

# RIBBLE VALLEY BOROUGH COUNCIL

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please ask for: OLWEN HEAP  
direct line: 01200 414408  
e-mail: olwen.heap@ribblevalley.gov.uk  
my ref: OH/CMS  
your ref:  
date: 16 July 2018

Council Offices  
Church Walk  
CLITHEROE  
Lancashire BB7 2RA

Switchboard: 01200 425111  
Fax: 01200 414488  
www.ribblevalley.gov.uk

Dear Councillor

The next meeting of the **ACCOUNTS & AUDIT COMMITTEE** is at **6.30pm on WEDNESDAY, 25 JULY 2018** 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 11 April 2018 – 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. Audit Findings Report - report of Grant Thornton – Report of Director of Resources – copy enclosed.
- ✓ 8. Letter of Representation – Report of Director of Resources – copy enclosed.

- ✓ 9. Approval of Audited Statement of Accounts 2017/18 – Report of Director of Resources – copy enclosed.

INFORMATION ITEMS

- ✓ 10. Auditor Appointment – Housing Benefit Assurance Process – Report of Director of Resources – copy enclosed.
- ✓ 11. Internal Audit Progress Report 2018/19 – Report of Director of Resources – copy enclosed.
- ✓ 12. Planned Audit Fee 2018/19 – report of Grant Thornton – copy enclosed.
- ✓ 13. Year End Performance Information 2017/18 – Report of Director of Resources – copy enclosed.

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: 25 JULY 2018  
title: LOCAL CODE OF CORPORATE GOVERNANCE  
submitted by: DIRECTOR OF RESOURCES  
principal author: SALMA HUSSAIN

### 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 CIPFA/Solace publication 'Delivering Good Governance in Local Government' highlights that it is crucial that governance arrangements are applied in a way that demonstrates the 'spirit and ethos' of good governance, which cannot be achieved only through rules and procedures.

3.1. Effectively, the CIPFA/Solace publication is referring to the fact that good governance needs to be embedded within an organisation. It needs to within every aspect of the council's culture.

2.2. One of the ways in which this culture is guided within the council is through the annual review and publication of our Local Code of Corporate Governance, which is reviewed and approved annually by this committee. The Local Code of Corporate Governance is the council's **forward looking** statement of how the governance culture of the organisation will be driven.

2.3. Within a framework of seven core principles, the Code looks to steer the application of good governance in everything that members and staff undertake by highlighting how their work on behalf of the council will be approached.

2.4. Through the approval of the Code, the council is demonstrating that in everything it undertakes, its members and staff will:

- Behave with integrity, demonstrating strong commitment to ethical values and respecting the rule of the law;
- Ensure openness and comprehensive stakeholder engagement;
- Define outcomes in terms of sustainable economic, social and environmental benefits;
- Determine the interventions necessary to optimise the achievement of intended outcomes;
- Develop the council's capacity, including the capability of its leadership and the individuals within it;
- Manage risk and performance through robust internal control and strong public financial management; and
- Implement good practices in transparency, reporting and audit to deliver effective accountability.

### 3. ANNUAL REVIEW OF THE LOCAL CODE OF CORPORATE GOVERNANCE

- 3.2. A full and detailed review of the council's Code has been undertaken and the resulting document is substantially different from that of previous years in how it is structured, as can be seen at Annex 1.
- 3.3. This has been undertaken in order to more clearly communicate the key Governance principles and the expected 'behaviours' or culture that the CIPFA/Solace publication 'Delivering Good Governance in Local Government' would expect of an organisation such as our own.
- 3.4. Also within the document is a clearer linkage to how such 'behaviours' or culture can be evidenced within the council, principle by principle.
- 3.5. The new format also links more closely with the structure of the Annual Governance Statement. The Annual Governance Statement is the **backward looking** review of how the council has performed or acted in relation to the principles that it said it would abide by as detailed within the Local Code of Corporate Governance at the beginning of the year.
- 3.6. As such the Local Code of Corporate Governance is the council's **forward looking** statement of how the governance culture of the organisation will be driven.
- 3.7. The Annual Governance Statement has been reviewed and considered by the council's Corporate Management Team prior to reporting to Accounts and Audit Committee.
- 3.8. Following approval the Local Code of Corporate Governance will also be published on the council's website.

### 4. EMBEDDING THE LOCAL CODE OF CORPORATE GOVERNANCE

- 4.1. As referred to above, and within the CIPFA/Solace publication 'Delivering Good Governance in Local Government', good governance cannot be achieved only through rules and procedures, and it must be embedded within the culture of the council.
- 4.2. As such it is proposed to undertake wider training with staff and members on the seven principles and the manner in which we will approach our work as detailed within the Code. As a result we hope to further strengthen this aspect of the council's culture.

### 5. RISK ASSESSMENT

- 5.1 The approval of this report may have the following implications:
  - Resources – the only resource needed will be through the training of staff and members, but it is anticipated this will be met from existing budget, or using existing internal staff.
  - Technical, Environmental and Legal – None
  - Political – None
  - Reputation – The Council must ensure that it has a sound system of internal control in place. Failing to adhere to the principles detailed in the Local Code of Corporate Governance has the potential to significantly harm the reputation of the council.
  - Equality & Diversity – None

6. RECOMMENDED THAT COMMITTEE

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

SENIOR AUDITOR

DIRECTOR OF RESOURCES

AA13-18/SF/AC

11 July 2018

BACKGROUND PAPERS

None

For further information please ask for Salma Hussain.

DRAFT

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# Local Code of Corporate Governance

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July 2018

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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

## Contents

<b>Section</b>	<b>Page</b>
<b>Introduction</b>	<b>2</b>
<b>Benefits of a Code of Corporate Governance</b>	<b>3</b>
<b>PRINCIPLE A: Behaving with integrity, demonstrating strong commitment to ethical values and respecting rules of law</b>	<b>4</b>
<b>PRINCIPLE B: Ensuring openness and comprehensive stakeholder engagement</b>	<b>6</b>
<b>PRINCIPLE C: Defining outcomes in terms of sustainable economic, social, and environmental benefits</b>	<b>8</b>
<b>PRINCIPLE D: Determining the interventions necessary to optimise the achievement of the intended outcomes</b>	<b>9</b>
<b>PRINCIPLE E: Developing the entity's capacity, including the capability of its leadership and the individuals within it</b>	<b>11</b>
<b>PRINCIPLE F: Managing risks and performance through robust internal control and strong public financial management</b>	<b>13</b>
<b>PRINCIPLE G: Implementing good practices in transparency, reporting, and audit to deliver effective accountability</b>	<b>15</b>

# Local Code of Corporate Governance

## Introduction

Corporate Governance is the system by which the Council directs and controls its functions and relates to the community. The Code of Corporate Governance sets out the Council's governance standards. These standards ensure the Council is doing the right things, in the right way in a timely, inclusive, open, effective, honest and accountable manner.

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.*

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.

The guidance defines the seven core principles, each supported by sub-principles that then underpin our governance framework.

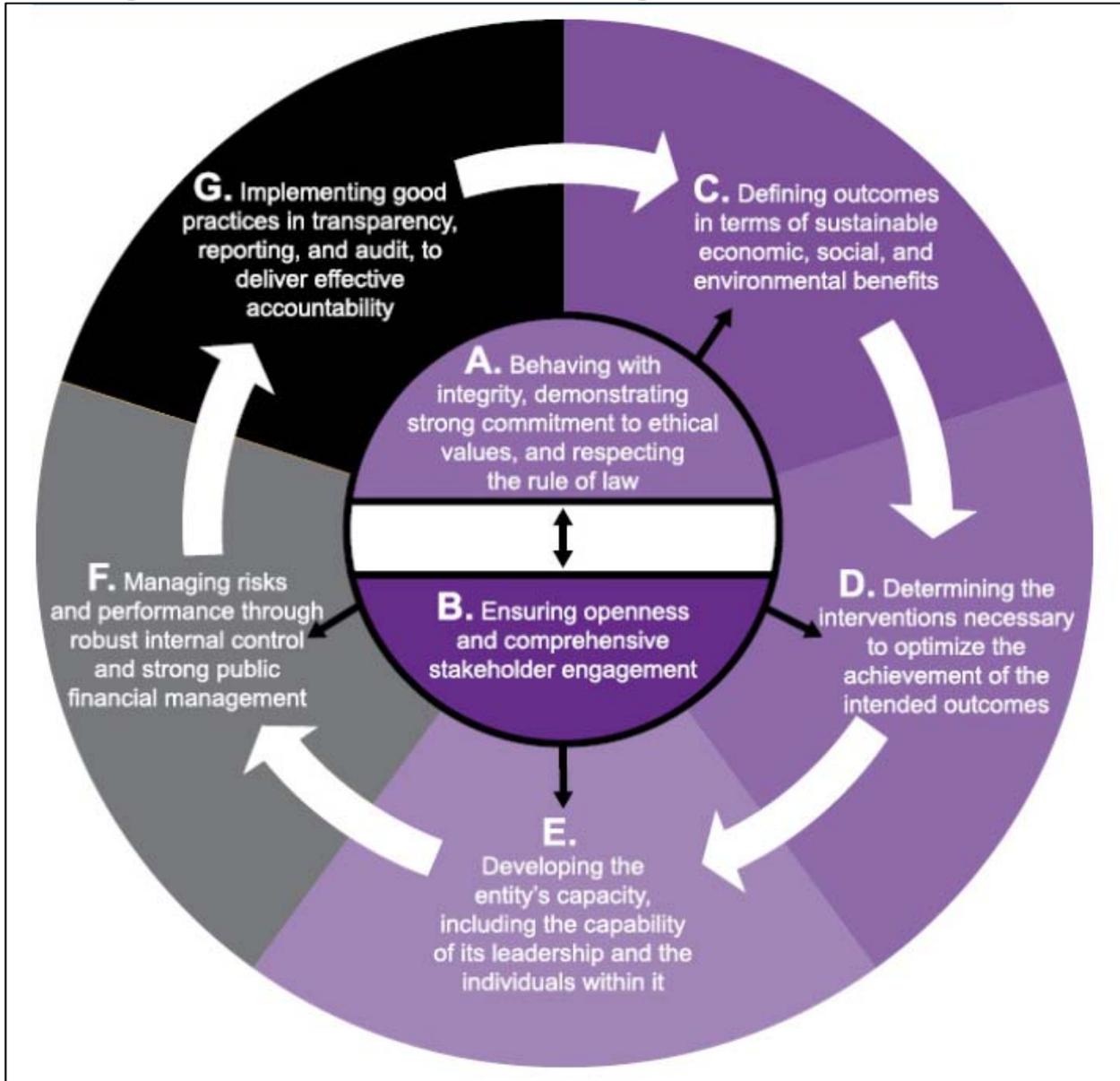
- Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.
- Ensuring openness and comprehensive stakeholder engagement.
- Defining outcomes in terms of sustainable economic, social and environmental benefits.
- Determining the interventions necessary to optimise the achievement of the intended outcomes.
- Developing the council's capacity, including the capability of its leadership and the individuals within it.
- Managing risks and performance through robust internal control and strong public financial management.
- Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

Full details of these principles and the actions we will take to ensure that we fulfil their requirements are given at the end of this Code. We also outline how we evidence that we are satisfying such requirements.

## Local Code of Corporate Governance

The diagram below is taken from the International Framework and illustrates the various principles of good governance in the public sector and how they relate to each other.

### Achieving the Intended Outcomes While Acting in the Public Interest at all Times



### Benefits of a Code of Corporate Governance

The documents and arrangements set out in the framework within this code demonstrate that the council continually seeks to ensure it remains well governed and that to deliver good governance the Council must seek to achieve its objectives whilst acting in the public interests at all times.

The Internal Audit team is responsible for ensuring that the Code is reviewed annually as part of the preparation of the Annual Governance Statement. Any revisions to the Code are reported to the Accounts and Audit Committee for approval as part of this process.

## Local Code of Corporate Governance

### **PRINCIPLE A: Behaving with integrity, demonstrating strong commitment to ethical values and respecting rules of law**

*We are accountable not only for how much we spend, but also for how we use the resources under our stewardship. This includes accountability for outputs, both positive and negative, and for the outcomes we have achieved. In addition, we have an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies.*

*It is essential that we can demonstrate the appropriateness of all our actions across all activities and have mechanisms in place to encourage and enforce adherence to ethical values and to respect the rule of law.*

#### **What we will do:**

#### **How this is evidenced:**

#### **Behaving with Integrity:**

- ensure members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the council.

- ensure that members take the lead in establishing specific standard operating principles or values for the council and its staff and that they are communicated and understood. These will build on the Seven Principles of Public Life (the Nolan Principles).

- lead by example and use the above standard operating principles or values as a framework for decision making and other actions.

- demonstrate, communicate and embed our standard operating principles and values through our policies and processes - which will be reviewed on a regular basis to ensure that they are operating effectively.

- [Council Constitution](#)
- [Standing Orders](#)
- [Officer Delegation Scheme](#)
- [Code of Corporate Governance](#)
- [Members' Code of Conduct](#)
- [Code of Conduct for Staff](#)
- [Safeguarding Policy](#)
- [Complaints Procedure](#)
- Anti-Fraud & Corruption Policy
- [Whistleblowing Policy](#)
- Appraisal Scheme
- Induction Process – Members & Officers
- Training Records
- Gifts & Hospitality Register
- Register of Interests – Members & Officers

## Local Code of Corporate Governance

What we will do:	How this is evidenced:
<p><b>Demonstrating Strong Commitment to Ethical Values:</b></p> <ul style="list-style-type: none"> <li>- seek to establish, monitor and maintain the council's ethical standards and performance.</li> <li>- underpin personal behaviour with ethical values and ensure they permeate all aspects of the council's culture and operation.</li> <li>- develop and maintain robust policies and procedures which place emphasis on agreed ethical values</li> <li>- ensure that external providers of services on behalf of the council are required to act with integrity and in compliance with ethical standards expected by the council</li> </ul>	<ul style="list-style-type: none"> <li>• <a href="#">Council Constitution</a></li> <li>• <a href="#">Financial Regulations</a></li> <li>• <a href="#">Code of Corporate Governance</a></li> <li>• <a href="#">Members' Code of Conduct</a></li> <li>• <a href="#">Code of Conduct for Staff</a></li> <li>• <a href="#">Complaints Procedure</a></li> <li>• Appraisal Scheme</li> <li>• <a href="#">Procurement Strategy</a></li> <li>• <a href="#">Standard Terms &amp; Conditions of Purchase</a></li> <li>• <a href="#">Recruitment &amp; Selection Policy</a></li> </ul>
<p><b>Respecting the rule of law:</b></p> <ul style="list-style-type: none"> <li>- ensure members and staff demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations</li> <li>- create the conditions to ensure that the statutory officers, other key post holders, and members, are able to fulfil their responsibilities in accordance with legislative and regulatory requirements</li> <li>- strive to optimise the use of the full powers available for the benefit of citizens, communities and other stakeholders</li> <li>- deal with breaches of legal and regulatory provisions effectively</li> <li>- ensure corruption and misuse of power are dealt with effectively</li> </ul>	<ul style="list-style-type: none"> <li>• <a href="#">Council Constitution</a></li> <li>• CIPFA's Statement on the Role of the Chief Financial Officer in Local Government completed as part of the Corporate Governance Review.</li> <li>• <a href="#">Officer Delegation Scheme</a></li> <li>• <a href="#">Powers of the Council and its committees</a></li> <li>• Anti-Fraud &amp; Corruption Policy</li> <li>• <a href="#">Complaints Procedure</a></li> </ul>

## Local Code of Corporate Governance

### **PRINCIPLE B: Ensuring openness and comprehensive stakeholder engagement**

*The council is run for the public good, therefore we look to ensure openness in our activities. We look to ensure clear, trusted channels of communication and consultation are used to engage effectively with all groups of stakeholders, such as individual citizens and service users, as well as institutional stakeholders.*

What we will do:	How this is evidenced:
<p><b>Openness</b></p> <ul style="list-style-type: none"> <li>- ensure an open culture through demonstrating, documenting and communicating the council's commitment to openness.</li> <li>- make decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. The presumption is for openness. If that is not the case, we will look to provide a justification for the reasoning for keeping a decision confidential.</li> <li>- provide clear reasoning and evidence for decisions in both public records and explanations to stakeholders and be explicit about the criteria, rationale and considerations used. In due course, we will ensure that the impact and consequences of those decisions are clear</li> <li>- use formal and informal consultation and engagement to determine the most appropriate and effective interventions/courses of action.</li> </ul>	<ul style="list-style-type: none"> <li>• <a href="#">Council Constitution</a></li> <li>• <a href="#">Freedom of Information Act</a></li> <li>• <a href="#">Council's website</a></li> <li>• <a href="#">Corporate Strategy</a></li> <li>• <a href="#">Ribble Valley Citizens Panel</a></li> <li>• <a href="#">Reports and Minutes of Meetings are held on the Council's website.</a></li> <li>• <a href="#">Standing Orders</a></li> <li>• <a href="#">Community Strategy</a></li> <li>• <a href="#">Communications Strategy</a></li> </ul>
<p><b>Engaging comprehensively with institutional stakeholders:</b></p> <ul style="list-style-type: none"> <li>- effectively engage with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably.</li> <li>- develop formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively.</li> <li>- ensure that partnerships are based on:               <ul style="list-style-type: none"> <li>• trust</li> <li>• a shared commitment to change</li> <li>• a culture that promotes and accepts challenge among partners</li> </ul> </li> </ul> <p>and that the added value of partnership working is explicit.</p>	<ul style="list-style-type: none"> <li>• <a href="#">Ribble Valley Citizens Panel</a></li> <li>• <a href="#">Community Strategy</a></li> <li>• <a href="#">Financial Regulations</a></li> <li>• <a href="#">Communications Strategy</a></li> </ul>

## Local Code of Corporate Governance

What we will do:	How this is evidenced:
<p><b>Engaging with individual citizens and service users effectively:</b></p> <ul style="list-style-type: none"><li>- establish a clear policy on the type of issues that the council will meaningfully consult with or involve communities, individual citizens, service users and other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcomes</li><li>- ensure that communication methods are effective and that members and officers are clear about their roles with regard to community engagement</li><li>- encourage, collect and evaluate the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs.</li><li>- implement effective feedback mechanisms in order to demonstrate how views have been taken into account.</li><li>- balance feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity.</li><li>- take account of the impact of decisions on future generations of tax payers and service users.</li></ul>	<ul style="list-style-type: none"><li>• <a href="#">Community Strategy</a></li><li>• <a href="#">Financial Regulations</a></li><li>• <a href="#">Communications Strategy</a></li></ul>

## Local Code of Corporate Governance

### **PRINCIPLE C: Defining outcomes in terms of sustainable economic, social, and environmental benefits**

*The long-term nature and impact of the Council's responsibilities mean that we should define and plan outcomes and that these should be sustainable. Decisions should further our purpose, contribute to intended benefits and outcomes, and remain within the limits of authority and resources. Input from all groups of stakeholders, including citizens, service users, and institutional stakeholders, is vital to the success of this process and in balancing competing demands when determining priorities for the finite resources available.*

#### **What we will do:**

#### **How this is evidenced:**

#### **Defining outcomes**

- have a clear vision, which is an agreed formal statement of the Council's purpose and intended outcomes containing appropriate performance indicators, which provide the basis for the overall strategy, planning and other decisions.
- specify the intended impact on, or changes for, stakeholders including citizens and service users. It could be immediately or over the course of a year or longer.
- deliver defined outcomes on a sustainable basis within the resources that will be available.
- identify and manage risks to the achievement of outcomes.
- manage service users' expectations effectively with regard to determining priorities and making the best use of the resources available.

- [Corporate Strategy](#)
- [Core Strategy](#)
- [Community Strategy](#)
- [Risk Management Policy](#)
- Performance Indicators

#### **Sustainable economic, social and environmental benefits:**

- consider and balance the combined economic, social and environmental impact of policies and plans when taking decisions about service provision.
- take a longer-term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the Council's intended outcomes and short-term factors such as the political cycle or financial constraints.
- determine the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs.
- ensure fair access to services

- [Capital Programme](#)
- [Council Constitution](#)
- [Officer Delegation Scheme](#)
- [Ribble Valley Citizens Panel](#)
- [Equality Duty](#)

## Local Code of Corporate Governance

### **PRINCIPLE D: Determining the interventions necessary to optimise the achievement of the intended outcomes**

*The Council achieves its intended outcomes by providing a mixture of legal, regulatory, and practical interventions (courses of action). Determining the right mix of these courses of action is a critically important strategic choice that the Council has to make to ensure intended outcomes are achieved. There needs to be robust decision-making mechanisms to ensure that our defined outcomes can be achieved in a way that provides the best trade-off between the various types of resource inputs while still enabling effective and efficient operations. Decisions made need to be reviewed frequently to ensure that achievement of outcomes is optimised.*

What we will do:	How this is evidenced:
<p><b>Determining interventions:</b></p> <ul style="list-style-type: none"> <li>- ensure decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and associated risks. Therefore ensuring best value is achieved.</li> <li>- consider feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills, land and assets and bearing in mind future impacts.</li> </ul>	<ul style="list-style-type: none"> <li>• <a href="#">Standing Orders</a></li> <li>• <a href="#">Community Strategy</a></li> <li>• Minutes of Meetings are held on the Council's website.</li> </ul>
<p><b>Planning interventions:</b></p> <ul style="list-style-type: none"> <li>- establish and implement robust planning and control cycles that cover strategic and operational plans, priorities and targets.</li> <li>- engage with internal and external stakeholders in determining how services and other courses of action should be planned and delivered.</li> <li>- consider and monitor risks facing each partner when working collaboratively, including shared risks.</li> <li>- ensure arrangements are flexible and agile so that the mechanisms for delivering goods and services can be adapted to changing circumstances.</li> <li>- establish appropriate key performance indicators (KPIs) as part of the planning process in order to identify how the performance of services and projects is to be measured.</li> <li>- ensure capacity exists to generate the information required to review service quality regularly.</li> <li>- prepare budgets in accordance with objectives, strategies and the medium term financial strategy.</li> <li>- inform medium and long term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy.</li> </ul>	<ul style="list-style-type: none"> <li>• <a href="#">Communications Strategy</a></li> <li>• <a href="#">Financial Regulations</a></li> <li>• <a href="#">Risk Management Policy</a></li> <li>• Performance Indicators</li> <li>• <a href="#">Revenue Budget</a></li> <li>• <a href="#">Medium Term Financial Strategy</a></li> <li>• <a href="#">Capital Programme</a></li> </ul>

## Local Code of Corporate Governance

What we will do:	How this is evidenced:
<p><b>Optimising achievement of intended outcomes:</b></p> <ul style="list-style-type: none"><li>- ensure the medium term financial strategy integrates and balances service priorities, affordability and other resource constraints.</li><li>- ensure the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term.</li><li>- ensure the medium term financial strategy sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage.</li><li>- ensure the achievement of 'social value' through service planning and commissioning.</li></ul>	<ul style="list-style-type: none"><li>• <a href="#">Medium Term Financial Strategy</a></li><li>• Budget Working Group</li><li>• <a href="#">Capital Programme</a></li></ul>

## Local Code of Corporate Governance

### **PRINCIPLE E: Developing the entity’s capacity, including the capability of its leadership and the individuals within it**

*The Council needs appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mindset, to operate efficiently and effectively and achieve intended outcomes within the specified periods. We must ensure that we have both the capacity to fulfil our mandate and to make certain that there are policies in place to guarantee that management has the operational capacity for the organisation as a whole.*

*Because both individuals and the environment in which we operate will change over time, there is a continuous need for us to develop our capacity as well as the skills and experience of individual staff members. Leadership in the Council is strengthened by the participation of people with many different types of backgrounds, reflecting the structure and diversity of communities.*

What we will do:	How this is evidenced:
<p><b>Developing the entity’s capacity:</b></p> <ul style="list-style-type: none"> <li>- review operations, performance and use of assets on a regular basis to ensure their continuing effectiveness.</li> <li>- improve resource use through appropriate application of techniques such as benchmarking and other options in order to determine how resources are allocated so that defined outcomes are achieved effectively and efficiently.</li> <li>- recognise the benefits of partnerships and collaborative working where added value can be achieved.</li> <li>- develop and maintain an effective workforce plan to enhance the strategic allocation of resources.</li> </ul>	<ul style="list-style-type: none"> <li>• <a href="#">Council Constitution</a></li> <li>• Appraisal Scheme</li> <li>• Performance Indicators</li> <li>• <a href="#">Capital Programme</a></li> <li>• <a href="#">Workforce Profile Report</a></li> <li>• Corporate Training</li> <li>• Training Policy</li> <li>• Induction Process – Members &amp; Officers</li> </ul>

## Local Code of Corporate Governance

### **Developing the capability of the entity's leadership and other individuals:**

- develop protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained.

- publish a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of Full Council.

- ensure the leader and the chief executive have clearly defined and distinctive leadership roles within a structure whereby the chief executive leads in implementing strategy and managing the delivery of services and other outputs set by members and each provides a check and a balance for each other's authority.

- develop the capabilities of members and senior management to achieve effective leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks by:

- ensuring members and staff have access to appropriate induction tailored to their role and that ongoing training and development matching individual and organisational requirements is available and encouraged
- ensuring members and officers have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and ensuring that they are able to update their knowledge on a continuing basis
- ensuring personal, organisational and system-wide development through shared learning, including lessons learnt from governance weaknesses both internal and external

- ensure that there are structures in place to encourage public participation.

- take steps to consider the leadership's own effectiveness and ensuring leaders are open to constructive feedback from peer review and inspections.

- hold staff to account through regular performance reviews which take account of training or development needs.

- ensure arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing

- [Council Constitution](#)
- [Officer Delegation Scheme](#)
- [Financial Regulations](#)
- [Standing Orders](#)
- [Protocol for Member and Officer Relations](#)
- Publication Subscriptions
- Induction Schemes
- Appraisal Scheme
- Training Records
- Training Policy
- [Ribble Valley Citizens Panel](#)
- Human Resources Policies

## Local Code of Corporate Governance

### **PRINCIPLE F: Managing risks and performance through robust internal control and strong public financial management**

*The Council needs to ensure that the governance structures that it oversees have implemented, and can sustain, an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important and integral parts of a performance management system and are crucial to the achievement of outcomes. Risk should be considered and addressed as part of all decision making activities. A strong system of financial management is essential for the implementation of policies and the achievement of intended outcomes, as it will enforce financial discipline, strategic allocation of resources, efficient service delivery and accountability. It is also essential that a culture and structure for scrutiny are in place as a key part of accountable decision making, policy making and review. A positive working culture that accepts, promotes and encourages constructive challenge is critical to successful scrutiny and successful service delivery. Importantly, this culture does not happen automatically, it requires repeated public commitment from those in authority.*

#### **What we will do:**

#### **How this is evidenced:**

##### **Managing risk:**

- recognise that risk management is an integral part of all activities and must be considered in all aspects of decision making.
- implement robust and integrated risk management arrangements and ensure that they are working effectively.
- ensure that responsibilities for managing individual risks are clearly allocated.

- [Risk Management Policy](#)
- Grace Risk Management System

##### **Managing performance:**

- monitor service delivery effectively including planning, specification, execution and independent post implementation review.
- make decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the organisation's financial, social and environmental position and outlook.
- encourage effective and constructive challenge and debate on policies and objectives to support balanced and effective decision making.
- provide members and senior management with regular reports on service delivery plans and on progress towards outcome achievement.
- ensure there is consistency between specification stages (such as budgets) and post implementation reporting (eg financial statements).

- Pentana Performance Database
- Training Records
- [Financial Regulations](#)
- [Standing Orders](#)
- [Minutes of Meetings](#)
- [Council Website](#)

## Local Code of Corporate Governance

What we will do:	How this is evidenced:
<p><b>Robust internal control:</b></p> <ul style="list-style-type: none"> <li>- align the risk management strategy and policies on internal control with achieving objectives.</li> <li>- evaluate and monitor risk management and internal control on a regular basis.</li> <li>- ensure effective counter fraud and anti-corruption arrangements are in place.</li> <li>- ensure additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor.</li> <li>- ensure an audit committee, which is independent and accountable to Full Council: <ul style="list-style-type: none"> <li>• provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment.</li> <li>• that its recommendations are listened to and acted upon.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• <a href="#">Risk Management Policy</a></li> <li>• <a href="#">Audit Plan</a></li> <li>• TEICAFF Protecting the Public Purse 2016</li> <li>• <a href="#">Annual Governance Statement</a></li> <li>• <a href="#">External Audit Review of Internal Audit</a></li> <li>• <a href="#">Accounts &amp; Audit Terms of Reference</a></li> <li>• Training Records</li> <li>• Anti-Fraud &amp; Corruption Policy</li> </ul>
<p><b>Managing data:</b></p> <ul style="list-style-type: none"> <li>- ensure effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data.</li> <li>- ensure effective arrangements are in place and operating effectively when sharing data with other bodies.</li> <li>- review and audit regularly the quality and accuracy of data used in decision making and performance monitoring.</li> </ul>	<ul style="list-style-type: none"> <li>• Document Retention Policy</li> <li>• Data Protection Policy</li> <li>• Council Forms</li> <li>• <a href="#">Council's website</a></li> <li>• Data Quality Policy</li> <li>• Pentana Performance Database</li> </ul>
<p><b>Strong public financial management:</b></p> <ul style="list-style-type: none"> <li>- ensure financial management supports both long term achievement of outcomes and short-term financial and operational performance.</li> <li>- ensure well-developed financial management is integrated at all levels of planning and control, including management of financial risks and controls</li> </ul>	<ul style="list-style-type: none"> <li>• <a href="#">Medium Term Financial Strategy</a></li> <li>• <a href="#">Treasury Management Strategy &amp; Policy</a></li> </ul>

## Local Code of Corporate Governance

### **PRINCIPLE G: Implementing good practices in transparency, reporting, and audit to deliver effective accountability**

*Accountability is about ensuring that those making decisions and delivering services are answerable for them. Effective accountability is concerned not only with reporting on actions completed, but also ensuring that stakeholders are able to understand and respond as the organisation plans and carries out its activities in a transparent manner. Both external and internal audit contribute to effective accountability.*

What we will do:	How this is evidenced:
<p><b>Implementing good practice in transparency:</b></p> <ul style="list-style-type: none"> <li>- write and communicate reports for the public and other stakeholders in a fair, balanced and understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate.</li> <li>- strike a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand.</li> </ul>	<ul style="list-style-type: none"> <li>• <a href="#">Council's website – Open &amp; Data Transparency Section</a></li> </ul>
<p><b>Implementing good practices in reporting:</b></p> <ul style="list-style-type: none"> <li>- report at least annually on performance, value for money and stewardship of resources to stakeholders in a timely and understandable way.</li> <li>- ensure members and senior management own the results reported</li> <li>- ensure robust arrangements for assessing the extent to which the principles contained in the CIPFA/SOLACE Delivering Good Governance in Local Government Framework 2016 have been applied and publishing the results on this assessment, including an action plan for improvement and evidence to demonstrate good governance (the annual governance statement)</li> <li>- ensure that the Framework is applied to jointly managed or shared service organisations as appropriate.</li> <li>- ensure the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other, similar organisations.</li> </ul>	<ul style="list-style-type: none"> <li>• <a href="#">External Audit Reports</a></li> <li>• <a href="#">Statement of Accounts</a></li> <li>• <a href="#">Council Constitution</a></li> <li>• <a href="#">Annual Governance Statement</a></li> </ul>

## Local Code of Corporate Governance

What we will do:	How this is evidenced:
<p><b>Assurance and effective accountability:</b></p> <ul style="list-style-type: none"> <li>- ensure that recommendations for corrective action made by external audit are acted upon</li> <li>- ensure an effective internal audit service with direct access to members is in place, providing assurance with regard to governance arrangements and that recommendations are acted upon.</li> <li>- welcome peer challenge, reviews and inspections from regulatory bodies and implementing recommendations.</li> <li>- gain assurance on risks associated with delivering services through third parties and that this is evidenced in the annual governance statement.</li> <li>- ensure that when working in partnership, arrangements for accountability are clear and the need for wider public accountability has been recognised and met.</li> </ul>	<ul style="list-style-type: none"> <li>• <a href="#">External Audit Reports</a></li> <li>• CIPFA's Role of the Head of Internal Audit</li> <li>• <a href="#">Financial Regulations</a></li> <li>• Internal Audit Manual</li> <li>• <a href="#">Annual Governance Statement</a></li> <li>• <a href="#">Community Strategy</a></li> </ul>

# RIBBLE VALLEY BOROUGH COUNCIL REPORT TO ACCOUNTS & AUDIT COMMITTEE

DECISION

Agenda Item No 6

meeting date: 25 JULY 2018  
title: ANNUAL GOVERNANCE STATEMENT  
submitted by: DIRECTOR OF RESOURCES  
principal author: SALMA HUSSAIN

## 1 PURPOSE

- 1.1. To provide members with details of the Annual Governance review for 2017/18 and seek approval of the resulting Annual Governance Statement.
- 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. All councils are required to prepare an Annual Governance Statement each year in accordance with the 'Delivering Good Governance in Local Government Framework' and to report publicly on the extent to which they comply with their own Local Code of Corporate Governance. This should include how we have monitored the effectiveness of our governance arrangements in the previous financial year, and detail any planned changes in the coming period.
- 2.2. The Annual Governance Statement is the **backward looking** review of how the council has performed or acted in relation to the principles that it said it would abide by as detailed within the Local Code of Corporate Governance at the beginning of the year. As such the Local Code of Corporate Governance is the council's **forward looking** statement of how the governance culture of the organisation will be driven.
- 2.3. The process of preparing the Annual Governance Statement should itself add value to the governance and internal control framework of the council.

## 3 GOVERNANCE REVIEW

- 3.1. A detailed exercise has been undertaken in the annual review of the council's governance arrangements. As previously mentioned this review reflects on the council's Local Code of Corporate Governance and how it has actually performed.
- 3.2. The annual review examines the seven principles of:
  - Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of the law;
  - Ensuring openness and comprehensive stakeholder engagement;
  - Defining outcomes in terms of sustainable economic, social and environmental benefits;
  - Determining the interventions necessary to optimise the achievement of intended outcomes;

- Developing the council's capacity, including the capability of its leadership and the individuals within it;
- Managing risks and performance through robust internal control and strong public financial management; and
- Implementing good practices in transparency, reporting and audit to deliver effective accountability.

3.3. In reviewing how the council and its staff and members have acted over the period of review, evidence is also gathered to support the conclusion reached. Examples of evidence that is used to support the conclusion is detailed in the Local Code of Corporate Governance.

3.4. There were no actions recommended from the 2016/17 annual governance review, and so no progress is needed to be reported in that respect.

3.5. However, there have been a number of areas raised as a result of this year's annual review. These are detailed within the statement and summarised below:

**Peer Challenge Review:** As a result of the recommendations of the Peer Challenge Review carried out in 2017/18, the approved action plan from that review has been attached to the Annual Governance Statement for implementation in line with the timescales identified.

**Refuse Vehicle Maintenance Costs:** There has been a significant increase in refuse vehicle maintenance costs which has been highlighted to the relevant committees and Budget Working Group during the year.

**Communications Strategy:** The council does not have an up to date Communications Strategy in place. It is important that there is a structured approach in place as to how the council interacts with its internal and external stakeholders with changing patterns of communication.

3.6. The Annual Governance Statement has been reviewed and considered by the council's Corporate Management Team prior to reporting to Accounts and Audit Committee.

3.7. Progress in addressing the issues raised will be monitored during the year and will also be reviewed at the time of next year's annual review.

3.8. The Annual Governance Statement must be published alongside the council's Statement of Accounts and is currently on the council website together with the draft (subject to audit) copy of the Statement of Accounts. Once approved this will be updated to reflect the approval of the Statement of Accounts and the Annual Governance Statement at this meeting.

