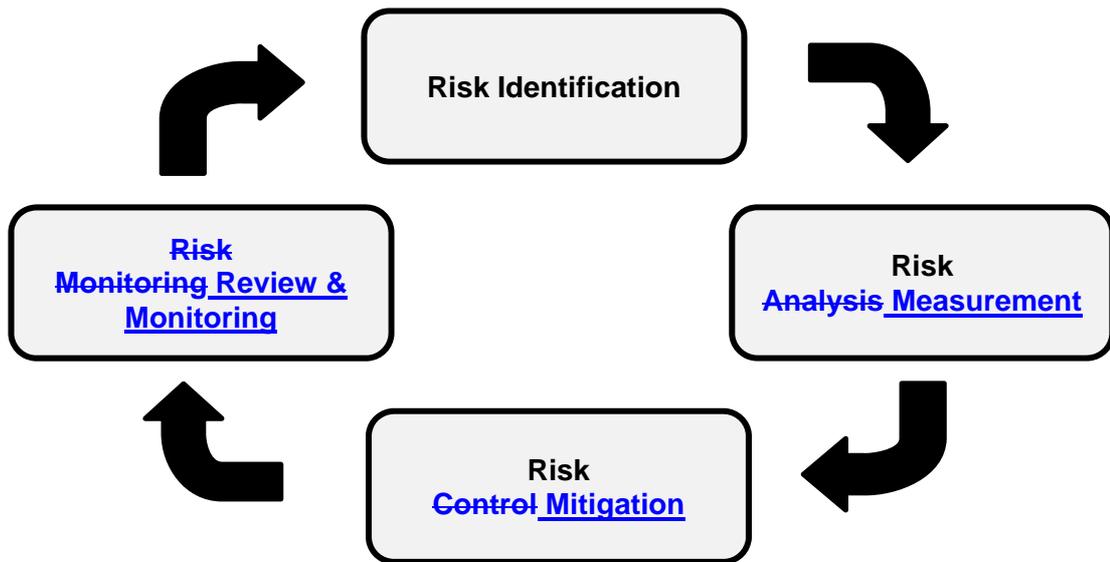
## 1. Risk Management Policy Statement

- 1.1. The Council recognises that it authority has a moral and statutory duty to take all reasonable actions to safeguard its employees, assets and the public and ensure that it is not financially or operationally disrupted. It will meet this duty by ensuring that risk management plays an integral part in the governance of the authority at a strategic and operational level.
- 1.2. The purpose of this policy is to clearly outline the Council's commitment to risk management, describe the objectives of risk management and provide a framework for embedding risk management across the organisation, with defined roles and responsibilities and a structured process.
- 1.3. ~~The Risk Management Working Group will support the authority in fulfilling this duty. However, r~~Risk management is an active process that requires the co-operation of all staff. Thus, the management of risk is not the responsibility of any one person or group, but the responsibility of every individual in the authority.
- 1.4. The Council is aware that risks can never be fully eliminated and has a policy in place that provides a structured, systematic and focused approach to managing risk. However, risk management is not about being risk averse, it is about being risk aware.
- 1.5. Insurable losses are the responsibility of the authority, not that of an insurance company. Management has the responsibility to plan and systematically approach the identification, analysis and control of risk.

## 2. What Is Risk Management?

- 2.1. Risk Management is the process of identifying risks, evaluating their likelihood and potential impact and determining the most effective methods of controlling them or responding to them. ~~identification, analysis and economic control of those risks that can threaten the assets of an organisation or the ability of the organisation to provide a service.~~
- 2.2. Risk Management should not be seen as a "bolt on"; it should be integral to policy planning and operational management within the authority. Applying the risk management cycle will help elected members and managers make informed decisions about the appropriateness of adopting policy or service delivery options.
- 2.3. The risk management cycle will generate information that will help ensure that risks can be avoided or minimised in the future. It will also enlighten judgements on the type and degree of insurance cover and the balance to be reached between self-insurance and external protection.

### 3. The Risk Management Cycle



#### Risk Identification

- 3.1. Identifying and understanding the risks that the authority faces is essential for informed decisions to be made about policies or service delivery methods. The risk associated with these decisions can then be effectively managed.

#### Risk Analysis Measurement

- 3.2. Once the risks have been identified they need to be systematically analysed using proven analysis techniques and all available data on the potential frequency and consequences of events. If a risk is seen to be unacceptable steps need to be taken to control or respond to it.

#### Risk Control Mitigation

- 3.3. Risk Control mitigation is the process of taking action to reduce the chance of a risk occurring and /or the impact of the risk should it occur. These factors should be reduced to the lowest point where the action taken is still economical. Risk control often requires projects to be implemented or operating procedures to be revised.

#### Risk Monitoring Review & Monitoring

- 3.4. To complete the risk management process, all risk control projects and revisions in operating procedure need to be monitored and reviewed. It is also important to assess whether the nature of the risk has altered with time.

- 3.5. New/ emerging risks should be considered on the risk register and those that are no longer considered a risk should be removed.

- 3.6. Failure to pay proper attention to the likelihood and consequences of risk could cause great damage to the authority. Some examples of damage include service disruption, threat to public health, financial costs, compensation claims and bad publicity. The management of risk is consequently a key part of the authority's approaches to the delivering of the sound governance element of Best Value

### 4. The Benefits of Risk Management

- 4.1. The benefits of managing risk effectively include:

#### Improved Strategic Management

- Better informed selection of strategic objectives and related targets as a result of the risk identification, analysis, control and monitoring process.
- Enhanced ability to deliver against more realistic and attainable objectives and targets.

## Improved Operational Management

- ~~Decline in the number of~~ Reductions in interruptions to service delivery.
- Reduction in managerial time devoted to managing the results of a risk event having taken place.
- Improved managerial control as a result of risk identification, analysis, control and monitoring.
- A more systematic method to addressing legislative, regulatory or competitive demands.
- Improved health and safety and the superior condition of property and equipment.

## Improved Financial Management

- ~~Decrease in the financial costs linked with losses due to service interruption, litigation, bad investment decisions, etc.~~
- Better-informed financial decision-making ~~on investment, insurance, option appraisal, etc.~~
- Improved financial control as a result of risk identification, analysis, control and monitoring.
- Reduction in insurance premiums and direct costs met through self-insurance.

## Improved Public Service

- Minimal service disruption to public and a positive external image as a result of all of the above.

## 5. The Cost of Risk

- 5.1. The cost of risk is made up of two components, the evident cost of risk and the hidden cost of risk. The evident cost of risk are things such as insurance premiums, uninsured losses met from the revenue budget, the cost of risk control measures and direct administration costs. ~~According to the Association of Local Authority Risk Managers (ALARM) the average local authority has an evident cost of risk in excess of 0.65% of gross revenue.~~
- 5.2. The hidden cost of risk can be much harder to identify and evaluate. The hidden cost can include things such as a fall in staff morale, the cost of management time spent dealing with the risk events, damage to the reputation of the authority, indirect administration costs and the cost of employees being off work following an accident. It is widely thought that the hidden cost of risk can be many times that of the evident cost. ~~To calculate the hidden cost of risk ALARM use a multiplier of eight times the evident cost, which they consider to be a conservative estimate. For some authorities the multiplier can be as high as thirty times. This means that the total cost of risk for the authority is likely to be at least 5.2% of gross revenue (£1.1m) and could even be much higher.~~
- 5.3. Association of Local Authority Risk Managers (ALARM) says that experience in the private sector proves that the cost of risk can be reduced in real terms by the implementation of risk management. With the cost of risk being so high any action that can reduce this cost will be of benefit to the whole authority.

## 6. Why We Need To Manage Risk

- 6.1. In the current economic climate with severe pressures on funding for services and the need for greater efficiencies whilst improving services means that sound corporate governance and good decision making are paramount.
- 6.2. The Council has a statutory responsibility to have in place arrangements for managing risks. As stated in the Account and Audit Regulations 20032012 (Part 2, Section 4):

*The relevant body shall be is responsible for ensuring that the financial management of the body is adequate and effective and that the body has a sound system of internal control which facilitates the effective exercise of the that body's function and which includes arrangements for the management of risk.*

- 6.3. ~~Risk management is recognised as an important element of good corporate governance.~~ Effective risk management arrangements are a key element within the Council's governance framework. The CIPFA/SOLACE Framework on Corporate Governance requires councils to establish and maintain a systematic strategic and methodological process for managing risk. They must also report publicly on the effectiveness of these arrangements.

6.4. Risk Management is beneficial to Ribble Valley Borough Council as it:

- Helps us to be more flexible and responsive to new internal and external demands.
- Helps the Council make informed decisions.
- Provides assurance to Members and management.
- Reduces incidents and other control failures.
- Helps in the achievement of the Councils' objectives.

## 7. Risk Management Aims and Objectives

7.1. By implementing the risk management policy the authority aims to:

- Preserve and protect the Council's assets, reputation and staff.
- Provide continuous high quality services to the residents of Ribble Valley.
- Use appropriate identification and analysis techniques to identify risks to the authority and determine the long and short term impact. Anticipate and respond to changing social, economic, environmental and legislative requirements.
- Prioritise and implement economic control measures to reduce or remove risks.
- Protect and promote the reputation of the authority in the community.
- Through the use of education, training and communication, develop and maintain a structured risk management culture, where risk is considered in the decision making process and the everyday working situations of all personnel.
- Maintain a system for recording and providing accurate, relevant and timely risk management information.
- Reduce the long-term cost of risk to the authority.

## 8. Roles and Responsibilities

8.1. Risk Management roles and responsibilities of key positions are outlined below:

### **Accounts and Audit Committee**

#### **Role**

- Overall responsibility for Risk Management
- ~~A member of the Committee is the Council's 'Member Champion'.~~
- Ensure that a comprehensive approach to risk management is developed and implemented by management.