#### 4 RISK ASSESSMENT

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

- Resources – work is underway on addressing the issues that have been raised as part of the annual governance review and it is anticipated that all actions can be completed within existing budgets and staffing resources.
- Technical, Environmental and Legal – None
- Political – None

- Reputation – The Council must ensure that it has a sound system of internal control in place. Failing to adhere to the principles detailed in the Local Code of Corporate Governance has the potential to significantly harm the reputation of the council.
- Equality & Diversity – None

5 RECOMMENDED THAT COMMITTEE

- 5.1. Approve the attached Annual Governance Statement 2017/18, which is attached at Annex 1.

SENIOR AUDITOR

DIRECTOR OF RESOURCES

AA14-18/SH/AC  
11 July 2018

BACKGROUND PAPERS

None

For further information please ask for Salma Hussain.

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# Annual Governance Statement

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2017/18

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Ribble Valley  
Borough Council

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

## **Annual Governance Statement** **2017/18**

### 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; that public money is safeguarded and properly accounted for, and is 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 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 and facilitating the effective exercise of its functions, including arrangements for the management of risk and for dealing with issues which arise.
- 1.3 The Council has approved and adopted a Local Code of Corporate Governance, which is reviewed annually and is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government (2016). A copy of the Local Code is on our website at [www.ribblevalley.gov.uk](http://www.ribblevalley.gov.uk).
- 1.4 This statement explains how the Council has complied with the Local Code and also how it meets the requirements of the Accounts and Audit (England) Regulations 2015, which requires all relevant bodies to prepare an Annual Governance Statement.
- 1.5 The Council's annual review of the effectiveness of its corporate governance for 2017/18 provides assurance on the governance arrangements in place, the progress made against significant governance issue raised at the last annual review (of which there were none) and includes an action plan to address significant governance issues identified through this year's review.

### 2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

- 2.1. The governance framework comprises the systems and processes, culture and values by which the council is directed and controlled, and its activities through which it accounts to, engages with and leads its communities. It enables the council 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 2018 and up to the date of approval of the statement of accounts.

### 3. THE GOVERNANCE FRAMEWORK

- 3.1 The Local Code of Governance is structured across the seven principles detailed in the CIPFA/SOLACE Framework Delivering Good Governance in Local Government (2016). The governance framework review below has followed this same format.

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

### ***Behaving with Integrity***

- 3.2. The Council's Constitution 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 and is reviewed annually.
- 3.3. 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. On an annual basis Register of Interest forms are completed by both staff and members. The council also operates an annual performance appraisal process for all staff.
- 3.4. All Councillors have to register and declare certain pecuniary interests such as employment, land holdings and contracts with the Council, which is published on the council's website. Councillors must declare such interests at meetings which they attend, and this is minuted.
- 3.5. There are also procedures laid down for staff and councillors relating to the receipt of gifts and hospitality, and the recording of such.
- 3.6. Included in the Constitution are the terms of reference for Committees and a protocol for Member/ Officer Relations.
- 3.7. The Council has a Scheme of Delegation to Officers within the Constitution. This clearly details a number of specific areas that are delegated to officers for the purposes of decision-making, without the requirement for a decision to be made by the Council, a Committee or sub-Committee.
- 3.8. 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.
- 3.9. 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.
- 3.10. The terms of reference for the Accounts and Audit Committee includes responsibilities around the monitoring and promotion of Standards.

### ***Demonstrating Strong Commitment to Ethical Values***

- 3.11. Under its terms of reference, the Accounts and Audit Committee champions high standards of ethical governance from elected members and the Council as a whole.
- 3.12. The Council has a Code of Conduct for Members. Allegations that the Code has been breached are dealt with under a procedure approved by the Accounts and Audit Committee.
- 3.13. Whilst the codes of conduct for members and staff are in place, there has been no formal training on ethical awareness over the 2017/18 financial year. Furthermore the council's performance appraisal process does not specifically take account of values and ethical behaviour.

- 3.14. Procurement activity is seen to be undertaken in line with the council's Contract Procedure Rules and Financial Regulations, with any requirements to seek exemption from the same being reported to, or requested from, the relevant service committee through submission of a report.
- 3.15. The council's ethical requirements are expressed through its procurement activity in the form of contract documents and its standard terms and conditions of purchase.

***Respecting the Rule of Law***

- 3.16. The Council has designated the Head of Legal & Democratic Services as Monitoring Officer. The Monitoring Officer has the specific duty to ensure that the council, its officers and its elected members maintain the highest standard of conduct in all they do and as such holds three main roles:
- to report on matters they believe are, or are likely to be, illegal or amount to maladministration;
  - to be responsible for matters relating to the conduct of councillors and officers; and
  - to be responsible for the operation of the council's constitution.
- 3.17. With reference to the constitution, this is reviewed annually and approved by Full Council. The Council's Monitoring Officer has statutory reporting duties in respect of unlawful decision making and maladministration.
- 3.18. The council's Chief Executive, in the statutory role of Head of Paid Service is responsible for
- the manner in which the discharge by the council of their different functions is coordinated;
  - the number and grades of staff required by the council for the discharge of their functions;
  - the organisation of the council's staff; and
  - the appointment and proper management of the council's staff.
- 3.19. The council's Chief Financial Officer (S151 Officer) is the Director of Resources. The council complies with CIPFA's Statement on the Role of the Chief Financial Officer in Local Government.
- 3.20. The council's decision making hierarchy and terms of reference for each committee are clearly identified within the Constitution.
- 3.21. Any legal advice provided by officers would be retained on the relevant files for future reference. Committee reports include a section in respect of legal risks, and the input from the legal team should be sought in the completion of this section where relevant.
- 3.22. The council has in place an Anti-Fraud and Corruption Policy.

## **Principle B - Ensuring openness and comprehensive stakeholder engagement**

### ***Openness***

- 3.23. Council meetings are open to the public, other than in limited circumstances where consideration of confidential or exempt information means that the public are excluded. Each meeting also includes public participation with an opportunity to speak regarding items on the agenda.
- 3.24. The Council utilises its website to provide an open culture with access to meeting agendas, reports and minutes. Transparency information is also reported in a timely manner and is grouped together for ease of access. However, the council does not currently have a Freedom of Information Act Publication Scheme available on the website, although this is now under review.
- 3.25. The information which residents use most, such as Council Tax and Planning can be accessed quickly and easily from the main page.
- 3.26. The council's priorities and core values are clearly identified in the Corporate Strategy 2015-2019 and includes key actions. This is available on the council website, as is the Community Strategy for the same period.
- 3.27. All decisions of the Council are made in accordance with principles laid down in the Constitution. All reports follow a format that is repeated across all committees and where a decision is needed, provide the information necessary for members. Any further requests for information are minuted.
- 3.28. A set timetable is in place for meetings, the production and distribution of agenda packs, and the holding of briefings prior to the meeting between key officers and committee chairs and vice-chairs.
- 3.29. We make use of the Citizens Panel and other consultations and surveys wherever possible in informing decisions.

### ***Engaging Comprehensively with Institutional Stakeholders***

- 3.30. The council does not have an up to date Communications Strategy. However, a new Communications Working Group reporting to Policy and Finance Committee was formed during the year.
- 3.31. The council does not have any formal partnerships in place. There was no representation on the Local Enterprise Partnership within the year, and this was highlighted as a potential area for development as part of the Peer Challenge Review.
- 3.32. The review highlighted that the council should continue to work in partnership with the other councils in the region outside of any Combined Authority if it is to realise its ambitions for the borough, particularly the Local Enterprise Partnership.

### ***Engaging Stakeholders Effectively, Including Individual Citizens and Service Users***

- 3.33. When the council is looking to consult it reviews the parties that need to be involved and looks to ensure that those with an interest are involved. During 2017/18 the Council was part of the Infusion Research partnership, which helps with the council's research and consultations. The council's membership of the Infusion Research partnership has ended on 31 March 2018. Any future consultation will be arranged on an ad-hoc basis as and when required.

- 3.34. The council has a Citizens Panel which is used to enable the Council to access the views of Ribble Valley people. The results are used to develop policies and strategies, inform decision-making and identify where service improvements may be required.
- 3.35. The bi-annual Perception Survey was undertaken in February 2018 providing residents with the opportunity to have their say on a range of issues affecting their locality and quality of life. A report of its findings will be reported to Policy and Finance Committee in July 2018.
- 3.36. A new Communications Working Group was created in 2017/18. The working group was set up to examine and make recommendations to Policy and Finance Committee on the current policies relating to promotion and public relations of the Council including written press, radio, television, the website, and social & digital media.
- 3.37. The Council also made endeavours to extend the use of social media and engagement with its website. A further promotional website has also been worked on during 2017/18 and is due to be launched in June 2018.
- 3.38. Feedback from the consultation on the Clitheroe market area redevelopment has been taken in to consideration in the more recent reviews of plans for the area. This is a key development for the borough, with the interests of future generations of tax payers and service users reflected upon.

### **Principle C – Defining Outcomes in Terms of Sustainable Economic, Social and Environmental Benefits**

#### ***Defining Outcomes***

- 3.39. 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. 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. The document is reviewed on an annual basis. There are no individual service plans in place.
- 3.40. 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.
- 3.41. 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.
- 3.42. 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. The financial strategy includes a budget forecast that is reviewed bi-annually. The Medium Term Financial Strategy is a 3 year strategy which is fully reviewed annually to reflect any changes. The strategy covers both revenue and capital budgets.
- 3.43. The council has a performance management framework which allows it to monitor progress on a number of key service areas. Progress is reported to the Corporate Management Team and final outturn performance is reported to relevant Service Committees at the end of the financial year.
- 3.44. The Council's Risk Register sets out the risks that we have to manage to help us achieve our objectives.

- 3.45. The Council also has processes in place to identify and manage risks. The Risk Register is used to provide assurance over actions being taken to manage key risks, and to inform risk management planning and help in seeking to mitigate such risks.

### ***Sustainable Economic, Social and Environmental Benefits***

- 3.46. Consideration is given to economic, social and environmental benefits in the assessing of bids for the council's capital programme. This is also reflected in the ongoing work on the Clitheroe market area redevelopment project.
- 3.47. As capital resources are limited, a large proportion of the capital programme is committed to the ongoing replacement of such items as vehicles and plant. The latest environmental best practice is always reflected upon when procuring such items, within the budgets that are available.
- 3.48. Full detailed information is provided to members in the budget setting process for both revenue and capital. The Budget Working Group is valued and allows for more focused work to be undertaken and specific guidance to be given to Service Committees.
- 3.49. All decision reports include a section on risks, which includes those risks in relation to the decision to be taken by members:
- Resources.
  - Technical, Environmental and Legal.
  - Political.
  - Reputation.
  - Equality and Diversity.
- 3.50. The council's Core Values state that we will:
- Lead the Community;
  - Strive to achieve excellence;
  - Ensure that access to services is available to all;
  - Treat everyone equally;
  - Respect all individuals and their views; and
  - Appreciate and invest in our staff.

### **Principle D – Determining the Interventions Necessary to Optimise the Achievement of the Intended Outcomes**

#### ***Determining Interventions***

- 3.51. 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. 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.
- 3.52. Capital and Revenue budgets are monitored closely and reports on budget allocations and actual performance are provided to the Corporate Management Team and to relevant Committees. Further reporting is provided to the Budget Working Group and minutes of the same are reported to Policy and Finance Committee.

- 3.53. Delegation of decision making to officers is detailed in the Constitution so that they can deal with the day-to-day running of the service without the need to constantly refer matters back to Committees. Details of what decisions are taken in this way are included in the Scheme of Delegation in the council's Constitution. Further specific delegations may be granted through recommendation in public reports to Committee.

### ***Planning Interventions***

- 3.54. There are clear timetables in place for the various Service Committee meetings. These are published on the council's website.
- 3.55. A timetable is set and approved by the Policy and Finance Committee for the council budget setting process, detailing key dates for meetings to consider reports on capital and revenue budgets and the setting of fees and charges. Also included in such timetables are the regular meetings of the Budget Working Group.
- 3.56. A further timetable is also set by the Accounts and Audit Committee for the closure of accounts process, similarly detailing key dates and meetings in the process.
- 3.57. Where relevant, service areas provide key performance indicators which are monitored and reported on centrally to all service committees at the end of the financial year. There is also in year monitoring and reporting to the Corporate Management Team.
- 3.58. All service budgets are matched to the various council priorities and analysis of the distribution of the budgets across priorities is given in the Medium Term Financial Strategy for both revenue and capital.
- 3.59. The medium term financial forecast is reported to the Policy and Finance Committee twice a year and is also reported to the Budget Working Group. Clear budget guidance is given to all service committees through the Budget Working Group and also to the finance team and budget holders.

### ***Optimising Achievement of Intended Outcomes***

- 3.60. The Council balances service priorities whilst setting the overall budget in line with the work of the Budget Working Group. This includes both revenue and capital budgets.
- 3.61. Such work is undertaken in line with the council's Efficiency Plan, which was required by the Government in order for us to secure a four year financial settlement.
- 3.62. Very little of the council's procurement activity falls under the requirements of the Public Contracts Regulations due to the level of expenditure involved. As a result the undertakings around The Public Services (Social Value) Act 2012 are satisfied through the various Framework Agreements that are used.

## **Principle E – Developing the Entity's Capacity, Including the Capability of its Leadership and the Individuals Within it.**

### ***Developing the Entity's Capacity***

- 3.63. The council has a performance appraisal process in place for all staff. As part of this process targets are set and also future training needs are identified for provision at a service level, or where applicable through the provision of corporate level training.
- 3.64. The requirement for key property, plant and equipment is reviewed on a regular basis, particularly through the capital programme process and the bidding for resources with a detailed narrative on need.

- 3.65. Various service areas undertake differing levels of service comparison with other local authorities. There is no formal planned benchmarking of services; however, ad-hoc service comparisons are undertaken as needed.
- 3.66. During the 2017/18 financial year the council engaged in a Corporate Peer Challenge review.
- 3.67. The Peer Challenge team were on site from the 20-22 November 2017 and the core components that the team looked at were the issues of leadership, governance, corporate capacity and financial resilience. In addition the agreed scope of the Peer Challenge included:
- Promoting Local Growth
  - Balancing Growth and Housing
- 3.68. There were a number of suggestions and observations made following the Corporate Peer Challenge review that have led to some key recommendations for the Council and these have been included as part of this Annual Governance Statement as a Significant Governance Issue. The agreed action plan is attached at Annex 1.
- 3.69. The council does not have a workforce plan in place. Work is currently underway to produce a structured organisational development plan.

#### ***Developing the Capability of the Entity's Leadership and Other Individuals***

- 3.70. The functions of statutory officers are detailed in the constitution and the roles of the Committees are documented within the constitution. The arrangements in place for the discharge of functions by specific officers under delegation are set out in the Officer Delegation Scheme
- 3.71. The Corporate Management team meets on a weekly basis to discuss matters of strategic and operational importance to the Council. Weekly meetings take place between the Chief Executive (Head of Paid Service) and the Leader of the Council.
- 3.72. The Chief Executive leads on implementing strategy and managing service delivery and other outputs set by members.
- 3.73. The council's Constitution is reviewed annually, including the Scheme of Delegation. Additionally the Standing Orders, Financial Regulations and Contract Procedure Rules are all reviewed annually.
- 3.74. To enable Elected Members and Senior Officers to have a shared understanding of their respective roles the Council has a Protocol governing Member and Officer relations.
- 3.75. All newly elected members receive an induction and an ongoing training plan for members is currently being developed. Requests for training by members and senior management will always be considered.
- 3.76. A standard induction process is in place for members and also for staff. There is no tailoring of staff inductions as provided by the HR team to the employee's role, however further induction is generally provided separately by the relevant section.
- 3.77. The council's performance management appraisal process includes a section reviewing past training and identifying new training that may be required for the employee. This training may be provided at a service level, or if there is demand, at a corporate level.

- 3.78. Records are monitored regarding member attendance, but there is no formal review of individual member performance or training needs. There are no personal development plans in place for members.
- 3.79. The Council has undertaken a Peer Challenge review led by the Local Government Association to provide an assessment and feedback. The core components that the team looked at were the issues of leadership, governance, corporate capacity and financial resilience. There were a number of suggestions and observations made within the report that have led to some key recommendations for the Council. An action plan has been formulated to implement recommendations, which is attached at Annex 1.
- 3.80. The council has a staff handbook which is published on its Intranet, ensuring that all policies are available to staff. There is also a hard copy maintained at various sites for those with no access to the Intranet.
- 3.81. With regard to staff physical and mental wellbeing, there is a programme of Health and Safety training and also sessions available to all staff around stress awareness. Various tips and articles and also published for all staff in the monthly newsletter.

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

***Managing Risk***

- 3.82. The Council has embedded a structure and system for identifying, evaluating and monitoring all significant business risks at an operational level. The Council has a risk management policy in place which is published on the council's Intranet. The policy clearly outlines the processes and responsibilities that are in place and the monitoring procedures to be followed.
- 3.83. The Corporate Management Team receive monthly risk management updates and areas of high risk are reported promptly to Accounts and Audit Committee for scrutiny.

***Managing Performance***

- 3.84. Where relevant, service areas provide key performance indicators which are monitored and reported on centrally to all service committees at the end of the financial year. There is also in year monitoring and reporting to the Corporate Management Team. The Peer Challenge Review highlighted the need for the performance management framework to be reviewed and also stated that the information provided to committees needed to be examined in order to enable progress with key priorities to be better monitored.
- 3.85. Various service areas undertake differing levels of service comparison with other local authorities. There is no formal planned benchmarking of services; however, ad-hoc service comparisons are undertaken as needed.
- 3.86. Performance against budget is reported to the Corporate Management Team and also on a regular basis to service committees. The overall position is also considered in reports to the Policy and Finance Committee.
- 3.87. Outturn reports are also reported to all services committees and this is also considered by the Budget Working Group and used in the budgeting process for future years.

- 3.88. A set timetable is in place for meetings, the production and distribution of agenda packs, and the holding of briefings prior to the meeting between key officers and committee chairs and vice-chairs. Included in the Constitution are the terms of reference for all committees. The minutes of all minutes are published on the council's website.
- 3.89. Debate and discussion on issues is actively encouraged at committee meetings. The council also have a call in procedure for any decisions, which allows for further scrutiny. The call-in procedure should normally only apply to decisions, which are considered to be contrary to policy or not in accordance with the budget.
- 3.90. Full detailed information is provided to members in the budget setting process for both revenue and capital. The Budget Working Group is valued and allows for more focused work to be undertaken and specific guidance to be given to Service Committees.
- 3.91. 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.

### ***Robust Internal Control***

- 3.92. Internal Audit is an independent and objective appraisal function established by the Council for reviewing the system of internal control. This is in compliance with Regulation 5 of the Accounts and Audit Regulations 2015 that specifically requires a local authority to undertake an adequate and effective system of internal audit.
- 3.93. An Internal Audit Plan is produced each financial year and is risk based. This is agreed and monitored by the Accounts and Audit Committee. The reporting process for Internal Audit requires a report of each audit to be submitted to the relevant service. The report includes recommendations for improvements that are included with an Action Plan.
- 3.94. The Risk Management Strategy is reviewed on a regular basis and is approved by the Accounts and Audit Committee.
- 3.95. The European Institute for Combatting Corruption and Fraud (TEICCAF) issued a checklist 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. No significant issues were highlighted as a result of this review.
- 3.96. CIPFA 'Fighting Fraud and Corruption Locally 2016-19' 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. No issues were highlighted as a result of this review.
- 3.97. The Accounts and Audit Committee meet four times a year and have a clear Terms of Reference. Ad-hoc training is provided to members as and when required and open debate and discussion on all items is encouraged.
- 3.98. There is regular consideration around high level risks that have been flagged as areas of concern, and where necessary action is called for, or references made to relevant service committees.

### ***Managing Data***

- 3.99. The Council is committed to safeguarding the personal data it holds and sharing this data only in circumstances required or permitted by law. Personal data is processed in accordance with the Data Protection Act 1998, and in particular its eight data protection principles.
- 3.100. The council's ICT Manager is the designated Data Protection Officer.
- 3.101. The council have a Data Protection Policy which is published on the council's Intranet and available for all staff.
- 3.102. There has been no formal training for staff on data protection over the last financial year, but following the introduction of GDPR there is planned training for all staff and members in 2018/19.
- 3.103. There is an ongoing review of data held, processes and policies as a result of the introduction of GDPR, which has inevitably increased the profile around this subject area.
- 3.104. The council have a Data Quality Policy in place which staff involved in providing performance indicator data are required to acknowledge that they have read and understand.
- 3.105. The internal audit team also review the accuracy of the performance indicators that are published at the end of the financial year.
- 3.106. The Council makes information available to the public via the Freedom of Information Act 2000 and the Environmental Information Regulations 2004. Individuals may also access their own personal data by exercising the right of subject access under the Data Protection Act 1998.
- 3.107. The Council complies with the Local Government Transparency Code 2015 by publishing accurate data within appropriate time frames in the areas mandated by the Code.

### ***Strong Public Financial Management***

- 3.108. Regular monitoring of the council's financial position helps ensure that services perform within the resources allocated to them. Mechanisms within the Financial Regulations allow for flexibility in meeting demands that could not be anticipated.
- 3.109. The medium term financial strategy (MTFS) is the council's key financial planning document. It aims to provide the council with an assurance that the council's spending plans are affordable over the medium term.
- 3.110. More detailed short term financial information is provided through the council's details and summary budget books. The budget books and the medium term financial strategy are all published on the council's website.
- 3.111. Monitoring against these financial plans is reported in full to service committees, with variances highlighted and action plans against specific areas published within the reports where relevant. All committee reports are published on the council websites and meetings minuted.
- 3.112. The working of the Budget Working Group is key in developing the council's budgets, and the minutes of this working group are reported to the Policy and Finance Committee, and again published on the council's website.

- 3.113. All reports across all committees are published in a consistent style.
- 3.114. Financial outturn reports are presented to all service committees.
- 3.115. The Council's approach to Financial Management ensures that public money is safeguarded at all times ensuring value for money. Its approach supports both long term achievement of objectives and shorter term financial and operational performance.
- 3.116. The Chief Finance Officer (Director of Resources) ensures that appropriate advice is given on all financial matters, proper financial records and accounts are kept, and oversees an effective system of internal financial control.

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

***Implementing Good Practice in Transparency***

- 3.117. The Council follows the Local Government Transparency Code 2015, which includes requirements and recommendations for local authorities to publish certain types of data.
- 3.118. All data transparency data is published together in a single area on the council's website.
- 3.119. Content on the council's website seeks to meet the needs of the public and where issues are raised through social media, or through the council's contact centre, steps are taken to ensure information is made available where possible on the website to satisfy the queries being raised.
- 3.120. Socitm are a society for IT practitioners in the public sector. One part of their workstream is on 'Better Connected' assessments. It evaluates a wide range of digital performance covering websites, social media and customer portals, as well as takeup, satisfaction and management. Council websites are scored out of four stars and for 2016/17 (latest available) the council scored three stars.

***Implementing Good Practices in Reporting***

- 3.121. All data transparency data is published together in a single area on the council's website.
- 3.122. The council's Statement of Accounts are published in a timely manner and are published on the council's website. The Statement of Accounts includes a narrative statement which allows for a more understandable format of the outturn position of the council, away from the statutory presentation requirements seen in the statements themselves. Financial outturn reports are presented to all service committees.
- 3.123. Following external audit the Statement of Accounts is approved by the Accounts and Audit Committee.
- 3.124. The Council explains how it reviews its governance arrangements, and how it has complied with CIPFA's "Delivering Good Governance in Local Government (2016)" principles by producing this Annual Governance Statement (AGS). This includes an action plan identifying what governance challenges it will need to address in the next financial year.
- 3.125. Financial performance is also reported throughout the year to all service committees. Such documents are openly available on the council's website.

### ***Assurance and Effective Accountability***

- 3.126. The report of the external auditor is reported to the council's accounts and Audit Committee. Any actions that may arise from that report would be monitored by the Accounts and Audit Committee to ensure compliance and that they result in positive improvements.
- 3.127. A review has been undertaken of CIPFA's Statement on the Role of the Head of Internal Audit and no issues were identified. Compliance with the Public Sector Internal Audit Standards was also confirmed.
- 3.128. The work of the council's internal audit team is reported on a regular basis to the Accounts and Audit Committee.
- 3.129. The council welcomed a peer challenge review during the 2017/18 financial year and the action plan as a result of the findings of that review have been included as part of this statement.
- 3.130. The council's external auditors, Grant Thornton attend the meetings of the Accounts and Audit Committee and provide reports to the members of that committee.

## **4. REVIEW OF EFFECTIVENESS**

- 4.1. Ribble Valley Borough Council has a legal responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control.
- 4.2. After conducting this review the Council has assurance that its governance arrangements and systems of control are robust and reflect the principles of the Code of Corporate Governance. This section explains what arrangements were reviewed, and how this assurance was achieved.

### ***Corporate Management Team***

- 4.3. 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***

- 4.4. The Corporate Management Team reviewed the compilation of the Annual Governance Statement and consisted of the following officers during 2017/18.
- Chief Executive (Head of Paid Service);
  - Director of Resources (S151 Officer);
  - Director of Community Services;
- 4.5. 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***

- 4.6. 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***

- 4.7. 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. Assurances were given by the Monitoring Officer with regard to the matters that fall within their jurisdiction.

### ***Accounts and Audit Committee***

- 4.8. 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***

- 4.9. 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.
- 4.10. 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***

- 4.11. 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.

### ***Peer Review Challenge***

- 4.12. This year's review of effectiveness also took in to account the findings and action plan of the Corporate Peer Challenge review which took place during 2017/18. The Peer Challenge team were on site from the 20-22 November 2017 and the core components that the team looked at were the issues of leadership, governance, corporate capacity and financial resilience.

***European Institute for Combatting Corruption and Fraud (TEICCAF) – Protecting the Public Purse Checklist***

- 4.13. The European Institute for Combatting Corruption and Fraud (TEICCAF) issued a checklist 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.

**CIPFA 'Fighting Fraud and Corruption Locally 2016-19'**

- 4.14. CIPFA 'Fighting Fraud and Corruption Locally 2016-19' 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.

**CIPFA 'The Role of the Chief Financial Officer in Local Government'**

- 4.15. CIPFA published a document on the Role of the Chief Financial Officer. Achieving value for money and securing stewardship are key components of the Chief Financial Officer's role and the document includes a list of principles that were assessed as part of this review of governance arrangements

**CIPFA 'The Role of the Head of Internal Audit'**

- 4.16. The Head of Internal Audit occupies a critical position in any organisation, helping it to achieve its objectives by giving assurance on its internal control arrangements and playing a key role in promoting good corporate governance. This CIPFA document is to clarify the role of the Head of Internal Audit and to raise its profile.

**5. SIGNIFICANT GOVERNANCE ISSUES**

- 5.1. A governance issue arises when something has gone wrong which will affect the achievement of the Council's objectives. There is a need to respond and often recover from an issue and in financial terms, responding and recovering may add significant cost to the organisation or its processes. An issue may arise unexpectedly or may result from a poorly managed risk.

- 5.2. Whilst determining the significance of an issue will always contain an element of judgement, an issue is likely to be significant if one or more of the following criteria applies:

- It has significantly prejudiced or prevented achievement of a principal objective;
- It has resulted in the need to seek additional funding to allow it to be resolved, or has required a significant diversion of resources from another service area;
- It has had a material impact on the accounts;
- It has been identified by the Accounts and Audit Committee as significant;
- It has resulted in significant public interest or has seriously damaged reputation;
- The governance issue may, or has been publicly reported by a third party as a significant governance issue;
- It has resulted in formal actions being taken by the Section 151 Officer or Monitoring Officer.

5.3. Considering the above areas there are a number of areas to be raised as part of this Annual Governance Statement for 2017/18.

**Peer Challenge Review:** As a result of the recommendations of the Peer Challenge Review carried out in 2017/18, the approved action plan from that review has been attached at Annex 1 for implementation in line with the timescales identified.

**Refuse Vehicle Maintenance Costs:** There has been a significant increase in refuse vehicle maintenance costs which has been highlighted to the relevant committees and Budget Working Group during the year.

**Communications Strategy:** The council does not have an up to date Communications Strategy in place. It is important that there is a structured approach in place as to how the council interacts with its internal and external stakeholders with changing patterns of communication.

**Signed:**

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

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Chief Executive

## CORPORATE PEER CHALLENGE - ACTION PLAN

### Key Recommendations:

1. Strengthen engagement with staff and partners to ensure clarity of vision and desired outcomes in relation to the Corporate Strategy, priorities and initiatives.
2. Review the Performance Management Framework linked to the Corporate Strategy.
3. Review the resourcing of Corporate Strategy priorities.
4. Develop an Economic Development Strategy.
5. Explore opportunities to strengthen early engagement with developers in order to maximise community benefits, as well as opportunities to strengthen community engagement/communication in relation to development.
6. Strengthen engagement between the Leadership and Corporate Management Team – this includes the chairs of committees.

Issue (from the report)	Required Action	Milestones	Due Date	Lead
<b>Strengthen engagement with staff and partners to ensure clarity of vision and desired outcomes in relation to the Corporate Strategy, priorities and initiatives</b>				
More needs to be done to ensure clarity of vision and priorities. Key to this will be recognising and valuing the good work that the council has already undertaken which provide the building blocks for the future.	<ul style="list-style-type: none"> <li>• Mini review of the existing Corporate Strategy</li> </ul>	<ul style="list-style-type: none"> <li>• Revised Corporate Strategy – CMT &amp; Leader</li> <li>• Revised Corporate Strategy – Policy and Finance Committee</li> </ul>	<ul style="list-style-type: none"> <li>• July 2018</li> </ul>	<ul style="list-style-type: none"> <li>• CEO/ Principal Policy and Performance Officer</li> </ul>
A new Corporate Strategy will be developed next year. This provides an opportunity for the Leadership to develop a clear timetable of engagement with both staff and partners. This will help ensure wider ownership of the vision, ambitions and priorities.	<ul style="list-style-type: none"> <li>• Inform staff, public and other key stakeholders of the revised Corporate Strategy and progress updates</li> </ul>	<ul style="list-style-type: none"> <li>• Circulation of revised Corporate Strategy to staff</li> <li>• Publish revised Corporate Strategy on the Council's website</li> </ul>	<ul style="list-style-type: none"> <li>• July 2018</li> </ul>	<ul style="list-style-type: none"> <li>• Principal Policy and Performance Officer</li> </ul>
The council need to ensure continued,				

Issue (from the report)	Required Action	Milestones	Due Date	Lead
<p>timely engagement of staff at all levels to ensure wider understanding and buy in.</p> <p>It is important that the council continues to engage staff at all levels of the organisation to ensure ownership of future ambitions and priorities. Feeding back to staff following the staff survey is key.</p> <p>Regular Corporate Strategy progress updates to staff and celebration of successes will help to keep the whole organisation engaged around delivery of the plan.</p>	<ul style="list-style-type: none"> <li>Review Internal Communications</li> </ul>	<ul style="list-style-type: none"> <li>Review of Internal Communications – Personnel Committee</li> </ul>	<ul style="list-style-type: none"> <li>September 2018</li> </ul>	<ul style="list-style-type: none"> <li>Head of HR/ Principal Communications Officer</li> </ul>
	<ul style="list-style-type: none"> <li>Develop a shared vision for the Borough</li> </ul>	<ul style="list-style-type: none"> <li>Report to Policy and Finance setting out plans for developing new Corporate Strategy 2019-2023</li> <li>Develop new Corporate Strategy 2019-2023</li> </ul>	<ul style="list-style-type: none"> <li>September 2018</li> <li>September 2019</li> </ul>	<ul style="list-style-type: none"> <li>CEO/ Principal Policy and Performance Officer</li> </ul>
<b>Review the Performance Management Framework linked to the Corporate Strategy</b>				
<p>As part of the development of the new Corporate Strategy, the framework should be reviewed to ensure it is rooted in the priorities and ambitions of the council moving forward.</p> <p>There are opportunities to review the monitoring information shared with committees to maintain clear governance, ownership and constructive challenge.</p>	<ul style="list-style-type: none"> <li>Review the performance Management Framework in light of revised Corporate Strategy</li> <li>Review performance monitoring information provided to committees to enable progress with key priorities to be better monitored</li> </ul>	<ul style="list-style-type: none"> <li>Revised Performance Management Framework and Indicators</li> </ul>	<ul style="list-style-type: none"> <li>September 2018</li> </ul>	<ul style="list-style-type: none"> <li>CMT, Heads of Service and Principal Policy and Performance Officer</li> </ul>

Issue (from the report)	Required Action	Milestones	Due Date	Lead
<b>Review the resourcing of Corporate Strategy priorities</b>				
<p>Ensuring capacity to deliver corporate priorities. The challenge now will be to ensure good 'succession planning' for the years to come.</p>	<ul style="list-style-type: none"> <li>Consider resource implications of new Corporate Strategy and Council priorities</li> </ul>	<ul style="list-style-type: none"> <li>Periodic review of priorities and resources</li> <li>2019/2020 Budget – review of priorities and resources</li> </ul>	<ul style="list-style-type: none"> <li>6 monthly</li> <li>February 2019</li> </ul>	<ul style="list-style-type: none"> <li>CMT</li> </ul>
<p>Anecdotal evidence suggesting delivery of appraisals and one to ones may be patchy in some areas. The council should consider reviewing its current approach to ensure consistency across all teams. There is also an opportunity to review the current appraisal system, including competency based approaches. This should be aligned to the development of a new Corporate Strategy next year so that the appraisal system is rooted firmly within the council's future priorities and ambitions and the type of council it wants to be.</p>	<ul style="list-style-type: none"> <li>Review the Performance Appraisal system</li> </ul>	<ul style="list-style-type: none"> <li>Revised Performance Appraisal System – Personnel Committee</li> </ul>	<ul style="list-style-type: none"> <li>September 2018</li> </ul>	<ul style="list-style-type: none"> <li>CMT/ Head of HR</li> </ul>
<p>The council may benefit from further work to review its use of ICT linked to its ambitions for the future. The peer team had a sense that some service areas may still rely quite heavily on paper copies of documents and files. If this is the case, could more be done to reduce the need for this which may have the potential to reduce the costs of printing as well as supporting the council's sustainability agenda?</p>	<ul style="list-style-type: none"> <li>Produce a comprehensive IT Strategy</li> </ul>	<ul style="list-style-type: none"> <li>Adoption of IT Strategy – Policy and Finance Committee</li> </ul>	<ul style="list-style-type: none"> <li>July 2018</li> </ul>	<ul style="list-style-type: none"> <li>Head of Financial Services</li> </ul>

Issue (from the report)	Required Action	Milestones	Due Date	Lead
<b>Develop an Economic Development Strategy</b>				
<p>Develop an Economic Strategy that better reflects the borough's standing as a key player in the region.</p> <p>Economic Development to play a key part in overseeing the Economic Development Strategy.</p> <p>An Economic Development Strategy developed with partners should help prioritise resources and future investment in the key areas that will make a difference.</p> <p>The new strategy might include how to attract new and diverse industries, inward investment, marketing of key employment sites, higher value jobs for local people (harnessing good local educational outcomes) and branding.</p> <p>The Economic Development Strategy should reflect the council's appetite for risk in terms of economic development investment going forward.</p> <p>The Economic Development Strategy could be used to help raise the economic profile of the borough both regionally and nationally.</p>	<ul style="list-style-type: none"> <li>• Develop a comprehensive Economic Development Strategy that is realistic and achievable and follows the Council's vision and priorities for the economic development of the Borough</li> </ul>	<ul style="list-style-type: none"> <li>• Production of Comprehensive Economic Development Strategy</li> <li>• Report to Economic Development Committee</li> </ul>	<ul style="list-style-type: none"> <li>• September 2018</li> </ul>	<ul style="list-style-type: none"> <li>• Director of Economic Development and Planning</li> </ul>