#### **Responsibilities**

- To attain a knowledge of risk management and its benefits.
- To oversee the effective management of risk by the senior management of the authority.
- Receive regular reports on the management of the Council's red risks.

## **Corporate Management Team**

### ***Role***

- To ensure that the authority manages risk systematically, economically and effectively through the development of an all-encompassing corporate strategy.

### ***Responsibilities***

- To acquire a knowledge of risk management and its benefits.
- To help develop the risk management strategy and communicate it to the elected members.
- To promote and oversee the implementation of the strategy across the authority.
- To assist in monitoring and reviewing the risk management strategy through monthly reports taken to CMT, including an annual review of its effectiveness and a written report of this to stakeholders.
- To agree any inputs and resources necessary to support the implementation of the strategy corporately.

## **~~Risk Management Working Group~~**

### **~~*Role*~~**

- ~~• To support the authority in the development, implementation and review of the risk management strategy.~~
- ~~• To share experiences on risk, risk management and strategy implementation across the authority.~~

### **~~*Responsibilities*~~**

- ~~• To develop the risk management strategy in liaison with the Corporate Management Team.~~
- ~~• To promote, support and oversee its implementation across the authority.~~
- ~~• To identify any dedicated inputs and resources required to support the implementation of the strategy.~~
- ~~• To identify and communicate risk management issues to the different service areas.~~
- ~~• To assist service areas in undertaking risk management activity through training and/or direct support.~~
- ~~• To monitor, review and report the effectiveness of the risk management strategy.~~
- ~~• To share good practice on all elements of risk management.~~

## **Heads of Service**

**Role**

- To manage risk in each particular service area.

**Responsibilities**

- To contribute to the development of the risk management strategy from a function specific perspective.
- To disseminate the detail of the strategy and allocate responsibilities for implementation of the strategy in their service area.
- To recommend the necessary training on risk management for the employees in the section.
- To share relevant information with other service sections.
- To identify any risk management issues in their service area.
- ~~To provide feedback to the Risk Management Working Group on their experience of implementing the strategy and their perceptions of the effectiveness of the strategy.~~
- To ensure that the strategy is implemented across the function.

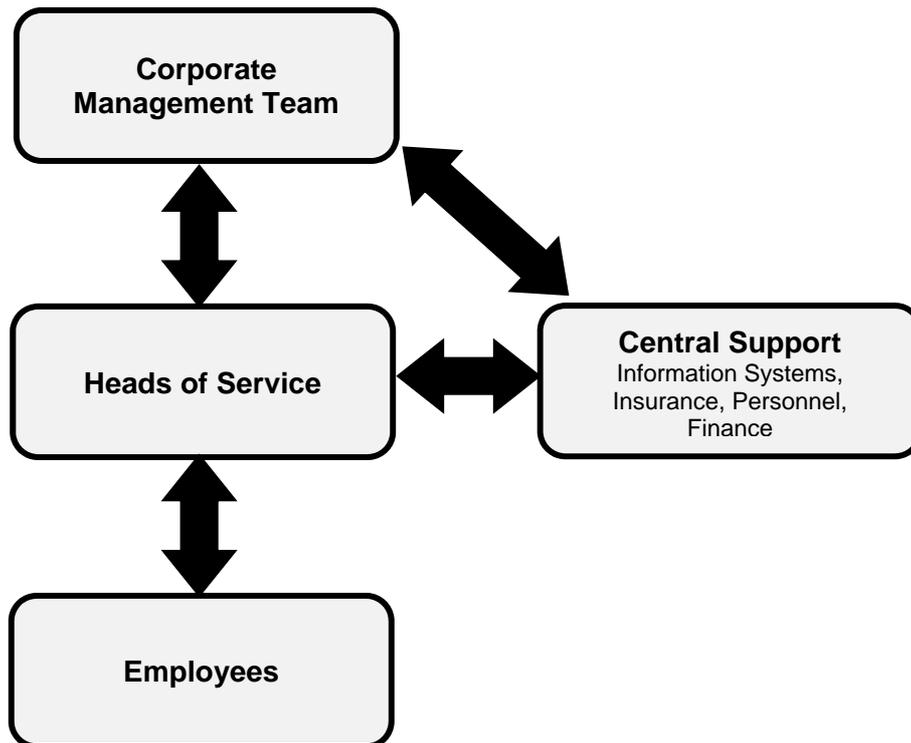
**Employees****Role**

- The management of risk in their own work.

**Responsibilities**

- To liaise with their manager to assess areas of risk in their job.
- To identify and alert their manager of new or changing risks in their job.
- To effectively use skills and knowledge that they have gained through training.
- To carry out their job within the risk management guidelines set down by their manager.

9. Inter-Relationships to Support the Risk Management Strategy

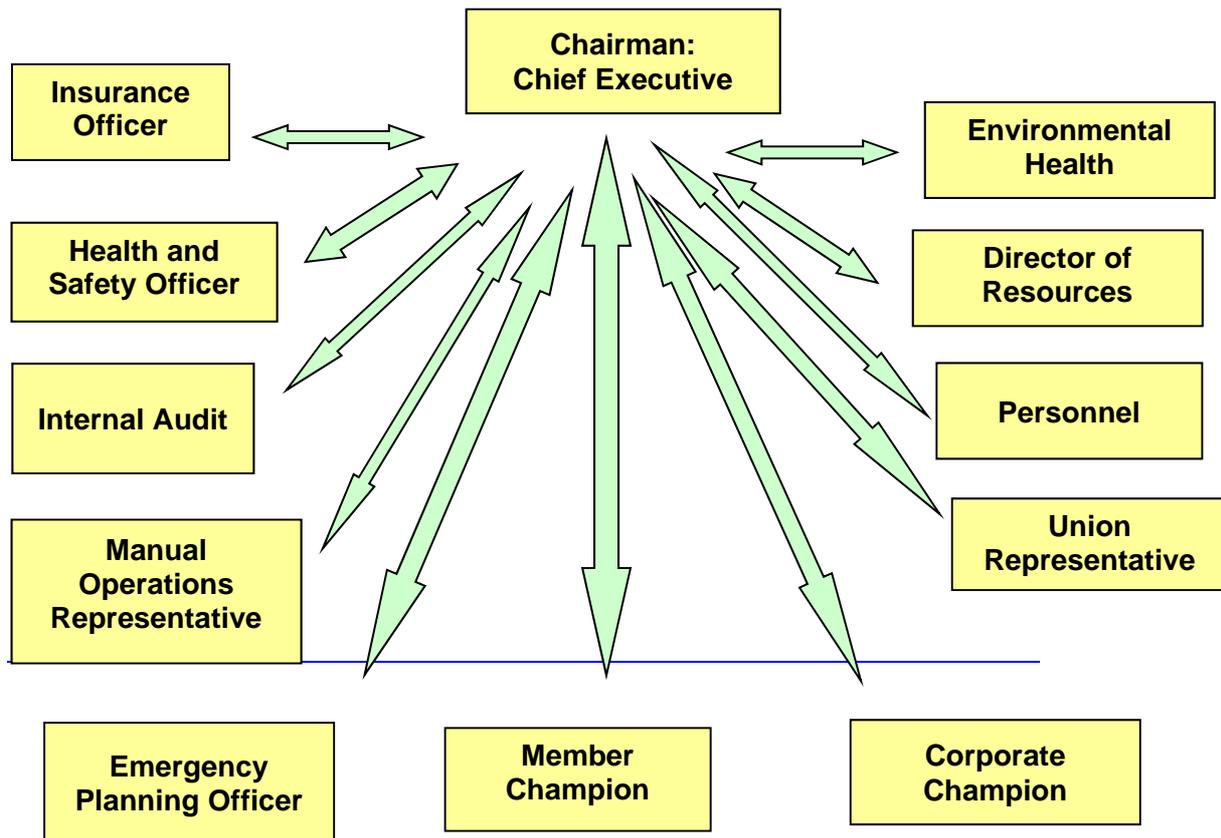


9.1. The arrows represent the flow of guidance, information and feedback within the structure. [Communications regarding the risk management issues should be open as outlined in the Turnbull Report.](#)

## Risk Management Working Group

The Chief Executive chairs the Risk Management Working Group. He is committed to the concept of risk management. The body of the group is made up of representatives from different service areas. These staff have a sound knowledge of risk management and are willing to dedicate time and effort to the implementation of the strategy.

### Risk Management Working Group Structure



The Risk Management Working Group meet on a quarterly basis and have a set agenda of items to be covered. From this it can be determined where there are issues concerning risk management and where action needs to be taken.

Regular reports on risk management are sent to Accounts and Audit Committee.

## **10. Risk Management Process**

- 10.1. The Council's risk management process is underpinned by a series of consistent processes and documentation that:
- Identify and manage risks in a consistent, holistic way across the Council;
  - Focus on risks that, because of their likelihood and impact, make them management priorities.
- 10.2. The Councils' risk management process is also supported by the use of GRACE risk management software. The software enables Managers to have access to their risks and to prioritise them accordingly.
- 10.3. The GRACE risk management software allows the Council to:
- Record identified risks and manage them in a consistent way.
  - Map risks to corporate and operational objectives, PI's and risk types.
  - Generate risk registers.
  - Identify key risks.
  - Record mitigating actions.
  - Monitor and review risks, including tracking changes to risks.
  - Produce both generic and customised management reports.

### **Step 1 – Define Objectives**

- 10.4. Ribble Valley Borough Council's objective is to be a 'well managed council providing efficient services based on identified customer needs'. This aim is underpinned by the Council's objectives.
- 10.5. As well as corporate objectives there are also service objectives, which have been drawn up by Heads of Service. Each service objective impacts upon corporate objectives and in turn the Council's overall objectives.