Issue (from the report)	Required Action	Milestones	Due Date	Lead
<p>Work with partners to better articulate growth ambitions.</p> <p>Become a stronger voice regionally and nationally, particularly through the Local Enterprise Partnership (LEP). The council have a real opportunity to raise their profile through the LEP; stepping up to the plate to harness their relatively strong economic position to better influence and shape future work. In particular, discussions relating to the Strategic Economic Plan and Growth Deal for Lancashire.</p>	<ul style="list-style-type: none"> <li>• Attempt to gain Council representation on the LEP</li> </ul>	<ul style="list-style-type: none"> <li>• Seat on the LEP Board</li> </ul>	<ul style="list-style-type: none"> <li>• December 2018</li> </ul>	<ul style="list-style-type: none"> <li>• Council Leader</li> </ul>
<p>The council should continue to work in partnership with the other councils in the region outside of any Combined Authority if it is to realise its ambitions for the borough, particularly the LEP.</p>	<ul style="list-style-type: none"> <li>• Political Leadership and Member involvement through Lancashire Leaders</li> </ul>	<ul style="list-style-type: none"> <li>• Agreed system of collaborative working</li> </ul>	<ul style="list-style-type: none"> <li>• December 2018</li> </ul>	<ul style="list-style-type: none"> <li>• Council Leader</li> </ul>
<p><b>Explore opportunities to strengthen early engagement with developers in order to maximise community benefits, as well as opportunities to strengthen community engagement/communication in relation to development</b></p>				
<p>Through infrastructure planning and costing, the council should maximise contributions to meet infrastructure needs arising from development.</p> <p>There may be opportunities to review the pre-application offer to developers, agents and architects to strengthen current</p>	<ul style="list-style-type: none"> <li>• Absorb changes to National Planning Policy Framework (NPPF)</li> <li>• Articulate the vision for the area in terms of house building and economic development</li> </ul>	<ul style="list-style-type: none"> <li>• Outline Plan to Planning Committee</li> <li>• Discussion and debate on the extent of new development</li> </ul>	<ul style="list-style-type: none"> <li>• April/ May 2018</li> <li>• September 2018</li> </ul>	<ul style="list-style-type: none"> <li>• Head of Regeneration and Housing</li> <li>• Head of Regeneration and Housing</li> </ul>

Issue (from the report)	Required Action	Milestones	Due Date	Lead
<p>approaches, including early engagement with councillors. Holding the line on viability, particularly in the face of demands around affordable housing, is key. Recognising there is often the opportunity to adjust the housing mix and/or tenure, which can deal with some of the gap on the viability to maintain affordable housing numbers, is also important.</p> <p>Explore opportunities to develop an 'implementation group' to take a programme based approach to oversee delivery of major sites with planning permission and associated infrastructure.</p> <p>The council should continue to share learning and offer support to parishes who wish to pursue neighbourhood plans.</p>	<ul style="list-style-type: none"> <li>Review the Core Strategy</li> <li>Determine infrastructure requirements</li> <li>Consider adopting the Community Infrastructure Levy</li> </ul>	<ul style="list-style-type: none"> <li>Interim reports to Planning Committee</li> <li>Updated Core Strategy/Local Plan Review</li> </ul>	<ul style="list-style-type: none"> <li>Throughout 2018 - 2020</li> <li>March 2020</li> </ul>	<ul style="list-style-type: none"> <li>Head of Regeneration and Housing</li> </ul>
	<ul style="list-style-type: none"> <li>Support the development of neighbourhood plans</li> </ul>	<ul style="list-style-type: none"> <li>Support to be offered as required</li> </ul>	<ul style="list-style-type: none"> <li>Ongoing</li> </ul>	<ul style="list-style-type: none"> <li>Head of Regeneration and Housing</li> </ul>
<b>Strengthen engagement between the Leadership and Corporate Management Team – this includes the chairs of committees</b>				
<p>Strengthen engagement between the Leadership and Corporate Management Team in order to take the council forward positively; the council should consider a 'top team development' session to begin to shape this work going forward.</p>	<ul style="list-style-type: none"> <li>Review the Council's Governance arrangements</li> </ul>	<ul style="list-style-type: none"> <li>Conduct review of the Council's Governance arrangements</li> <li>Report to Policy and Finance Committee</li> </ul>	<ul style="list-style-type: none"> <li>September 218</li> </ul>	<ul style="list-style-type: none"> <li>CEO/ Head of Legal Services</li> </ul>
<p>To ensure continued cohesive leadership of the council in meeting the challenges ahead, the development of a standard approach to senior member and Corporate</p>	<ul style="list-style-type: none"> <li>Organise training sessions for senior members and officers</li> </ul>	<ul style="list-style-type: none"> <li>Identify training requirements</li> <li>Develop training programme</li> </ul>	<ul style="list-style-type: none"> <li>July 2018</li> </ul>	<ul style="list-style-type: none"> <li>Head of Legal Services/ Head of HR</li> </ul>

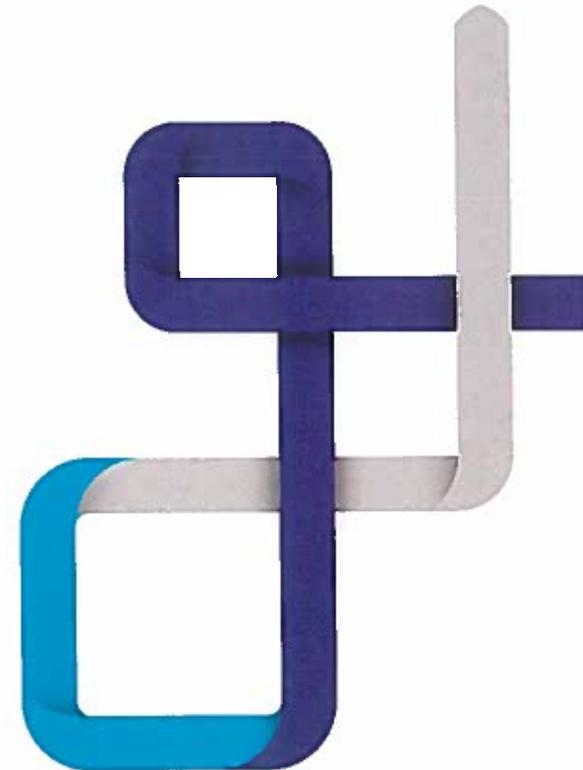
Issue (from the report)	Required Action	Milestones	Due Date	Lead
<p>Leadership Team engagement should be considered. Investing this time together will support collaborative working. This might involve regular meetings e.g. quarterly, between the Leader, committee chairs and CLT. It could also involve a future programme of 'top team days' – particularly leading up to the development of the new Corporate Strategy next year.</p> <p>The relationships between members and officers, including communication and understanding of respective roles, will be key in helping the council move forward positively. To this end, the council may benefit from re-visiting its current Member Officer protocol to ensure continued understanding and buy in across the council.</p>	<ul style="list-style-type: none"> <li>• Revisit the Officer/ Member Protocol</li> </ul>	<ul style="list-style-type: none"> <li>• Report to Accounts and Audit Committee</li> </ul>	<ul style="list-style-type: none"> <li>• July 2018</li> </ul>	<ul style="list-style-type: none"> <li>• CEO/ Monitoring Officer</li> </ul>
	<ul style="list-style-type: none"> <li>• Create a forum for two-way communications between senior members and corporate management team</li> </ul>	<ul style="list-style-type: none"> <li>• Regular meetings with CMT/Committee Chairmen</li> </ul>	<ul style="list-style-type: none"> <li>• Commencing April 2018</li> </ul>	<ul style="list-style-type: none"> <li>• CEO</li> </ul>

# Audit Findings

*Year ending 31 March 2018*

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Ribble Valley Borough Council  
13 July 2018



# Contents



Your key Grant Thornton team members are:

**Mark Heap**  
Director

T: 0161 234 6375

E: [mark.r.heap@uk.gt.com](mailto:mark.r.heap@uk.gt.com)

**Ian Pinches**  
Manager

T: 0161 234 6359

E: [ian.m.pinches@uk.gt.com](mailto:ian.m.pinches@uk.gt.com)

**Jeanette Allen**  
Executive

T: 0161 953 6341

E: [jeanette.t.allen@uk.gt.com](mailto:jeanette.t.allen@uk.gt.com)

## Section

1. Headlines
2. Financial statements
3. Value for money
4. Independence and ethics

## Page

3

4

13

15

## Appendices

- A. Fees
- B. Audit Opinion

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 for the purpose of expressing our opinion on the financial statements. 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 control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. 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.

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# Headlines

This table summarises the key issues arising from the statutory audit of Ribble Valley Borough Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2018 for those charged with governance.

<b>Financial Statements</b>	<p>Under the International Standards of Auditing (UK) (ISAs), we are required to report whether, in our opinion:</p> <ul style="list-style-type: none"><li>the Council's financial statements give a true and fair view of the Council's financial position and of the Council's expenditure and income for the year</li><li>have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.</li></ul> <p>We are also required to report whether other information published together with the audited financial statements (including the Statement of Accounts, Annual Governance Statement, and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p>	<p>Our audit work was completed on site during June and July. Our findings are summarised on pages 4 to 15. We have identified no adjustments to the financial statements that have resulted in an adjustment to the financial outturn as disclosed via the Statement of Comprehensive Income and Expenditure.</p> <p>Subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Accounts and Audit Committee meeting on 25 July 2018, as detailed in Appendix B. These outstanding items include:</p> <ul style="list-style-type: none"><li>resolving final audit queries on non-risk areas and related party transactions</li><li>carrying out our final quality controls procedures</li><li>receipt of management representation letter; and</li><li>review of the final set of financial statements.</li></ul> <p>We have concluded that the other information published with the financial statements, which includes the Statement of Accounts, Annual Governance Statement and Narrative Report, are consistent with our knowledge of your organisation and with the financial statements we have audited.</p>
<b>Value for Money arrangements</b>	<p>Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:</p> <ul style="list-style-type: none"><li>the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion')</li></ul>	<p>We have completed our risk based review of the Council's value for money arrangements. We have concluded that Ribble Valley Borough Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources.</p> <p>We therefore anticipate issuing an unqualified value for money conclusion, as detailed in Appendix B. Our findings are summarised on pages 13 to 14.</p>
<b>Statutory duties</b>	<p>The Local Audit and Accountability Act 2014 ('the Act') also requires us to:</p> <ul style="list-style-type: none"><li>report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and</li><li>certify the closure of the audit.</li></ul>	<p>We have not exercised any of our additional statutory powers or duties.</p> <p>We have completed the majority of work under the Code and expect to be able to certify the completion of the audit when we give our audit opinion.</p>

## Acknowledgements

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.

# Summary

## Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK), 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.

## Audit approach

Our audit approach was based on a thorough understanding of the Council's business and is risk based, and in particular included:

- an evaluation of the Council's internal controls environment including its IT systems and controls

- substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.

## Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Accounts and Audit Committee meeting on 25 July 2018, as detailed in Appendix B. These outstanding items include:

- resolving final audit queries on non-risk areas
- undertaking our final quality control procedures
- receipt of management representation letter; and
- review of the final set of financial statements.

## Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality calculations remains the same as reported in our audit plan.

	Council Amount (£)	Commentary
Materiality for the financial statements	£429,000	Materiality for the financial statements as a whole is calculated as a percentage of the gross revenue expenditure of the Council. Having undertaken a risk assessment we have used 2% of the benchmark.
Trivial matters	£21,000	Triviality is calculated as a percentage of the materiality for the financial statements as a whole. This has been set at 5% for the 2017/18 audit.

# Going concern

## Our responsibility

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) 570).

## Going concern commentary

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### Management's assessment process

Management has determined that the Council is a going concern, considering:

- cash flow forecasting across subsequent periods
- anticipated funding settlements in the medium term
- tax raising powers of the Council
- the lack of any communications from relevant Ministry or Secretary of State indicating no longer a going concern.

### Auditor commentary

- the Council's management have concluded that the preparation of the financial statements on a going concern basis remains appropriate
- management's processes for assessing going concern in relation to the council are considered appropriate and adequate
- key personnel involved and their respective roles are appropriate to the circumstances of the Council.

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### Work performed

We have considered the assessment and sought corroborating evidence in support of the conclusion drawn

### Auditor commentary

- we did not identify a material uncertainty in relation to the Council's ability to continue as a going concern.

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### Concluding comments

### Auditor commentary

- we have considered management's assessment of going concern as the basis for preparing the Council's accounts. As a result of this work there is no anticipated impact on our audit opinion, and our proposed opinions at Appendix B are unmodified in respect of going concern.
-

# Significant audit risks

## Risks identified in our Audit Plan

## Commentary

1

### Improper revenue recognition

Under ISA 240 (UK) there is a presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.

### Auditor commentary

Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:

- there is little incentive to manipulate revenue recognition
- opportunities to manipulate revenue recognition are very limited
- the culture and ethical frameworks of local authorities, including Ribble Valley Borough Council, mean that all forms of fraud are seen as unacceptable.

Therefore we do not consider this to be a significant risk for Ribble Valley Borough Council.

2

### Management override of controls

Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.

We identified management override of controls as a risk requiring special audit consideration.

### Auditor commentary

Having identified that this presents an inherent risk for the council, we have:

- reviewed accounting estimates, judgements and decisions made by management
- analysed and tested journal entries
- reviewed financial data and treatment of unusual significant transactions
- reviewed significant related party transactions outside the normal course of business.

Our audit work has not identified any issues in respect of management override of controls.

# Significant audit risks

Risks identified in our Audit Plan	Commentary
<p><b>3</b> <b>Valuation of property, plant and equipment</b> The Council revalues its land and buildings on a quinquennial basis to ensure that carrying value is not materially different from current value. This represents a significant estimate by management in the financial statements.</p> <p>We identified the valuation of land and buildings revaluations and impairments as a risk requiring special audit consideration.</p>	<p><b>Auditor commentary</b></p> <p>We have undertaken:</p> <ul style="list-style-type: none"> <li>• a review of management's processes and assumptions for the calculation of the estimate</li> <li>• a review of the competence, expertise and objectivity of any management experts used</li> <li>• a review of the instructions issued to valuation experts and the scope of their work</li> <li>• liaison with the Council's valuer about the basis on which the valuation was carried out, challenging key assumptions</li> <li>• a review the information used by the valuer to ensure it was robust and consistent with our understanding</li> <li>• testing of revaluations made during the year to ensure they were input correctly into the Council's asset register; and</li> <li>• an evaluation of the assumptions made by management for those assets not revalued during the year and how management satisfied themselves that these were not materially different to current value.</li> </ul> <p>Our audit work has not identified any issues in respect of revenue recognition.</p>
<p><b>4</b> <b>Valuation of pension fund net liability</b> 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 identified the valuation of the pension fund net liability as a risk requiring special audit consideration.</p>	<p><b>Auditor commentary</b></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 net liability is not materially misstated and assessed whether those controls were implemented as expected and whether they were sufficient to mitigate the risk of material misstatement</li> <li>• reviewed the competence, expertise, and objectivity of the actuary who carried out the Council's pension fund valuation</li> <li>• updated our understanding of the basis on which the IAS 19 valuation was carried out, undertaking procedures to confirm the reasonableness of the actuarial assumptions made</li> <li>• reviewed the consistency of the pension fund net liability disclosures in notes to the financial statements with the actuarial report from your actuary.</li> </ul> <p>Our audit work has not identified any issues in respect of the valuation of the pension fund net liability.</p>

# Reasonably possible audit risks

## Risks identified in our Audit Plan

## Commentary

5

### Employee remuneration

Payroll expenditure represents a significant percentage of the Council's operating expenses.

As the payroll expenditure comes from a number of individual transactions and an interface with a sub-system there is a risk that payroll expenditure in the accounts could be understated. We therefore identified completeness of payroll expenses as a risk requiring particular audit attention

### Auditor commentary

We have undertaken the following work in relation to this risk:

- documented our understanding of processes and key controls over the transaction cycle
- undertaken walkthrough of the key controls to assess whether those controls were in line with our documented understanding
- undertaken substantive analytical procedures and investigated any significant adjusting items
- agreed the payroll related accruals (e.g. unpaid leave accrual) to supporting documents and reviewed any estimates for reasonableness.

Our audit work has not identified any issues in respect of employee remuneration.

6

### Operating expenses

Non-pay expenses on other goods and services also represents a significant percentage of the Council's operating expenses. Management uses judgement to estimate accruals of un-invoiced costs.

We identified completeness of non- pay expenses as a risk requiring particular audit attention:

### Auditor commentary

We have:

- updated our understanding of the Council's process for initiating, processing, recording and reporting accounts payable invoices and other types of non-pay expenditure incurred by the Council
- tested the year-end reconciliation of the accounts payable system to the general ledger
- assessed the accruals process established by management and considered whether it is sufficient comprehensive to ensure year-end accruals are not materially misstated
- tested a sample of year end accruals and creditor balances in the year-end balance sheet to confirm they accurately reflect year-end liabilities
- tested a sample of payments made in April 2018 to confirm the associated invoices have been accounted for in the correct financial year.

Our audit work has not identified any issues in respect of operating expenditures.

# Significant matters discussed with management

This section provides commentary on the significant matters we discussed with management during the course of the audit.

Significant matter	Commentary
1 Significant events or transactions that occurred during the year	<ul style="list-style-type: none"> <li>• There were no such events that required us to raise them with management.</li> </ul>
2 Business conditions affecting the council, and business plans and strategies that may affect the risks of material misstatement	<ul style="list-style-type: none"> <li>• There were no such issues that required us to raise them with management.</li> </ul>
3 Concerns about management's consultations with other accountants on accounting or auditing matters	<ul style="list-style-type: none"> <li>• There were no such events that required us to raise them with management.</li> </ul>
4 Discussions or correspondence with management in connection with the initial or recurring appointment of the auditor regarding accounting practices, the application of auditing standards, or fees for audit or other services	<ul style="list-style-type: none"> <li>• There were no such events that required us to raise them with management.</li> </ul>
5 Significant matters on which there was disagreement with management, except for initial differences of opinion because of incomplete facts or preliminary information that are later resolved by the auditor obtaining additional relevant facts or information	<ul style="list-style-type: none"> <li>• There were no such matters that required us to raise them with management.</li> </ul>

# Accounting policies

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	Accounting Policies included at Note 2 states that activity is accounted for in the period to which it relates regardless of when the cash is paid or received.	The recognition of revenue by the Council is in line with recognised accounting guidance and in line with CIPFA's recommended approach.	 (green)
Judgements and estimates	<p>Key estimates and judgements include:</p> <ul style="list-style-type: none"> <li>• useful life of capital equipment</li> <li>• pension fund valuations and settlements</li> <li>• revaluations</li> <li>• impairments</li> <li>• PPE valuations.</li> </ul>	<ul style="list-style-type: none"> <li>• We have reviewed the estimates and judgements made in the accounts and they appear reasonable.</li> <li>• We have sample tested valuations undertaken in the year to confirm they are appropriately included in the statement of accounts.</li> <li>• We have confirmed the entries relating to the pension scheme in the accounts agree through to the actuarial valuation. We have considered the qualifications of and the work completed by the actuary to ensure we can place reliance upon the their work.</li> </ul> <p>No significant issues have been identified from this work.</p>	 (green)
Other critical policies		We have reviewed the Council's accounting policies and disclosures against the requirements of the CIPFA Code of Practice. The Council's accounting policies are appropriate and consistent with previous years.	 (green)

## Assessment

-  Marginal accounting policy which could potentially be open to challenge by regulators
-  Accounting policy appropriate but scope for improved disclosure
-  Accounting policy appropriate and disclosures sufficient

## 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.

	<b>Issue</b>	<b>Commentary</b>
①	<b>Matters in relation to fraud</b>	We have previously discussed the risk of fraud with the Accounts and Audit Committee, and have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
②	<b>Matters in relation to related parties</b>	We are not aware of any related parties or related party transactions which have not been disclosed.
③	<b>Matters in relation to laws and regulations</b>	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
④	<b>Written representations</b>	A standard letter of representation has been requested from the Council, which is included in the Committee papers.
⑤	<b>Confirmation requests from third parties</b>	We requested from management permission to send confirmation requests to Lancashire County Pension Fund auditors and the treasury management and banking counterparties of the Council. This permission was granted and the requests were sent. All of these requests were returned with positive confirmation.
⑥	<b>Disclosures</b>	Our review found no material omissions in the financial statements.

## Other responsibilities under the Code

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

Issue	Commentary
① Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Statement of Accounts, Annual Governance Statement (AGS) and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>No inconsistencies have been identified. We plan to issue an unqualified opinion in this respect – refer to appendix C.</p>
② Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> <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 other information of which we are aware from our audit</li> <li>• If we have applied any of our statutory powers or duties</li> </ul> <p>We have nothing to report on these matters.</p>
③ Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <ul style="list-style-type: none"> <li>• this work is not required as the Council does not exceed the threshold.</li> </ul>
④ Certification of the closure of the audit	<p>We intend to certify the closure of the 2017/18 audit of Ribble Valley Borough Council in the audit opinion, as detailed in Appendix C.</p>

# Value for Money

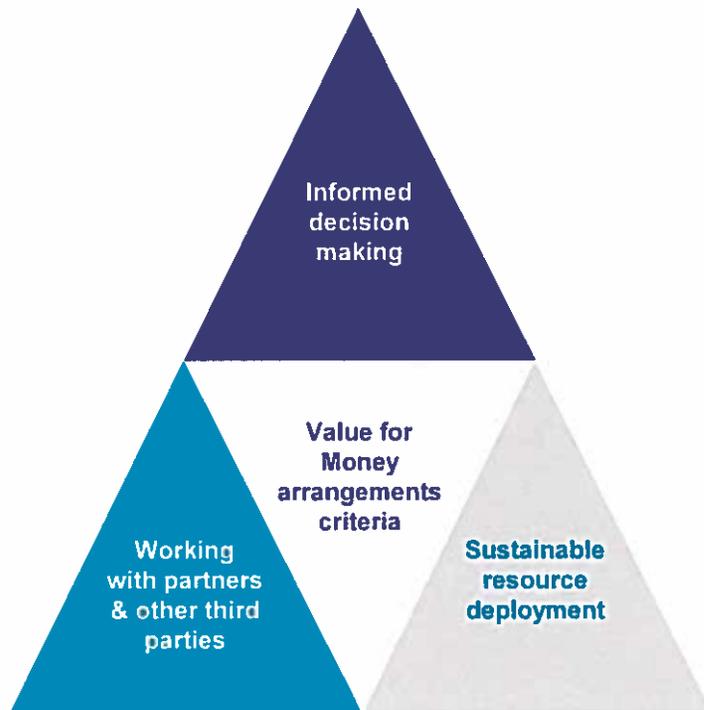
## Background to our VFM approach

The NAO issued its guidance for auditors on Value for Money work for 2017/18 in November 2017. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has proper arrangements in place.

The guidance 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."*

This is supported by three sub-criteria, as set out below:



## Risk assessment

We carried out an initial risk assessment in January and February 2018 and identified a significant risk in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated these risks to you in our Audit Plan dated 12 February 2018.

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.

We carried out further work only in respect of the significant risks we identified from our initial and ongoing risk assessment.

## Our work

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 significant risks that we identified in the Council's arrangements. In arriving at our conclusion, our main considerations were:

- the arrangements for the management and monitoring of financial performance across the Council
- the ability to make informed decisions around sustainable resource deployment.

We have set out more detail on the risks we identified, the results of the work we performed and the conclusions we drew from this work on page 14.

## Overall conclusion

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

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

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

## Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk	Findings	Conclusion
<p><b>1 Sustainable Resource Deployment</b> The Council have been able to manage the financial resources available with limited impact on front line services. However, financial plans and strategies in the medium term to 2020/21 show that the Council will need to identify and make savings in delivery as well as drawing on the available reserves. The Council needs to ensure that robust, credible plans are in place to deliver the savings required.</p>	<p>During the year the Council monitors its budget performance promptly and appropriately, reporting to the relevant committees and management for decision making, and to the Audit Committee for scrutiny of the risk management of financial performance and the related controls.</p> <p>Financial performance is clearly linked to the broader strategic objectives of the Council, and addressed in the policy and finance business plans, and mitigating actions.</p> <p>Monitoring arrangements in place at the Council enabled early identification of financial pressures in year, and identifying future challenges as part of the budget-setting process.</p>	<p><b>Auditor view</b> The Council continues to be effective in its financial management and continues to plan for sustainable use of its resources. However, there are continuing and increasing funding challenges in the local government sector which will continue to require monitoring and management by the Council and its officers.</p>

# Independence and ethics

## 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 Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, 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 Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix A.

## Audit and Non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council.

Service	£	Threats	Safeguards
<b>Audit related</b>			
Certification of Housing Benefit Subsidy	8,920	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £8,920 in comparison to the total fee for the audit of £40,202 and in particular relative to Grant Thornton UK LLP's turnover overall. These factors mitigate the perceived self-interest threat to an acceptable level.

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Council's policy on the allotment of non-audit work to your auditors.

Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

# Fees

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

## Audit Fees

	Proposed fee	Final fee
Council Audit	£40,202	£40,202
Grant Certification (Housing Benefit Subsidy)	£8,920	TBC
<b>Total audit fees (excluding VAT)</b>	<b>£49,122</b>	<b>TBC</b>

The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA). Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited. Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services'.

# 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

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Ribble Valley Borough Council (the 'Authority') for the year ended 31 March 2018 which comprise the Statement of Accounting Policies, the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the notes to the core financial statements and the Collection Fund. 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 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2018 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Who we are reporting to

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 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, 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.

### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Director of Resources' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Director of Resources has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### Other information

The Director of Resources is responsible for the other information. The other information comprises the information included in the Statement of Accounts set out on pages 8 to 139, including the Narrative Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Authority obtained in the course of our work including that gained through work in relation to the Authority's arrangements for securing value for money through economy, efficiency and effectiveness in the use of its resources or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

### Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts, the Narrative Report and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

Under the Code of Audit Practice we are required to report to you if:

- we have reported a matter in the public interest under section 24 of the Local Audit and Accountability Act 2014 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 Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Local Audit and Accountability Act 2014.

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

### Responsibilities of the Authority, the Director of Resources and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities set out on page 40 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. 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/IASAAC code of practice on local authority accounting in the United Kingdom 2017/18, which give a true and fair view and for such internal control as the Director of Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Resources is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority lacks funding for its continued existence or when policy decisions have been made that affect the services provided by the Authority.

The Audit Committee is Those Charged with Governance.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms

part of our auditor's report.

### Report on other legal and regulatory requirements - Conclusion on the Authority's 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 criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that *the Authority* put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

### Responsibilities of the Authority

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.

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

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 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.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects 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 criterion 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 2018.

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 be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

### Report on other legal and regulatory requirements - Certificate

We certify that we have completed the audit of the financial statements of the Authority in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

### TO BE SIGNED & DATED

Mark Heap  
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

4 Hardman Square  
Manchester M3 3FB  
July 2018



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# RIBBLE VALLEY BOROUGH COUNCIL

## REPORT TO ACCOUNTS AND AUDIT COMMITTEE

Agenda Item No 8

meeting date: 25 JULY 2018  
title: LETTER OF REPRESENTATION  
submitted by: DIRECTOR OF RESOURCES  
principal author: JANE PEARSON

### 1 PURPOSE

1.1 To approve the Letter of Representation for 2017/18 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 2017/18.

### 3 2017/18 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 2017/18.

DIRECTOR OF RESOURCES

AA10-18/JP/AC  
13 July 2018

For further information please ask for Jane Pearson



# RIBBLE VALLEY BOROUGH COUNCIL

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Please ask for: Jane Pearson  
Our ref: JP7-18/AC  
Your ref: 2017-18/RVBC/LOR/MH

Council Offices  
Church Walk, Clitheroe  
BB7 2RA

Tel: 01200 425111

13 July 2018

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

Dear Sirs

## **Ribble Valley Borough Council Financial Statements for the year ended 31 March 2018**

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 2018 for the purpose of expressing an opinion as to whether the Council financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 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 Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 ("the Code"); in particular the financial statements are fairly presented 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 any 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 Except as disclosed in the financial statements:
  - a there are no unrecorded liabilities, actual or contingent
  - b none of the assets of the Council has been assigned, pledged or mortgaged
  - c there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

- vii 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.
- viii Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x The financial statements are free of material misstatements, including omissions.
- xi Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xii We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiii 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**

- xiv We have provided you with:
  - a. access to all information of which we are aware that is relevant to the preparation of the Council financial statements such as records, documentation and other matters;
  - b. additional information that you have requested from us for the purpose of your audit; and
  - c. unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence.
- xv We have communicated to you all deficiencies in internal control of which management is aware.
- xvi All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xvii 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.
- xviii We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:
  - a. management;
  - b. employees who have significant roles in internal control; or
  - c. others where the fraud could have a material effect on the financial statements.
- xix We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

- xx 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.
- xxi We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.
- xxii 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**

- xxvi 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**

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

**Approval**

The approval of this letter of representation was minuted by the Council's Accounts & Audit Committee at its meeting on 25 July 2018.

Name: .....

Position: Director of Resources

Date: 26 July 2018

**Signed on behalf of Ribble Valley Borough Council**

Yours faithfully

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**

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Agenda Item No 9

meeting date: 25 JULY 2018  
title: APPROVAL OF AUDITED STATEMENT OF ACCOUNTS FOR 2017/18  
submitted by: DIRECTOR OF RESOURCES  
principal author: LAWSON ODDIE

### **1 PURPOSE**

1.1 To seek Member approval of the Statement of Accounts for 2017/18, 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 2018 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 is the first where we were 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. We also matched these new deadlines in last year's closedown process in preparation for this year's new requirements.

2.5 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.

2.6 Whilst Policy and Finance Committee considered the overall outturn position at their June meeting, the 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 2019/20 financial year, and also in revising the estimate for the current financial year.

### 3 STATEMENT OF ACCOUNTS FOR 2017/18

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:

- Amendments to introduce key reporting principles for the Narrative Report
- Clarification on the reporting requirements for accounting policies and going concern reporting

3.2 Members will be taken through the full statement of accounts for 2017/18 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 '*Understanding Local Authority Financial Statements*' which is a document produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) to assist members.

3.4 Our external auditors have now completed their audit of our accounts and we are very pleased that there have been no amendments required to the Statement of Accounts.

### 4 GENERAL FUND OUTTURN POSITION 2017/18

4.1 Shown below is the final position for the 2017/18 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	3,336	3,429	3,507	171	78
Economic Development	215	234	223	8	-11
Health & Housing	924	839	793	-131	-46
Planning & Development	567	586	425	-142	-161
Policy & Finance	1,954	1,873	1,841	-113	-32
<b>Committee Expenditure</b>	<b>6,996</b>	<b>6,961</b>	<b>6,789</b>	<b>-207</b>	<b>-172</b>
Interest Payable	8	8	8	0	0
Parish Precepts	405	405	405	0	0
Interest Received	-16	-16	-21	-5	-5
<b>Net Operating Expenditure</b>	<b>7,393</b>	<b>7,358</b>	<b>7,181</b>	<b>-212</b>	<b>-177</b>
Precept from Collection Fund (including parish precepts)	-3,681	-3,681	-3,681	0	0
Collection Fund Surplus - Council Tax	-60	-60	-60	0	0
Transition Grant	-20	-20	-20	0	0
New Homes Bonus	-1,577	-1,577	-1,577	0	0

<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>
Rural Areas Delivery Grant	-87	-87	-87	0	0
Revenue Support Grant	-304	-304	-304	0	0
Business Rates Baseline Funding	-1,265	-1,265	-1,265	0	0
Retained Rates Income	-448	-419	-419	29	0
10% Retained Business Rates Levy - Paid to LCC	50	54	66	16	12
S31 Grant	-591	-682	-903	-312	-221
Retained Rates - Renewable Energy	-29	-87	-100	-71	-13
Collection Fund Surplus - Business Rates	-45	-45	-45	0	0
<b>Deficit/(Surplus) for year before Capital Adjustments and Transfers to/(from) Earmarked Reserves</b>	<b>-664</b>	<b>-815</b>	<b>-1,214</b>	<b>-550</b>	<b>-399</b>
Depreciation	-876	-910	-910	-34	0
Minimum Revenue Provision	132	132	132	0	0
Net Transfer to/(from) earmarked reserves	1,658	1,876	2,175	517	299
<b>Deficit/(Surplus) for Year</b>	<b>250</b>	<b>283</b>	<b>183</b>	<b>-67</b>	<b>-100</b>

- 4.2 You will see we have made a deficit of £183,000 during the year, compared with the Revised Estimate which showed a deficit of £283,000, and the Original Estimate which showed a deficit of £250,000. When the Revised Estimates were considered in January we explained the main differences between the Original and Revised Estimates.

#### **Final Position Compared to the Revised Estimate**

- 4.3 During the 2017/18 financial year there were many variances that occurred which were 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:

<b>Variation</b>	<b>Committee Variance</b>	<b>Impact on Earmarked Reserves</b>	<b>Net Variance</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b><u>Expenditure Variations</u></b>			
Tuition Fees and Training Expenses	-26	0	-26
Business Rates payable on Council Properties	-11	0	-11
Vehicle Repairs and Maintenance	161	0	161
Other Vehicle Running Costs	-9	0	-9
Communications and computing	-20	4	-16

Variation	Committee Variance £'000	Impact on Earmarked Reserves £'000	Net Variance £'000
Council Tax Flood Discount	-64		-64
Promotional Activities and Statutory Notices	-19	0	-19
Printing, Stationery and Reference Books	-11	2	-9
Consultants	-10	14	4
Rent Allowance Payments	-81	0	-81
Grants Payable	-47	0	-47
<b>Total Expenditure Variances</b>	<b>-137</b>	<b>20</b>	<b>-117</b>
<b><u>Income Variations</u></b>			
Rent Allowances Grant	85		85
Storm Eva S31	64		64
Custom Self Build Grant	-30	30	0
Spring 2017 Business Rate Reliefs Grant	-12	0	-12
Various other Government Grants	-29	10	-19
Individual Electoral Registration Grant	-21	16	-5
VAT Shelter	75	-75	0
Other Grants, Reimbursements, Contributions	-16	6	-10
Planning Fees	-81		-81
Commercial Waste Income	-21	-3	-24
Edisford All Weather Pitch Income	-15		-15
Time Charged to Capital Projects	-11		-11
Elections Reserve Top-up		33	33
Flood Grants Reserve		20	20
Use of Restructuring Reserve		16	16
<b>Total Income Variances</b>	<b>-12</b>	<b>53</b>	<b>41</b>
Other Variations	-22	4	-18
<b>Net Variation on Committee Expenditure</b>	<b>-171</b>	<b>77</b>	<b>-94</b>
<b>Impact of Corporate Variances on Earmarked Reserves</b>		<b>221</b>	<b>221</b>
<b>Net Variation after Corporate Movements on Earmarked Reserves</b>	<b>-171</b>	<b>298</b>	<b>127</b>
Increased Interest Received			-5
Increased Retained Business Rates Levy – resulting in LCC 10% share increasing			12
Increased S31 Grants received in respect of business rates measures			-221
Retained Rates - Renewable Energy			-13
<b>Decrease in amount to take from balances compared to Revised Estimate</b>			<b>-100</b>

- 4.4 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**

- 4.5 As mentioned earlier in the report, we had originally planned to take £250,000 from general fund balances to help finance the 2017/18 spending plans. However, this was revised later in the year to taking £282,890 from general fund balances. The final position shows that the council has taken £182,866 from general fund balances.

<b>General Fund Balance</b>	<b>£'000</b>
<b>General Fund Balances: Brought forward at 1 April 2017</b>	<b>2,716,569</b>
Deficit in 2017/18 taken from General Fund Balances	<b>-182,866</b>
<b>General Fund Balances: Carried forward at 31 March 2018</b>	<b>2,533,703</b>

### **Earmarked Reserves**

- 4.6 With regard to earmarked reserves, in support of the revenue account and excluding capital transactions, we had originally planned to add £1,657,879. However, this was revised later in the year to adding £1,875,583 to earmarked reserves. The final position shows that the council has added £2,174,521 to earmarked reserves for revenue purposes.
- 4.7 For capital purposes we took £412,307 from earmarked reserves to fund the capital programme.
- 4.8 The overall net movement was £1,762,214 added to earmarked reserves. Full details of the movement on our earmarked reserves is shown at Annex 2

<b>Earmarked Reserves</b>	<b>£</b>
<b>Earmarked Reserves: Brought forward at 1 April 2017</b>	<b>6,785,206</b>
Net added to Earmarked Reserves for revenue purposes	<b>2,174,521</b>
Net taken from Earmarked Reserves for capital purposes	<b>-412,307</b>
<b>Earmarked Reserves: Carried forward at 31 March 2018</b>	<b>8,547,420</b>

- 4.9 Some of the larger in-year additions to earmarked reserves have been from unused in year receipt of New Homes Bonus (£783,911), Business Rates Volatility Reserve (£904,390), Business Rates Growth Reserve (£221,059) and VAT Shelter Reserve (£130,738). There have also been various other movements both in and out of our earmarked reserves.