### **Step 2 – Identify Risks**

- 10.6. Risk identification attempts to identify the Council's exposure to uncertainty. Generic risk profiles have been supplied by Grace Governance Solutions Ltd, however it is important to remember that not all risks as listed in the generic profiles may be relevant and therefore risk owners are responsible for identifying the applicable risks as listed in the generic profiles and any additional risks not listed that the service/department faces.
- 10.7. Having identified the risks, these are recorded on a Risk Register. All risk registers are created and maintained on the GRACE risk management system. Risks are identified on a strategic, operational, directorate, partnership and project level.

### Step 3 –Assess Risks

- 10.8. Risks are assessed by looking at the likelihood of the risk occurring and the impact that risk would have if it were to occur. Controls are probably in place to minimise identified risks, however, in the first instance risks are assessed as though there were no controls in place i.e. the worst case scenario. This is known as the ‘**gross**’ risk level. The gross risk level is recorded in the risk register.
- 10.9. In most scenarios however there will be controls in place to minimise the likelihood or impact of the identified risk occurring. Risks are therefore assessed based on the likelihood and impact of the risk occurring considering that there are mitigating actions in place. This is known as the ‘**net**’ risk level. The net risk level is recorded in the risk register.
- 10.10. Each risk is allocated a risk owner whose name is recorded on the risk register. Guidance on how the likelihood and impact levels of a risk should be assessed can be found in Annex A.

### Step 4 – Prioritise Risks

- 10.11. Some risks command a higher priority due to their likelihood and impact. Both the gross and net likelihood and impact levels of each risk are plotted and prioritised using a 3 x 3 matrix as can be seen below:

<b>IMPACT</b>	<b>HIGH</b>	<b>Amber 6</b>	<b>Red 8</b>	<b>Red 9</b>
	<b>MEDIUM</b>	<b>Green 3</b>	<b>Amber 5</b>	<b>Red 7</b>
	<b>LOW</b>	<b>Green 1</b>	<b>Green 2</b>	<b>Amber 4</b>
		<b>LOW</b>	<b>MEDIUM</b>	<b>HIGH</b>
<b>LIKELIHOOD</b>				

- 10.12. A ‘traffic light’ system is used to show high (red), medium (amber) and low (green) risks. This results in the prioritisation of both gross and net risks, which are recorded in the risk register.

### Step 5 – Respond to Risks

- 10.13. As most risks cannot be eliminated altogether, judgments have to be made as to what level of risks are acceptable. There are four categories of response – transfer, treat, terminate and tolerate. Details of each response can be found in the following table:

Response	Description
<b>Transfer</b>	<p>Risks are transferred to an insurer, e.g., legal liability, however it must be remembered that this is not possible for all risks.</p> <p>Some service delivery risks can also be transferred to a partner or contractor by way of a formal contract or written agreement.</p> <p>Some risks however cannot be transferred, for example, reputational risks.</p>
<b>Treat</b>	<p>Risks need additional treatments (controls) to reduce the likelihood and impact levels.</p> <p>This response is most likely where the risk has been identified as a high risk due to the likelihood and impact levels.</p>
<b>Terminate</b>	<p>A risk is identified as being so serious that there is no option other than to terminate the activity generating the risk.</p>
<b>Tolerate</b>	<p>The controls in place reduce the likelihood and impact levels to a tolerable level. It is therefore decided to <i>tolerate</i> the risk.</p>

10.14. Generally any 'net' red risks (i.e. after mitigating action has been considered) are viewed as unacceptable and must be treated. It may be necessary to carry out a cost benefit analysis to ensure that the cost of introducing further mitigating action(s) does not outweigh the cost of tolerating the risk.

10.15. Amber risks are acceptable; however, the risk should be reduced as low as is reasonably practicable and contingency plans must be developed. Green risks are broadly acceptable.

10.16. The acceptance of a risk represents an informed decision to accept the impact and likelihood of that risk. A risk owner must be allocated to each identified risk. This ensures the 'ownership' of the risk is identified and that the appropriate resources are allocated. Risk owners are responsible for:

- Ensuring that appropriate resources and importance are allocated to the process;
- Confirming the existence and effectiveness of the mitigating actions and ensuring that any proposed mitigating actions are implemented;
- Providing assurance that the risks for which they are Risk Owner are being effectively managed.

### Step 6 – Monitor Risks

10.17. Risks are monitored at the following frequency:

<b>Red</b>	High risk, monthly
<b>Amber</b>	Medium risk, quarterly

Green

Low risk, 6 monthly

### Step 7 – Review and Report

- 10.18. Reports are sent to Accounts and Audit Committee at each meeting informing them on the progress to date with regards risk management. A copy of the most recent red risk register is also included in these reports.
- 10.19. Risk Owners not carrying out risk reviews in accordance with the frequency schedule as listed above are also reported to the Councils' Corporate Management Team on a monthly basis.
- ~~The Risk Management Working Group meets on a fairly ad-hoc basis, but usually quarterly.~~

### Step 8 – Communicate and Consult

- 10.20. Copies of this policy are available on both the Intranet and Internet. [Step by step notes for updating risks on GRACE are held on the Intranet. One to one training is provided to new responsible risk owners.](#)
- ~~• Risk Management Training has been provided as follows:~~
  - ~~• November 2005 – Risk owner training on the GRACE system~~
  - ~~• March 2006 – Staff training~~
  - ~~• May 2006 – Risk owner training~~
  - ~~• April 2008 – Risk owner and member training~~

## 11. Categories of Risk

- 11.1. Risks can be strategic or operational.

**Strategic:** risks that need to be taken into account in judgements about the medium to long-term goals and objectives of the authority.

- Political – Those connected with the failure to deliver either local or central government policy.
- Economic – Those affecting the authority's ability to meet its financial commitments. These include internal budgetary pressures, the failure to purchase sufficient insurance cover or the effects of proposed investment decisions.
- Social – Those relating to the consequences of changes in demographic, residential or socio-economic trends on the authority's ability to meet its objectives.
- Technological – Those associated with the authority's ability to cope with the scale and pace of technological change, and its ability to use technology to meet changing demands.
- Legislative – Those associated with present or future national and European law.
- Environmental – Those relating to the environmental consequences of progressing the authority's strategic objectives (e.g. in terms of pollution and energy efficiency).

- Competitive – Those concerning the competitiveness of the service in terms of cost or quality and/or its ability to deliver [Best Value best value for money](#).
- Customer/Citizen – Those connected with the failure to meet the present and shifting needs and expectations of the customers and citizens.

**Operational:** risks encountered in the everyday work of managers and staff.

- Professional – Those involved with the specific nature of each profession.
- Financial – Those linked to financial planning and control and sufficiency of insurance cover.
- Legal – Those connected to possible violations of legislation.
- Physical – Those associated with fire, accident prevention and health and safety.
- Contractual – those related to the failure of contractors to deliver services or products to the agreed cost or specification.
- Technological – Those linked with the reliance on operational equipment.
- Environmental – Those relating to pollution and energy efficiency of ongoing service operations.

## **12. Promoting Risk Awareness**

- 12.1. Increasing risk awareness is a very important part of implementing the risk management strategy as it helps to develop a risk management culture.
- 12.2. Officers from across the authority have been involved in risk management training sessions and an overview with regards risk management has been published on the Intranet. [One to one training is provided to new responsible risk owners](#).

### 13. The Turnbull Report

#### What is the Turnbull Report?

- 13.1. The Turnbull Report is guidance on the implementation of the internal control requirements of the Combined Code on Corporate Governance. It was written by The Institute of Chartered Accountants in England and Wales and has the full support of the London Stock Exchange. It provides guidance to assist companies to implement principle D2 of the Combined Code of Corporate Governance, i.e.

*The board should maintain a sound system of internal control to safeguard shareholders' investment and the company's assets.*

- 13.2. A system of internal control is made up of the policies, processes, tasks, behaviours and other aspects of an organisation that:
- Facilitate its effective and efficient operation by enabling it to respond to risks to achieving the organisation's objectives. These include significant business, operational, financial and compliance risks. The safeguarding of assets and identification and management of liabilities are also included in this.
  - Help ensure the quality of internal and external reporting. Records and processes that produce a flow of information should be maintained so that information is timely, relevant and reliable, whether from within or out with the organisation.
  - Assist in ensuring compliance with laws, regulations and internal policies with respect to the conduct of business.

#### Why Does It Affect Ribble Valley Borough Council?

- 13.3. The Turnbull Report only applies to UK listed companies; however it is beneficial for other organisations to follow the guidelines. It is seen as "best practice" and "the sort of thing that companies should be doing anyway" according to Roger Davis, deputy chairman of the Turnbull Committee.
- 13.4. Former Chief Executive of ALARM (1999-2001), Liz Taylor, made it clear that she believes that life in the public sector is about to change as a result of increasing concentration on good corporate governance.

*Guidelines drawn up for the private sector are beginning to influence management thinking in the public sector," she said. "Senior managers must keep abreast of the changes in corporate governance guidelines and legislation within the private sector.*

*Change is definitely coming, and managers within the public sector need to get a grasp of it so that they are in control when it arrives. They should read the Turnbull Committee's report and review their strategies in light of its recommendations.*

- 13.5. Although the Turnbull Report is not aimed at the public sector, it is a complete codification of good practice and so should not be ignored.

#### What Are the Implications of the Turnbull Report on the Authority?

- 13.6. The Turnbull Report requires a sound system of internal control, safeguarding the shareholders' investment and the company's' assets, to be maintained by the board. On deciding what is a sound system of internal control, the following will need to be

considered:

- The nature and extent of risks facing the authority.
- The extent and categories of risk which it regards acceptable for the authority to bear.
- The likelihood of those risks concerned materialising.
- The authority's ability to reduce the incidence and impact on the organisation of the risks that do materialise.
- The cost of operating particular controls relative to the benefit thereby obtained in managing the risk.

- 13.7. Continuous effective monitoring is an essential part of a sound system of internal control. The Turnbull report requires the Board, or in the case of the Council the Corporate Management Team, to regularly review reports on the effectiveness of the system of internal control. The reports that they review should provide a balanced assessment of the significant risks and the effectiveness of the systems of internal control. Any major failings must be discussed in the reports, including the possible impact and actions being taken to rectify them.
- 13.8. An annual assessment of the effectiveness of the Councils' system of internal control is carried out and is reported to stakeholders. The review covers risk management and all controls, including financial, operational and compliance controls.
- 13.9. The annual reports and accounts also contain a narrative account of how the Council has applied the above principles, providing explanations, which enable the stakeholders to evaluate how the principles have been applied. Or if there has been a period of non-compliance, detail the nature of and reasons for the non-compliance.
- 13.10. To follow the guidelines of the Turnbull Report the management of risk should not be treated as a separate exercise; it should be embedded within the organisation, forming part of its culture. It should be at the top level of governance within the organisation. The authority should identify, evaluate and manage significant risks and also be able to respond to changing risk. However the authority should not eliminate all risk as some risks can produce positive results. There should be openness of communication on matters relating to risk management.
- 13.11. The report also requires that all employees have some responsibility for managing risk as part of their accountability for achieving objectives. They should have the knowledge, skills, information and authority to operate and monitor a system of internal control.
- 13.12. This risk management policy document has been drawn up to be in line with the guidelines of the Turnbull Report. In following this document, the key recommendations of the report will be fulfilled by the authority.

## GUIDANCE ON ASSESSING THE LIKELIHOOD AND IMPACT LEVELS OF A RISK

## Likelihood

Description	Example Detail
High (Red)	<ul style="list-style-type: none"> <li>Has <b>happened</b> in the past year; or is <b>expected</b> to happen in the next year</li> <li>More than <b>50% probability</b></li> </ul>
Medium (Amber)	<ul style="list-style-type: none"> <li>Has <b>happened</b> in the past 2-5 years; or is <b>expected</b> to happen in the next <b>2-5 years</b></li> <li>Between <b>25% to 50% probability</b></li> </ul>
Low (Green)	<ul style="list-style-type: none"> <li>Has <b>not happened</b> in the past <b>5 years or more</b>; or is <b>not expected</b> to happen in the next <b>5 years or more</b></li> <li>Between <b>1% to 25% probability</b></li> </ul>

## Impact

Description	Example Detail
High Red	<ul style="list-style-type: none"> <li>Death or life threatening</li> <li>Serious service failure impacts on vulnerable groups</li> <li>Negative national publicity or widespread adverse local publicity</li> <li>Serious impact felt across more than one Directorate</li> <li>Legal action almost certain and difficult to defend</li> <li>Financial impact not manageable within existing funds and requiring Member approval for virement or additional funds in excess of £100,000</li> <li>Non-compliance with law resulting in imprisonment</li> </ul>

Description	Example Detail
<p style="text-align: center;"><b>Medium Amber</b></p>	<ul style="list-style-type: none"> <li>• Extensive, permanent/long term injury or long term sick</li> <li>• Service failure impacts on property or non-vulnerable groups</li> <li>• Negative local publicity but not widespread</li> <li>• Expected impact, but manageable within Directorate contingency plans</li> <li>• Legal action expected</li> <li>• Financial impact not manageable within existing Directorate budget and requiring the Director of Resources approval for virement or additional funds i.e. between £50,000 and £100,000</li> <li>• Non-compliance with law resulting in fines</li> </ul>
<p style="text-align: center;"><b>Low Green</b></p>	<ul style="list-style-type: none"> <li>• Short term sickness absence, first aid or medical treatment required</li> <li>• Some risk to normal service but manageable within contingency arrangements</li> <li>• Little if any scope for impact on vulnerable groups</li> <li>• Negative customer complaints</li> <li>• Possible impact, but manageable locally by Head of Service</li> <li>• Legal action possible but unlikely and defensible</li> <li>• Possible financial impact manageable within Directorate budget i.e. less than £50,000</li> <li>• Non-compliance with regulations/standards or local procedures resulting in disciplinary action</li> </ul>



## Producing a District Emergency Planning Risk Register

### 1. Introduction

In the past when Local Authority External Inspectors requested sight of an Authority's Emergency Planning Risk Register they would accept a copy of the Community Risk Register prepared by the Resilience Forum of which the Authority was a member. This is now changing – instead the Inspectors are expecting the preparation and maintenance of an Authority **specific** Emergency Planning Risk Register.

### 2. History

For many years Ribble Valley Borough Council has maintained Risk Registers for each of their functions, services and operations using risk management software supplied by Grace Governance Solutions Ltd (Gracegs Ltd) who also supply Interactive Generic Risk and Control Profiles Library.

The Interactive Generic Profiles Library is a tool designed to be used as a reference source on its own, tailored to an authority, and/or to assist in the compilation of a risk register, risk profiles, audit programmes, populate risk management and corporate governance reporting software.

They are supplied in an Interactive Format to enable Emergency Planning Officers, Risk Managers etc. to select a risk, then view suggested controls and then the associated compliance tests. The text can be copied and pasted.

In 2008 Ribble Valley Borough Council and Gracegs Ltd worked together to formulate a new module to be added to the Generic Profiles Library – Emergency Planning – consisting of 16 profiles.

Profiles were formulated for each category prescribed by the UK risk assessment framework (provided by the Office of the Deputy Prime Minister (ODPM)). In addition an Emergency Planning and Management profile was formulated.

The profiles were formulated using a variety of sources including:

1. Lancashire Resilience Forum Community Risk Register
2. Community Risks Registers in the public domain
3. Output from Emergency Planning Risk and Control identification workshops
4. Officers knowledge and experience
5. Articles and publications

They reflect current guidelines, requirements and best practice.



### 3. Producing a District Emergency Planning Risk Register

~~Using the Grace Risk Management system officers at Ribble Valley Borough Council tailored each of the generic profiles to their Authority's environment, mapped the controls and set the risk levels.~~

~~Eighteen Emergency Planning Risk Registers were produced — there are 3 specific Flooding Risk Registers. These registers are regularly reviewed and updated by designated Emergency Planning officers — **Appendix A.**~~

~~Using the reporting facility the officers were then able to compile a Ribble Valley Borough Council Emergency Planning Risk Register — **Appendix B.**~~

#### **4. Availability/Access**

~~The Generic Risk and Control Emergency Planning Module has as a platform been called 'EMA' Emergency Management Assessment, in acknowledgement of the involvement of RVBC in this development 'EMA' will be provided on a continuing no cost basis. This arrangement will also be extended to those Authorities who are involved in the evaluation process for a limited period.~~

~~Authority's can compile their own specific District Emergency Planning Risk Register on a spreadsheet or populate risk management software they may have already installed/developed.~~

~~Authority's who wish to continue to maintain their Emergency Planning risk registers on the **Ema** (Emergency Management Assessment) software system can procure the final commercial product.~~

~~Ema is a version of the Grace software designed specifically for formulating and maintaining Emergency planning risk registers.~~

~~Ema will be accessible on the internet enabling users to access their data from any location from where they can make an internet connection.~~

~~Chris Shuttleworth 09092010~~

# RIBBLE VALLEY BOROUGH COUNCIL

## REPORT TO ACCOUNTS AND AUDIT COMMITTEE

Agenda Item No

meeting date: 26 JULY 2017  
title: RESPONSE TO GLOBAL CYBER ATTACK MAY 2017 (WANNACRY)  
submitted by: DIRECTOR OF RESOURCES  
principal author: STUART HAWORTH

### 1 PURPOSE

- 1.1 To inform members of the Council's response to the global cyberattack that occurred during May 2017.

### 2 BACKGROUND

- 2.1 The attack began on Friday, 12 May 2017, and within a day was reported to have infected more than 230,000 computers in over 150 countries. Parts of the United Kingdom's National Health Service (NHS), Spain's Telefónica, FedEx and Deutsche Bahn were hit, along with many other countries and companies worldwide.
- 2.2 WannaCry made use of a vulnerability (Eternal Blue) within Microsoft's operating systems. Eternal Blue was discovered by the U.S National Security Agency (NSA). Rather than reporting the vulnerability to Microsoft, the NSA used it in their cyber offensive work. Microsoft eventually discovered the vulnerability and released a security patch in March 2017 for all supported version of the Windows operating system.
- 2.3 Organisations affected by WannaCry were either using outdated Microsoft operating systems or hadn't applied the patch released by Microsoft.
- 2.4 The WannaCry ransomware attack was a worldwide cyberattack, which targeted computers running the Microsoft Windows operating system by encrypting data and demanding ransom payments.

### 3 HOW RIBBLE VALLEY'S ICT INFRASTRUCTURE IS PROTECTED

- 3.1 As a matter of course the Council has a number of procedures and technologies in place to protect the Council's ICT infrastructure.
- The Council ensures that all computer systems that connect to the authority's infrastructure, regardless of operating system, are protected from malicious code and/or hacking attacks through the deployment and installation of operating system patches.
  - Firewalls are installed on all connections to third party networks.
  - Firewalls are configured with the minimum number of services to allow for the Council's business to function.
  - The Council ensures that all computer systems have a current and up to date antivirus product installed and that a full virus scan of equipment is performed on a regular basis.
  - Emails that traverse the Council's ICT infrastructure have their content inspected.
  - Any public facing services (web servers) are placed in a network that is separate to the corporate network.
  - Regular system backups are taken and copies stored off-site.

- All users who use the Council's ICT infrastructure sign the Council's ICT usage policies.
- Annually a penetration test and ICT health check are performed by an external organisation to test the security of the Council's infrastructure.