### **Business Rates**

- 4.10 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 potential impacts.

- 4.11 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.
- 4.12 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.
- 4.13 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 £661,344. Of this 10% (£66,134) was paid to Lancashire County Council under the governance arrangements of the pool, resulting in net retained levy of £595,210 for this council.
- 4.14 Finally, there was a surplus on the Collection fund for business rates of £45,369, which the council received a share of.
- 4.15 The table below sets out the Business Rates income forecast for the year, grants received, amounts used to fund our budget and also amounts unused which have been set aside in our earmarked reserves.

<b>Business Rates Element</b>	<b>£'000</b>
Total Business Rates Income Forecast for 2017/18	-14,275
Less Payable to Central Government	7,137
Less Payable to Lancashire County Council	1,285
Less Payable to Lancashire Combined Fire Authority	143
<b>Balance Retained by Ribble Valley Borough Council</b>	<b>-5,710</b>
Less Tariff Payable to Central Government	4,026
<b>Baseline Business Rates Income of £1,265,000 plus Growth of £419,000</b>	<b>-1,684</b>
Business Rates retained on Renewable Energy Schemes	-100
Section 31 Grants	-903
Less 10% Retained Business Rates Levy Payable to Lancashire County Council	66
Plus Business Rates Collection Fund Surplus	-45
<b>Overall Net Retained Business Rates Related Income</b>	<b>-2,666</b>
<b>Business Rates Income Used In-Year</b>	
Baseline Business Rates Income	1,265
Use of Business Rates Growth	276
<b>Total Business Rates Income Used In-Year</b>	<b>1,541</b>
<b>Business Rates Unused in year of which:</b>	<b>1,125</b>
- Balance set aside in the Business Rates Volatility Earmarked Reserve	904
- Balance set aside in the Business Rates Growth Earmarked Reserve	221

- 4.16 You will see above that funds have been set aside in the Business Rates Growth Reserve in addition to the Business Rates Volatility Earmarked Reserve. At the time of setting the 2018/19 budget it was agreed that once the Business Rates Volatility Reserve reached a level equal to the Safety Net (that would have been receivable had we not been part of the pool), then any further resources not used in year would be set aside in a Business Rates Growth Reserve
- 4.17 The Business Rates Volatility Reserve has now reached the equivalent of the Safety Net Level and so we have been able to start setting aside resources in the Business Rates Growth Reserve earlier than anticipated. This will be used to support revenue expenditure and the capital programme.

### **Collection Fund**

- 4.18 As billing authority, the council maintain a separate collection fund for the collection of and distribution of council tax and business rates.
- 4.19 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.
- 4.20 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.

Full details of the Collection Fund position can be seen on page 133 of the Statement of Accounts.

### **Capital**

- 4.21 During the year the Council spent £723,401 on capital schemes. The main areas of expenditure included:
- Replacement Vehicles and Plant.
  - Improvement Works at the Council Chambers.
  - Refurbishment of Windows at the Castle Museum.
  - Play Area Improvements.
  - Payment of Grants.
- 4.22 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	447,610	457,630	353,871	-93,739	-103,759
Economic Development Committee	100,000	0	0	-100,000	0
Planning and Development Committee	0	30,200	0	0	-30,200
Policy and Finance Committee	194,700	147,700	72,272	-122,428	-75,428
Health and Housing Committee	386,000	638,690	297,258	-88,742	-341,432
<b>Total Capital Expenditure</b>	<b>1,128,310</b>	<b>1,274,220</b>	<b>723,401</b>	<b>-404,909</b>	<b>-550,819</b>
Grants and Contributions	-161,000	-536,500	-247,092	-86,092	289,408
Capital Receipts	0	0	-25,000	-25,000	-25,000
Borrowing	-250,010	-75,010	-39,003	211,007	36,007
Earmarked Reserves	-717,300	-662,710	-412,306	304,994	250,404
<b>Total Resources</b>	<b>-1,128,310</b>	<b>-1,274,220</b>	<b>-723,401</b>	<b>404,909</b>	<b>550,819</b>

4.23 As shown in the table above, comparing spend to budget, there is a variance of £550,819 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 £564,636.

4.24 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 £564,636 variance, £551,090 is accounted for as slippage in to the 2018/19 financial year, and is summarised below:

Scheme Name	Slippage in to the 2018/19 Financial Year £
Play Area Improvements	12,940
Off-Street Car Parks - Upgrade of Payment System	16,340
Castle Museum - Refurbishment of Windows	36,000
Replacement Vehicles	21,590
Ribblesdale Pool Improvement Works	6,450
Planning System Update and Portal Link	30,200
Replacement Server for Revenues and Benefits	13,500
New Council Telephone System	45,000
Civic Suite Upgrade	27,640
Disabled Facilities Grants	271,530
Landlord/Tenant Grants	49,020
Affordable Warmth Grants	20,880
<b>Total Capital Slippage</b>	<b>551,090</b>

## **Balance Sheet**

4.25 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.

4.26 The main movements on the balance sheet between 31 March 2017 and 31 March 2018 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 to a lesser extent due to the addition of assets through the capital programme.
- **Short Term Debtors** has increased mainly due to Section 31 grants that were due from the Government to the council in respect of Business Rates at the year end, but which had not been physically received.
- **Cash and Cash Equivalents** is higher at the 31 March 2018 due to a higher level of short term investments that were in place at year end (£10.151m) compared to 31 March 2017 (£8.570m)
- **Net Pension Liability** has decreased and this is mainly due to a net gain on remeasurements, which impacts on the change in the benefit obligation (liabilities) between the start and end of the year.

	<b>£'000</b>
<b>Remeasurements (liabilities)</b>	
Gain on Financial Assumptions	-2,421
<b>Remeasurements (assets)</b>	-509
<b>Net movement from remeasurements</b>	<b>-2,930</b>

- **Earmarked Reserves** are held for numerous reasons with some of the larger balances being in relation to New Homes Bonus, Business Rates and VAT Shelter and reflect future spending pressures or uncertainties for both revenue and capital. The Council continues to review the level of its earmarked reserves in order to meet its future financial pressures and also maintains a healthy level of general fund balances in light of future funding uncertainties. Earmarked reserves have increased by £1.762m at 31 March 2018 compared to the previous year end.

4.27 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.

4.28 The council has always worked to minimise the impacts of reduced government funding and will continue work to minimise the impact of future forecast reductions in government funding through the work of the Budget Working Group.

## 5 CONCLUSION

5.1 The final outturn of a **deficit of £183,000** means that we have taken £100,000 **less** from general fund balances than was estimated when we prepared the Revised Estimates.

5.2 There has also been £299,000 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, but also results from the increase in S31 grants around business rates and the set aside in the new Business Rates Growth Reserve .

5.3 In previous years our final outturn position has been such that we have added to our general fund balance. However, for 2017/18 we have needed to take £183,000 from our general fund balances

## 6 RISK ASSESSMENT

6.1 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 can only be good for the Council's reputation.
- Equality and Diversity – none

## 7 RECOMMENDED THAT COMMITTEE

7.1 Approve the audited Statement of Accounts for 2017/18.

HEAD OF FINANCIAL SERVICES

DIRECTOR OF RESOURCES

AA12-18/LO/AC

13 July 2018

# understanding local authority financial statements

2016

# \ introduction

Local authority financial statements have a key part to play in accountability to taxpayers and other stakeholders as to how public money is used. However, the complexity of the financial statements has not always helped this accountability, particularly allowing the amounts in the statements to be easily reconciled to management accounting and in-year monitoring of budgets.

The introduction of the Expenditure and Funding Analysis to the 2016/17 Code is intended to allow a clear link to be made between in-year monitoring and General Fund information and final outturn as set out in the audited financial statements, thus closing the accountability loop from budgets through to outturn.

A key to achieving the aims of the changes will be to use the information not just in the narrative section of the financial statements to explain performance during the year, but more widely to all stakeholders, including elected members as citizens' representatives, in a range of formats and media to provide a definitive position on financial performance. Local authorities are also urged to look to their balance sheets as a part of this explanation and the key messages that can be drawn out.

At the same time it is important that opportunities are taken to cut the clutter and remove immaterial disclosures or through the use of technical appendices to separate out the more complex disclosures. Working in partnership CIPFA/LASAAC will itself continue to review opportunities for improvement and explore links with other published information to ensure that the definitive position remains clear.

This briefing note is intended to help chief financial officers and other senior staff to present the financial statements to members and other stakeholders by explaining how the formats can be used to convey key information. It is also designed to give elected members and stakeholders an introduction to the format of the accounts and provide them with key questions on the financial statements.

An important element of financial reporting which will assist local authorities to tell the story of their financial performance is the narrative report (management commentary in Scotland). This report accompanies the financial statements and should provide a commentary on how the authority has used its resources to achieve desired outcomes in line with its objectives and strategies. It should provide an explanation of the main messages of financial performance, financial position and cash flows in the financial statements.

This publication includes extract financial statements to demonstrate key issues. It is important to note that the Code sets out the minimum requirements for the financial statements of the authority, but authorities are free to include more detail if they think it will help them to explain the accounts to members and other stakeholders.

This publication also highlights the opportunities to simplify presentation and make the messages clearer in a number of areas:

- comparisons with budgets (General Fund and Housing Revenue Account performance)
- reserves position, and
- cash flows.

# comparisons with budgets

For members, probably the most important issue will be whether the authority has a surplus or deficit on General Fund or Housing Revenue Account (HRA) balances against its budget for the year.

The financial statements will enable individual authorities to demonstrate performance both in the way in which they organise themselves and, more importantly, in how they budget against the General Fund to provide services.

## **The introduction of the new expenditure and funding analysis**

The financial statements primarily follow accounting standards rather than local government legislation. Although some information is provided on General Fund and HRA balances this hasn't always been easy to identify in the past. However, the new Expenditure and Funding Analysis provides users of the financial statements with more information to make that analysis (for example, by comparison with their budget reports).

The Expenditure and Funding Analysis brings together local authority performance reported on the basis of expenditure measured under proper accounting practices with statutorily defined charges to the General Fund (including the HRA).

Proper accounting practices measure the resources that have been generated and consumed in the year including such things as the use of property (depreciation) and the value of pensions benefits earned by the employees. Statutory provisions determine how much of the authority's expenditure needs to be met from council tax each year.

The Expenditure and Funding Analysis:

- shows for each of the authority's services or directorates a comparison of the net resources applied and the net charge against council tax, and
- provides an opportunity to explain significant differences between the two within the authority's framework for accountability.

The Expenditure and Funding Analysis promotes accountability and stewardship by providing a more direct link with the annual decision making process of the authority and its budget ie the General Fund. The changes are more transparent and follow the performance framework of the authority.

The Expenditure and Funding Analysis takes the net expenditure that is chargeable to taxation and rents and reconciles it to the Comprehensive Income and Expenditure Statement. To demonstrate accountability and to meet segmental reporting requirements it is necessary to reconcile to the statutory position on the General Fund balance. The service analysis for both the Expenditure and Funding Analysis and the Comprehensive Income and Expenditure Statement are now both provided in the way in which an authority organises itself and manages financial performance.

The Expenditure and Funding Analysis needs to be positioned in the financial statements where it is most accessible and relevant to its users. This means it could be placed before the main statements, to accompany the Comprehensive Income and Expenditure Statement, or even included as the first note. An authority will be able to decide for itself.

## Expenditure and Funding Analysis (extract)

The Expenditure and Funding Analysis analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's directorates/services/departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

20X0/20X1	Net Expenditure Chargeable to the General Fund and HRA Balances £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
People Directorate	47,385	898	48,283
Neighbourhoods	5,929	13,608	19,537
Business Change	30	224	254
Corporate and Central Services	19,358	833	20,191
<b>Net Cost of Services</b>	72,702	15,563	88,265
Other Income and Expenditure	(72,658)	(1,019)	(73,677)
<b>Surplus or Deficit</b>	44	14,544	14,588
Opening General Fund and HRA Balance at 31 March 20X0	(25,247)		
Less Deficit on General Fund and HRA Balance in Year	44		
<b>Closing General Fund and HRA Balance at 31 March 20x1*</b>	<b>(25,203)</b>		

\*for a split of this balance between the General Fund and the HRA – see the Movement in Reserves Statement

# comprehensive income and expenditure statement

The Comprehensive Income and Expenditure Statement shows how resources have been generated and expended in accordance with International Financial Reporting Standards. It shows whether the authority's operations resulted in a surplus or deficit. The key lines that summarise performance are highlighted below.

## Comprehensive Income and Expenditure Statement (extract)

The Comprehensive Income and Expenditure 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 [or rents]. Authorities raise taxation [and rents] 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.

Comprehensive Income and Expenditure Statement 20X0/X1	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
People Directorate	74,297	(26,014)	48,283
Neighbourhoods	58,225	(38,688)	19,537
Business Change	11,624	(11,370)	254
Corporate and Central Services	24,021	(3,830)	20,191
<b>Cost of Services</b>	<b>168,167</b>	<b>(79,902)</b>	<b>88,265</b>
Other Operating Expenditure (Note 9)	2,218	–	2,218
Financing and Investment Income and Expenditure (Note 10)	11,340	(2,359)	8,981
Taxation and Non-specific Grant Income and Expenditure (Note 11)	–	(84,876)	(84,876)
<b>(Surplus) or Deficit on Provision of Services</b>			<b>14,588</b>
(Surplus) or Deficit on Revaluation of Property, Plant and Equipment Assets			(36,597)
(Surplus) or Deficit on Revaluation of Available-for-Sale Financial Assets			(101)
Remeasurement of the Net Defined Benefit Liability (Asset)			(8,444)
<b>Other Comprehensive Income and Expenditure</b>			<b>(45,142)</b>
<b>Total Comprehensive Income and Expenditure</b>			<b>(30,554)</b>

Expenditure of continuing operations, analysed by service segment, these lines are reconciled to the General Fund in the Expenditure and Funding Analysis

Operational costs of providing the services of the authority.

Total income and expenditure of the authority for the year, this line is also reconciled to the General Fund in the Expenditure and Funding Analysis

From 2016/17 local authorities are required to report their service segments based on the way in which they operate and manage services. There is no longer a requirement for that service analysis to be based on the definition of total cost or the service expenditure analysis in the *Service Reporting Code of Practice* in the financial statements. This new format means that the service section of the Comprehensive Income and Expenditure Statement supports accountability and transparency as it reflects the way in which services operate and performance is managed.

Where an authority uses alternative service reporting formats it will need to select the presentation most commonly used by the individual or group within the authority who has the most significant role in allocating resources and assessing performance of services when considering the allocation of resources.

This format of the Comprehensive Income and Expenditure Statement is also more meaningful for both local authority members and users of the financial statements as it follows their budget and performance monitoring and other key documents such as their council tax leaflets.

Treatment of overheads will depend on an authority's arrangements for accountability. If an authority operates and manages some or all of its corporate and support services separately then these service segments would be shown separately on the face of the Comprehensive Income and Expenditure Statement and not apportioned.

The test is whether the expenditure relating to these activities is reported to key decision makers as separate activities or spread across services as overheads for the financial statements. Therefore, there is no longer an absolute requirement to apportion support service overheads to services. However, local authorities will not need to change any of their financial reporting requirements for internal management processes. Whatever you are doing internally determines the structure for external reporting statements.

The Comprehensive Income and Expenditure Statement is then split into two parts.

The first part reflects the full economic cost of providing the services of the authority with the results summarised at the Surplus or Deficit on the Provision of Services line, highlighted above. It represents the operating costs of providing the services of the authority in the year. In the private sector this would be equivalent to the profit or loss of a company.

The second part, other comprehensive income and expenditure, shows the gains or losses in the measurement of the assets and liabilities of the authority. These gains or losses arise as a result of changes in market valuations, interest rates or changes in measurement assumptions in relation to pensions assets and liabilities.

# movement in reserves statement

The Comprehensive Income and Expenditure Statement shows the income and expenditure on the authority's services in the year in accordance with International Financial Reporting Standards as adopted by the Code. However, the amount chargeable to council tax and an authority's General Fund is limited by statutory requirements and requires a number of adjustments. The statutory adjustments largely relate to arrangements for funding local authority capital expenditure or the timing with which some items are charged to council tax. The reserves of the authority represent its net worth; the usable reserves show the resources currently available to spend on services.

The movements in the financial position of the authority are summarised in the Movement in Reserves Statement.

The Movement in Reserves Statement shows how:

- the authority has generated and expended resources in the year; and
- the resourcing position is adjusted under statutory rules to show the funds available to be spent at year end.

The Movement in Reserves Statement prescriptions have been reduced to the absolute minimum in the Code. Authorities can provide additional rows to these minimum requirements if they consider that they need to do so to provide a true and fair presentation of their reserves.

## Movement in Reserves Statement (extract)

The Movement in Reserves Statement shows the movement from the start of the year to the end on the different reserves held by the authority, analysed into 'usable reserves' (ie those that can currently be used to fund expenditure or reduce local taxation) and other 'unusable' reserves. It shows how the movements in year of the authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax [or rents] for the year. The Net Increase/Decrease line shows the statutory General Fund balance and Housing Revenue Account balance movements in the year following those adjustments.

	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve* £000	Major Repairs Reserve** £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
<b>Balance at 31 March 20X0</b>	22,118	3,129	10,065	1,600	450	37,362	1,350,567	1,387,929
<b>Movement in reserves during 20X0/X1</b>								
<b>Total Comprehensive Income and Expenditure</b>	(14,983)	395	–	–	–	(14,588)	45,142	30,554
Adjustments from income & expenditure charged under the accounting basis to the funding basis	14,835	(291)	(750)	–	–	13,794	(13,794)	–
<b>Increase or (decrease) in 20X0/X1</b>	<b>(148)</b>	<b>104</b>	<b>(750)</b>	<b>–</b>	<b>–</b>	<b>(794)</b>	<b>31,348</b>	<b>30,554</b>
<b>Balance at 31 March 20X1 carried forward</b>	<b>21,970</b>	<b>3,233</b>	<b>9,315</b>	<b>1,600</b>	<b>450</b>	<b>36,568</b>	<b>1,381,915</b>	<b>1,418,483</b>

\* Capital Fund Scotland

\*\* Applicable in England Only

An overall increase in usable reserves can arise despite a loss being shown in the Comprehensive Income and Expenditure Statement where statutory provisions allow a different charge to revenue from the authority expenditure incurred (eg replacement of depreciation by minimum revenue provision (MRP)). The adjustment to usable reserves is balanced by a movement in unusable reserves.

Unusable reserves such as the Capital Adjustment Account and the Pensions Reserve with debit balances will need to be funded in the future, even if it is over a long period, so increases in these balances show an increasing burden on future taxpayers.

# balance sheet

The balance sheet in local authorities is very similar to other public sector or private sector balance sheets. The balance sheet presents an authority's financial position, ie its net resources at the financial year end. The balance sheet is composed of two main balancing parts: its net assets and its total reserves. The net assets part shows the assets the authority would have control of after settling all its liabilities. The balance of these assets and liabilities is then shown as being attributable to the various reserves of the authority.

For local authorities balance sheet presentation is split between the usable reserves and unusable reserves. Usable reserves are those which the authority can utilise to support future service provision. Unusable reserves cannot be used to support services and include gains and losses where amounts can only become available to support services if the assets are sold. These gains and losses are referred to as unrealised.

## Balance sheet (extract)

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, ie those reserves that the authority 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 the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves represents those that the authority 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	Notes	31 March 20X1 £000	
Property, plant and equipment	12	628,924	The authority's property portfolio
Highways Network Asset	13	1,028,700	The Highways Network Asset (not applicable to district councils). This will be the largest asset balance in a local highways authority balance sheet
Heritage assets	14	3,379	
Investment property	15	4,020	
Intangible assets	16	709	
Long-term investments	17	948	Long term assets ie those expected to provide benefits to the authority beyond 12 months
Long-term debtors	17	3,798	
<b>Long-term assets</b>		<b>1,670,478</b>	
Short-term investments	17	24,060	Current assets ie those anticipated to be consumed in 12 months – the normal operating cycle for the authority
Assets held for sale	22	1,409	
Inventories	18	1,769	
Short-term debtors	20	15,351	
<b>Current assets</b>		<b>42,589</b>	Reconciles to the cash and cash equivalents balance in the cash flow statement
Bank overdraft		(13,767)	
Short-term borrowing	17	(9,500)	Current liabilities ie those liabilities anticipated to be settled within 12 months
Short-term creditors	23	(21,960)	
<b>Current liabilities</b>		<b>(45,227)</b>	
Provisions	24	(4,297)	
Long-term borrowing	17	(89,733)	Long-term liabilities ie those liabilities that are anticipated to be settled beyond 12 months
Other long-term liabilities	17	(155,327)	
<b>Long-term liabilities</b>		<b>(249,357)</b>	
<b>Net assets</b>		<b>1,418,483</b>	Total assets less total liabilities

# \ reserves

Reserves – including the General Fund and (where relevant) the Housing Revenue Account – are an indication of the resources available to an authority to deliver services at the balance sheet date. The key messages that members will be looking for in terms of reserves – especially the General Fund and the HRA – are how the balances have changed over the year, whether the balances are still adequate, and what the balances mean in terms of future budgets and services.

Information on the level of reserves can be found in the balance sheet and related notes, and in the Movement in Reserves Statement (and related notes). This latter statement will be more useful in explaining the changes that have taken place during the year.

	Notes	31 March 20X1 £'000
Usable reserves	24	36,568
Unusable Reserves	25	1,381,915
		<u>1,418,483</u>

The minimum requirement in presenting resources is to include only two lines – usable reserves (such as General Fund) and unusable reserves (such as the Revaluation Reserve and the Capital Adjustment Account).

If there are some reserves you do want to show on the balance sheet, that's fine, as long as these totals are shown.

While the balance sheet aims to show those reserves over which members have control, don't forget that some of the unusable reserves will become a charge against the revenue account – or usable reserves – over time. And in some cases, such as the Unequal Pay Back Pay Account, this might be within a year or two.

As indicated above, not all reserves can be used to deliver services, and the Code reflects this by reporting reserves in two groups – 'usable' and 'unusable' reserves. Usable reserves such as the General Fund are those where members will be involved in deciding on the levels maintained, and their use. Unusable reserves such as the Revaluation Reserve and the Capital Adjustment Account are not subject to such member influence.

# cash flows

The final statement required by the Code is the cash flow statement.<sup>1</sup> The cash flow statement shows changes in cash flows of the authority during the financial year. It shows net cash flows split into three activities: operating, investing and financing. The cash flow statement shows the resulting movement in the authority's cash and cash equivalents. Cash and cash equivalents include short term investments that are readily convertible and which are subject to only insignificant risk of changes in value.

## Cash Flow Statement (extract)

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

	20X0/X1 £000	
Net (surplus) or deficit on the provision of services	14,588	Surplus or deficit taken from the Comprehensive Income and Expenditure Statement
Adjustments to net surplus or deficit on the provision of services for non-cash movements	(36,267)	
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	11,523	
Net cash flows from Operating Activities (Note 26)	(10,156)	Three groups of transactions: <ul style="list-style-type: none"> <li>■ Operating</li> <li>■ Investing</li> <li>■ Financing</li> </ul>
Investing Activities (Note 27)	(24,585)	
Financing Activities (Note 28)	35,140	
Net increase or decrease in cash and cash equivalents	399	
Cash and cash equivalents at the beginning of the reporting period	(14,166)	
<b>Cash and cash equivalents at the end of the reporting period (Note 19)</b>	<b>(13,767)</b>	Cash and cash equivalents figure in the balance sheet

<sup>1</sup> Note the format of the cash flow statement shown is produced under the indirect method.

# a checklist of questions to ask about a local authority's financial statements

To assist with the understanding of local authority financial statements a checklist about the core financial statements and the Expenditure and Funding Analysis has been included below.

<b>Checklist</b>	
<b>Expenditure and Funding Analysis</b>	
1	Have any significant differences between budget reports and net expenditure chargeable to General Fund and Housing Revenue Account balances been explained?
2	Are the major statutory adjustments clearly explained and easily understood?
<b>Comprehensive Income and Expenditure Statement</b>	
3	Is the purpose of the Comprehensive Income and Expenditure Statement clear (ie does it show actual financial performance under accounting standards before fiscal adjustments)?
4	Do the service net expenditure figures clearly demonstrate the financial performance of the services on the face of the Comprehensive Income and Expenditure Statement during the year?
5	Are the material items of income and expenditure in the Comprehensive Income and Expenditure Statement presented separately on the face of the Statement or explained in the notes?
6	Do the notes to the Comprehensive Income and Expenditure Statement provide easily understandable information relating to the Statement (or lines within the Statement)?
7	Are there any unexplained significant variances between current and previous year information?
<b>Movement in Reserves Statement</b>	
8	Can the major movements in net worth that occur within the Movement in Reserves Statement be easily identified? Are these explained within the financial statements or Narrative Report?
9	Do the opening balances in the Movement in Reserves Statement match with the closing balances of the preceding year? Are any adjustments to opening balances explained on the face of the Statement and/or in the notes?
10	Is there a clear explanation of the statutory adjustments in the adjustments from income and expenditure charged under the accounting basis to the funding basis line in the Movement in Reserves Statement? (Note this may be linked with the Expenditure and Funding Analysis.)
11	Do the entries on the statutory adjustment line net to nil?
12	Do the related notes on reserves clearly explain the line or columnar items not explained in the Statement?

## Checklist

13	Does the Total Comprehensive Income and Expenditure line in the Movement in Reserves Statement agree with the information in the Comprehensive Income and Expenditure Statement?
14	How have the balances of usable reserves moved during the year? Are these balances sufficient to support an authority's financial plans in the immediate future and over the medium term?
<b>Balance Sheet</b>	
15	Does the property, plant and equipment information tell the story of the authority's property portfolio during the year (including the major movements in that portfolio ie major disposals and acquisitions)? Do these balances reflect the authority's asset management strategy?  (Note the same question can be asked for local authorities with substantial portfolios of investment properties.)
16	For highways authorities – do the movements in the Highways Network Asset represent the transport management/investment decisions of the authority?
17	Has there been any substantial movement in the pension asset or liability? If yes, has the reason for such a movement been explained and the subsequent consequences described in the financial statements or the Narrative Report?
18	Have there been any new provisions or significant movements in provisions in the year? If yes, have the reasons for making these provisions been set out in the financial statements or any material movements been explained?
19	Have there been any significant movements in the authority's borrowings during the year? Are these movements reflected in your council's borrowing strategy and what impact will this have on the prudential indicators or future investment plans?
20	Are there any significant movements in an authority's investment portfolio? Do these agree with the plans in the authority's treasury management strategies and statutory investment plans?
21	Are there any other significant movements in balances in the balance sheet that are not clearly explained?
22	Do the balance sheet reserves agree with the totals in the Movement in Reserves Statement?
<b>Cash Flow Statement</b>	
23	Do the cash balances in the cash flow statement agree with the relevant balances in the balance sheet?
24	Are the council's cash balances reflected adequately in the council's treasury management strategies?

# reminders and questions raised on the IFRS-based code

## **IFRS – what is it?**

International Financial Reporting Standards (IFRSs) are a suite of accounting standards used across the world. The Code of Practice on Local Authority Accounting is based on IFRS standards as adapted or interpreted for local authority circumstances.

## **The pension deficit is meaningless – why do we have to show it?**

The deficit doesn't have to be funded from this year's budget, but it's still a true cost estimated by actuaries – it represents the amount that will need to be found from future budgets to pay for pension entitlements already incurred in delivering services. So it's a real call on future funding arising from past activity. Not showing this would hide the liability that the authority has incurred.

This also applies to other reserves. Like the Pension Reserve, the Capital Adjustment Account, the Unequal Pay Back Pay Account and similar reserves all do one thing: they hold expenditure that the authority has incurred but not yet financed. Think of them as being a bit like a credit card balance – these amounts will have to be funded in future, either from taxation or from usable reserves.

Concerns have been expressed that all these reserves make the balance sheet incomprehensible. But all that needs to be shown on the balance sheet itself are 'usable reserves' and 'unusable reserves' – the details can all go in a note. This will help to declutter the balance sheet.

## **The financial statements do not clearly demonstrate traditional measures of local authority performance ie General Fund and HRA balances**

The IFRS-based Code sets out that local authority financial statements are intended to be used for assessing the stewardship of local authority resources and for making economic decisions. Thus the information is intended for two purposes. The Comprehensive Income and Expenditure Statement presents information on the real economic cost of providing services in the year and it does not show the movement in General Fund and HRA balances. This reconciliation is provided in the Movement in Reserves Statement, whose bottom line shows the General Fund and HRA resources available at year end. CIPFA has reviewed options for making this even clearer. The new Expenditure and Funding Analysis brings together both the accounting measures of performance and the performance against General Fund for council tax setting purposes.

## **The accounts are too long!**

Yes, the accounts can be long, but local authorities have a complex story to tell. But notes only need to be produced if they are material – leaving out notes that aren't material or required by legislation is a good start. CIPFA/LASAAC as standard setter is continuously challenging the need to introduce disclosures and reporting requirements for local government.

## **What changes were made to the 2016/17 Code?**

CIPFA and CIPFA/LASAAC consulted widely in preparation for these changes, particularly the Telling the Story consultation in the summer of 2015. CIPFA also engaged a working group to consider a wide range of proposals for change. Following feedback from consultations from local authority accounts preparers and the work of the Working Group, the Telling the Story consultation set out proposals for change that CIPFA/LASAAC considers will reconnect the financial statements of local authorities with the way those authorities are both organised and funded.

The changes to the 2016/17 Code therefore have two main strands:

- to allow local authorities to report on the same basis as they are organised by breaking the formal link between the Service Reporting Code of Practice (SeRCOP) and the Comprehensive Income and Expenditure Statement
- to introduce a new Expenditure and Funding Analysis which provides a direct reconciliation between the way local authorities are funded and prepare their budget and the Comprehensive Income and Expenditure Statement in a way that is accessible to the lay reader. This analysis is supported by a streamlined Movement in Reserves Statement and replaces the current segmental reporting note.

The changes to the Code will for the first time allow local authorities to bring together the funding framework and the accounting framework in one analysis.

# further reading

*Financial Statements: A Good Practice Guide for Local Authorities* (CIPFA, 2013)

*Clear out the Clutter* (Public Finance, April 2014)

*Simplified Accounts: Small Isn't Always Beautiful* (Public Finance, September 2015)

*Code of Practice on Local Authority Accounting in the United Kingdom* (CIPFA, issued annually)

*Code of Practice on Local Authority Accounting in the United Kingdom: Guidance Notes for Practitioners*  
(CIPFA, issued annually)



Registered office:

77 Mansell Street, London E1 8AN

T: 020 7543 5600 F: 020 7543 5700

[www.cipfa.org](http://www.cipfa.org)

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# **Statement of Accounts**

**[Audited]**

**2017/2018**

**Ribble Valley Borough Council**

This document may 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.

 01200 425111

 [lawson.oddie@ribblevalley.gov.uk](mailto:lawson.oddie@ribblevalley.gov.uk)

 Ribble Valley Borough Council, Head of Financial Services, Church Walk,  
Clitheroe, Lancashire, BB7 2RA

# Table of Contents

<b>Independent Auditors' Report</b>	<b>5</b>
<b>Narrative Report</b>	<b>8</b>
<b>Statement of Responsibilities</b>	<b>40</b>
<b>Approval of the Statement of Accounts</b>	<b>41</b>
<b>Statement of Accounting Policies</b>	<b>42</b>
<b>Comprehensive Income and Expenditure Statement</b>	<b>62</b>
<b>Movement in Reserves Statement</b>	<b>64</b>
<b>Balance Sheet</b>	<b>66</b>
<b>Cash Flow Statement</b>	<b>68</b>
<b>Notes to the Core Financial Statements</b>	
1 Expenditure and funding analysis	69
2 Note to the expenditure and funding analysis	70
3 Expenditure and income analysed by nature	72
4 Prior period restatement of service expenditure and income	73
5 Accounting standards that have been issued but have not yet been adopted	74
6 Critical judgements in applying accounting policies	75
7 Assumptions made about the future and other major sources of estimation uncertainty	75
8 Material items of income and expense	76
9 Taxation and non-specific grant income	78
10 Events after the reporting period	79
11 Adjustments between accounting basis and funding basis under regulations	79
12 Lancashire business rates pool	85

**Table of Contents**

13	Transfers to/from earmarked reserves	86
14	Property, plant and equipment	92
15	Heritage assets	96
16	Financial instruments	97
17	Debtors	99
18	Cash and cash equivalents	99
19	Creditors	99
20	Provisions	100
21	Usable reserves	100
22	Unusable reserves	102
23	Cash flow statement – operating activities	106
24	Cash flow statement – investing activities	107
25	Cash flow statement – financing activities	107
26	Members' allowances	108
27	Officers' emoluments	108
28	External audit costs	112
29	Grant income	112
30	Related party transactions	114
31	Capital expenditure and capital financing	117
32	Leases	117
33	Defined benefit pension schemes	118
34	Contingent liabilities	126
35	Contingent assets	127
36	Nature and extent of risks arising from financial instruments	127
<b>Collection Fund</b>		<b>132</b>
<b>Glossary of Terms</b>		<b>140</b>

# 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 2017/18 (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:

- Amendments to introduce key reporting principles for the Narrative Report.
- Clarification on the reporting requirements for accounting policies and going concern reporting.

## 2 RIBBLE VALLEY DEMOGRAPHICS AND ECONOMY

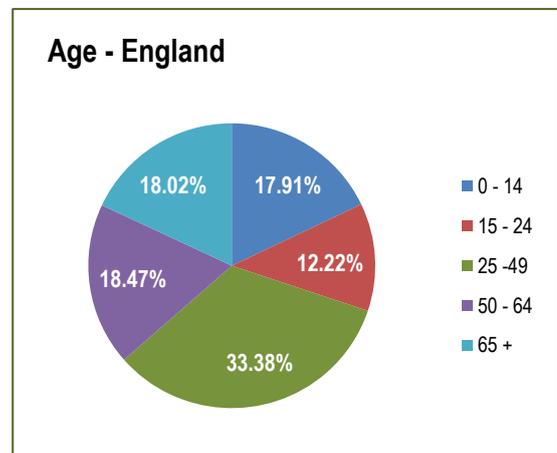
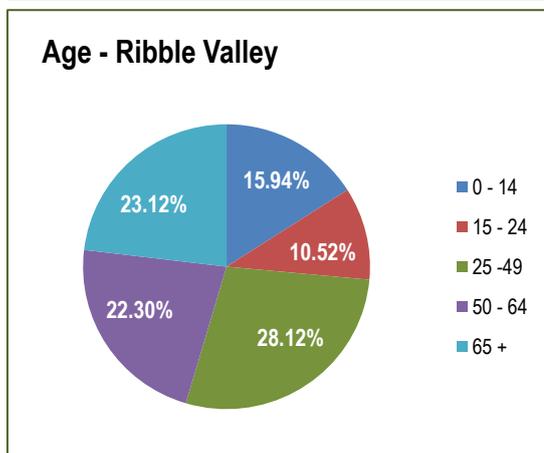
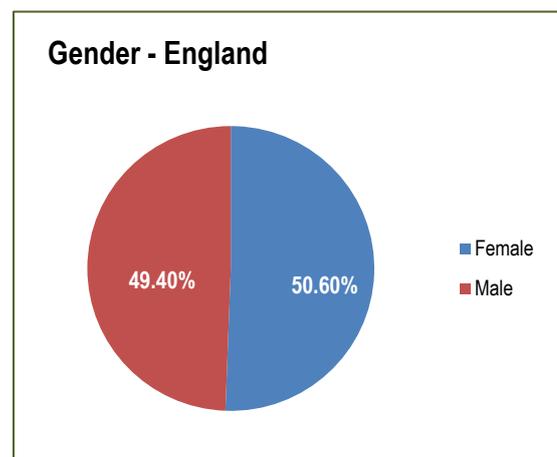
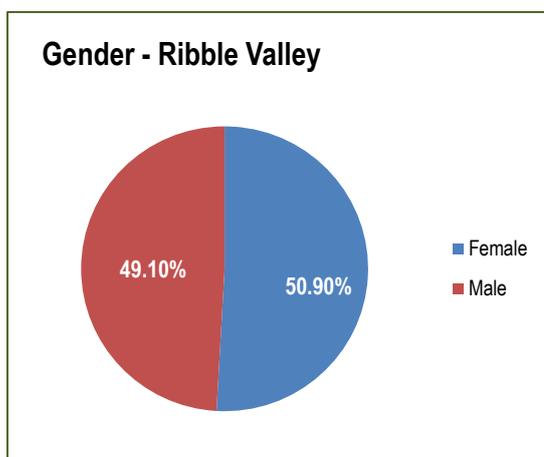
### Locality

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.

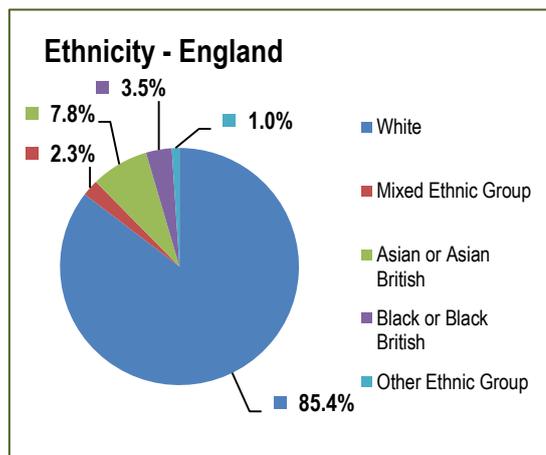
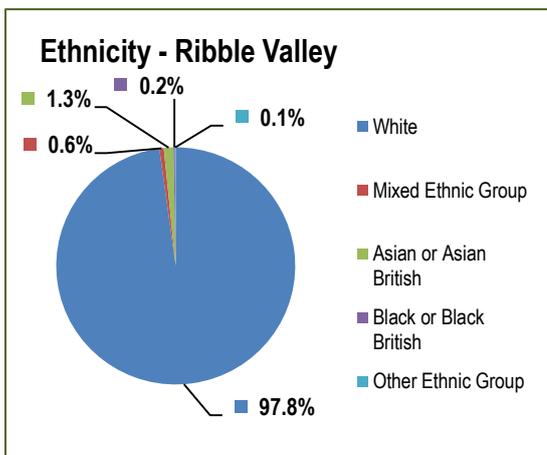
The remaining area is mainly rural, ranging from large villages to small hamlets. Some settlements are accessible along the A59 corridor; others are more remote from services and public transport. Along with ancient woodland, biological heritage sites, conservation areas and sites of special scientific 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 2016 Mid-Year Estimates for gender and age and March 2011 (Census) for Ethnicity. The total population for the borough, based on these statistics, is 58,826. The statistics for Ribble Valley are shown alongside those for England as a whole for comparison.



**Narrative Report**

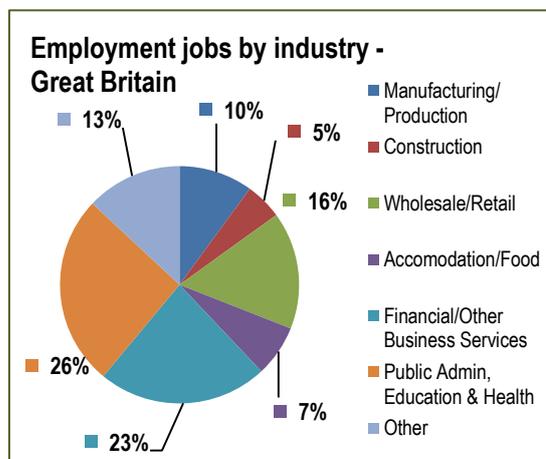
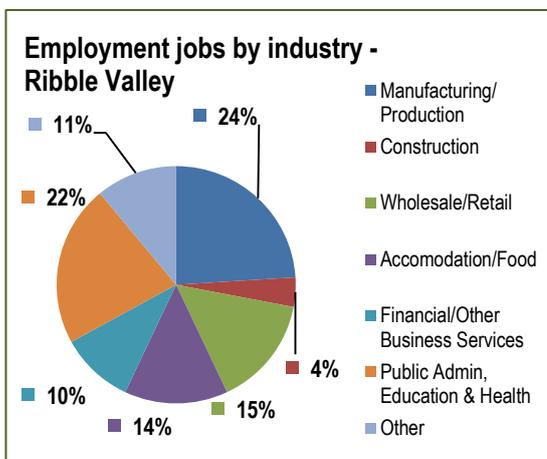


**Local Economy and Business Information**

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: Employment Jobs by Industry 2016).

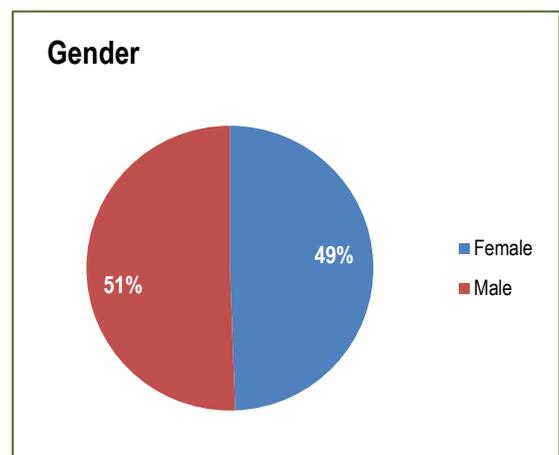
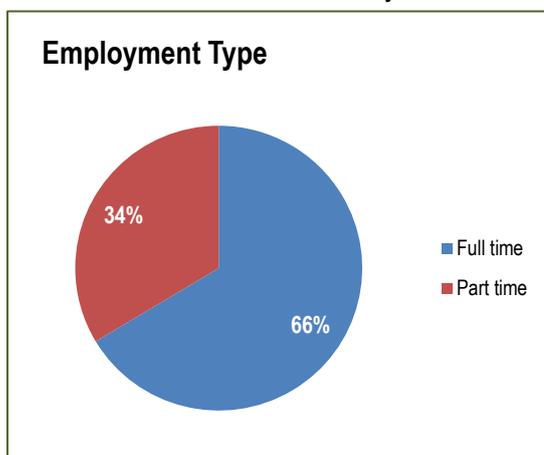


### 3 OUR EMPLOYEES

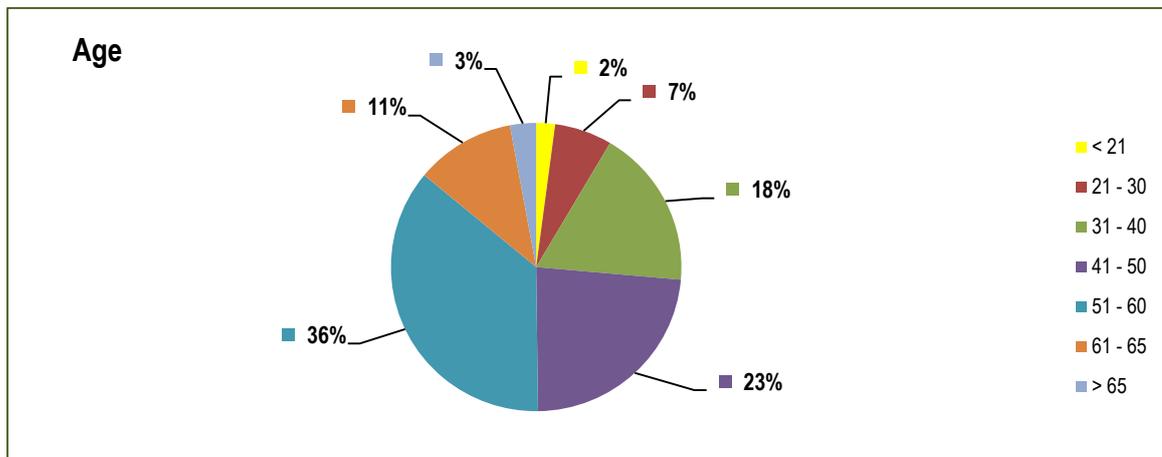
The organisational structure of the council is headed by the Corporate Management Team which consists of the Chief Executive, Director of Community Services, Director of Resources and the yet to be appointed Director of Economic Development and Planning. Each member of the Corporate Management Team has responsibility for one of the council's 4 departments. However, pending restructuring for the new Economic Development and Planning Department, staff currently sit only within the three departments of Chief Executive's Department, Community Services Department and Resources Department.



As at the 31 March 2018 the council employed 235 members of staff. The overall establishment consisted of 233 posts, of which 12 were vacant posts at 31 March. The tables below provide some information on the profile of our employees as at the end of the 2017/18 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.

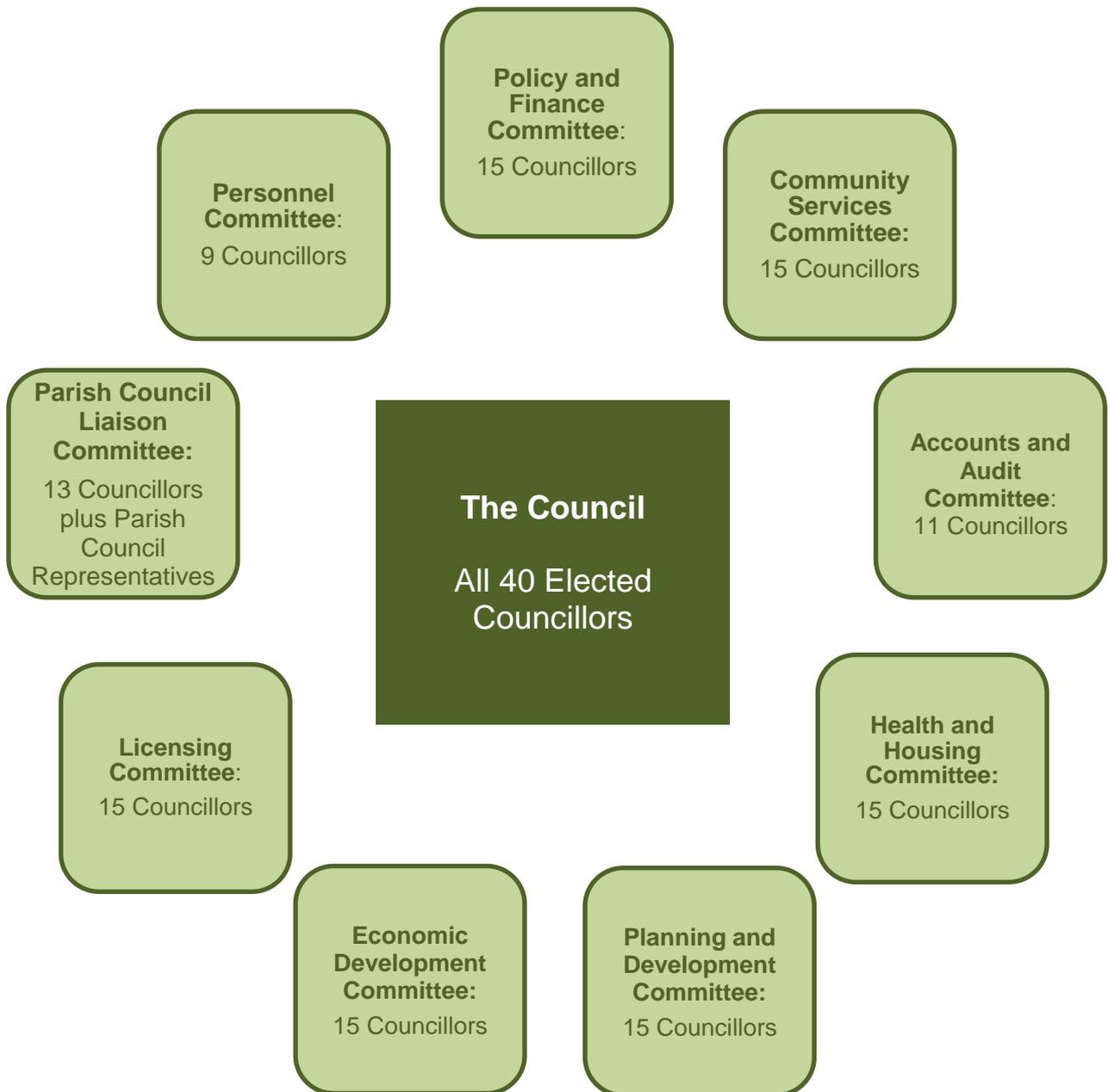
As well as representing the public, Councillors also represent political parties. Currently, our Councillors represent the following parties:

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 a Committee System.

## Narrative Report

The diagram below shows the committee structure as at the 31 March 2018, and which operated throughout the 2017/18 financial year. The new Economic Development Committee first met on the 21 September 2017.



## Narrative Report

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### 5 OUR FINANCIAL PERFORMANCE - REVENUE

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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; and
- 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	3,336	3,429	3,507	171	78
Economic Development	215	234	223	8	-11
Health & Housing	924	839	793	-131	-46
Planning & Development	567	586	425	-142	-161
Policy & Finance	1,954	1,873	1,841	-113	-32
<b>Committee Expenditure</b>	<b>6,996</b>	<b>6,961</b>	<b>6,789</b>	<b>-207</b>	<b>-172</b>
Interest Payable	8	8	8	0	0
Parish Precepts	405	405	405	0	0
Interest Received	-16	-16	-21	-5	-5
<b>Net Operating Expenditure</b>	<b>7,393</b>	<b>7,358</b>	<b>7,181</b>	<b>-212</b>	<b>-177</b>
Precept from Collection Fund (including parish precepts)	-3,681	-3,681	-3,681	0	0
Collection Fund Surplus - Council Tax	-60	-60	-60	0	0
Transition Grant	-20	-20	-20	0	0
New Homes Bonus	-1,577	-1,577	-1,577	0	0
Rural Areas Delivery Grant	-87	-87	-87	0	0
Revenue Support Grant	-304	-304	-304	0	0
Business Rates Baseline Funding	-1,265	-1,265	-1,265	0	0
Retained Rates Income	-448	-419	-419	29	0
10% Retained Business Rates Levy - Paid to LCC	50	54	66	16	12
S31 Grant	-591	-682	-903	-312	-221
Retained Rates - Renewable Energy	-29	-87	-100	-71	-13
Collection Fund Surplus - Business Rates	-45	-45	-45	0	0
<b>Deficit/(Surplus) for year before Capital Adjustments and Transfers to/(from) Earmarked Reserves</b>	<b>-664</b>	<b>-815</b>	<b>-1,214</b>	<b>-550</b>	<b>-399</b>
Depreciation	-876	-910	-910	-34	0
Minimum Revenue Provision	132	132	132	0	0
Net Transfer to/(from) earmarked reserves	1,658	1,876	2,175	517	299
<b>Deficit/(Surplus) for Year</b>	<b>250</b>	<b>283</b>	<b>183</b>	<b>-67</b>	<b>-100</b>

## Narrative Report

### 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	3,336	3,429	3,507	171	78
Economic Development	215	234	223	8	-11
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Policy & Finance	1,954	1,873	1,841	-113	-32
<b>Committee Expenditure</b>	<b>6,996</b>	<b>6,961</b>	<b>6,789</b>	<b>-207</b>	<b>-172</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	6,437	6,502	6,480	43	-22
Premises Related	1,547	1,618	1,616	69	-2
Transport Related	1,559	1,579	1,881	322	302
Supplies & Services	1,680	1,860	1,712	32	-148
Third Party Payments	352	404	402	50	-2
Transfer Payments	7,016	7,310	7,185	169	-125
Support Services	6,235	6,281	6,238	3	-43
Depreciation and Impairment	876	910	910	34	0
<b>Total Expenditure</b>	<b>25,702</b>	<b>26,464</b>	<b>26,424</b>	<b>722</b>	<b>-40</b>
Government Grants	-6,966	-7,174	-7,097	-131	77
Other Grants and Contributions	-673	-1,173	-1,135	-462	38
Customer and Client Receipts	-2,929	-2,958	-3,084	-155	-126
Recharges and Oncosts	-8,138	-8,198	-8,319	-181	-121
<b>Total Income</b>	<b>-18,706</b>	<b>-19,503</b>	<b>-19,635</b>	<b>-929</b>	<b>-132</b>
<b>Net Expenditure</b>	<b>6,996</b>	<b>6,961</b>	<b>6,789</b>	<b>-207</b>	<b>-172</b>

**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	-35
Decrease in Retained Rates Income	29
Increase in Forecast 10% Retained Levy Payable to Lancashire County Council	4
Increase in S31 Grants Receivable	-91
Increase in retained Rates from Renewable Energy	-58
Increase in amount removed for Depreciation	-34
Increase in amount set aside in Earmarked Reserves	218
<b>Net increase in amount to take from balances for the year</b>	<b>33</b>

**How our revenue services are financed**

As shown earlier our total actual net expenditure for committees was £6.789m. 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.
- 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.

## Narrative Report

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- 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.

Allowing for the above movements, the council was left with net expenditure of £8.288m 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	-3,276
Precept relating to all Parishes	-405
Collection Fund Surplus	-60
<b>Total Net Council Tax Income</b>	<b>-3,741</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 £661,344. Of this 10% (£66,134) was paid to Lancashire County Council under the governance arrangements of the pool, resulting in net retained levy of £595,210 for this council.

Finally, there was a surplus on the Collection fund for business rates, which the council receives a share of.

Business Rates Element	£'000
Total Business Rates Income Forecast for 2017/18	-14,275
Less Payable to Central Government	7,137
Less Payable to Lancashire County Council	1,285
Less Payable to Lancashire Combined Fire Authority	143
<b>Balance Retained by Ribble Valley Borough Council</b>	<b>-5,710</b>
Less Tariff Payable to Central Government	4,026
<b>Baseline Business Rates Income of £1,265,000 plus Growth of £419,000</b>	<b>-1,684</b>
Business Rates retained on Renewable Energy Schemes	-100
Section 31 Grants	-903
Less 10% Retained Business Rates Levy Payable to Lancashire County Council	66
Plus Business Rates Collection Fund Surplus	-45
<b>Overall Net Retained Business Rates Related Income</b>	<b>-2,666</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 2017/18 we received £304,319 (2016/17 £623,087)

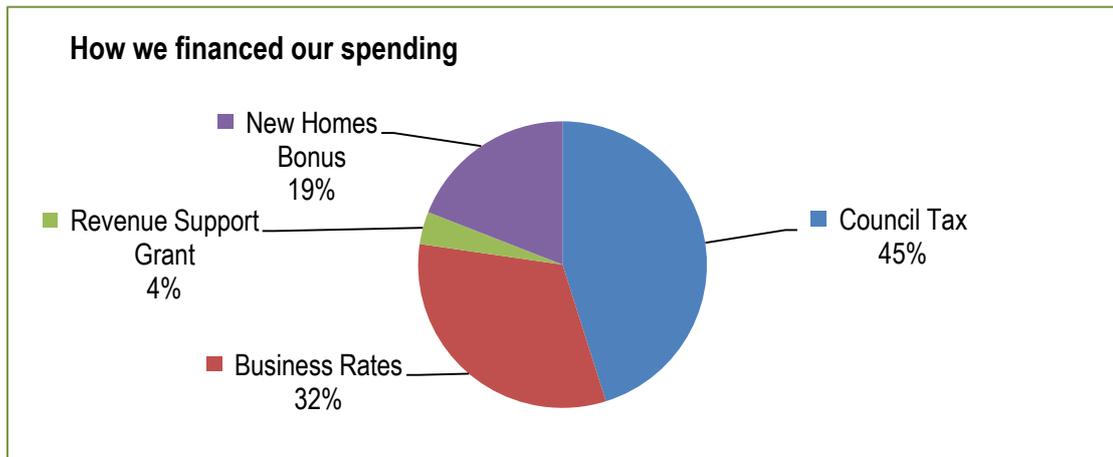
### New Homes Bonus

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.

Our allocation for 2017/18 was £1,576,990 and is shown in the table below (2016/17 £1,366,883)

New Homes Bonus	£'000
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
2017/18 Allocation - last year payable is 2020/21	-390
<b>Total New Homes Bonus received in 2017/18</b>	<b>-1,577</b>

## Narrative Report



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

During 2017/18 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>	
Tuition Fees and Training Expenses	-26
National Non Domestic Rates	-11
Vehicle Repairs and Maintenance	161
Other Vehicle Running Costs	-9
Communications and computing	-20
Council Tax Flood Discount	-64
Promotional Activities and Statutory Notices	-19
Printing, Stationery and Reference Books	-11
Consultants	-10
Rent Allowance Payments	-81
Grants	-47
<b>Total Expenditure Variances</b>	<b>-137</b>
<b><u>Income Variations</u></b>	
Rent Allowances Grant	85
Storm Eva S31	64
Custom Self Build Grant	-30

Variation	£'000
Spring 2017 Business Rate Reliefs Grant	-12
Various other Government Grants	-29
Individual Electoral Registration Grant	-21
VAT Shelter	75
Other Grants, Reimbursements, Contributions	-16
Planning Fees	-81
Commercial Waste Income	-21
Edisford All Weather Pitch Income	-15
Time Charged to Capital Projects	-11
<b>Total Income Variances</b>	<b>-12</b>
Other Variations	-23
<b>Net Variation on Committee Expenditure</b>	<b>-172</b>
Increased Interest Received	-5
<b>Variation on Net Operating Expenditure</b>	<b>-177</b>
Increased Retained Business Rates Levy – resulting in LCC 10% share increasing	12
Increased S31 Grants	-221
Retained Rates - Renewable Energy	-13
<b>Variation on Deficit/(Surplus) for Year</b>	<b>-399</b>
Extra Transfers to Earmarked Reserves (for Revenue)	299
<b>Reduction in amount to take from balances compared to Revised Estimate</b>	<b>-100</b>

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

We had originally planned to take £250,000 from general fund balances to help finance the 2017/18 spending plans. However, this was revised later in the year to taking £282,890 from general fund balances. The final position shows that the council has taken £182,866 from general fund balances.

General Fund Balance	£'000
<b>General Fund Balances: Brought forward at 1 April 2017</b>	<b>2,716,569</b>
Deficit in 2017/18 taken from General Fund Balances	-182,866
<b>General Fund Balances: Carried forward at 31 March 2018</b>	<b>2,533,703</b>

With regard to earmarked reserves, in support of the revenue account and excluding capital transactions, we had originally planned to add £1,657,879. However, this was revised later in the year to adding £1,875,583 to earmarked reserves.

## Narrative Report

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The final position shows that the council has added £2,174,521 to earmarked reserves for revenue purposes. For capital purposes we took £412,307 from earmarked reserves to fund the capital programme. The overall net movement was £1,762,214 added to earmarked reserves.

Earmarked Reserves	£
<b>Earmarked Reserves: Brought forward at 1 April 2017</b>	<b>6,785,206</b>
Net added to Earmarked Reserves for revenue purposes	2,174,521
Net taken from Earmarked Reserves for capital purposes	-412,307
<b>Earmarked Reserves: Carried forward at 31 March 2018</b>	<b>8,547,420</b>

## 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 £723,401 on capital schemes. The main areas of expenditure included:

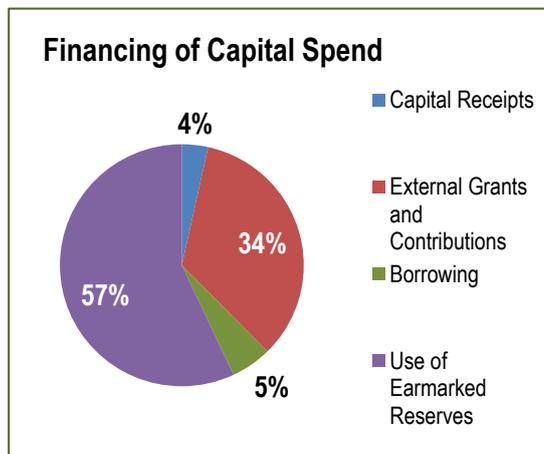
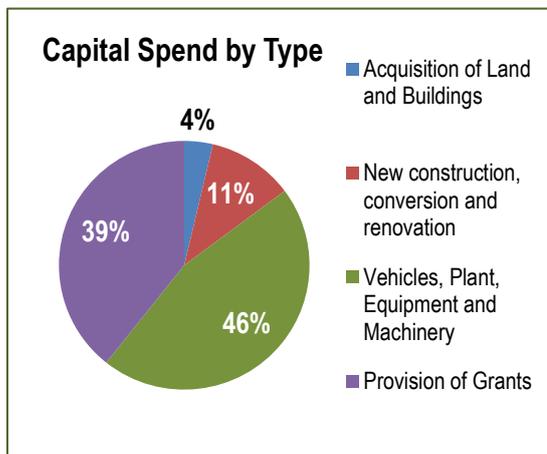
- Replacement Vehicles and Plant.
- Improvement Works at the Council Chambers.
- Refurbishment of Windows at the Castle Museum.
- Play Area Improvements.
- Payment of Grants.

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	447,610	457,630	353,871	-93,739	-103,759
Economic Development Committee	100,000	0	0	-100,000	0
Planning and Development Committee	0	30,200	0	0	-30,200
Policy and Finance Committee	194,700	147,700	72,272	-122,428	-75,428
Health and Housing Committee	386,000	638,690	297,258	-88,742	-341,432
<b>Total Capital Expenditure</b>	<b>1,128,310</b>	<b>1,274,220</b>	<b>723,401</b>	<b>-404,909</b>	<b>-550,819</b>
Grants and Contributions	-161,000	-536,500	-247,092	-86,092	289,408
Capital Receipts	0	0	-25,000	-25,000	-25,000
Borrowing	-250,010	-75,010	-39,003	211,007	36,007
Earmarked Reserves	-717,300	-662,710	-412,306	304,994	250,404
<b>Total Resources</b>	<b>-1,128,310</b>	<b>-1,274,220</b>	<b>-723,401</b>	<b>404,909</b>	<b>550,819</b>

## Narrative Report

Shown below are summaries of the type of expenditure that is represented in the £723,401 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 £550,819 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 £564,636. 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 £564,636 variance, £551,090 is accounted for as slippage in to the 2018/19 financial year, and is summarised below:

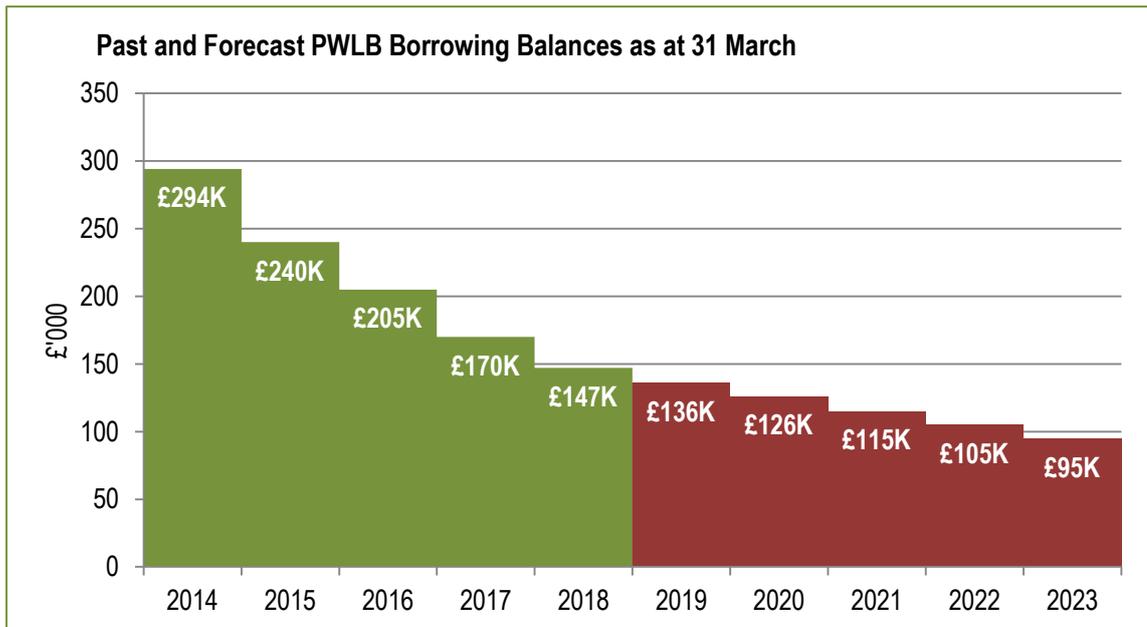
Scheme Name	Slippage in to the 2018/19 Financial Year £
Play Area Improvements	12,940
Off-Street Car Parks - Upgrade of Payment System	16,340
Castle Museum - Refurbishment of Windows	36,000
Replacement Vehicles	21,590
Ribblesdale Pool Improvement Works	6,450
Planning System Update and Portal Link	30,200
Replacement Server for Revenues and Benefits	13,500
New Council Telephone System	45,000
Civic Suite Upgrade	27,640
Disabled Facilities Grants	271,530
Landlord/Tenant Grants	49,020
Affordable Warmth Grants	20,880
<b>Total Capital Slippage</b>	<b>551,090</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 2018 was £147k. 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 16 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.



*Past actuals shown in green, forecast (based on Public Works Loan Board loans held at 31 March 2018) 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.

## Narrative Report

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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.

Performance of the Collection fund for 2017/18 is summarised in the table below, compared to the forecast performance.

## Narrative Report

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	36,338	36,338	36,338	0	0
Total Council Tax Surplus distributed	573	573	573	0	0
Council Tax Benefit	0	16	17	17	1
Bad Debts Provision	275	100	110	-165	10
<b>Expenditure Subtotal - Council Tax</b>	<b>37,186</b>	<b>37,027</b>	<b>37,038</b>	<b>-148</b>	<b>11</b>
<b>Business Rates - Expenditure</b>					
Cost of Collection	89	89	89	0	0
Enterprise Zones	21	150	257	236	107
Renewable Energy Schemes	29	88	100	71	12
Transitional Protection	24	21	37	13	16
Total Distribution of Business Rates	14,275	14,275	14,275	0	0
Total Business Rates Surplus distributed	113	113	113	0	0
Appeals Provision	400	461	-297	-697	-758
Bad Debts Provision	132	150	81	-51	-69
<b>Expenditure Subtotal - Business Rates</b>	<b>15,083</b>	<b>15,347</b>	<b>14,655</b>	<b>-428</b>	<b>-692</b>
<b>Total Expenditure</b>	<b>52,269</b>	<b>52,374</b>	<b>51,693</b>	<b>-576</b>	<b>-681</b>
<b>Council Tax - Income</b>					
Surplus Brought Forward	573	706	706	133	0
Council Tax Income	36,613	37,015	37,137	524	122
Council Tax Benefit	0	1	2	2	1
Flood Relief - Chargeable to Revenue	0	0	6	6	6
DCLG Grant	0	0	8	8	8
<b>Income Subtotal - Council Tax</b>	<b>37,186</b>	<b>37,722</b>	<b>37,859</b>	<b>673</b>	<b>137</b>
<b>Business Rates - Income</b>					
Surplus Brought Forward	113	87	87	-26	0
Net Rates Payable (before appeals)	14,970	15,197	14,662	-308	-535
<b>Income Subtotal - Business Rates</b>	<b>15,083</b>	<b>15,284</b>	<b>14,749</b>	<b>-334</b>	<b>-535</b>
<b>Total Income</b>	<b>52,269</b>	<b>53,006</b>	<b>52,608</b>	<b>339</b>	<b>-398</b>
Council Tax Surplus/(Deficit) carried forward	0	695	821	821	126
Business Rates Surplus/(Deficit) carried forward	0	-63	94	94	157
<b>Total Net Surplus/(Deficit) carried forward</b>	<b>0</b>	<b>632</b>	<b>915</b>	<b>915</b>	<b>283</b>

## Narrative Report

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### 8 OUR NON-FINANCIAL PERFORMANCE

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#### *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 2018 Perception Survey 60% 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.
- **To engage with our communities to ensure we deliver services to meet customer needs and expectations:** In the 2018 Perception Survey 59% 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 submitted plan has been withdrawn and another plan is currently in its examination process. 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. A new Director of Planning and Economic Development has been appointed.

- **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, which has been earmarked for closure by the County Council.
- **To work with our partners to ensure that the infrastructure in the Ribble Valley is improved, in order to be fit for purpose:** 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 which is due to commence in June 2018.

**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:** The British Crime Survey states that Ribble Valley is the safest place in Lancashire in which to live, and one of the safest places in the UK. The Council leads on the borough's community safety strategy, and works with partners to deliver initiatives to address its priorities. The Partnership addresses the problems around underage drinking and substance misuse through the deployment of CAN safe (Community Alcohol Network) teams (made up of police, Trading standards, Addaction & LCC) on targeted evenings to reduce risks and to protect and educate young people. This is further supported via the establishment of the Community Alcohol Partnership which aims to stop the supply of alcohol to underage young people. Working with the Road Safety team now based at Lancashire Fire and Rescue, we have engaged all Clitheroe Royal Grammar School sixth form pupils in the high impact 'Safe Drive, Stay Alive' campaign with a target of reducing the incidence of Killed and seriously injured on our roads. Working with police analysts, the Council reviews its safety priorities on a 3 yearly basis. The next review is due to be published in the autumn of 2018.

## 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 and replace boilers. 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 retain weekly collections of residual waste:** The council's weekly refuse collection and recycling service is to continue as normal despite a £430,000 cut in funding from Lancashire County Council. Councillors have agreed to protect the service after the withdrawal of recycling credits by Lancashire County Council, which is the refuse disposal authority. Recycling credits reward borough councils for collecting recyclables and are funded from savings made by county councils in taking less material to landfill.
- **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 Council carries 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 2019/20 financial year.

#### **Your Local Area**

- Health services, road and pavement repairs and the level of crime are seen to be the three most important things that make the local area a good place to live.
- 79% 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 has remained the same at 49%.
- 60% feel the Council provides value for money, down from 71% in 2016, but still higher than the County Council (26%).
- Around 6 in 10 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.

## Narrative Report

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- 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, but are also keen to receive an e-newsletter, and prefer to contact the Council by telephone or in person. There has been an increase in contact via the website/email.

### Local Community

- Perceptions of safety and anti-social behaviour in the local area are a little lower than in 2016.
- Also the perception that the police and public services are dealing with these issues successfully is down from 43% in 2016 to 30%.

### Change and Improvement

During the 2017/18 financial year the council engaged in a Corporate Peer Challenge review.

The Peer Challenge team were on site from the 20-22 November 2017 and the core components that the team looked at were the issues of leadership, governance, corporate capacity and financial resilience. In addition the agreed scope of the Peer Challenge included:

- **Promoting Local Growth:** this explored how the council might better promote Ribble Valley as a place for businesses to start up and grow. This recognises the local challenges in many people commuting out of the borough to work and sought to examine how the council might better develop the borough as a place to work, not just reside.
- **Balancing Growth and Housing:** this explored how the council could progress sustainable local development, including increasing the number of new homes (including affordable homes) being built in the context of the desire of many local people to limit the number of housing developments in the borough.