#### 4 HOW RIBBLE VALLEY WAS PROTECTED FROM WANNACRY

4.1 As the WannaCry cyberattack developed over Friday 12 May and Saturday 13 May it was felt by the ICT Manager that it would be prudent for extra checks to be taken to ensure that the Council's infrastructure would not be affected by the outbreak.

- A patch audit was conducted to ensure that the necessary Microsoft patch had been applied.
- A teleconference between the ICT Manager and the ICT Infrastructure Officer took place to devise an appropriate response to the cyberattack. From that conversation the following actions were agreed:
  - That over the weekend all servers would be fully patched regardless of whether the patch specific to the ransomware attack had been applied.
  - That all users of the Council's network infrastructure be locked out until all desktops/laptops had been fully patch audited and any outstanding operating system patches applied.
  - That the level of automated protection on the corporate firewalls be increased.
  - That all incoming email be quarantined to allow ICT staff the opportunity to check that they were free from infection.
- During the course of Monday 15 May, ICT staff visited every desktop/laptop computer to check that any outstanding patches were applied.
- Public facing services were the first to be checked to minimise disruption.
- In total 181 desktops/laptops were checked by ICT staff.

4.2 By 19:30 on Monday 15 May normal service was resumed throughout the council.

#### 5 CONCLUSION

5.1 The council was not directly affected by the WannaCry cyberattack, but was impacted only by the timely precautionary measures taken by the ICT team.

5.2 It is inevitable that there will be future cyberattacks, which will become more sophisticated and harder to deal with. Good practice, user training and the introduction of new technologies will help to ensure that systems are kept secure in the future.

ICT MANAGER

DIRECTOR OF RESOURCES

AA15-17/SH/AC  
11 July 2017

# RIBBLE VALLEY BOROUGH COUNCIL REPORT TO ACCOUNTS AND AUDIT COMMITTEE

INFORMATION

Agenda Item No 12

meeting date: 26 JULY 2017  
title: INTERNAL AUDIT ANNUAL REPORT 2016/17  
submitted by: DIRECTOR OF RESOURCES  
principal author: MICK AINSCOW

## 1 PURPOSE

1.1 To submit to Committee the internal audit annual report for 2016/17.

1.2 Relevance to the Council's ambitions and priorities:

- Corporate priorities - the Council seeks to maintain critical financial management and controls, and provide efficient and effective services.
- Other considerations – the Council has a statutory duty to maintain an adequate and effective system of internal.

## 2 BACKGROUND

2.1 Internal audit ensure that sound internal controls are inherent in all the Council's systems. All services are identified into auditable areas and then subjected to a risk assessment process looking at factors such as financial value and audit experience. A risk score is then calculated for each area.

2.2 An operational audit plan is then produced to prioritise resource allocation based on the risk score, with all high risk areas being covered annually.

2.3 The approved Internal Audit Plan for 2016/17 was based on the provision of 670 days of internal audit work. The detailed outturn position at 31 March 2017 is attached at Annex 1 with a summary of the final position for the year being set out in the following table.

Area of Work	Resources (Audit days)		
	Planned	Actual	Variance
Fundamental (Main) Systems	245	249	+4
Other systems work	68	74	+6
Probity and Regularity	225	200	-25
On-going checks	12	12	-
Risk Management PI's	40	41	+1
Non-audit duties (insurance)	25	31	+6
Contingencies/Unplanned work	25	26	+1
Training	30	37	+7
	670	670	-

2.4 With regard to the variances between planned and actual days on probity and regularity work, initial testing and controls evaluation was carried out in respect of Environmental Health, Transparency/Open Data, Museum/Café and Section 106 Agreements/Planning Enforcement. However, due to prioritizing systems work and also another year of substantial numbers of insurance claims, the completion of these audits has been carried forward into 2017/18.

2.5 All new audit reports produced during the year have been taken into account in informing the assurance opinion given later in this report.

### 3 ISSUES

3.1 In all cases, completed audits have resulted in the production of a report and action plan. Each audit report contains a conclusion which gives a level of assurance opinion as follows:

Level 1	Full		The Council can place full reliance on the levels of control in operation
Level 2	Substantial		The Council can place substantial reliance on the levels of control in operation
Level 3	Reasonable		Generally sound systems of control. Some minor weaknesses in control which need to be addressed
Level 4	Limited		Only limited reliance can be placed on the arrangements/ controls in operation. Significant control issues need to be resolved.
Level 5	Minimal		System of control is weak, exposing the operation to the risk of significant error or unauthorised activity

3.2 The table at Annex 2 sets out the assurance opinions issued in respect of all audits carried out since 1 April 2016.

3.3 In providing an overall level of assurance of ‘substantial’ I have taken into account the results of all individual audit assignments and any follow up reviews. The following table summarises the assurance opinions from Annex 2.

Assurance Level	Number of Audits
Full	20
Substantial	4
Reasonable	3
Limited	0
Minimal	0

3.4 Assurance levels on the Council’s key financial systems are consistently good. Reviews on all systems has been completed and all audit reports issued with full assurance levels.

3.5 Work carried out on risk management, council policies, etc. are key elements of the Council’s governance arrangements and the main messages arising from this work have been incorporated in the corporate governance review and Annual Governance Statement.

3.6 In the majority of audit work undertaken during the year we did not identify any significant control weaknesses.

### 4 QUALITY MONITORING

4.1 Customer satisfaction with internal audit work is judged through auditee’s responses to a customer feedback questionnaire sent out following the completion of the majority of audit assignments. The questionnaire seeks views, expressed as scores on a range from 1 to 5, on 12 aspects of the audit, covering communication, consultation, conduct and reporting.

Summary results from questionnaires returned over the last twelve months are shown at Annex 3.

- 4.2 The summary shows the average scores obtained from 15 returned surveys. Against a target level of 4 for all aspects of the audit, the majority of questionnaires returned a higher than average score.

## 5 CONCLUSION

- 5.1 Internal audit have reviewed the effectiveness of the Council's systems of internal control for 2016/17 having regard to appropriate assurances obtained from other internal sources. The opinion based on this work, is that the Council's systems of internal control are generally sound and effective.

PRINCIPAL AUDITOR

DIRECTOR OF RESOURCES

AA16-17/MA/AC  
11 July 2017

BACKGROUND PAPERS: None

For further information please ask for Mick Ainscow.

## Annex 1

2016/17 Planned Days	Audit	Actual days to 31/03/17	Status as at 31/03/2017
<i>Fundamental (Main) Systems</i>			
25	Main Accounting	25	✓
25	Creditors	25	✓
25	Sundry Debtors	26	✓
30	Payroll and HR	30	✓
40	Council Tax	42	✓
45	Housing Benefits/CT Support	45	✓
40	NNDR/Business Rates Pooling	40	✓
15	Cash Receipting	16	✓
<b>245</b>		<b>249</b>	
<i>Other Systems Work</i>			
20	VAT	22	✓
12	Treasury Management	14	✓
20	Procurement	22	✓
6	Stores	5	✓
10	Asset Management	11	✓
<b>68</b>		<b>74</b>	
<i>Probity and Regularity</i>			
5	Cemetery	5	✓
5	Members Allowances	6	✓
15	HR and Recruitment/Staff Expenses	16	✓
15	Insurance	15	Testing completed
5	Land Charges	5	✓
10	Fees and Charges/Cash Collection Procedures	10	✓
15	Business Continuity Mgmt	9	C/f to 2017/18
10	Car Parking	10	✓
5	VIC/Platform Gallery	7	✓
10	Trade and Domestic Refuse Collection	10	✓
15	Externally contracted Provision of RVBC Services	15	✓
10	Environmental Health	6	C/f to 2017/18
10	Transparency/Open Data	2	C/f to 2017/18
5	Healthy Lifestyles	6	✓
5	Ribblesdale Pool	6	✓
10	Museum/Café	3	C/f to 2017/18
10	Partnership Arrangements	10	✓
10	Grants received	12	✓
10	Grants paid	12	✓

2016/17 Planned Days	Audit	Actual days to 31/03/17	Status as at 31/03/2017
10	Data Protection	12	✓
15	Section 106 Agreements/Planning Enforcement	3	C/f to 2017/18
10	Building Control	10	✓
10	Planning Applications	10	✓
<b>225</b>		<b>200</b>	
<i>Continuous Activity/Ongoing Checks</i>			
12	Income Monitoring	12	∞
25	Contingencies/unplanned work	26	Driving Licence/Car Insurance Check, Election Duties and Jury Service
15	Risk Management	15	∞
20	Corporate Governance	20	∞
5	Performance Indicators	6	∞
<b>40</b>		<b>41</b>	
25	Insurance	31	∞
30	Training	37	∞
<b>670</b>		<b>670</b>	

Key:



Completed



In progress



Continuous Activity

Not started

No work has been undertaken during the year on these audits.