A number of interviews and focus groups were organised at the request of the peer team. The peer team also reviewed a number of the Council's policies and strategies. In summary the peer team felt that:

*“Ribble Valley Borough Council has much to be proud about. The council delivers good core services through a committed workforce achieving high levels of customer satisfaction and value for money. The council has a history of prudent financial management and remains in a comfortable position relative to the rest of the sector”.*

However, there were a number of suggestions and observations made within the report that have led to some key recommendations for the Council and it is these that are highlighted as the key areas of future change and improvement:

- **Strengthen engagement with staff and partners to ensure clarity of vision and desired outcomes in relation to the Corporate Strategy, priorities and initiatives.** The proposed development of a new plan next year provides the opportunity to do this. Early involvement and engagement relating to key initiatives and projects is paramount in fostering shared understanding and ownership. Recognising past successes and building on these will help contribute to future organisational success.
- **Review the Performance Management Framework linked to the Corporate Strategy.** This will provide an opportunity to review key goals and KPIs linked to the Plan and identify opportunities to further strengthen corporate monitoring, including the role of committees.
- **Review the resourcing of Corporate Strategy priorities.** This will include exploring capacity in key areas in order to deliver ambitions, exploring opportunities for further income generation and the council's own appetite for risk.
- **Develop an Economic Development Strategy.** A real opportunity for the council to set out its economic development ambitions linked to the Lancashire Enterprise Partnership and its own Corporate Strategy. The council is ideally placed to use its relatively strong economic position as a platform to secure greater influence and leadership both in Lancashire and the wider north-west region.
- **Explore opportunities to strengthen early engagement with developers in order to maximise community benefits, as well as opportunities to strengthen community engagement/communication in relation to development.** During the peer challenge stakeholders raised issues associated with their perception of development and associated infrastructure delivery. The council would benefit from looking at ways it might strengthen early engagement with developers and community engagement to ensure maximum benefits for communities.
- **Strengthen engagement between the Leadership and Corporate Management Team.** This includes the chairs of committees. Regular opportunities to meet will support the council

## Narrative Report

### 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.

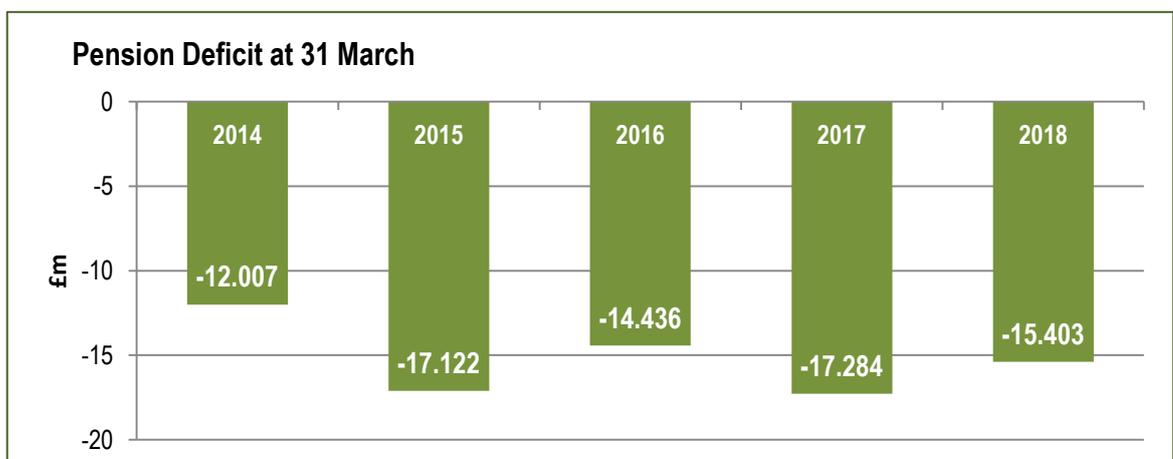
The net pension asset/liability in respect of the surplus/deficit on the pension fund, as calculated by the fund's actuary, is included in the council's balance sheet. In Ribble Valley Borough Council's case the net liability as at 31 March 2018 decreased to £15.403m (31 March 2017 £17.284m).

The reason for the decrease in net liability is mainly due to a net gain 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>	
Gain on Financial Assumptions	-2,421
<b>Remeasurements (assets)</b>	-509
<b>Net movement from remeasurements</b>	<b>-2,930</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.



**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. With regard to the proposals for the 75% 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 2018/22 uses the remaining years of the four year settlement together with a number of assumptions for future years, including 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.

	2018/19 Forecast £	2019/20 Forecast £	2020/21 Forecast £	2021/22 Forecast £
Net Expenditure	6,849,110	7,090,392	7,369,581	7,552,172
Interest Receipts	-20,000	-25,000	-30,000	-30,000
Use of Superannuation Reserve	-36,512	-36,512	-36,512	-36,512
Rural Services Grant	-107,921	-86,603	-86,603	-86,603
Use of Business Rates Growth	-475,514	-675,514	-875,514	-675,514
Use of New Homes Bonus	-1,105,000	-1,105,000	-1,105,000	-1,105,000
(Use of)/Contribution to Balances	-170,737	-250,000	-250,000	-250,000
<b>Savings Required</b>	<b>0</b>	<b>-62,642</b>	<b>-98,506</b>	<b>-298,409</b>
<b>Budget Requirement</b>	<b>4,933,426</b>	<b>4,849,121</b>	<b>4,887,446</b>	<b>5,070,134</b>
Revenue Support Grant	-109,149	108,866	250,000	250,000
Business Rates Baseline	-1,302,823	-1,331,719	-1,358,353	-1,385,520
Collection Fund (Deficit)/Surplus	-70,351	-25,000	-25,000	-25,000
<b>Precept</b>	<b>3,451,103</b>	<b>3,601,268</b>	<b>3,754,093</b>	<b>3,909,614</b>
Taxbase	22,902	23,131	23,362	23,596
<b>Band D Council Tax</b>	<b>£150.69</b>	<b>£155.69</b>	<b>£160.69</b>	<b>£165.69</b>
Projected Council Tax increase	<b>£5 max</b>	<b>£5 max</b>	<b>£5 max</b>	<b>£5 max</b>

## Narrative Report

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A balanced budget has been set for the 2018/19 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.

As can be seen in the forecast above, there are further savings required in order to ensure that the budget is balanced for the years 2019/20 to 2021/22.

It is planned that these future savings will be addressed as part of the work of the Budget Working Group and that we will continue to look to the four themes of our Efficiency Plan to find these savings.

- Encouraging growth in our taxbase.
- Encouraging business expansion and enterprise in our area.
- Continuing to deliver cost effective and efficient services.
- Reviewing the major sources of income available to the Council.

There are limitations on our ability to directly influence the level of retained business rates income and associated growth, as this is impacted on by many external factors beyond our control – not least by Government policy.

Additionally, whilst there may be growth in the number of businesses in the area, there may not be a direct correlation with growth in business rates income due to the potential award of various reliefs and discounts.

Further impacts to the level of growth that we currently enjoy will come through the resetting of the business rates baseline in 2020/21 as part of the introduction of 75% business rates retention.

With the impending introduction of 75% Business Rates Retention it is also unlikely that the Lancashire Business Rates Pool with its current format and governance arrangements would be viable after 2019/20. However, there is continued uncertainty in this area.

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 cannot 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.

We expect to continue to rely on the use of General Fund balances over the term of the above forecast at the rate of £250,000 per annum, with the exception 2018/19 which sees £170,737 budgeted to be used.

Our Earmarked Reserves will continue to be a major source of funding for the five-year capital programme and also in balancing the revenue budget.

As referred to above, there is a great deal of uncertainty around our funding beyond 2019/20 and much of this relies on the outcome of a number of consultations.

The key areas of concern are in respect of:

- 75% Business Rates Retention.
- Fair Funding Review.
- Potential Future New Homes Bonus Changes.

## 11 PRINCIPAL RISKS AND UNCERTAINTIES

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

- Outcome of Fair Funding Review.
- Longer term viability of the Lancashire Business Rates Pool.

### Availability of Staffing

- Ageing Workforce.
- Recruitment difficulties.
- Staff sickness.

### Business Rates Retention Scheme

- Unknown detail around 75% Business Rates Retention.
- Risk of large appeals.
- Potential Brexit implications on businesses.

### Business Continuity

- Major fire, flooding or utilities fault.

### ICT

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

## Narrative Report

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### Corporate Peer Challenge

- Action Plan is not met.

### 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 2018 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 2017/18 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.

**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

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# 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 2018.

Jane L Pearson  
Director of Resources CPFA  
13 July 2018

## Approval of the Statement of Accounts

I confirm that these accounts, including the Comprehensive Income and Expenditure Statement on page 63 and the Balance Sheet on page 67, were approved by the Accounts and Audit Committee at its meeting held on 25 July 2018.

Signed by:

Cllr Stuart Hirst  
Chairman of Accounts and Audit Committee  
25 July 2018

# Statement of Accounting Policies

## **1 GENERAL PRINCIPLES**

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The Statement of Accounts summarises the Council's transactions for the 2017/18 financial year and its position at the year-end of 31 March 2018. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, which 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 2017/18*, 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.

The Statement of Accounts has been prepared on a 'going concern' basis.

## **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.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

**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.

## Statement of Accounting Policies

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### 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 wholly within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (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 2.6% (2.5% 31 March 2017) 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.

**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 2018	
	Revalued Amount in Balance Sheet £	Equivalent Carrying Amount Under Cost Model £
Other Land and Buildings	14,797,075	7,271,520
Vehicles, Plant, Furniture and Equipment	1,552,437	1,552,437
Infrastructure Assets	296,581	296,581
Community Assets	1,570,006	1,556,875
Surplus Assets (Not for Sale)	77,000	65,988
<b>Total</b>	<b>18,293,099</b>	<b>10,743,401</b>

## Statement of Accounting Policies

### **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, local taxation, 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.

### 21 FAIR VALUE MEASUREMENT

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The Council measures some of its non-financial assets such as surplus assets and some of its financial instruments at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

## Statement of Accounting Policies

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When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:

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

**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

2016/17 Restated			2017/18				
Gross Expenditure £	Gross Income £	Net Expenditure £		Gross Expenditure £	Gross Income £	Net Expenditure £	Note
7,880,396	-4,346,371	3,534,025	Community Services Committee	8,348,573	-4,567,278	3,781,295	
255,897	-41,957	213,940	Economic Development Committee	298,990	-62,670	236,320	
8,129,578	-7,507,865	621,713	Health and Housing Committee	8,042,147	-7,193,211	848,936	
1,292,895	-901,921	390,974	Planning and Development Committee	1,353,974	-845,906	508,068	
3,866,584	-1,981,082	1,885,502	Policy and Finance Committee	3,548,691	-1,543,105	2,005,586	
<b>21,425,350</b>	<b>-14,779,196</b>	<b>6,646,154</b>	<b>Cost of Services</b>	<b>21,592,375</b>	<b>-14,212,170</b>	<b>7,380,205</b>	<b>1/2</b>
			<b>Other Operating Expenditure</b>				
		376,779	Payment of Precepts to Parishes			405,278	
		23,000	Pensions Administration Expenses			23,000	33
		5,750	Payment of Localisation of Council Tax Support Grant to Parishes			0	
		-59,851	Gains/Losses on the Disposal of non-Current Assets			-63,588	
			<b>Financing and Investment Income and Expenditure</b>				
		9,484	Interest Payable on Debt			7,828	
		-22,308	Investment Interest Income			-21,002	
		489,000	Net Interest on the net defined benefit liability (asset)			418,000	33
		-44,948	(Gain)/Loss on Trading Accounts			-50,783	
			<b>Taxation and Non-Specific Grant Income</b>				
		-3,644,042	Council Tax			-3,749,957	9
		-1,555,836	Non Domestic Rates Income and Expenditure			-1,765,791	9/12
		-623,087	Revenue Support Grant (RSG)			-304,319	9
		-153,000	Capital Grants and Contributions			-3,000	9
		-1,959,674	Other Non-Specific Grants			-2,586,757	9
		<b>-512,579</b>	<b>(Surplus) or Deficit on Provision of Services</b>			<b>-310,886</b>	<b>1/2</b>
		-1,163,694	(Surplus) or Deficit on Revaluation of Property, Plant and Equipment Assets			-1,787,918	
		2,145,000	Actuarial (Gains)/Losses on Pensions Assets/Liabilities			-2,930,000	33
		<b>981,306</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>-4,717,918</b>	
		<b>468,727</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>-5,028,804</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 2017/18	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 2017</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>
Total Comprehensive Income and Expenditure	-1,451,328	1,762,214	<b>310,886</b>			<b>310,886</b>	4,717,918	<b>5,028,804</b>
Adjustments between Accounting Basis and Funding Basis Under Regulations <i>See Note 11</i>	1,268,462		<b>1,268,462</b>	107,741	38,588	<b>1,414,791</b>	-1,414,791	<b>0</b>
<b>Increase/Decrease in Year</b>	<b>-182,866</b>	<b>1,762,214</b>	<b>1,579,348</b>	<b>107,741</b>	<b>38,588</b>	<b>1,725,677</b>	<b>3,303,127</b>	<b>5,028,804</b>
<b>Balance at 31 March 2018 Carried Forward</b>	<b>2,533,703</b>	<b>8,547,420</b>	<b>11,081,123</b>	<b>305,428</b>	<b>842,867</b>	<b>12,229,418</b>	<b>376,464</b>	<b>12,605,882</b>

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 11</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>

**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 2017 £		31 March 2018 £	Note
<b>Long Term Assets</b>			
16,965,202	Property, Plant and Equipment	18,293,099	14
892,392	Heritage Assets	892,392	15
23,420	Intangible Assets	2,395	
294,155	Long Term Debtors	280,044	16
<b>18,175,169</b>	<b>Total Long Term Assets</b>	<b>19,467,930</b>	
<b>Current Assets</b>			
10,000	Financial Asset Held for Sale	10,000	16
0	Assets Held for Sale	9,750	
57,587	Inventories	75,388	
1,768,618	Short Term Debtors	1,975,560	7/16/17
8,570,278	Cash and Cash Equivalents	10,151,387	16/18
<b>10,406,483</b>	<b>Total Current Assets</b>	<b>12,222,085</b>	
<b>Current Liabilities</b>			
-30,393	Short Term Borrowing	-17,893	
-3,036,527	Short Term Creditors	-3,138,979	16/19
-507,560	Provisions	-388,560	7/20
<b>-3,574,480</b>	<b>Total Current Liabilities</b>	<b>-3,545,432</b>	
<b>Long Term Liabilities</b>			
-146,770	Long Term Borrowing	-136,377	
-17,283,324	Net Pensions Liability	-15,402,324	7/33
<b>-17,430,094</b>	<b>Total Long Term Liabilities</b>	<b>-15,538,701</b>	
<b>7,577,078</b>	<b>Net Assets</b>	<b>12,605,882</b>	
<b>Usable Reserves</b>			
2,716,569	General Fund Balance	2,533,703	21
6,785,206	Earmarked General Fund Reserves	8,547,420	13
804,279	Usable Capital Receipts Reserve	842,867	
197,687	Capital Grants Unapplied	305,428	
<b>10,503,741</b>	<b>Total Usable Reserves</b>	<b>12,229,418</b>	
<b>Unusable Reserves</b>			
7,044,683	Capital Adjustment Account	6,880,184	22
107,926	Collection Fund Adjustment Account	120,613	
7,256,758	Revaluation Reserve	8,830,697	
-17,283,324	Pension Reserve	-15,402,324	33
-52,706	Accumulated Absences Account	-52,706	
<b>-2,926,663</b>	<b>Total Unusable Reserves</b>	<b>376,464</b>	
<b>7,577,078</b>	<b>Total Reserves</b>	<b>12,605,882</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.

2016/17 £		2017/18 £	Note
-512,579	Net (Surplus) or Deficit on the Provision of Services	-310,886	
-859,138	Adjustments to Net Surplus or Deficit on the Provision of Services for Non-Cash Movements	-1,343,298	23
59,233	Adjustments for Items Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities	63,588	23
<b>-1,312,484</b>	<b>Net Cash Flows from Operating Activities</b>	<b>-1,590,596</b>	<b>23</b>
-64,631	Investing Activities	-212,127	24
-961,677	Financing Activities	221,614	25
<b>-2,338,792</b>	<b>Net Increase or decrease in Cash and Cash Equivalents</b>	<b>-1,581,109</b>	
6,231,486	Cash and Cash Equivalents 1 April	8,570,278	
<b>8,570,278</b>	<b>Cash and Cash Equivalents 31 March</b>	<b>10,151,387</b>	<b>18</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.

2017/18	Net Expenditure Chargeable to the General Fund £	Adjustments between the Funding and Accounting Basis £	Net Expenditure in the Comprehensive Income and Expenditure Statement £
Community Services Committee	3,507,146	274,149	3,781,295
Economic Development Committee	223,163	13,157	236,320
Health and Housing Committee	793,032	55,904	848,936
Planning and Development Committee	424,605	83,463	508,068
Policy and Finance Committee	1,840,901	164,685	2,005,586
<b>Net Cost of Services</b>	<b>6,788,847</b>	<b>591,358</b>	<b>7,380,205</b>
Other Income and Expenditure	-8,368,195	677,104	-7,691,091
<b>(Surplus) or Deficit</b>	<b>-1,579,348</b>	<b>1,268,462</b>	<b>-310,886</b>
Opening General Fund Balance at 31 March 2017	-9,501,775		
<b>Closing General Fund Balance as at 31 March 2018</b>	<b>-11,081,123</b>		

## Notes to the Core Financial Statements

2016/17 - Restated	Net Expenditure Chargeable to the General Fund £	Adjustments between the Funding and Accounting Basis £	Net Expenditure in the Comprehensive Income and Expenditure Statement £
Community Services Committee	3,414,520	119,505	3,534,025
Economic Development Committee	209,590	4,350	213,940
Health and Housing Committee	663,537	-41,824	621,713
Planning and Development Committee	364,878	26,096	390,974
Policy and Finance Committee	1,811,065	74,437	1,885,502
<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>		

## 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 Expenditure Statement.

2017/18	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	3,507,146		274,149		<b>3,781,295</b>
Economic Development Committee	223,163		13,157		<b>236,320</b>
Health and Housing Committee	793,032	-81,241	86,363	50,782	<b>848,936</b>
Planning and Development Committee	424,605		83,463		<b>508,068</b>
Policy and Finance Committee	1,840,901	13,817	150,868		<b>2,005,586</b>
<b>Net Cost of Services</b>	<b>6,788,847</b>	<b>-67,424</b>	<b>608,000</b>	<b>50,782</b>	<b>7,380,205</b>
Other Income and Expenditure	-8,368,195	299,574	441,000	-63,470	<b>-7,691,091</b>
<b>(Surplus) or Deficit</b>	<b>-1,579,348</b>	<b>232,150</b>	<b>1,049,000</b>	<b>-12,688</b>	<b>-310,886</b>

## Notes to the Core Financial Statements

2016/17 - Restated	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	3,414,520	33,279	86,226		<b>3,534,025</b>
Economic Development Committee	209,590		4,349		<b>213,939</b>
Health and Housing Committee	663,537	-112,773	26,001	44,948	<b>621,713</b>
Planning and Development Committee	364,878		26,097		<b>390,975</b>
Policy and Finance Committee	1,811,065	26,110	48,327		<b>1,885,502</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	<b>-7,158,733</b>
<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>

**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 EXPENDITURE AND INCOME ANALYSED BY NATURE

This note categorises all the elements of the Comprehensive Income and Expenditure Statement between income and expenditure to arrive at the (Surplus) or Deficit on Provision of Services.

2016/17 £	2017/18 £
<b>Expenditure</b>	
7,043,441	7,610,567
Employee Expenditure	
13,893,477	13,484,359
Other Service Expenses	
802,690	842,882
Depreciation, Amortisation and Impairment	
5,750	0
Payment of Localisation of Council Tax Support to Parishes	
23,000	23,000
Pensions Administration Costs	
9,484	7,828
Interest Payments	
376,779	405,278
Precepts and Levies	
<b>22,154,621</b>	<b>22,373,914</b>
<b>Total Expenditure</b>	
<b>Income</b>	
-5,291,274	-5,654,262
Fees and Charges and Other Service Income	
-59,851	-63,588
Gain or Loss on Disposal of Non-Current Assets	
-5,199,878	-5,515,748
Income from Council Tax and Business Rates	
-12,093,889	-11,430,200
Government Grants, Contributions and Donations	
-22,308	-21,002
Interest and Investment Income	
<b>-22,667,200</b>	<b>-22,684,800</b>
<b>Total Income</b>	
<b>-512,579</b>	<b>-310,886</b>
<b>(Surplus) or Deficit on Provision of Services</b>	

**4 PRIOR PERIOD RESTATEMENT OF SERVICE EXPENDITURE AND INCOME**

The 2017/18 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 which follows our Committee structure.

During the 2017/18 financial year a new Economic Development Committee was introduced, which took a number of reportable services from the Community Services Committee and also the Policy and Finance Committee.

The following adjustments have been required to the 2016/17 Comprehensive Income and Expenditure Statement in order to allow comparability to the 2017/18 financial year

Gross Expenditure 2016/17 as Previously Reported £	Adjustments Required £	Restated Gross Expenditure 2016/17 Following Adjustments £	
7,994,500	-114,104	<b>7,880,396</b>	Community Services Committee
	255,897	<b>255,897</b>	Economic Development Committee
8,129,578		<b>8,129,578</b>	Health and Housing Committee
1,292,895		<b>1,292,895</b>	Planning and Development Committee
4,008,377	-141,793	<b>3,866,584</b>	Policy and Finance Committee
<b>21,425,350</b>	<b>0</b>	<b>21,425,350</b>	<b>Cost of Services</b>

Gross Income 2016/17 as Previously Reported £	Adjustments Required £	Restated Gross Income 2016/17 Following Adjustments £	
-4,360,363	13,992	<b>-4,346,371</b>	Community Services Committee
	-41,957	<b>-41,957</b>	Economic Development Committee
-7,507,865		<b>-7,507,865</b>	Health and Housing Committee
-901,921		<b>-901,921</b>	Planning and Development Committee
-2,009,047	27,965	<b>-1,981,082</b>	Policy and Finance Committee
<b>-14,779,196</b>	<b>0</b>	<b>-14,779,196</b>	<b>Cost of Services</b>

## Notes to the Core Financial Statements

Net Expenditure 2016/17 as Previously Reported £	Adjustments Required £	Restated Net Expenditure 2016/17 Following Adjustments £	
3,634,137	-100,112	<b>3,534,025</b>	Community Services Committee
	213,940	<b>213,940</b>	Economic Development Committee
621,713		<b>621,713</b>	Health and Housing Committee
390,974		<b>390,974</b>	Planning and Development Committee
1,999,330	-113,828	<b>1,885,502</b>	Policy and Finance Committee
<b>6,646,154</b>	<b>0</b>	<b>6,646,154</b>	<b>Cost of Services</b>

## 5 ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED

At the balance sheet date the following new standards and amendments to existing standards have been published but not yet adopted by the Code of Practice of Local Authority Accounting in the United Kingdom:

- IFRS 9 Financial Instruments, which introduces extensive changes to the classification and measurement of financial assets, and a new “expected credit loss” model for impairing financial assets. The impact will be to reclassify assets currently classified as loans and receivables, and available for sale to amortised cost and fair value through other comprehensive income respectively based on the contractual cashflows and business model for holding the assets. There are not expected to be any changes in the measurement of financial assets. Assessment of the Council’s financial assets does not anticipate any impairment.
- IFRS 15 Revenue from Contracts with Customers presents new requirements for the recognition of revenue, based on a control-based revenue recognition model. It is not expected that this change will have a material effect on the Council’s Statement of Accounts.
- IAS 7 Statement of Cash Flows (Disclosure Initiative) will potentially require some additional analysis of Cash Flows from Financing Activities in future years. It is not expected that this change will have a material effect on the Council’s Statement of Accounts.
- IAS 12 Income Taxes (Recognition of Deferred tax Assets for Unrealised Losses) applies to deferred tax assets related to debt instruments measured at fair value. This will have no impact on this council as it only applies to group accounts.

## Notes to the Core Financial Statements

**6 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 continues to be a high degree of uncertainty about the future levels of funding for local government. 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.

**7 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 2018 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 2018 was £15.403m. 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 2018:</b> deficit would be £14.350m</li> <li><b>+0.1% p.a. inflation as at 31 March 2018:</b> deficit would be £16.474m</li> <li><b>+0.1% p.a. pay growth as at 31 March 2018:</b> deficit would be £15.571m</li> <li><b>1 year addition to members' life expectancy as at 31 March 2018:</b> deficit would be £16.652m</li> </ul>

## Notes to the Core Financial Statements

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
<b>Arrears</b>	At 31 March 2018, the Council had a balance of sundry debtors of £582,620 (including overpaid housing benefits). A review of significant balances suggested that an impairment of doubtful debts of £170,394 (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 £17,039
<b>Business Rates Appeals Provision</b>	At the 31 March the Council made a provision on the Collection Fund of £971,400 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 £388,560 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 £97,140 in total or a £38,856 share for this council.

## 8 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 2017/18 £6.63m was paid out (£6.91m in 2016/17), 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 £6.67m was received from the Department for Work and Pensions in 2017/18 (£6.97m in 2016/17).

### 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 2017/18 the Council received £430,341 cost sharing income which was reduced by £63,585 due to the paper and cardboard penalty. This resulted in net cost sharing income of £366,756 (In 2016/17 - £430,341 cost sharing income which was reduced by £121,491 due to the paper and card penalty, resulting in net cost sharing income of £308,850).

**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 2017/18 the council received £361,287 in income from chargeable car parks (in 2016/17 chargeable car park income was £339,652). 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 MHCLG (formerly DCLG), via Lancashire County Council. In 2017/18 the council paid grants totalling £194,391 (£553,564 in 2016/17) to householders and £54,696 (£81,560 in 2016/17) to businesses under the scheme.

**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 2017/18 the council received £592,313 in planning application fees, which help fund the provision of the service. (£586,601 in 2016/17).

On 21 February 2017 the Government wrote to all planning authorities with an offer to increase planning fees by 20% with the proviso that the increased income raised should be invested in their planning departments. We accepted the Government's offer and started charging the increased fee from 17 January 2018.

**Business Rates Section 31 Grants**

The council receives a number of grants, known as Section 31 Grants from MHCLG (formerly DCLG), in compensation for business rates income lost as a result of measures introduced by the Government. In 2017/18 the Council received £902,819 through various business rates Section 31 grants (£462,250 in 2016/17).

## Notes to the Core Financial Statements

**9 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**

	2016/17 £	2017/18 £
Ribble Valley Borough Council Precept	-3,208,677	-3,275,257
Precept Relating to Parishes	-376,779	-405,278
Surplus Received in Year (Declared January Prior to Start of Year)	-47,809	-59,557
Movement on Collection Fund (Surplus) at Year End	-10,777	-9,865
<b>Total Council Tax</b>	<b>-3,644,042</b>	<b>-3,749,957</b>

**Non-Domestic Rates Income and Expenditure**

	2016/17 £	2017/18 £
Ribble Valley Borough Council Share of Business Rates Income	-5,940,126	-5,710,120
Less Tariff Payable to Central Government	4,361,492	4,026,300
10% Retained Levy Payable to Lancashire County Council under Business Rates Pooling Arrangements	37,613	66,134
(Surplus)/Deficit Payment in Year (Declared January Prior to Start of Year)	420,692	-45,369
Movement on Collection Fund Deficit/(Surplus) at Year End	-402,826	-2,822
Business Rates Retained on Renewable Energy Schemes	-32,681	-99,914
<b>Overall Net Retained Business Rates Related Income</b>	<b>-1,555,836</b>	<b>-1,765,791</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 2017/18 we received £304,319 (2016/17 £623,087).

**Capital Grants and Contributions**

	2016/17 £	2017/18 £
Sport England	-150,000	
Longridge Town Council	-3,000	-3,000
<b>Total Capital Grants and Contributions</b>	<b>-153,000</b>	<b>-3,000</b>

## Notes to the Core Financial Statements

Other Non-Specific Grants

	2016/17 £	2017/18 £
New Homes Bonus	-1,366,884	-1,576,990
New Homes Bonus - Returned Funding	-2,862	
Rural Areas Delivery Grant	-107,254	-86,603
Transition Grant	-20,424	-20,345
Business Rates Section 31 Grants		
Small Business Rates Relief (SBRR) Scheme	-420,254	-794,294
SBRR on Existing Properties where 2nd Property is Occupied	-3,352	-8,240
'New Empty' Properties	0	-9
'Long Term Empty' Properties	-7,725	-22
Retail Relief	474	609
Flooding Relief	-3,234	-196
In Lieu of transitional Relief	-4,830	
Multiplier Cap	-23,329	-31,816
Discretionary Scheme		-37,490
Pub Relief Scheme		-17,069
Rural Rate Relief		-8,412
Supporting Small Businesses		-5,880
<b>Other Non-Specific Grants</b>	<b>-1,959,674</b>	<b>-2,586,757</b>

**10 EVENTS AFTER THE REPORTING PERIOD**

The Statement of Accounts was authorised for issue on the 31 May 2018. 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 2018, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

**11 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.

## Notes to the Core Financial Statements

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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 2017/18	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	889,263			-889,263
Revaluation losses on Property Plant and Equipment (Charged to surplus or Deficit on Provision of Services)				0
Amortisation of Intangible Assets	21,025			-21,025
Capital Grants and Contributions Applied	-62,427			62,427
Revenue Expenditure Funded from Capital Under Statute	284,408			-284,408
<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	-131,820			131,820
Capital expenditure charged against General Fund Balances	-412,306			412,306
<b>Adjustments primarily involving the Capital Grants Unapplied Account</b>				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-292,406	292,406		
Application of grants to capital financing transferred to the Capital Adjustment Account		-184,665		184,665
<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	-63,588		63,588	
Use of Capital Receipts to Finance New Capital Expenditure			-25,000	25,000
Contribution from the Capital Receipts Reserve towards administrative cost of Non-Current asset disposals				

## Notes to the Core Financial Statements

Movements in 2017/18	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	2,058,000			-2,058,000
Employer's pensions contributions and direct payments to pensioners payable in the year	-1,009,000			1,009,000
<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 income collected for the year in accordance with statutory requirements	-12,687			12,687
<b>Total Adjustments</b>	<b>1,268,462</b>	<b>107,741</b>	<b>38,588</b>	<b>-1,414,791</b>

## 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
<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	

## 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>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

**12 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 Housing, Communities and Local Government and the retained levy in Lancashire has been distributed as follows:

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

With regard to this council, the total retained levy is £661,344 (£376,131 in 2016/17), hence under pooling we have benefitted from extra income of £595,210 (£338,518 in 2016/17). Lancashire County Council has received the remaining 10% of retained levy.

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

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

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

Lancashire Business Rates Pool Members 2017/18	Authority Type	Tariffs and Top-Ups in Respect of 2017/18 £	Retained Levy on Growth 2017/18 £	10% Retained Levy Payable to/received by Lancashire County Council £	Net Retained Levy 2017/18 £
Chorley Borough Council	Tariff	6,073,147	-843,563	84,356	-759,207
Fylde Borough Council	Tariff	7,565,517	-664,723	66,472	-598,251
Hyndburn Borough Council	Tariff	3,706,620	-432,570	43,257	-389,313
Pendle Borough Council	Tariff	3,164,521	-518,196	51,820	-466,376
Ribble Valley Borough Council	Tariff	4,026,300	-661,344	66,134	-595,210
Rossendale Borough Council	Tariff	2,534,068	-518,640	51,864	-466,776
South Ribble Borough Council	Tariff	9,644,242	-1,236,560	123,656	-1,112,904
West Lancashire Borough Council	Tariff	8,123,116	-669,688	66,969	-602,719
Wyre Borough Council	Tariff	6,385,329	-466,171	46,617	-419,554
Lancashire County Council	Top-Up	-147,643,257	0	-601,145	-601,145
Central Government	-	96,420,397	0	0	0
<b>Total</b>		<b>0</b>	<b>-6,011,455</b>	<b>0</b>	<b>-6,011,455</b>

Pool membership in 2016/17 did not include Fylde Borough Council, but did include Burnley Borough Council

## 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.

### 13 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 2017/18.

General Fund	Balance at 31 March 2016 £	Transfers In 2016/17 £	Transfers Out 2016/17 £	Balance at 31 March 2017 £	Transfers In 2017/18 £	Transfers Out 2017/18 £	Balance at 31 March 2018 £
<b>Reserves for Shorter Term Service Commitments</b>							
<b>Community Services</b>							
<b>Committee Grants Fund</b> <i>Used to fund various Community Services Committee grants</i>	28,926	8,943		37,869		-19,894	17,975
<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>	836		-836	0			0
<b>Refuse Collection</b> <i>To fund refuse collection costs of bin replacements and other cost pressures</i>	50,319	17,955	-8,546	59,728	14,468	-5,699	68,497
<b>Amenity Cleansing Reserve</b> <i>Used to fund known future amenity cleansing works</i>	0			0	5,750		5,750
<b>Core Strategy Reserve</b> <i>To fund the production of the Core Strategy</i>	20,533		-20,533	0			0
<b>Clitheroe Food Festival</b> <i>Resources set aside to help support the costs associated with the Clitheroe Food Festival</i>	19,857	6,056		25,913		-8,177	17,736
<b>Total Reserves for Shorter Term Service Commitments</b>	<b>132,806</b>	<b>32,954</b>	<b>-29,915</b>	<b>135,845</b>	<b>20,218</b>	<b>-33,770</b>	<b>122,293</b>
<b>Reserves to Smooth the Revenue Impact of Longer Term Cyclical Costs</b>							
<b>Elections Fund</b> <i>Used to fund local elections held once every four years</i>	19,076	22,448	-5,195	36,329	60,072	-9,401	87,000

## Notes to the Core Financial Statements

General Fund	Balance at 31 March 2016 £	Transfers In 2016/17 £	Transfers Out 2016/17 £	Balance at 31 March 2017 £	Transfers In 2017/18 £	Transfers Out 2017/18 £	Balance at 31 March 2018 £
<b>Revaluation of Assets Reserve</b> <i>To contribute towards the revaluation of the Council's assets every five years.</i>	3,200	2,030		5,230	2,060		7,290
<b>Pensions Triennial Revaluation Reserve</b> <i>Savings on contribution rates, set aside with a view to offsetting any future pensions fund deficits</i>	0			0	12,778		12,778
<b>Total Reserves to Smooth the Revenue Impact of Longer Term Cyclical Costs</b>	22,276	24,478	-5,195	41,559	74,910	-9,401	107,068
<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>	-105,007	61,175		-43,832	2,672		-41,160
<b>Total Reserves for Trading or Business Units</b>	-105,007	61,175	0	-43,832	2,672	0	-41,160
<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>	764,822	499,444	-442,845	821,421	451,357	-412,306	860,472
<b>ICT Renewals</b> <i>To fund future software and hardware pressures</i>	162,289	15,910	-6,800	171,399	4,260	-7,870	167,789
<b>Vehicle &amp; Plant Renewals Reserve</b> <i>Resources set aside to fund future replacement of Vehicles and Plant through the capital programme</i>	346,000	46,000		392,000	46,000		438,000
<b>Total Reserves for Sums Set Aside for Major Schemes such as Capital Projects</b>	1,273,111	561,354	-449,645	1,384,820	501,617	-420,176	1,466,261
<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>	1,376,280	200,561	-276,526	1,300,315	130,738	-207,999	1,223,054

## Notes to the Core Financial Statements

General Fund	Balance at 31 March 2016 £	Transfers In 2016/17 £	Transfers Out 2016/17 £	Balance at 31 March 2017 £	Transfers In 2017/18 £	Transfers Out 2017/18 £	Balance at 31 March 2018 £
<b><u>Fleming VAT Claim</u></b> <i>VAT recovered from 'Fleming' claim challenge to HMRC</i>	195,797		-123,585	72,212		-4,941	67,271
<b><u>Insurance</u></b> <i>Available to meet any costs following demise of Municipal Mutual Insurance Company</i>	14,581			14,581			14,581
<b><u>Repairs and Maintenance</u></b> <i>To fund emergency repairs and maintenance items, including legionella and asbestos abatement</i>	37,869		-8,570	29,299			29,299
<b><u>Post LSVT</u></b> <i>To fund any costs post LSVT which may arise, such as pension fund liabilities</i>	292,100		-36,512	255,588		-36,513	219,075
<b><u>Restructuring Reserve</u></b> <i>To fund costs resulting from restructuring reviews</i>	227,541			227,541		-20,224	207,317
<b><u>Equipment Reserve</u></b> <i>To fund essential and urgent equipment requirements</i>	122,750	26,916	-34,533	115,133	20,707	-12,323	123,517
<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 such as Local Development Plan expenditure and Planning Appeals</i>	156,738		-8,193	148,545		-23,565	124,980
<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>	664,794	338,518	-225,702	777,610	904,390		1,682,000
<b><u>Business Rates Growth Reserve</u></b> <i>Business rates growth used to support revenue expenditure or the capital programme.</i>	0			0	221,060		221,060

## Notes to the Core Financial Statements

General Fund	Balance at 31 March 2016 £	Transfers In 2016/17 £	Transfers Out 2016/17 £	Balance at 31 March 2017 £	Transfers In 2017/18 £	Transfers Out 2017/18 £	Balance at 31 March 2018 £
<b><u>New Homes Bonus Reserve</u></b> <i>To help support revenue and capital expenditure</i>	<b>762,304</b>	579,923	-63,749	<b>1,278,478</b>	783,911	-175,618	<b>1,886,771</b>
<b>Total Reserves for Longer Term Strategic or Corporate Items</b>	<b>4,200,754</b>	<b>1,145,918</b>	<b>-777,370</b>	<b>4,569,302</b>	<b>2,060,806</b>	<b>-481,183</b>	<b>6,148,925</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 used to fund associated projects</i>	<b>75,117</b>		-7,540	<b>67,577</b>			<b>67,577</b>
<b><u>Land Charges Reserve</u></b> <i>To fund any potential restitution claims for personal search fees</i>	<b>48,559</b>	5,172	-6,937	<b>46,794</b>			<b>46,794</b>
<b><u>Pendle Hill User Reserve</u></b> <i>To fund improvement schemes on Pendle Hill</i>	<b>32,519</b>	14,000	-2,450	<b>44,069</b>	441		<b>44,510</b>
<b><u>Crime Reduction Partnership Reserve</u></b> <i>To fund cost of crime reduction initiatives</i>	<b>24,175</b>	5,702		<b>29,877</b>	4,731		<b>34,608</b>
<b><u>Up and Active Reserve</u></b> <i>To fund potential residual staffing costs</i>	<b>16,401</b>		-2,040	<b>14,361</b>		-590	<b>13,771</b>
<b><u>Housing Related Grants Reserve</u></b> <i>Residual grant received, to be committed to future grant schemes</i>	<b>58,010</b>	157,532	-28,138	<b>187,404</b>	40,170	-28,869	<b>198,705</b>
<b><u>Planning Policy Related Grants Reserve</u></b> <i>To provide short term capacity support when dealing with housing planning applications</i>	<b>0</b>	35,495		<b>35,495</b>		-29,645	<b>5,850</b>
<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>	<b>46,224</b>		-1,100	<b>45,124</b>			<b>45,124</b>

## Notes to the Core Financial Statements

General Fund	Balance at 31 March 2016 £	Transfers In 2016/17 £	Transfers Out 2016/17 £	Balance at 31 March 2017 £	Transfers In 2017/18 £	Transfers Out 2017/18 £	Balance at 31 March 2018 £
<b><u>Grant Funded Sports Development</u></b>							
<i>To finance future Sports Development grant funded expenditure</i>	5,510		-4,910	600	3,040		3,640
<b><u>Whalley Moor Reserve</u></b>							
<i>Grant received towards work at Whalley Moor Woodland</i>	4,520			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>	17,902	12,977	-22,676	8,203	31,764	-23,377	16,590
<b><u>Rural Services Reserve</u></b>							
<i>Grant received with the purpose of supporting rural services</i>	0	105,544		105,544			105,544
<b><u>Neighbourhood Planning Reserve</u></b>							
<i>MHCLG Neighbourhood Planning Grant received to fund future related expenditure</i>	15,000			15,000		-4,931	10,069
<b><u>Repossession Prevention Fund Reserve</u></b>							
<i>Ring-fenced MHCLG funded reserve to help prevent repossessions and homelessness.</i>	28,491			28,491			28,491
<b><u>Parish Grant Reserve</u></b>							
<i>PRG resources set aside to fund the Parish Grant Scheme</i>	109,134		-44,682	64,452		-27,633	36,819
<b><u>Custom and Self Build Register Grant Reserve</u></b>							
<i>Grant funding towards maintenance of a register of individuals, and associations of individuals, seeking to acquire serviced plots of land in the area</i>	0			0	45,000		45,000

## Notes to the Core Financial Statements

General Fund	Balance at 31 March 2016 £	Transfers In 2016/17 £	Transfers Out 2016/17 £	Balance at 31 March 2017 £	Transfers In 2017/18 £	Transfers Out 2017/18 £	Balance at 31 March 2018 £
<b><u>Brownfield Register Grant Reserve</u></b>							
<i>Grant funding towards preparation and maintenance of a register of brownfield sites suitable for residential development.</i>	0			0	16,420		16,420
<b><u>Flood Resilience Grant Reserve</u></b>							
<i>Grant funding relating to residual Flood Resilience Grants</i>	0			0	20,000		20,000
<b>Total Reserves for External Funding where Expenditure has yet to be Incurred</b>	481,562	336,422	-120,473	697,511	161,566	-115,045	744,032
<b>Total of all Earmarked Reserves</b>	6,005,502	2,162,301	-1,382,598	6,785,206	2,821,789	-1,059,575	8,547,420

## Notes to the Core Financial Statements

## 14 PROPERTY, PLANT AND EQUIPMENT

Movements in 2017/18	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 2017	13,385	4,521	359	1,593	77	19,935
Additions/Acquisitions	73	366				439
Derecognition - Disposal		-253				-253
Assets reclassified (to)/from held for sale	-10					-10
Revaluation increases/(decreases) recognised in the Revaluation Reserve	1,376					1,376
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services						0
<b>At 31 March 2018</b>	<b>14,824</b>	<b>4,634</b>	<b>359</b>	<b>1,593</b>	<b>77</b>	<b>21,487</b>
<b><i>Accumulated Depreciation and Impairments</i></b>						
At 1 April 2017	-14	-2,881	-53	-20	-2	-2,970
Derecognition - Disposal		253				253
Depreciation Charge	-421	-454	-9	-3	-2	-889
Depreciation written out to the Revaluation Reserve	408				4	412
<b>At 31 March 2018</b>	<b>-27</b>	<b>-3,082</b>	<b>-62</b>	<b>-23</b>	<b>0</b>	<b>-3,194</b>
<b><i>Net Book Value</i></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>
<b>at 31 March 2018</b>	<b>14,797</b>	<b>1,552</b>	<b>297</b>	<b>1,570</b>	<b>77</b>	<b>18,293</b>

## Notes to the Core Financial Statements

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
Assets reclassified (to)/from held for sale						
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

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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 2018 the Council had an approved capital programme of £1,490,620 for 2018/19 and had £551,090 of budget slippage from the 2017/18 capital programme that was rolled forward to be spent in 2018/19. At 31 March 2018, the Council had capital order commitments of £219,873, of which £64,357 related to 2017/18 capital programme slippage and £155,516 related to the 2018/19 capital programme.

Of the £219,873 capital order commitments, £173,633 related to property, plant and equipment and £46,240 related to intangible assets.

### Effects of Changes in Estimates

In 2017/18 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.

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.

## Notes to the Core Financial Statements

## 15 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
<u>Cost or Valuation</u>			
At 1 April 2017	827	65	892
<b>At 31 March 2018</b>	<b>827</b>	<b>65</b>	<b>892</b>
<u>Cost or Valuation</u>			
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 2017/18 or 2016/17 financial years.

## 16 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 2017 £	31 March 2018 £	31 March 2017 £	31 March 2018 £
<u>Investments</u>				
Financial Asset Held for Sale			10,000	10,000
Loans and receivables			8,570,278	10,151,367
<b>Total Investments</b>	<b>0</b>	<b>0</b>	<b>8,580,278</b>	<b>10,161,367</b>
<u>Debtors</u>				
Loans and receivables	294,155	280,044		
Financial assets carried at contract amount			1,482,486	1,296,482
<b>Total Debtors</b>	<b>294,155</b>	<b>280,044</b>	<b>1,482,486</b>	<b>1,296,482</b>
<u>Borrowings</u>				
Financial liabilities at amortised cost	-146,770	-136,377	-22,893	-10,393
<b>Total Borrowings</b>	<b>-146,770</b>	<b>-136,377</b>	<b>-22,893</b>	<b>-10,393</b>
<u>Creditors</u>				
Financial liabilities carried at contract amount			-775,484	-1,122,616
<b>Total Creditors</b>	<b>0</b>	<b>0</b>	<b>-775,484</b>	<b>-1,122,616</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

	2016/17		2017/18	
	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables
	£	£	£	£
Interest expenses	9,484	16,234	7,828	17,961
Interest Income		-38,542		-38,963
<b>Total</b>	<b>9,484</b>	<b>-22,308</b>	<b>7,828</b>	<b>-21,002</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 2017 and 31 March 2018 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 2017		31 March 2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£	£	£	£
Financial Liabilities	169,664	220,010	146,770	185,696

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 2017		31 March 2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£	£	£	£
Long-term debtors	294,155	294,155	280,044	280,044

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

## Notes to the Core Financial Statements

**17 DEBTORS**

	31 March 2017 £	31 March 2018 £
Central government bodies	293,873	511,326
Other local authorities	497,897	440,774
Public corporations and trading funds	10	31
Other entities and individuals		
- Other Debtors	766,605	768,326
- Business Rates	209,575	272,835
- Council Tax	193,528	213,588
- Prepayments	158,251	133,639
- Impairment	-351,121	-364,959
<b>Total</b>	<b>1,768,618</b>	<b>1,975,560</b>

**18 CASH AND CASH EQUIVALENTS**

	31 March 2017 £	31 March 2018 £
Cash held by the Council	3,901	15,403
Bank Current Accounts	196,377	220,984
Short Term Investments	8,370,000	9,915,000
<b>Total</b>	<b>8,570,278</b>	<b>10,151,387</b>

**19 CREDITORS**

	31 March 2017 £	31 March 2018 £
Central government bodies	-907,366	-679,230
Other local authorities	-1,161,463	-1,441,063
Public corporations and trading funds	-38,996	-29,125
Other entities and individuals		
- Other Creditors	-379,181	-371,584
- Business Rates	-55,978	-86,129
- Council Tax	-123,622	-62,049
- Commuted Sums	-311,440	-421,376
- Refundable Deposits	-9,624	-12,624
- Receipts in Advance	-48,857	-35,799
<b>Total</b>	<b>-3,036,527</b>	<b>-3,138,979</b>

## Notes to the Core Financial Statements

### 20 PROVISIONS

The only provision, which is shown in the table below, relates to amounts set aside to meet potential future liabilities from appeals through 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 7.

Business Rates Appeals Provision	2016/17 £	2017/18 £
<b>Balance at 1 April</b>	<b>468,600</b>	<b>507,560</b>
Movements in provisions in the year	38,960	-119,000
<b>Balance at 31 March</b>	<b>507,560</b>	<b>388,560</b>

### 21 USABLE RESERVES

Movements in the Council's usable reserves are detailed in this note, the Movement in Reserves Statement and Note 11.

In summary the Usable Reserves are shown below. Detailed analysis of the council's earmarked reserves is available in Note 13.

31 March 2017 £	31 March 2018 £
2,716,569 General Fund Balance	2,533,703
6,785,206 Earmarked General Fund Reserves	8,547,420
804,279 Usable Capital Receipts Reserve	842,867
197,687 Capital Grants Unapplied	305,428
<b>10,503,741 Total Usable Reserves</b>	<b>12,229,418</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.

2016/17 £	2017/18 £
<b>2,678,832 Opening General Fund Balance</b>	<b>2,716,569</b>
37,737 Net amount added to (taken from) General Fund Balance	-182,866
<b>2,716,569 Closing General Fund Balance</b>	<b>2,533,703</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 13.

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

2016/17 £	2017/18 £
<b>6,005,502</b> Opening Earmarked General Fund Reserves	<b>6,785,206</b>
2,162,301 Amounts added to Earmarked General Fund Reserves	2,821,789
-1,382,597 Amounts taken from Earmarked General Fund Reserves	-1,059,575
<b>6,785,206</b> Closing Earmarked General Fund Reserves	<b>8,547,420</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.

2016/17 £	2017/18 £
<b>27,110</b> Opening Capital Grants Unapplied	<b>197,687</b>
184,664 Amounts added to Capital Grants Unapplied	292,406
-14,087 Amounts taken from Capital Grants Unapplied	-184,665
<b>197,687</b> Closing Capital Grants Unapplied	<b>305,428</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.

2016/17 £	2017/18 £
<b>745,046</b> Opening Usable Capital Receipts Reserve	<b>804,279</b>
59,851 Amounts added to the Usable Capital Receipts Reserve	63,588
-618 Amounts taken from the Usable Capital Receipts Reserve	-25,000
<b>804,279</b> Closing Usable Capital Receipts Reserve	<b>842,867</b>

## Notes to the Core Financial Statements

**22 UNUSABLE RESERVES**

31 March 2017 £	31 March 2018 £
7,044,683 Capital Adjustment Account	6,880,184
107,926 Collection Fund Adjustment Account	120,613
7,256,758 Revaluation Reserve	8,830,697
-17,283,324 Pension Reserve	-15,402,324
-52,706 Accumulated Absences Account	-52,706
<b>-2,926,663 Total Unusable Reserves</b>	<b>376,464</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 11 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

2016/17 £		2017/18 £	£
7,119,622	<b>Balance at 1 April</b>		7,044,683
	<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive income and Expenditure statement</b>		
-826,917	- Charges for depreciation and impairment of non-current assets	-889,263	
-33,279	- Revaluation losses on Property, Plant and Equipment		
-29,138	- Amortisation of intangible assets	-21,025	
-201,936	- Revenue expenditure funded from capital under statute	-284,408	
<b>-1,091,270</b>			<b>-1,194,696</b>
170,337	Adjusting amounts written out of the Revaluation Reserve		213,979
<b>6,198,689</b>	<b>Net written out amount of the cost of non-current assets consumed in the year</b>		<b>6,063,966</b>
	<b>Capital financing applied in the year</b>		
	- Use of Capital Receipts Reserve to finance new capital expenditure	25,000	
256,933	- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	62,427	
14,087	- Application of grants to capital financing from the Capital Grants Unapplied Account	184,665	
134,610	- Statutory provision for the financing of capital investment charged against the General Fund	131,820	
440,364	- Capital expenditure charged against the General Fund balance	412,306	
<b>845,994</b>			<b>816,218</b>
<b>7,044,683</b>	<b>Balance at 31 March</b>		<b>6,880,184</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.

2016/17 £		2017/18 £
-305,678	<b>Balance at 1 April</b>	<b>107,926</b>
10,777	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	9,865
402,827	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	2,822
<b>107,926</b>	<b>Balance at 31 March</b>	<b>120,613</b>

### 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.

2016/17 £		2017/18 £
<b>6,263,401</b>	<b>Balance at 1 April</b>	<b>7,256,758</b>
1,164,565	Upward revaluation of assets	1,787,918
-871	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	
<b>1,163,694</b>	<b>Surplus or Deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services</b>	<b>1,787,918</b>
-170,337	Difference between fair value depreciation and historical cost depreciation	-213,980
	Accumulated gains on assets sold or scrapped	
<b>-170,337</b>	<b>Amount written off to the Capital Adjustment Account</b>	<b>-213,980</b>
<b>7,256,758</b>	<b>Balance at 31 March</b>	<b>8,830,696</b>

## Notes to the Core Financial Statements

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.

2016/17 £		2017/18 £
<b>-14,435,324</b>	<b>Balance at 1 April</b>	<b>-17,283,324</b>
-2,145,000	Remeasurements of the net defined benefit liability/(asset)	2,930,000
-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	-2,058,000
933,000	Employer's pensions contributions and direct payments to pensioners payable in the year	1,009,000
<b>-17,283,324</b>	<b>Balance at 31 March</b>	<b>-15,402,324</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.

Adjustments are only made through this account where the change in the level of compensated absences earned moves by more than 10%.

2016/17		2017/18
£		£
<b>-52,706</b>	<b>Balance at 1 April</b>	<b>-52,706</b>
52,706	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
<b>0</b>	<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</b>	<b>0</b>
<b>-52,706</b>	<b>Balance at 31 March</b>	<b>-52,706</b>

## 23 CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

2016/17		2017/18
£		£
-22,308	Interest received	-21,002
9,484	Interest paid	7,828
<b>-12,824</b>	<b>Net Interest</b>	<b>-13,174</b>

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

2016/17		2017/18
£		£
59,233	Proceeds from the sale of property, plant and equipment and intangible assets	-63,588
<b>59,233</b>		<b>-63,588</b>

## Notes to the Core Financial Statements

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

2016/17 £	2017/18 £
-826,917 Depreciation	-889,263
-33,279 Impairment and downward valuations	0
-29,138 Amortisation	-21,025
-103,133 (Increase)/decrease in creditors	-334,318
213,423 Increase/(decrease) in debtors	330,776
-18,159 Increase/(decrease) in inventories	17,801
-38,960 (Increase)/decrease in provisions	119,000
-703,000 Movement in pension liability	-1,049,000
256,932 Capital Grants and Contributions Applied	62,427
-201,936 Revenue Expenditure Funded from Capital Under Statute	-284,408
440,364 Capital Expenditure Charged against General Fund Balances	412,306
184,665 Capital Grants and Contributions Unapplied Credited to the Comprehensive Income and Expenditure Statement	292,406
<b>-859,138</b>	<b>-1,343,298</b>

## 24 CASH FLOW STATEMENT – INVESTING ACTIVITIES

2016/17 £	2017/18 £
726,563 Purchase of property, plant and equipment, investment property and intangible assets	756,546
-59,233 Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-63,588
-731,961 Other receipts from investing activities	-905,085
<b>-64,631 Net cash flows from investing activities</b>	<b>-212,127</b>

## 25 CASH FLOW STATEMENT – FINANCING ACTIVITIES

2016/17 £	2017/18 £
35,394 Repayments of short- and long-term borrowing	22,893
-997,071 Other payments for financing activities	198,721
<b>-961,677 Net cash flows from financing activities</b>	<b>221,614</b>

## Notes to the Core Financial Statements

**26 MEMBERS' ALLOWANCES**

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

	2016/17 £	2017/18 £
Basic Allowance	141,400	142,838
Special Responsibility Allowances	67,165	72,240
Expenses	5,111	4,541
	<b>213,676</b>	<b>219,619</b>

**27 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
	2016/17 £	2016/17 £	2016/17 £	2017/18 £	2017/18 £	2017/18 £
Chief Executive <sup>1</sup>	104,110	8,042	<b>112,152</b>	107,552	9,115	<b>116,667</b>
Director of Community Services	79,629	6,758	<b>86,387</b>	80,427	1,973	<b>82,400</b>
Director of Resources	79,629	9,066	<b>88,695</b>	80,427	10,737	<b>91,164</b>
Head of Financial Services	52,116	5,550	<b>57,666</b>	52,638	6,129	<b>58,767</b>
Head of Planning Services	52,113	5,355	<b>57,468</b>	52,638	5,821	<b>58,459</b>
Head of Legal and Democratic Services <sup>2</sup>	41,693	3,348	<b>45,041</b>	42,110	3,655	<b>45,765</b>
	<b>409,290</b>	<b>38,119</b>	<b>447,409</b>	<b>415,792</b>	<b>37,430</b>	<b>453,222</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. 2017/18 £6,281 (£5,656 of which was pensionable); 2016/17 £3,844 (£94 of which was pensionable)

<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 £52,638 in 2017/18 (£52,116 in 2016/17) 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 2016/17 and 2017/18 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 2016/17	Salary Banding 2017/18	Employee Contribution Rate
£0 - £13,600	£0 - £13,700	5.50%
> £13,600 - £21,200	> £13,701 - £21,400	5.80%
> £21,200 - £34,400	> £21,401 - £34,700	6.50%
> £34,400 - £43,500	> £34,701 - £43,900	6.80%
> £43,500 - £60,700	> £43,901 - £61,300	8.50%
> £60,700 - £86,000	> £61,301 - £86,800	9.90%
> £86,000 - £101,200	> £86,801 - £102,200	10.50%
> £101,200 - £151,800	> £102,201 - £153,300	11.40%
> £151,800	> £153,301	12.50%

In 2016/17, 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.

For 2017/18, the contribution to the pension scheme which the council made was **based** upon a rate of 16.5%. However, the actual employer rate equates to a lower rate as the council paid a fixed single discounted payment as the beginning of the financial year in settlement of its in year pension contribution liabilities.

This fixed single discounted payment in 2017/18 was calculated by the pension fund using the 16.5% contribution rate as a base. As a result, the 16.5% has been used throughout this note.

Elements of Contribution Rate	2016/17	2017/18
Percentage Contribution Rate <i>(for 2017/18 this is the rate from which the fixed single discounted payment was calculated by the pension fund - see below)</i>	14.0%	16.5%
Actual Fixed Single Discounted Payment Made in 2017/18	-	£760,200
Lump Sum Payment from the Council <i>(in respect of pension fund deficit recovery)</i>	£212,304	£173,500

## Notes to the Core Financial Statements

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.

### Remuneration Disclosure (including Pension Contributions)

Post Holder Information	Total	Pension	Total	Total	Pension	Total
	Remuneration	Contributions	Remuneration	Remuneration	Contributions	Remuneration
	excluding		including	excluding		including
	Contributions		Contributions	Contributions		Contributions
	2016/17	2016/17	2016/17	2017/18	2017/18	2017/18
	£	£	£	£	£	£
Chief Executive <sup>1</sup>	112,152	14,050	<b>126,202</b>	116,667	17,643	<b>134,310</b>
Director of Community Services	86,387	11,148	<b>97,535</b>	82,400	13,270	<b>95,670</b>
Director of Resources	88,695	11,148	<b>99,843</b>	91,164	13,270	<b>104,434</b>
Head of Financial Services	57,666	7,296	<b>64,962</b>	58,767	8,685	<b>67,452</b>
Head of Planning Services	57,468	7,296	<b>64,764</b>	58,459	8,685	<b>67,144</b>
Head of Legal and Democratic Services <sup>2</sup>	45,041	5,837	<b>50,878</b>	45,765	6,948	<b>52,713</b>
	<b>447,409</b>	<b>56,775</b>	<b>504,184</b>	<b>453,222</b>	<b>68,501</b>	<b>521,723</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. 2017/18 £6,281 (£5,656 of which was pensionable); 2016/17 £3,844 (£94 of which was pensionable)

<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 £52,638 in 2017/18 (£52,116 in 2016/17) 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:

	2016/17	2017/18
£50,000 - £54,999		4
£55,000 - £59,999	**3	**3
£60,000 - £64,999		
£65,000 - £69,999		
£70,000 - £74,999		
£75,000 - £79,999		
£80,000 - £84,999		1
£85,000 - £89,999	2	
£90,000 - £94,999		1
£95,000 - £99,999		
£100,000 - £104,999		
£105,000 - £109,999		
£110,000 - £114,999	*1	
£115,000 - £119,999		*1
£120,000 - £124,999		

\* The values for the Chief Executive include Acting Returning Officer Fees, which fluctuate from year to year depending on the elections called. 2017/18 £6,281 (£5,656 of which was pensionable); 2016/17 £3,844 (£94 of which was pensionable)

\*\* 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 £52,638 in 2017/18 (£52,116 in 2016/17) and therefore this officer is required to be disclosed in this note.

There were no redundancy payments made in 2017/18 or 2016/17.

## Notes to the Core Financial Statements

**28 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:

	2016/17 £	2017/18 £
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.	10,560	7,321
Public Sector Audit Appointments (PSAA) Rebate		-4,975
<b>Total</b>	<b>50,762</b>	<b>42,548</b>

**29 GRANT INCOME**

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2017/18 and 2016/17:

	2016/17 £	2017/18 £
<b><i>Credited to Taxation and Non Specific Grant Income</i></b>		
Revenue Support Grant	-623,087	-304,319
New Homes Bonus	-1,366,884	-1,576,990
New Homes Bonus Adjustment Grant	-2,862	
Business Rates S31 Grant	-462,250	-902,819
Rural Areas Delivery Grant	-107,254	-86,603
Transition Grant	-20,424	-20,345
Capital Grants	-153,000	-3,000
<b>Total Credited to Taxation and Non Specific Grant Income</b>	<b>-2,735,761</b>	<b>-2,894,076</b>
<b><i>Credited to Services</i></b>		
<b><i>Grants Received for Capital Purposes</i></b>		
Disabled Facilities Grant	-273,220	-297,106
Disabled Facilities Grant - additional funding		-31,466
LCC Affordable Warmth Grant	-15,378	-23,261
<b>Total Grants Received for Capital Purposes</b>	<b>-288,598</b>	<b>-351,833</b>

## Notes to the Core Financial Statements

	2016/17 £	2017/18 £
<b><u>Grants Received for Revenue Purposes</u></b>		
Business Rates Administration	-89,974	-88,997
Lancashire Highways Partnership	-11,625	-11,684
DWP - Rent Allowance and Rent Rebate Subsidy	-6,974,565	-6,673,691
DWP and MHCLG Council Tax and Housing Benefit Administration Grant	-143,162	-132,518
Ribble Valley Community Safety Partnership	-14,553	-13,300
DWP LA Data Sharing IT Costs Funding	-19,358	-12,469
Individual Electoral Registration Grant	-12,979	-31,764
DWP - Discretionary Housing Payments Fund	-33,252	-46,638
MHCLG - Storm Desmond and Storm Eva Council Tax Relief Grant	-98,215	-6,345
MHCLG (via LCC) Flood Resilience Grants	-635,124	-269,087
MHCLG - Community Housing Fund	-157,532	
MHCLG - Custom and Self Build Grant	-15,000	-30,000
MHCLG - Brownfield Register	-14,645	-1,775
MHCLG - Business Rates Relief Admin Grant		-12,000
MHCLG - Flexible Homelessness Support Grant		-40,000
DWP - Universal Credit Service Funding		-11,426
LCC - Domestic Abuse Support Worker and Support Services Grant		-42,884
Other Grants	-52,889	-56,018
<b>Total Grants Received for Revenue Purposes</b>	<b>-8,272,873</b>	<b>-7,480,596</b>
<b>Total Credited to Services</b>	<b>-8,561,471</b>	<b>-7,832,429</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.

## Notes to the Core Financial Statements

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### 30 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 29 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 26.

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 2017/18 financial year, the council made one grant award to an organisation where the award was financially significant to that organisation and a Member had disclosed an interest. This was in respect of a grant for £60,000 awarded to Ribble Valley Citizens Advice Bureau to cover core running costs. The Member declaring an interest in this organisation did not take part in the discussion or the decision relating to the grant award.

**Notes to the Core Financial Statements**

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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.

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 2017/18 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 2016/17.

**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 132.
- Other standard business transactions between the Council and Lancashire County Council, such as superannuation payments to Lancashire Pension Fund - see Note 33.
- The Lancashire Business Rates Pool was operational for the first time during 2016/17 and continued in 2017/18 with some changes around membership. Full details of the operation of the business rates pool and the role of this council are included under Note 12.

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.

## Notes to the Core Financial Statements

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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 Sports and Recreation (Roefield Leisure Centre)
- Salesbury and Copster Green Commons Management Committee
- Carer's Link
- Mersey Care NHS Foundation Trust (regarding Calderstones Partnership)
- Environment Agency Liaison Committee
- Hanson Cement Liaison Committee
- Health and Wellbeing Board (Lancashire County Council)
- Lancashire County Council Health 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
- Rural Services Network
- Armed Forces Champion
- Clitheroe Royal Grammar School Foundation Trust
- Citizen's Advice Bureau
- Hyndburn and Ribble Valley Council for Voluntary Services
- Local Government Association General Assembly
- 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.

## Notes to the Core Financial Statements

**31 CAPITAL EXPENDITURE AND CAPITAL FINANCING**

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.

	2016/17 £	2017/18 £
<b>Opening Capital Financing Requirement</b>	<b>3,709,657</b>	<b>3,579,573</b>
<b><u>Capital Investment</u></b>		
Property, Plant and Equipment	513,974	438,992
Revenue Expenditure Funded from Capital Under Statute	201,936	284,409
<b><u>Sources of Finance:</u></b>		
Grants and Other Contributions	-271,020	-247,092
Capital Receipts		-25,000
Sums set aside from revenue:		
- Revenue Contributions	-440,364	-412,306
- Minimum Revenue Provision	-134,610	-131,820
<b>Closing Capital Financing Requirement</b>	<b>3,579,573</b>	<b>3,486,756</b>
<b><u>Explanation of Movements in Year</u></b>		
Increase/(Decrease) in Underlying Need to Borrow (Unsupported by Government Financial Assistance)	-130,084	-92,817
<b>Increase/(Decrease) in Capital Financing Requirement</b>	<b>-130,084</b>	<b>-92,817</b>

**32 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 2017 £	31 March 2018 £
Not later than one year	92,550	96,718
Later than one year and not later than five years	202,249	210,179
Later than five years	566,247	525,713
	<b>861,046</b>	<b>832,610</b>

## Notes to the Core Financial Statements

The expenditure charged to the Cost of Services in the Comprehensive Income and Expenditure Statement in relation to the above leases was £95,257 (£110,202 in 2016/17).

### 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 2017 £	31 March 2018 £
Not later than one year	-75,399	-96,689
Later than one year and not later than five years	-177,034	-232,088
Later than five years	-552,039	-533,730
	<b>-804,472</b>	<b>-862,507</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 2017/18 income included under the Cost of Services in the Comprehensive Income and Expenditure Statement in relation to the above leases was £89,588. (£82,974 in 2016/17).

## 33 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	
	2016/17 £'000	2017/18 £'000
<b>Comprehensive Income and Expenditure Statement</b>		
<b>Cost of Services</b>		
- current service costs	1,124	1,617
<b>Other Operating Expenditure</b>		
- administration expenses	23	23
<b>Financing and Investment Income and Expenditure</b>		
- net interest expense	489	418
<b>Total Post employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>1,636</b>	<b>2,058</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)	-6,193	-509
- actuarial gain and losses arising on changes in demographic assumptions	-412	
- actuarial gains and losses arising on changes in financial assumptions	11,379	-2,421
- experience gain	-2,629	
<b>Total Post employment Benefit Charged to the Comprehensive Income and Expenditure Account</b>	<b>3,781</b>	<b>-872</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	-1,636	-2,058
<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>1,009</b>

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2018 is a gain of £2,930,000 (31 March 2017 loss of £2,145,000).

## 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	2016/17 £'000	2017/18 £'000
Present value of the defined benefit obligation	64,082	63,426
Fair value of plan assets	-46,798	-48,023
<b>Net liability arising from defined benefit obligation</b>	<b>17,284</b>	<b>15,403</b>

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

Local Government Pension Scheme	2016/17 £'000	2017/18 £'000
<b>Opening fair value of scheme assets</b>	<b>39,814</b>	<b>46,798</b>
Interest Income	1,384	1,167
Remeasurements gain/(loss):		
- the return on plan assets, excluding the amount included in the net interest expense	6,193	509
Administration Expenses	-23	-23
Contributions from employer	933	1,009
Contributions from employees into the scheme	296	300
Benefits/transfers paid	-1,799	-1,737
<b>Closing fair value of scheme assets</b>	<b>46,798</b>	<b>48,023</b>

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

Local Government Pension Scheme	2016/17 £'000	2017/18 £'000
<b>Opening balance at 1 April</b>	<b>54,250</b>	<b>64,082</b>
Current service cost	1,124	1,617
Interest Cost	1,873	1,585
Contributions from scheme participants	296	300
Remeasurement (gains) and losses:		
- Experience (gain)/loss	-2,629	
- Actuarial (gains)/losses arising from changes in demographic assumptions	11,379	-2,421
- Actuarial (gains)/losses arising from changes in financial assumptions	-412	
Benefits/transfers paid	-1,799	-1,737
<b>Closing balance at 31 March</b>	<b>64,082</b>	<b>63,426</b>

## Notes to the Core Financial Statements

**Local Government Pension Scheme Assets Comprised:**

Local Government Pension Scheme Fair value of scheme assets	Quoted Y/N	31 March 2017 £'000	31 March 2018 £'000
<b>Cash</b>			
- Cash and Cash Equivalents	N	486	-1,161
- Cash accounts	N		2,027
- Net Current Assets	N		-1,067
<b>Subtotal Cash</b>		<b>486</b>	<b>-201</b>
<b>Bonds</b>			
- UK corporate	Y	171	274
- Overseas corporate	N	598	570
- UK Fixed gilts	Y	90	
- UK index linked	Y	837	1,146
- Overseas fixed interest	N		46
<b>Subtotal Bonds</b>		<b>1,696</b>	<b>2,036</b>
<b>Property</b>			
- Offices	N	864	933
- Offices/warehouse	N	86	100
- Industrial/warehouse	N	1,155	1,332
- Shops	N	407	389
- Retail warehouse	N	678	747
- Shopping centre	N	189	185
- Multi let commercial building	N	744	831
<b>Subtotal Property</b>		<b>4,123</b>	<b>4,517</b>
<b>Alternatives</b>			
- UK private equity	N	531	
- Overseas private equity	N	2,481	3,486
- Infrastructure	N	5,647	6,086
- Credit funds	N	10,487	8,849
- Pooled fixed income	N		1,185
- Indirect property funds	N	660	729
- Overseas pooled equity funds	N	20,687	21,336
<b>Subtotal Alternatives</b>		<b>40,493</b>	<b>41,671</b>
<b>Total</b>		<b>46,798</b>	<b>48,023</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	2016/17	2017/18
<b>Mortality Assumptions</b>		
Longevity at 65 for current pensioners:		
Men	22.6 years	22.7 years
Women	25.2 years	25.4 years
Longevity at 65 for future pensioners:		
Men	24.9 years	25 years
Women	27.9 years	28 years
Rate of Consumer Price Index (CPI) Inflation	2.3%	2.1%
Rate of increase in salaries ( <i>adjustment made for short term pay restraint in line with the latest actuarial valuation</i> )	3.8%	3.6%
Rate of increase in pensions	2.3%	2.2%
Rate for discounting scheme liabilities	2.5%	2.6%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes 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)	1,249
Rate of inflation (+0.1% per annum)	1,071
Rate of increase in salaries (+0.1% per annum)	168
Rate of discounting scheme liabilities (+0.1% per annum)	-1,053

## 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 15 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 £1,028,000 in employer contributions to the scheme in 2018/19.

The weighted average duration of the defined benefit obligation for scheme members is 17 years (based on later of 31 March 2016 and admission date)

**Scheme History**

Local Government Pension Scheme	2013/14	2014/15	2015/16	2016/17	2017/18
	£'000	£'000	£'000	£'000	£'000
Present Value of Liabilities	46,474	55,578	54,250	64,082	63,426
Fair Value of Assets	-34,466	-38,455	-39,814	-46,798	-48,023
<b>Deficit in the scheme</b>	<b>12,008</b>	<b>17,123</b>	<b>14,436</b>	<b>17,284</b>	<b>15,403</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 £15.403m 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.

## Notes to the Core Financial Statements

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- **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 15 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.
- **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.

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**Notes to the Core Financial Statements**

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- **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.

## Notes to the Core Financial Statements

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### 34 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.

**35 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.

**36 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.

**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.

## Notes to the Core Financial Statements

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- 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 (provided they are included in Fitch Ratings).
- Institutions must have a short term Fitch IBCA rating of F2 or above
- Institutions are UK based

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 2018 can be analysed by age as shown in the table below. Note 17 to the accounts shows a total provision for the impairment of debts of £364,959 of which £13,394 relates to sundry debts (£170,394 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 2018 that this was likely.