## Internal Audit- Assurance Opinion Results 2016/17

AUDIT	ASSURANCE LEVEL
Section 106's	Full ✓✓✓
Insurances/Driving Licences	Substantial ✓✓
Healthy Lifestyles	Reasonable ✓
Procurement	Full ✓✓✓
Fees and Charges	Full ✓✓✓
Car parking	Reasonable ✓
Grants	Full ✓✓✓
Members Allowances	Full ✓✓✓
Cemetery	Full ✓✓✓
Countryside Grants	Reasonable ✓
Gallery/VIC	Full ✓✓✓
Asset Management	Substantial ✓✓
Land Charges	Full ✓✓✓
Ribblesdale Pool	Full ✓✓✓
Housing Benefits System	Full ✓✓✓
Cash Receipting, Banking and Collection	Full ✓✓✓
Trade and Domestic Refuse Collection	Full ✓✓✓
Payroll System	Full ✓✓✓
Treasury Management	Full ✓✓✓
Partnerships	Substantial ✓✓
Creditors System	Full ✓✓✓
Sundry Debtors System	Full ✓✓✓
Salthill Depot Stores	Substantial ✓✓
Council Tax System	Full ✓✓✓
NNDR System	Full ✓✓✓
Building Control	Full ✓✓✓
Main Accounting System	Full ✓✓✓

### Annex 3

Question	Audit Carried Out														
	Platform Gallery	Clitheroe Cemetery	Members Allowances	Countryside Grants	Treasury Management	Land Charges	Ribblesdale Pool	Payroll System	Healthy Lifestyles	Procurement System	Salthill Depot Stores	Creditors System	Sundry Debtors System	Housing Benefits System	Council Tax System
Sufficient notice given to arrange the visit (not applicable for unannounced visits)	5	5	3	3	5	5	5	5	5	5	5	5	4	5	5
A briefing sheet sent prior to audit commencing and any comments/ requests were taken into account during the audit	5	5	4	3	5	5	5	4	5	5	5	5	5	5	5
The auditors understanding of your systems and any operational issues	3	5	3	2	4	3	4	5	5	3	4	5	2	5	5
The audit carried out efficiently with minimum disruption	5	5	4	2	4	4	3	5	5	5	4	4	4	5	5
The level of consultation during the audit	4	4	3	3	3	4	3	4	5	2	4	5	5	5	5
The audit was carried out professionally and objectively	5	5	3	2	4	4	4	5	5	4	4	5	5	5	5
The draft report addressed the key issues and was soundly based	4	5	4	2	5	5	5	5	5	5	4	5	5	5	5
Your opportunity to comment on findings	5	5	4	3	5	5	5	5	5	5	4	5	5	5	5
The final report in terms of clarity and conciseness	4	5	4	2	5	5	5	5	5	5	4	5	5	5	5

Question	Audit Carried Out														
	Platform Gallery	Clitheroe Cemetery	Members Allowances	Countryside Grants	Treasury Management	Land Charges	Ribblesdale Pool	Payroll System	Healthy Lifestyles	Procurement System	Salthill Depot Stores	Creditors System	Sundry Debtors System	Housing Benefits System	Council Tax System
The prompt issue of final report	5	5	4	3	5	4	4	5	5	3	4	5	5	5	5
The recommendations will improve control and/or performance	4	5	3	3	4	4	3	5	5	3	4	3	3	5	5
Audit was constructive and added value overall	4	3	3	3	4	4	3	5	5	3	4	4	4	5	5
<b>Average</b>	<b>4.4</b>	<b>4.7</b>	<b>3.5</b>	<b>2.6</b>	<b>4.4</b>	<b>4.3</b>	<b>4.1</b>	<b>4.8</b>	<b>5</b>	<b>4</b>	<b>4.2</b>	<b>4.7</b>	<b>4.3</b>	<b>5</b>	<b>5</b>

# RIBBLE VALLEY BOROUGH COUNCIL

## REPORT TO ACCOUNTS AND AUDIT COMMITTEE

Agenda Item No 13

meeting date: 26 JULY 2017  
 title: INTERNAL AUDIT PROGRESS REPORT 2017/18  
 submitted by: DIRECTOR OF RESOURCES  
 principal author: MICK AINSCOW

### 1 PURPOSE

1.1 To report to Committee internal audit work progress to date for 2017/18.

1.2 Relevance to the Council's ambitions and priorities:

- Corporate priorities – the Council seeks to maintain critical financial management and controls, and provide efficient and effective services.
- Other considerations – the Council has a statutory duty to maintain an adequate and effective system of internal audit.

### 2 BACKGROUND

2.1 Internal audit ensure that sound internal controls are inherent in all the Council's systems. All services are identified into auditable areas and then subjected to a risk assessment process looking at factors such as financial value and audit experience. A risk score is then calculated for each area.

2.2 An operational audit plan is then produced to prioritise resources allocation based on the risk score, with all high-risk areas being covered annually.

2.3 The full internal audit plan for 2017/18 is attached as Annex 1 alongside progress to date. In summary resources for the year have been allocated as follows:

Audit Area	2017/18 Planned Days	Actual Days to 7 July 2017
Fundamental (Main) Systems	230	10
Other Systems	74	17
Probity and Regularity	242	80
On-going checks	12	4
Risk Management, Performance Indicators	40	22
Non-Audit Duties (Insurance)	30	11
College	20	13
Contingencies/unplanned work	25	14
Available Audit Days to 31 March 2018		502
	<b>673</b>	<b>673</b>

2.4 The position with regards to audit work carried out as at the 7 July 2017 is included within Annex 1 and shows completed audits, audits in progress and continuous activity.

2.5 Work on Fundamental (Main) Systems is generally programmed to be undertaken towards the end of the financial year in order to ensure that there is an adequate sample size for the audit.

### 3 ISSUES

- 3.1 During the first couple of months of this year time has been spent carrying out audits on Fees and Charges, Members Allowances, Car Parking and Grants, as well as assurance work around Corporate Governance. The annual exercise has also been carried out to verify staff driving licences and insurance certificates.
- 3.2 In addition to our systems work we will continue to carry out a series of on-going checks to prevent/detect fraud and corruption.
- 3.3 At present we use an assurance system for all audits carried out. Each completed audit report contains a conclusion which gives a level of assurance opinion as follows:

Level 1	Full		The Council can place full reliance on the levels of control in operation
Level 2	Substantial		The Council can place substantial reliance on the levels of control in operation
Level 3	Reasonable		Generally sound systems of control. Some minor weaknesses in control which need to be addressed
Level 4	Limited		Only limited reliance can be placed on the arrangements/ controls in operation. Significant control issues need to be resolved.
Level 5	Minimal		System of control is weak, exposing the operation to the risk of significant error or unauthorised activity

### 4 REPORTS CARRIED OUT AND ASSURANCE OPINIONS

- 4.1 This report covers audit work and reports issued since the last report to Committee on 29 March 2017. The table below sets out the assurance opinions issued from these audits:

Date of Report	Assurance Opinion	Report Details
13.03.17	Full 	Main Accounting System – controls operating effectively across all parts of the system. No recommendations arising.
27.03.17	Full 	Building Control – system was operating well with no weaknesses identified and no recommendations arising.

Date of Report	Assurance Opinion	Report Details
27.04.17	Full ✓✓✓	Externally Contracted Provision of RVBC Services – looking at services provided on a cyclical contracted basis. Good controls in place with full supporting paperwork. No recommendations arising.
01.6.17	Substantial ✓✓	Members Allowances – examination into the payment of allowances to members between April 2016 and March 2017. Vast majority were correct with four minor overpayments.
01.06.17	Substantial ✓✓	Fees and Charges – ensuring that fees approved by committee were those being charged by respective departments. Car parking permits were being charged incorrectly but this has now been corrected.
27.06.17	Substantial ✓✓	Car Insurance and Driving Licence Check – verifying that all staff using their own cars on official council business were appropriately insured and held a valid driving licence. Documentation provided by all staff.
30.6.17	Full ✓✓✓	Car Parking – looking at cash collection and banking procedures, issuing of permits and payment of penalty notices. System operating well. No recommendations arising.
03.07.17	Substantial ✓✓	Grants – looked at sample across all services to ensure transparency. Good controls in place with minor recommendations regarding the obtaining of supporting documentation for all grants.

## 5 QUALITY MONITORING

- 5.1 Customer feedback questionnaires are issued following the completion of the majority of audit work carried out. These questionnaires ask for the auditees view on the work that has been undertaken. Summary results are shown at Annex 2 for the latest returned questionnaires. Any outstanding ones are currently being pursued from the officers concerned.

## 6 UPDATE ON RED RISKS

### 6.1 Clitheroe Market Redevelopment

Latest position - Following reporting of the consultation outcome in March 2017 and a report to Policy and Finance in June 2016, the working group is continuing its evaluation of options to progress the development.

7 CONCLUSION

7.1 Progress to date with the 2017/18 audit plan is satisfactory.

PRINCIPAL AUDITOR

DIRECTOR OF RESOURCES

AA17-17/MA/AC  
11 July 2017

BACKGROUND PAPERS: None

For further information please ask for Mick Ainscow .

## Annex 1

2017/18 Planned Days	Audit	Actual days to 07/07/17	Status as at 07/07/17
<i>Fundamental (Main) Systems</i>			
25	Main Accounting	0	Not started
20	Creditors	0	Not started
20	Sundry Debtors	0	Not started
30	Payroll and HR	0	Not started
40	Council Tax	0	Not started
40	Housing Benefits/CT Support	0	Not started
40	NNDR/Business Rates Pooling	0	Not started
15	Cash Receipting	10	Testing well underway
<b>230</b>		<b>10</b>	
<i>Other Systems Work</i>			
15	VAT	0	Not started
12	Treasury Management	0	Not started
15	Procurement	12	Testing largely complete
20	Business Continuity	0	Not started
12	Asset Management	5	Testing underway
<b>74</b>		<b>17</b>	
<i>Probity and Regularity</i>			
3	Joiners Arms Homeless Unit	0	Not started
5	Members Allowances	5	✓
15	Recruitment/Safeguarding Arrangments	6	Initial testing in progress
15	Insurance	0	Not started
5	Land Charges	0	Not started
12	Fees and Charges/Cash Collection Procedures	12	✓
12	Health and Safety	2	Identifying key controls
10	Car Parking	10	✓
5	VIC/Platform Gallery	0	Not started
12	Trade and Domestic Refuse Collection	0	Not started
15	Externally contracted Provision of RVBC Services	0	Not started
10	Environmental Health	6	Identifying 17/18 income streams
15	Transparency/Open Data	7	Initial testing in progress
5	Healthy Lifestyles/Up and Active	0	Not started
5	Ribblesdale Pool	0	Not started
5	Museum/Café	0	Not started
12	Partnership Arrangements	0	Not started
12	Grants received	12	✓
12	Grants paid	12	✓
12	Data Protection	0	Not started
15	Section 106 Agreements/Planning Enforcement	0	Not started
10	Building Control	0	Not started

2017/18 Planned Days	Audit	Actual days to 07/07/17	Status as at 07/07/17
10	Flexitime System	8	Testing largely complete
10	Planning Applications	0	Not started
<b>242</b>		<b>80</b>	
<i>Continuous Activity/Ongoing Checks</i>			
12	Income Monitoring	4	∞
25	Contingencies/unplanned work	14	Driving Licence/Car Insurance Check and Election Duties/Postal Vote Opening
15	Risk Management	2	∞
20	Corporate Governance	20	∞
5	Performance Indicators	0	∞
<b>40</b>		<b>22</b>	
30	Insurance	11	∞
20	Training	13	∞
	Available audit days to 31/3/2018	502	
<b>670</b>		<b>673</b>	

**Key:**

∞ Continuous Activity

✓ Completed

Not started No work undertaken in the current year on these audits

## Annex 2

Question	Audit Carried Out	
	Members Allowances	Land Charges
Sufficient notice given to arrange the visit (not applicable for unannounced visits)	5	5
A briefing sheet sent prior to audit commencing and any comments/ requests were taken into account during the audit	5	5
The auditors understanding of your systems and any operational issues	5	4
The audit carried out efficiently with minimum disruption	5	5
The level of consultation during the audit	5	5
The audit was carried out professionally and objectively	5	5
The draft report addressed the key issues and was soundly based	5	5
Your opportunity to comment on findings	5	5
The final report in terms of clarity and conciseness	5	5
The prompt issue of final report	5	5
The recommendations will improve control and/or performance	5	5
Audit was constructive and added value overall	5	5
<b>Average</b>	<b>5</b>	<b>4.9</b>

Jane Pearson  
Director of Resources  
Ribbles Valley Borough Council  
Council Offices  
Church Walk  
Clitheroe  
Lancashire  
BB7 2RA

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25 April 2017

Dear Mrs Pearson

### **Planned audit fee for 2017/18**

The Local Audit and Accountability Act 2014 provides the framework for local public audit. Under these provisions the Secretary of State for Communities and Local Government delegated some statutory functions from the Audit Commission Act 1998 to Public Sector Audit Appointments Limited (PSAA) on a transitional basis.

PSAA will oversee the Audit Commission's audit contracts for local government bodies until they end in 2018, following the announcement by the Department for Communities and Local Government (DCLG) that it will extend transitional arrangements until 2017/18. PSAA's responsibilities include setting fees, appointing auditors and monitoring the quality of auditors' work. Further information on PSAA and its responsibilities are available on the [PSAA website](#).

From 2018/19 PSAA has been specified by the Secretary of State as an appointing person for principal local government and police bodies, and will make auditor appointments and set fees for bodies that have opted into the national auditor appointment scheme it is developing.

### **Scale fee**

PSAA prescribes that 'scale fees are based on the expectation that audited bodies are able to provide the auditor with complete and materially accurate financial statements, with supporting working papers, within agreed timescales'.

There are no changes to the overall work programme for local government audited bodies for 2017/18. PSAA have therefore set the 2017/18 scale audit fees at the same level as the scale fees applicable for 2016/17. The Council's scale fee for 2017/18 has been set by PSAA at £40,202.

The audit planning process for 2017/18, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary as our work progresses.

### **Scope of the audit fee**

Under the provisions of the Local Audit and Accountability Act 2014, the National Audit Office (NAO) is responsible for publishing the statutory Code of Audit Practice and guidance for auditors from April 2015. Audits of the accounts for 2017/18 will be undertaken under this Code, on the basis of the [2017/18 work-programme and scales of fees](#) set out on

the PSAA website. Further information on the NAO Code and guidance is available on the [NAO website](#).

The scale fee covers:

- our audit of your financial statements;
- our work to reach a conclusion on the economy, efficiency and effectiveness in your use of resources (the value for money conclusion); and
- our work on your whole of government accounts return (if applicable).

PSAA will agree fees for considering objections from the point at which auditors accept an objection as valid, or any special investigations, as a variation to the scale fee.

### **Value for Money conclusion**

The Code requires us to consider whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.

The NAO issued its guidance for auditors on value for money work in November 2016. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has put proper arrangements in place.

The NAO guidance identifies one single criterion for auditors to evaluate:

*In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.*

### **Certification of grant claims and returns**

At the request of the Department for Work and Pensions, auditors appointed by PSAA will continue to certify local authority claims for housing benefit subsidy for 2017/18.

The Council's indicative fee for this certification work has yet to be set by PSAA. We will write to you to confirm the fee when this has been confirmed.

Assurance engagements for other schemes will be subject to separate arrangements and fees agreed between the grant-paying body, the Council and ourselves.

### **Billing schedule**

Fees will be billed as follows:

<b>Main Audit fee</b>	<b>£</b>
September 2017	10,050.50
December 2017	10,050.50
March 2018	10,050.50
June 2018	10,050.50
<b>Total</b>	<b>40,202</b>

### **Outline audit timetable**

We will undertake our audit planning and interim audit procedures in January to March 2018. Upon completion of this phase of our work we will issue a detailed audit plan setting out our

findings and details of our audit approach. Our final accounts audit and work on the VfM conclusion will be completed in July 2018.

<b>Phase of work</b>	<b>Timing</b>	<b>Outputs</b>	<b>Comments</b>
Audit planning and interim audit	January to March 2018	Audit plan	The plan summarises the findings of our audit planning and our approach to the audit of the Council's accounts and VfM.
Final accounts audit	June and July 2018	Audit Findings (Report to those charged with governance)	This report sets out the findings of our accounts audit and VfM work for the consideration of those charged with governance.
VfM conclusion	January to July 2018	Audit Findings (Report to those charged with governance)	As above
Annual audit letter	October 2018	Annual audit letter to the Council	The letter will summarise the findings of all aspects of our work.
Grant certification	by November 2018	Grant certification report	A report summarising the findings of our housing benefit certification work

### **Our team**

The key members of the audit team for 2017/18 are:

	<b>Name</b>	<b>Phone Number</b>	<b>E-mail</b>
Engagement Lead	Karen Murray	0161 234 6364	Karen.l.murray@uk.gt.com
Engagement Manager	Caroline Stead	0161 234 6355	Caroline.l.stead@uk.gt.com
In Charge Auditor	Amelia Payton	0161 953 6943	amelia.l.payton@uk.gt.com

### **Additional work**

The scale fee excludes any work requested by the Council that we may agree to undertake outside of our Code audit. Each additional piece of work will be separately agreed and a detailed project specification and fee agreed with the Council.

**Quality assurance**

We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively you may wish to contact Sarah Howard our Public Sector Assurance regional lead partner, via [sarah.e.howard@uk.gt.com](mailto:sarah.e.howard@uk.gt.com).

Yours sincerely

Karen Murray  
Engagement Lead  
For Grant Thornton UK LLP

# RIBBLE VALLEY BOROUGH COUNCIL REPORT TO ACCOUNTS AND AUDIT COMMITTEE

Agenda Item No.

meeting date: 26<sup>TH</sup> JULY 2017  
title: 2016/2017 YEAR-END PERFORMANCE INFORMATION  
submitted by: DIRECTOR OF RESOURCES  
principal author: MICHELLE HAWORTH – PRINCIPAL POLICY AND PERFORMANCE OFFICER

## 1 PURPOSE

- 1.1 This is the year-end report of 2016/2017 that details performance against our local performance indicators.
- 1.2 Regular performance monitoring is essential to ensure that the Council is delivering effectively against its agreed priorities, both in terms of the national agenda and local needs.
- 1.3 Relevance to the Council's ambitions and priorities:
  - Community Objectives –
  - Corporate Priorities –
  - Other Considerations -Monitoring our performance ensures that we are both providing excellent services for our community as well as meeting corporate priorities.

## 2 BACKGROUND

- 2.1 Performance Indicators are an important driver of improvement and allow authorities, their auditors, inspectors, elected members and service users to judge how well services are performing.
- 2.2 A rationale has been sought for maintaining each indicator – with it either being used to monitor service performance or to monitor the delivery of a local priority.
- 2.3 The report attached at Appendix 1 comprises the following information:
  - The outturn figures for all local performance indicators relevant to this committee for 2016/17. Some notes have been provided to explain significant variances either between the outturn and the target or between 2016/2017 data and 2015/2016 data. A significant variance is greater than 15% (or 10% for cost PIs).
  - Performance information is also provided for previous years for comparison purposes (where available) and the trend in performance is shown.
  - Targets for service performance for the year 2016/2017 are provided and a 'traffic light' system is used to show variances of actual performance against the target as follows: Red: service performance significantly below target (i.e. less than 75% of target performance), Amber: performance slightly below target (i.e. between 75% and 99% of target), Green: target met/exceeded.
  - Targets have been provided for members to scrutinise for the following three years. A target setting rationale was sought from each Head of Service.
- 2.4 These tables are provided to allow members to ascertain how well services are being delivered against our local priorities and objectives, as listed in the Corporate Strategy.
- 2.5 Analysis shows that of the 7 indicators that can be compared to target:
  - 100% (7) of PIs met target (green)
  - 0% (0) of PIs close to target (amber)

- 0% (0) of PIs missed target (red)
- 2.6 Analysis shows that of the 7 indicators where performance trend can be compared over the years:
- 57.14% (4) of PIs improved
  - 28.57% (2) of PIs stayed the same
  - 14.29% (1) of PIs worsened
- 2.7 Where possible audited and checked data has been included in the report. However, some data may be corrected following the work of Internal Audit and before the final publication of the indicators on the Council's website. Indicators can be categorised as 'data only' if they are not suitable for monitoring against targets – these are marked as so in the report.
- 3 GENERAL COMMENTS ON PERFORMANCE AND TARGETS
- 3.1 In respect of PIs for Financial Services, no additional information or explanations were required to explain variances or why targets have not been met.
- 4 RISK ASSESSMENT
- 4.1 The approval of this report may have the following implications
- Resources - None
  - Technical, Environmental and Legal – None
  - Political - None
  - Reputation – It is important that correct information is available to facilitate decision-making.
  - Equality & Diversity - None
- 5 CONCLUSION
- 5.1 Consider the 2016/2017 performance information provided relating to this committee.