## Notes to the Core Financial Statements

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 2018	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2018	Estimated maximum exposure to default and uncollectability at 31 March 2018	Estimated maximum exposure at 31 March 2017
	£ A	% B	% C	£ (A x C)	£
Deposits with banks and building societies	9,915,000	0.00%	0.00%	0	0
Customers (Sundry Debt including overpaid Housing Benefits recovered from ongoing benefit)	582,620	4.17%	29.25%	170,394	168,478

The council expects settlement terms from debtors of no greater than 14 days. On this basis £406,451 of the sundry debtor balance at 31 March 2018 is past its due date for payment (£317,986 at 31 March 2017); 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:

Aged Sundry Debt	As at 31 March 2017 £'000	As at 31 March 2018 £'000
Less than 30 days	511	136
30 days to 59 days	40	34
60 days to 89 days	15	12
90 days to 119 days	1	9
120 days +	258	303
	<b>825</b>	<b>494</b>

## Notes to the Core Financial Statements

### 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 2017	31 March 2018
	£'000	£'000
Less than one year	23	11
Between 1 and 2 years	10	10
Between 2 and 5 years	31	31
Between 5 and 10 years	50	50
More than 10 years	55	45
	<b>169</b>	<b>147</b>

### 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.

## Notes to the Core Financial Statements

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 2017, are as follows:

Limits in Interest Rate Exposure	2017/18 Upper	2018/19 Upper	2019/20 Upper
Maximum Principal Sums Borrowed >364 Days	£6.976m	£6.980m	£7.997m
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 £27,056. 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 2017/18

## Collection Fund

2016/17 Total £'000		2017/18 Council Tax £'000	2017/18 Business Rates £'000	2017/18 Total £'000	Notes
<b>Income</b>					
35,025	Income from Council Tax Payers	37,137		37,137	
1	Transfers From General Fund - Council Tax Benefits	2		2	
98	Transfers From General Fund - Flood Relief	6		6	
4	Family Annexes Discount Grant (MHCLG)	8		8	
15,228	Income from Business Ratepayers		14,662	14,662	1
	Share of Estimated Deficit				
526	- Central Government			0	
95	- Lancashire County Council			0	
420	- Ribble Valley Borough Council			0	
10	- Lancashire Combined Fire Authority			0	
<b>51,407</b>		<b>37,153</b>	<b>14,662</b>	<b>51,815</b>	
<b>Expenditure</b>					
	Precepts and Demands:				3
25,875	- Lancashire County Council	27,466		27,466	
3,585	- Ribble Valley Borough Council (including parishes)	3,681		3,681	
3,573	- Police and Crime Commissioner (PCC) for Lancashire	3,719		3,719	
1,443	- Lancashire Combined Fire Authority	1,472		1,472	
	Business Rates				
7,425	- Central Government		7,137	7,137	
1,336	- Lancashire County Council		1,285	1,285	
5,940	- Ribble Valley Borough Council		5,710	5,710	
149	- Lancashire Combined Fire Authority		143	143	
	Share of Estimated Surplus:				
	- Central Government		57	57	
343	- Lancashire County Council	430	10	440	
48	- Ribble Valley Borough Council	60	45	105	
20	- Lancashire Combined Fire Authority	24	1	25	
48	- Police and Crime Commissioner (PCC) for Lancashire	59		59	
21	Transfers to General Fund - Council Tax Benefits	17		17	
90	Costs of Collection		89	89	
33	Renewable Energy Schemes		100	100	
150	Provision for Bad/Doubtful Debts	110	81	191	4
20	Enterprise Zone		257	257	
96	Transitional Protection Payments		37	37	
97	Provision for Appeals		-297	-297	5
<b>50,292</b>		<b>37,038</b>	<b>14,655</b>	<b>51,693</b>	
<b>1,115 (Deficit)/Surplus for the Year</b>		<b>115</b>	<b>7</b>	<b>122</b>	
-322	(Deficit)/Surplus Brought Forward	706	87	793	
<b>793 (Deficit)/Surplus Carried Forward</b>		<b>821</b>	<b>94</b>	<b>915</b>	
<b>Allocated to</b>					
43	- Central Government		47	47	6
538	- Lancashire County Council	621	8	629	
108	- Ribble Valley Borough Council	83	38	121	
73	- Police and Crime Commissioner (PCC) for Lancashire	84		84	
31	- Lancashire Combined Fire Authority	33	1	34	
<b>793</b>		<b>821</b>	<b>94</b>	<b>915</b>	

## Collection Fund

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### 1 BUSINESS RATES

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In 2013/14, the administration of Business Rates 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 Business Rates 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 2017/18 were estimated before the start of the financial year as £7.138m to Central Government, £1.2856m to Lancashire County Council, £0.143m to Lancashire Combined Fire Authority and £5.710m to Ribble Valley Borough Council. These sums have been paid in 2017/18 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 paid a tariff of £4.026m from the general fund.

The total income from business rate payers collected in 2017/18 was £14.663m (£15.228m in 2016/17).

For the 2017/18 financial year this council was part of the Lancashire Business Rates Pool, which began on 1 April 2016 (with some changes to overall membership between 2016/17 and 2017/18). 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 Housing, Communities and Local Government and the retained levy in Lancashire has been distributed as follows:

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

With regard to this council, the total retained levy is £661,344, hence under pooling we have benefitted from extra income of £595,210. 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.

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.

In addition to the local management of business rates, authorities are expected to finance appeals made in respect of rateable values as defined by the Valuation Office Agency (VOA) and hence business rates outstanding as at 31 March 2018. 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 2018 has been calculated at £0.971m (31 March 2017 £1.269m)

The total non-domestic rateable value at 31 March 2018 was £39,616,767 compared to £38,835,543 at 31 March 2017 based on the 2010 listing. The non-domestic rateable value at 31 March 2018 on the 2017 listing was £41,601,151 compared to £40,274,087 at 31 March 2017.

The national non-domestic multiplier (rate in the pound) for the year 2017/18 was 47.9 pence compared to 49.7 pence in the year 2016/17.

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.

## Collection Fund

**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 £1,598.38 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	11	10.3	5.7
A	6/9	3,614	2,992.2	1,994.8
B	7/9	5,007	4,403.1	3,424.6
C	8/9	4,935	4,434.0	3,941.3
D	1	4,507	4,144.6	4,144.6
E	11/9	3,472	3,262.1	3,987.0
F	13/9	2,137	2,019.7	2,917.3
G	15/9	1,879	1,788.1	2,980.2
H	18/9	201	193.7	387.4
<b>Totals</b>		<b>25,763</b>	<b>23,247.80</b>	<b>23,782.9</b>
			Adjustments	-1,132.0
			Adjustment for Collection Rate	-169.9
			<b>Council Tax Base</b>	<b>22,481</b>

**3 BAND D COUNCIL TAX**

The band D council tax set by the Council has been calculated as follows:

	2016/17 £	2017/18 £
Lancashire County Council Precept	25,875,117	27,465,937
Police and Crime Commissioner (PCC) for Lancashire Precept	3,572,733	3,719,481
Lancashire Combined Fire Authority Precept	1,442,572	1,472,506
Ribble Valley Borough Council Demand (excluding Parishes)	3,208,677	3,275,257
<b>Total to be Met From Council Tax</b>	<b>34,099,099</b>	<b>35,933,181</b>
Divided by Council Tax Base (Band D Equivalent Dwellings)	22,024	22,481
<b>Band D Council Tax (Average excluding Parishes)</b>	<b>£1,548.27</b>	<b>£1,598.38</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 2017</b>	<b>500,000</b>	<b>330,000</b>	<b>830,000</b>
Write Offs in Year	-20,343	-70,998	-91,341
Increase to Provision	110,343	80,998	191,341
<b>Closing Balance 31 March 2018</b>	<b>590,000</b>	<b>340,000</b>	<b>930,000</b>

**5 PROVISION FOR BUSINESS RATES APPEALS**

An analysis of the collection fund provision for appeals is set out below:

	2016/17 £	2017/18 £
<b>Balance at 1 April</b>	<b>1,171,500</b>	<b>1,268,900</b>
Adjustment to the provision made in the year	97,400	-297,500
<b>Balance at 31 March</b>	<b>1,268,900</b>	<b>971,400</b>

## Collection Fund

**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.

2016/17			2017/18	
Precept	Share of 31 March (Deficit) or Surplus		Precept	Share of 31 March (Deficit) or Surplus
£'000	£'000		£'000	£'000
25,875	530	Lancashire County Council	27,466	621
3,573	73	Police and Crime Commissioner for Lancashire	3,719	84
1,443	30	Lancashire Combined Fire Authority	1,472	33
3,585	73	Ribble Valley Borough Council	3,681	83
<b>34,476</b>	<b>706</b>	<b>Total</b>	<b>36,338</b>	<b>821</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.

2016/17			2017/18	
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
7,425	43	Central Government	7,137	47
1,337	8	Lancashire County Council	1,285	8
148	1	Lancashire Combined Fire Authority	143	1
5,940	35	Ribble Valley Borough Council	5,710	38
<b>14,850</b>	<b>87</b>	<b>Total</b>	<b>14,275</b>	<b>94</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 2017 and January 2018 are shown in the table below.

(Deficit) or Surplus Declared January 2017			(Deficit) or Surplus Declared January 2018		
Business Rates £'000	Council Tax £'000	Total £'000	Business Rates £'000	Council Tax £'000	Total £'000
57		57	-31		-31
10	430	440	-6	525	519
	59	59		71	71
1	24	25	-1	28	27
45	59	104	-25	70	45
<b>113</b>	<b>572</b>	<b>685</b>	<b>-63</b>	<b>694</b>	<b>631</b>

## Glossary of Terms

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# 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.

**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

**Auditor's Opinion**

This is the opinion required by statute from the Council's external auditors, indicating whether the statement of accounts give a true and fair view of the financial position of the Council.

**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 Grants Unapplied**

Government grants and other contributions are accounted for on an accruals basis and recognised in the accounting statements when the conditions for their receipt have been complied with. This reserve holds the balance of grants unapplied at year-end.

**Capital Receipt**

Income from the sale of capital assets such as land or buildings.

## Glossary of Terms

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### 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

The Collection Fund (England) is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing Authority in relation to the collection from taxpayers and distribution to local authorities and the Government of Council Tax and Non-Domestic Rates.

### 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.

### 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.

**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.

## Glossary of Terms

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### 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.

**Leasing**

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

**Liabilities**

Are present obligations of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits or service potential.

**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.

## Glossary of Terms

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### Non Current Assets

Assets that can be expected to be consumed or realised over a period greater than the next accounting period.

### Non Domestic Rates (NDR)

With effect from April 1990 all non-domestic properties were revalued and the Government determines a national non-domestic rating multiplier every year which is applicable to all local authorities. The rateable values are set by the Valuation Office Agency of HM Revenue & Customs, and there is a statutory revaluation every 5 years. The proceeds of the business rates are partly retained by the Council and the balance is redistributed to the Government, Lancashire County Council and Lancashire Combined Fire Authority.

### 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

### Prudence

Accounts should be prepared in accordance with the concept of prudence. Income should only be anticipated to the extent that it will be received, as cash or other assets, with reasonable certainty and full and proper allowance should be made for all known and foreseeable losses and liabilities.

### Public Works Loan Board (PWLB)

A body, now part of the Debt Management Office (a Government agency), which lends money to public bodies for capital purposes. At present nearly all borrowers are local authorities. Monies are drawn from the National Loans Fund and rates of interest are determined by the Treasury.

**Related Parties**

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

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

**Related Party Transactions**

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

**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.

**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

## Glossary of Terms

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### Revenue Support Grant

A grant paid by Central Government, currently paid to every Local Authority to help to finance its expenditure generally and not specific services. It is based on the Government's assessment of how much the Council needs to spend in order to provide a standard level of service.

### Scheme Liabilities

The liabilities of a defined benefit scheme for outgoings due after the valuation date.

### 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
CPI	Consumer Price Index
DRC	Depreciated Replacement Cost
DVS	District Valuer Services
DWP	Department for Work and Pensions
EUV	Existing Use Value
FRS	Financial Reporting Standard
GAAP	Generally Accepted Accounting Principles
MHCLG	Ministry of Housing, Communities and Local Government
IAS	International Accounting Standards
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IPSAS	International Public Sector Accounting Standards
LASAAC	Local Authority Accounts Advisory Committee
LGPS	Local Government Pension Scheme
NDR	Non-Domestic Rates
PSAA	Public Sector Audit Appointments
PWLB	Public Works Loan Board
RSG	Revenue Support Grant
SeRCOP	Service Reporting Code of Practice
SIC	Standing Interpretations Committee
SSAP	Statements of Standard Accounting Practice
TMPs	Treasury Management Practices
UITF	Urgent Issues Task Force
VOA	Valuation Office Agency





Ribble Valley  
Borough Council

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

Council Offices | Church Walk | Clitheroe | Lancashire | BB7 2RA  
Telephone: 01200 425111

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

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# RIBBLE VALLEY BOROUGH COUNCIL

## REPORT TO ACCOUNTS & AUDIT COMMITTEE

Agenda Item No 10

meeting date: 25 JULY 2018  
title: AUDITOR APPOINTMENT – HOUSING BENEFIT ASSURANCE PROCESS  
submitted by: DIRECTOR OF RESOURCES  
principal author: LAWSON ODDIE

### 1. PURPOSE

- 1.1. To inform members of the appointment of Grant Thornton as the council's auditors for the Housing Benefit Assurance Process (HBAP).
- 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. Following the abolishment of the Audit Commission, the statutory functions for the certification of the Department of Work and Pensions (DWP) Housing Benefit subsidy claims were delegated to the Public Sector Audit Appointments Limited until March 2018.
- 2.2. Following the expiration of the transitional arrangements, Local Authorities now have to appoint their own external accountant/auditor to provide assurance over their Housing Benefit Subsidy Grant claim for 2018/19 and future years.
- 2.3. There was a deadline of 2 July 2018 set by the DWP for informing them of who we have appointed as our auditors for the 2018/19 claim.
- 2.4. The attached document provides details of the quote received from Grant Thornton for this work and we have appointed them on this basis for the 2018/19 subsidy claim audit.

### 3. AGREED FEE

- 3.1. A fee has been accepted as detailed in the attached document based on Grant Thornton undertaking what is known as the 'discovery' testing. This fee is £4,995 with the addition of a day rate of £835 for some known additional work that will need to be undertaken (specific timeframes unknown until the work is satisfactorily completed).
- 3.2. The day rate will also be charged for other **potential** additional work which may not be needed to be undertaken and will be dependent on the findings as the audit progresses.

### 4. CONCLUSION

- 4.1. From the 2018/19 Housing Benefit Subsidy claim we are now required to appoint our own auditor. Grant Thornton have been appointed for 2018/19 at a rate of £4,995 plus a day rate of £835 for all additional work required.

4.2 We have notified DWP of our appointment within the required deadline.

HEAD OF FINANCIAL SERVICES

DIRECTOR OF RESOURCES

AA15-18/LO/AC  
13 July 2018

BACKGROUND PAPERS

None

For further information please ask for Lawson Oddie.

# Ribble Valley Borough Council

## Appointing a reporting accountant for completion of the Housing Benefit Assurance Process (HBAP)

27 June 2018



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# Changes to arrangements – 2018/19

## What is changing?

Following the abolishment of the Audit Commission, the statutory functions for the certification of the Department of Work and Pensions (DWP) Housing Benefit subsidy claims were delegated to the Public Sector Audit Appointments Limited until March 2018. When the transitional arrangements expire, Local Authorities will have to appoint their own external accountant to provide assurance over their Housing Benefit Subsidy Grant claim.

## When does the change take effect?

The Council will need to appoint their own external accountant for the certification of the 2018/19 subsidy claim.

The DWP initially set a deadline of 1 March 2018 for Authorities to confirm appointments, however due to ongoing consultation between the DWP, the Institute of Chartered Accountants in England and Wales (ICAEW) and audit firms this deadline has been extended. The confirmed deadline is now 2<sup>nd</sup> July 2018.

## Where can I find further information?

With the impending changes to the approach fast approaching, it is important that you have a clear view of what this means for your Local Authority in the future. In September 2017 Grant Thornton jointly produced a webinar with the DWP which outlines the position in relation to Housing Benefits procurement. The video can be viewed at the following link

<https://www.grantthornton.co.uk/en/insights/the-housing-benefit-subsidy-claims-webinar-summarised/>

# Our wider delivery of housing benefit subsidy certification work

Grant Thornton UK LLP's public sector assurance team is the largest such team in the UK.

Our UK team is made up of over 300 staff who provide assurance and advisory services to over 40% of local authorities in England, either through statutory audit appointment or through the delivery of non-audit or advisory services. The benefit this brings is deep-rooted experience of delivering Housing Benefit (subsidy) certification assurance work, and access to resources to deliver the service in accordance with your requirements and the deadline for reporting.

Given the complexity of housing benefit (subsidy) arrangements getting it right first time is critical both in terms of the customer recipient getting their correct benefit entitlement and our approach to this assurance work.

Grant Thornton annually certifies approximately 100 Housing Benefit subsidy claims making us the largest firm undertaking this type of assurance work.

This brings the benefit of an unrivalled technical expertise and insight as well as additional resilience, coordination of national issues and investment in the skills, tools and technology needed to undertake this work.

We have:

- detailed knowledge of all Housing Benefit systems and approaches;
- specialist knowledge of the audit testing requirements; and
- a collaborative audit approach focused on helping you get it right first time.

We use locally based teams to ensure consistency of staff, who have extensive knowledge and experience in housing benefit (subsidy) certification assurance work.

# Our technical expertise in delivering this work for our clients

Our dedicated Housing Benefit certification service is led by our UK Grants Assurance Lead, Nick White. Nick is supported by Andy Davies as National Housing Benefit Lead, Regional HB Leads and a network of twenty Housing Benefit Champions; together support the practice to deliver 100 HB certification assignments annually. The benefit this brings to the Council is technical expertise and insight. Annually we deliver HB workshops for our clients which allows us to work together through any changes in regulations as well as discuss any changes to the HB certification instructions and the impact this may have in delivering the work required.



Nick White  
UK Grants Assurance Lead



Andy Davies  
National HB Lead

Nick meets with the DWP regularly and has a close working relationship with them. Nick also supports the firm's technical team who work closely with the ICAEW. These relationships are key to ensuring we share current technical developments with our teams and with our clients. This year, we held workshops with the DWP on the changes to the HB auditor procurement process for client and non-clients and we recorded a webinar on the future arrangements for HB certification in conjunction with the DWP, which demonstrates our investment and commitment to the sector. Nick and Andy have been influential in working with the DWP and ICAEW to develop a framework for the procurement of this work for 2018/19.

Our Housing Benefit Champions play a key role in ensuring we deliver a high quality, and consistent service, across all of our housing benefits certification work. They act as our first contact for technical queries and support our local teams in delivering the work to the required standards set by the Department of Works and Pensions (DWP). This includes reviewing all qualification letters to ensure they correctly represent the results of the work we have undertaken, and that the qualification letter meets the DWP requirements. Our Regional HB Leads and Housing Benefit Champions have delivered client workshops and one-to-one training to Council officers on the certification process and the use of the DWP workbooks required for delivery of the work.

This network of Housing Benefit (subsidy) certification experts enables us to be responsive to ad-hoc client queries and to design efficient and effective work programmes. If errors are identified during the course of our certification work, we work closely with our clients to agree the additional audit testing required to comply with DWP requirements.

# Our compliance and quality rating

Our National Assurance Service reviews a sample of completed Housing Benefits files each year to ensure that teams have complied fully with all quality standards, and that audit files and reports meet DWP requirements. We share the feedback with audit teams, including good practice and learning points identified, as part of our national training programme.

In 2017, we reviewed eight completed engagements. Four of these files were assessed as 'good with minor improvements required', and four files were assessed as 'Good with no improvements required.'

Our files were also assessed by Public Sector Audit Appointments (PSAA) Ltd, with the scores awarded confirmed. The results were published in PSAA's Annual Regulatory and Compliance report. This shows that Grant Thornton continues to deliver high quality Housing Benefits work that meets the needs of all its clients.

The comparative performance of each firm based on 2016/17 Housing Benefit Quality Monitoring Reviews overseen by PSAA, illustrates Grant Thornton's commitment to compliance and quality with an average score of 2.50, compared to an all-firm average of 2.20 (a maximum score of 3 is 'good', with 2 being 'acceptable with limited improvements required').

We know going forward the external quality assurance regime will fall outside of PSAA remit, but the Quality Assurance Department (QAD) is planning to develop arrangements to ensure the quality regime continues in some form.

In addition, we have annual certification that our quality management system, including those on our assurance work, meets the requirements of standard ISO 9001:2015 Quality Management System.

It confirms that we have arrangements in place and operate according to those arrangements. It drives continual improvement. Retention of this accreditation is external independent validation that we put quality at the heart of everything we do.

**Compliance with information governance:** There are heightened risks around information governance and data protection for local authorities especially given the current cyber-attack threat, information governance breach fines, and compliance with General Data Protection Regulations from May 2018. We are able to do the relevant work on-site at your offices using your secure terminals, which greatly reduces your risk on remote access to sensitive information. Where we need to exchange sensitive information we can use secure link technology, which ensures that shared information can only be accessed by the relevant recipient. All our people are subject to Disclosure and Barring Service (DBS) checks. We carry out regular on-line courses on risk and compliance matters including legislative changes and specific sector matters such as data protection and information security.

# UNDERSTANDING THE REQUIREMENTS AND YOUR BUSINESS

## Methodologies

Our work on the councils' Housing Benefit (subsidy) assurance process will be “agreed upon procedures engagements”, with DWP issuing specific instructions annually. The DWP have issued framework instructions for Housing Benefit Assurance Process 2081/19 (HBAP). The requirements are similar to the existing HB COUNT arrangements and the DWP have indicated that they are not proposing to create additional work so only minor changes would be expected. We anticipate the key procedures will include the following modules:

### Module 1

This reporting framework instruction sets out the Department for Work and Pensions' (DWP) requirements for an engagement to be undertaken by a reporting accountant in accordance with the *International Standard on Related Services (ISRS) 4400 Engagements to perform agreed-upon-procedures regarding financial information*.

### Module 6

This sets out the overall approach and testing strategy to be applied by reporting accountants. This module contains the detailed certification instructions.

### Module 2

Confirmation that the benefit parameters and allowances have been correctly updated

### Module 3

Workbooks used to test the entitlement an authority uses for new and amended claims, with additional checks on benefit calculation and cell allocation.

### Module 5

Confirmation subsidy has been completed using recognised software version and benefit grant has been reconciled to benefit paid.

*Note: DWP have indicated the existing HB Count module 4 (Housing Benefit Analytical Review Template) will not longer be a requirement under HBAP for 2018/19.*

At the planning stage, we will share instructions with you and agree an overall approach. Where a council elects to complete some audit procedures, we will provide the tools and schedules, and guidance and training on their completion, we will re-perform a sample of officer's work. Where we complete procedures we will specify, in advance, the subject population, the sample, and the timing and evidence requirements.

We will have close out 'lessons learnt' meetings with the appropriate council staff to address any identified training needs and capture ideas for further improving the process.

# Working with our clients

## Who completes the testing?

The approach to who undertakes the discovery testing and 40+ testing of prior year issues or for errors identified in the discovery testing is different at individual clients. At some clients, Grant Thornton undertakes all of the testing, at others it is a combination of ourselves and the client's internal audit or benefits staff, and for some clients they do all of the testing. Where the client does the testing we will always re-perform a percentage of this work. We work closely with our clients at the planning stage of the certification process to determine whether they are able to do any of the testing.

## What impact does this have?

This is an important decision, as testing undertaken by the council will help reduce the fee, but this is offset by the need to make client staff (or internal audit staff) available to do the testing to the required DWP standards.

No matter whether the council staff, internal audit or Grant Thornton do the testing it must be completed to the same high quality standards to meet the DWP requirements.

## What support will you provide?

We have experience of working with clients through workshops and ongoing assistance training to show them how to complete the testing workbooks to the required DWP standard.

We deliver Housing Benefit workshops for our clients, which allow us to work together through any changes in regulations and to discuss any impact to the Housing Benefit certification instruction.

# Our quotation to provide HBAP services to Ribble Valley Borough Council

Our fixed price fee for this work for 2018/19 is £4,995 + VAT. This fee is based on Grant Thornton undertaking the initial discovery testing and completion of HBAP in respect of this detailed sample testing. The completion of other DWP certification requirements, the re-performance of CAKE testing, any additional testing arising from the initial discovery testing, or DWP follow up work, will be charged at a day rate of £835 + VAT.

For comparison, we have also indicated the proposed fee if the Council undertake the initial discovery testing and completion of HBAP where we will undertake quality and re-performance work with resultant reductions in external audit testing time. Our composite day rate would be applicable for the completion of other DWP certification requirements, the requirements of CAKE testing, any additional testing or DWP follow up work required.

	GT Discovery	RVBC Discovery
Fee	£4,995	£500
Composite Day Rate	£835	£835

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# Next Steps.....

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## Contact details

### Engagement Lead

Mark Heap

0161 234 6375

[mark.r.heap@uk.gt.com](mailto:mark.r.heap@uk.gt.com)

### Engagement Manager

Ian Pinches

0161 234 6359

[ian.m.pinches@uk.gt.com](mailto:ian.m.pinches@uk.gt.com)

If you would like to discuss further your certification needs, including the various options available and potential fees please do not hesitate to contact us.

### UK Grant Assurance Lead

Nick White

07775548924

### National HB Lead

Andy Davies

07747006786



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## RIBBLE VALLEY BOROUGH COUNCIL REPORT TO ACCOUNTS AND AUDIT COMMITTEE

Agenda Item No 11

meeting date: 25 JULY 2018  
 title: INTERNAL AUDIT PROGRESS REPORT 2018/19  
 submitted by: DIRECTOR OF RESOURCES  
 principal author: MICK AINSCOW

### 1 PURPOSE

1.1 To report to Committee internal audit work progress to date for 2018/19.

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 2018/19 is attached as Annex 1 alongside progress to date. In summary resources for the year have been allocated as follows:

Audit Area	2018/19 Planned Days	Actual Days to 13 July 2018
Fundamental (Main) Systems	230	15
Other Systems	79	20
Probity and Regularity	246	49
On-going checks	12	3
Risk Management, Performance Indicators	40	21
Non-Audit Duties (Insurance)	35	20
College	6	0
Contingencies/unplanned work	25	5
Vacant Post		53
Available Audit Days to 31 March 2019		487
	<b>673</b>	<b>673</b>

2.4 The position with regards to audit work carried out as at the 13 July 2018 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, Clitheroe Market, Car Parking and Cash Receipting, 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 11 April 2018. The table below sets out the assurance opinions issued from these audits:

Date of Report	Assurance Opinion	Report Details
24.04.18	Full 	Data Protection – all areas of operation examined. Controls in place were sound and working effectively. No recommendations arising.
29.05.18	Full 	Cash Receipting System – sound system of internal control operating. Controls in place were being consistently applied. No recommendations arising.

Date of Report	Assurance Opinion	Report Details
30.05.18	Full ✓✓✓	Fees and Charges – ensuring that fees approved by Committee were those being charged by respective departments. No issues arising.
05.06.18	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.
04.07.18	Substantial ✓✓	Car Parking – looking at cash collection and banking procedures, issuing of permits and payment of penalty notices. System operating well. Minor recommendations in relation to long stay parking permits.
06.07.18	Substantial ✓✓	Clitheroe Market - checking to ensure all income collected is paid in promptly and that payments for cabins and café, via the sundry debtors system are up to date. No major issues arising.

## 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

6.2 Latest position - Detailed discussions with Barnfield Construction continue to take place regarding the scheme. Further revisions have been undertaken by the developer following the most recent meeting with them to reflect the issues raised and these were presented to the Market Working Group at the end of March. The outline scheme has now been considered by Members at Policy and Finance and been endorsed by Full Council to be moved forward with the Developer. The scheme is to be design finalised, subject to appraisal and negotiations on Heads of Terms and the Developer Agreement to be progressed. These matters are to be reported back to Policy and Finance for agreement. In parallel the developer will move forward with the preparation of a planning application ready for submission in due course.

## 7 CONCLUSION

7.1 Progress to date with the 2018/19 audit plan is satisfactory.

PRINCIPAL AUDITOR

DIRECTOR OF RESOURCES

AA17-18/MA/AC

16 July 2018

## Annex 1

2018/19 Planned Days	Audit	Actual days to 13/07/18	Status as at 13/07/18
<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	15	
<b>230</b>		<b>15</b>	
<i>Other Systems Work</i>			
15	VAT	5	Initial Testing
12	Treasury Management	4	Initial Testing
15	Procurement	0	Not started
20	Business Continuity	0	Not started
12	Asset Management	10	Testing complete
5	Salthill Depot Stores	1	
<b>79</b>		<b>20</b>	
<i>Probity and Regularity</i>			
3	Joiners Arms Homeless Unit	0	Not started
3	Members Allowances	1	Initial testing
15	Recruitment/Safeguarding Arrangements	0	Not started
15	Insurance	0	Not started
5	Land Charges	0	Not started
10	Fees and Charges/Cash Collection Procedures	10	
12	Health and Safety	0	Not started
10	Car Parking	11	
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	0	Not started
12	ICT Audit	0	Not started
5	Healthy Lifestyles/Up and Active	4	At draft report stage
5	Ribblesdale Pool	0	Not started
3	Museum/Café	0	Not started
12	Partnership Arrangements	0	Not started
12	Grants received	10	Testing underway
12	Grants paid	10	Testing underway
12	Data Protection/GDPR	0	Not started
15	Section 106 Agreements/Planning Enforcement	0	Not started
10	Building Control	0	Not started
3	Clitheroe Market	3	
5	Clitheroe Cemetery	0	Not started

2018/19 Planned Days	Audit	Actual days to 13/07/18	Status as at 13/07/18
5	Licences	0	Not started
5	Land and Property Leases	0	Not started
5	Outdoor Recreation	0	Not started
10	Planning Applications	0	Not started
<b>246</b>		<b>49</b>	
<i>Continuous Activity/Ongoing Checks</i>			
12	Income Monitoring	3	∞
25	Contingencies/unplanned work	5	Driving Licence/Car Insurance Check and Election Duties/Postal Vote Opening
15	Risk Management	1	∞
20	Corporate Governance	20	∞
5	Performance Indicators	0	∞
<b>40</b>		<b>21</b>	
35	Insurance	20	∞
6	Training	2	∞
	Vacant post	53	
	Available audit days to 31/3/2019	487	
<b>673</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			
	Health and Safety	NNDR System	Council Tax System	Homelessness
Sufficient notice given to arrange the visit (not applicable for unannounced visits)	5	5	5	5
A briefing sheet sent prior to audit commencing and any comments/ requests were taken into account during the audit	5	5	5	5
The auditors understanding of your systems and any operational issues	5	5	5	4
The audit carried out efficiently with minimum disruption	5	5	5	4
The level of consultation during the audit	5	5	5	3
The audit was carried out professionally and objectively	5	5	5	5
The draft report addressed the key issues and was soundly based	5	5	5	5
Your opportunity to comment on findings	5	5	5	5
The final report in terms of clarity and conciseness	5	5	5	4
The prompt issue of final report	5	5	5	4
The recommendations will improve control and/or performance	5	5	5	4
Audit was constructive and added value overall	5	5	5	4
<b>Average</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>4.3</b>

**Key:**

- 5 – very good**
- 4 – good**
- 3 – satisfactory**
- 2 – just adequate**
- 1 - poor**



Jane Pearson  
Director of Resources  
Ribble Valley Borough Council  
Council Office  
Church Walk  
Clitheroe  
Lancashire  
BB7 2RA

**Grant Thornton UK LLP**  
4 Hardman Square  
Spinningfields  
Manchester  
M3 3EB  
T +44 (0)161 953 6900  
www.grant-thomton.co.uk

28 April 2018

Dear Mrs Pearson

### **Planned audit fee for 2018/19**

The Local Audit and Accountability Act 2014 (the Act) provides the framework for local public audit. Public Sector Audit Appointments Ltd (PSAA) has been specified as an appointing person under the Act and the Local Authority (Appointing Person) Regulations 2015 and has the power to make auditor appointments for audits of opted- in local government bodies from 2018/19.

For opted- in bodies 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 all grant work, including housing benefit certification, now falls outside the PSAA contract, as PSAA no longer has the power to make appointments for assurance on grant claims and returns. Any assurance engagements will therefore be subject to separate engagements agreed between the grant-paying body, the Council and ourselves and separate fees agreed with the Council.

### **Scale fee**

PSAA published the 2018/19 scale fees for opted-in bodies in March 2018, following a consultation process. Individual scale fees have been reduced by 23 percent from the fees applicable for 2017/18. Further details are set out on the [PSAA website](#). The Council's scale fee for 2018/19 has been set by PSAA at £30,956 (2017/18: £40,202).

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 timeframes'.

The audit planning process for 2018/19, 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**

There are no changes to the overall work programme for audits of local government audited bodies for 2018/19. 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. Audits of the accounts for 2018/19 will be undertaken

under this Code. 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.

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 latest guidance for auditors on value for money work in November 2017. 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.*

### **Billing schedule**

Fees will be billed as follows:

<b>Main Audit fee</b>	<b>£</b>
September 2018	7,739
December 2018	7,739
March 2019	7,739
June 2019	7,739
<b>Total</b>	<b>30,956</b>

### **Outline audit timetable**

We will undertake our audit planning and interim audit procedures from December 2018 to February 2019. 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 June and July 2019, and work on the whole of government accounts return in July 2019.

	<b>Timing</b>	<b>Outputs</b>	<b>Comments</b>
<b>Phase of work</b>			
Audit planning and interim audit	December 2018 to February 2019	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 2019	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 2019	Audit Findings (Report to those charged with governance)	As above
Whole of government accounts	July 2019	Opinion on the WGA return	This work will be completed alongside the accounts audit.
Annual audit letter	September 2019	Annual audit letter to the Council	The letter will summarise the findings of all aspects of our work.

### **Our team**

The key members of the audit team for 2018/19 are:

	<b>Name</b>	<b>Phone Number</b>	<b>E-mail</b>
Engagement Lead	Mark Heap	0161 234 6375	<a href="mailto:mark.r.heap@uk.gt.com">mark.r.heap@uk.gt.com</a>
Engagement Manager	Ian Pinches	0161 234 6359	<a href="mailto:ian.m.pinches@uk.gt.com">ian.m.pinches@uk.gt.com</a>
In Charge Auditor	Jeanette Allen	0161 953 6341	<a href="mailto:jeanette.t.allen@uk.gt.com">jeanette.t.allen@uk.gt.com</a>

### **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 Sara Howard, our Public Sector Assurance regional lead partner, via [sarah.e.howard@uk.gt.com](mailto:sarah.e.howard@uk.gt.com).

Yours sincerely

Mark Heap

Engagement Lead

For Grant Thornton UK LLP

# RIBBLE VALLEY BOROUGH COUNCIL REPORT TO ACCOUNTS AND AUDIT COMMITTEE

Agenda Item No. 13

meeting date: 25<sup>TH</sup> JULY 2017  
title: 2017/2018 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 2017/2018 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 2017/18. Notes are provided where necessary to explain significant variances either between the outturn and the target or between 2017/2018 data and 2016/2017 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 2017/2018 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 also been provided for 2018/2019.
- 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:
- 42.86% (3) of PIs improved
  - 42.86% (3) of PIs stayed the same
  - 14.28% (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.
- 2.8 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 2017/2018 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 2017/2018

PI Code	Short Name	2016/17	2017/18		2018/19	Current Performance	Trend year on year	Corporate Objective	Latest Notes
		Value	Value	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%				
PI FS3	Percentage of Audit Plan covered	91.5%	93.67%	90%	90%				
PI FS11	Percentage of audit recommendations made to date now implemented or accepted	100%	100%	100%	100%				
PI FS12	Audit time as a percentage of total time available	72.63%	70.88%	70%	70%				
PI FS13	Percentage of audits completed within budgeted days	86.1%	93.44%	85%	85%				
PI FS14	Percentage of customers providing feedback	100%	100%	100%	100%				
PI FS15	Average satisfaction score	4.28	4.35	4.25	4.25				