**Michelle Haworth**  
PRINCIPAL POLICY AND  
PERFORMANCE OFFICER

**Jane Pearson**  
DIRECTOR OF RESOURCES

BACKGROUND PAPERS:

REF: MH/A&A/

For further information please ask for Michelle Haworth, extension 4421

# APPENDIX 1

PI Status		Long Term Trends	
	Alert		Improving
	Warning		No Change
	OK		Getting Worse
	Unknown		
	Data Only		

## Accounts and Audit Performance Information 2016/2017

PI Code	Short Name	2015/16		2016/17		2017/18	2018/19	2019/20	Current Performance	Trend year on year	Target setting rationale	Objective	Latest Notes
		Value	Target	Value	Target	Target	Target	Target					
PI FS1	% of draft audit reports issued in less than 10 days from completion of audit (sign-off meeting by auditee)	100%	100%	100%	100%	100%	100%	100%			Maintain performance.		
PI FS3	Percentage of Audit Plan covered	92%	90%	91.5%	90%	90%	90%	90%			Maintain performance whilst recognising staffing issues in 2012/13		
PI FS11	Percentage of audit recommendations made to date now implemented or accepted	98%	100%	100%	100%	100%	100%	100%					
PI FS12	Audit time as a percentage of total time available	69.13%	70%	72.63%	70%	70%	70%	70%			Past performance		
PI FS13	Percentage of audits completed within budgeted days	78.25%	80%	86.1%	80%	85%	85%	85%			Stretch current performance, as staff now embedded.		
PI FS14	Percentage of customers providing feedback	100%	100%	100%	100%	100%	100%	100%			Past performance		
PI FS15	Average satisfaction score	4.25	4	4.28	4	4.25	4.25	4.25			Past performance and achievability		

# RIBBLE VALLEY BOROUGH COUNCIL REPORT TO ACCOUNT AND AUDIT COMMITTEE

Agenda Item No.

meeting date: 26 JULY 2017  
 title: THE ROLE OF INDEPENDENT PERSONS  
 submitted by: CHIEF EXECUTIVE  
 principal author: MAIR HILL

## 1 PURPOSE

1.1 To inform Councillors on the role of the Independent Persons.

1.2 Relevance to the Council's ambitions and priorities:

- Community Objectives – Consideration of the issue will promote the Council's priority of being a well-managed Council.
- Corporate Priorities – As above.
- Other Considerations – None

## 2 BACKGROUND

2.1 At the meeting of this Committee on 29 March 2017, it was noted that the composition of the Committee had changed since the Localism Act 2011 came into effect and since the provisions were put in place with regard to Independent Persons. It was requested therefore that a report be submitted to Committee setting out the role of the Independent Persons.

2.2 The Localism Act 2011 (the "Act") implemented a new standards regime. The Council's arrangements for dealing with this are set out in the reports to Account and Audit Committee dated 27 June 2012 and 22 August 2012. Copies of these reports can be found at  
[https://www.ribblevalley.gov.uk/download/meetings/id/3589/changes\\_to\\_standards\\_reqi\\_me](https://www.ribblevalley.gov.uk/download/meetings/id/3589/changes_to_standards_reqi_me)  
[https://www.ribblevalley.gov.uk/download/meetings/id/3680/implementation\\_of\\_the\\_code\\_of\\_conduct](https://www.ribblevalley.gov.uk/download/meetings/id/3680/implementation_of_the_code_of_conduct)

2.3 The Act abolished the requirement for each Council to have a Standards Committee with independent members and chair. Section 28 of the Act, sets out the requirements, which replace it. Sections 28(6) & (7) state:

*"(6) A relevant authority other than a parish council must have in place-*

*(a) arrangements under which allegations can be investigated, and*

*(b) arrangements under which decisions on allegations can be made.*

*(7) Arrangements put in place under subsection (6)(b) by a relevant authority must include provision for the appointment by the authority of **at least one independent person-***

*(a) **whose views are to be sought, and taken into account, by the authority before it makes its decision on an allegation that it has decided to investigate, and***

*(b) **whose views may be sought-***

*(i) **by the authority in relation to an allegation in circumstances not within paragraph (a);***

- (ii) by a member, or co-opted member of the authority if that person's behaviour is the subject of an allegation; and
- (iii) by a member, or co-opted member, of a parish council if that person's behaviour is the subject of an allegation and the authority is the parish council's principal authority."  
**[Emphasis added]**

2.3 Having followed the required recruitment procedure, the Council appointed two Independent persons in July 2012 (Mr IB Dearing and Mr IS Taylor). They receive no allowance in respect of this. Their appointments were reaffirmed by Committee on 29 March 2017.

2.4 On 23 June 2013, Committee also approved a protocol for the Independent Persons to supplement the provision of the Act set out above. The protocol (which was finalised following a training session with members and the independent persons) contains a flow chart showing how complaints will be dealt with. A copy of the protocol is enclosed with the report as **Appendix 1**.

### 3. ISSUES

3.1 Members are asked to note the role of the Independent Persons as set out above.

### 4 RISK ASSESSMENT

4.1 The approval of this report may have the following implications:

- Resources – Resources will need to be expended if a recruitment process is required
- Technical, Environmental and Legal – The consideration of the appointments will fulfil the requirements of the Act.
- Political – None
- Reputation – The consideration of the appointments of independent persons will enhance the reputation of the Council.
- Equality & Diversity – None

### 5 CONCLUSION

5.1 Committee note the role of the Independent Persons.

MAIR HILL  
SOLICITOR

MARSHAL SCOTT  
CHIEF EXECUTIVE

### BACKGROUND PAPERS

For further information please ask for Mair Hill, extension 3216

REF: MJH/MJH/Account & Audit/ 26 July 2017

# APPENDIX 1



## INDEPENDENT PERSON PROTOCOL

### Introduction

The purpose of this protocol is to establish the relationship between each independent person (“IP”) and the various parts of the local authority involved in the process of handling standards complaints and promoting standards within the authority. In doing so it will ensure that responsibility is clear at each stage of the process and will set out the roles and responsibilities of the IPs. A flow chart illustrating the processes to be followed and the IP’s involvement in that can be found at **Appendix 1**.

### Consideration Of Written Allegations

1. The Monitoring Officer (“MO”) will seek the views of at least one IP before reaching a decision on whether any further action should be taken on a written complaint.
2. When issuing the decision letter or communication, the MO will record that the IP has been consulted and that their views have been taken into account. Where the view of the MO and IP differ, the MO will record the reasons for following a particular course. The letter will make clear that it is the MO and not the IP who is the decision maker.

### Matters Under Investigation

3. A member who is the subject of a complaint alleging that they have breached the code of conduct (“**Subject Member**”) may seek the views of the IP. A Subject member who wishes to consult an IP must do so through the MO who will either contact the IP by email/ in writing and/or arrange for a meeting to take place on Council premises. The MO shall communicate any such arrangements to the Subject Member. A Subject Member must not contact an IP directly, and the IP should inform the MO immediately should any direct contact be attempted.
4. Where possible the MO will provide the IP with all available information to enable them to deal with an approach from a Subject Member.
5. Where a Subject Member seeks the views of the IP via a meeting in person, an independent note taker from within the Council will take a record of the proceedings. The notes will be made available to all relevant parties, subject to any issues surrounding the Data Protection Act (“**DPA**”) and/or confidentiality.
6. The IP must agree in advance with the Subject Member rules of confidentiality but it will be the IP’s decision upon what shall remain confidential, but in the event that the matters remain confidential a note should be taken to make clear that confidential matters were discussed. Again, this is subject to the provisions of the DPA

7. The MO may also consult the IP at any time during the investigation.

### **Reference to Accounts and Audit Subcommittee for local hearing and determination**

8. Where a matter has been referred to the Subcommittee for determination, the Subcommittee must seek the views of the IP before reaching its conclusions. The IP's views should be recorded in any decision notice and where those views do not reflect the determination reasons must be given for any differences. However, it must be clear that it is the Subcommittee and not the IP who is the decision maker.

### **Relationship With Accounts And Audit Committee**

9. The IP shall receive agenda and minutes of all the meetings of Accounts and Audit Committee, be allowed to request for items to be added to the agenda with the agreement of the Chair and be permitted to speak at committee (but not take part in any debate).

10. The IP are not members of the Accounts and Audit Committee and therefore are not part of the formal business of the meeting and cannot vote on any matters put to the meeting. They may be invited to observe confidential matters with the agreement of the Chair.

11. The MO or Accounts and Audit Committee may request the IP to assist in any training on conduct issues

12. The IP may raise any concerns about standards issues or implementation of the process with the MO or Chair of the Accounts and Audit Committee.

13. The IP shall be provided with access to such information and facilities within the Council premises as are necessary for them to carry out their role.

14. The MO will meet or communicate as required with the IP to review relevant matters.

### **Other matters**

15. The IP shall not make any comment to the media on any matter without the prior agreement of the MO. Any requests for comments from the media shall be referred in the first instance to the MO who may refer these to the Chair of the Accounts and Audit Committee or the Subcommittee as appropriate.

16. The IP will sign a Code of Conduct, including a register of interests to be held by the MO and will declare any relevant interests in relation to complaints which are received to the MO who will decide whether the interest conflicts with their role and as such they should not be involved.

**APPENDIX 1**

**FLOW CHART OF IP INVOLVEMENT IN STANDARDS COMPLAINTS**

