

# RIBBLE VALLEY BOROUGH COUNCIL

## REPORT TO ACCOUNTS & AUDIT COMMITTEE

Agenda Item No: 6

meeting date: 24 JULY 2019  
title: LOCAL CODE OF CORPORATE GOVERNANCE  
submitted by: DIRECTOR OF RESOURCES  
principal author: LAWSON ODDIE

### 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 be 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. An annual review of the council's Code has been undertaken and is attached at Annex 1. There are no further changes proposed to the Local Code of Corporate Governance that is currently in place.
- 3.3. The document clearly communicates 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 clear linkage to how such 'behaviours' or culture can be evidenced within the council, principle by principle.
- 3.5. The format of the document also links 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. Following approval the Local Code of Corporate Governance will also 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 encompassing 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 reviewed Local Code of Corporate Governance, which is attached at Annex 1.

HEAD OF FINANCIAL SERVICES

DIRECTOR OF RESOURCES

AA9-19/LO/AC

12 July 2019

BACKGROUND PAPERS

None

For further information please ask for Lawson Oddie.

DRAFT

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# Local Code of Corporate Governance

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**July 2019**

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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.

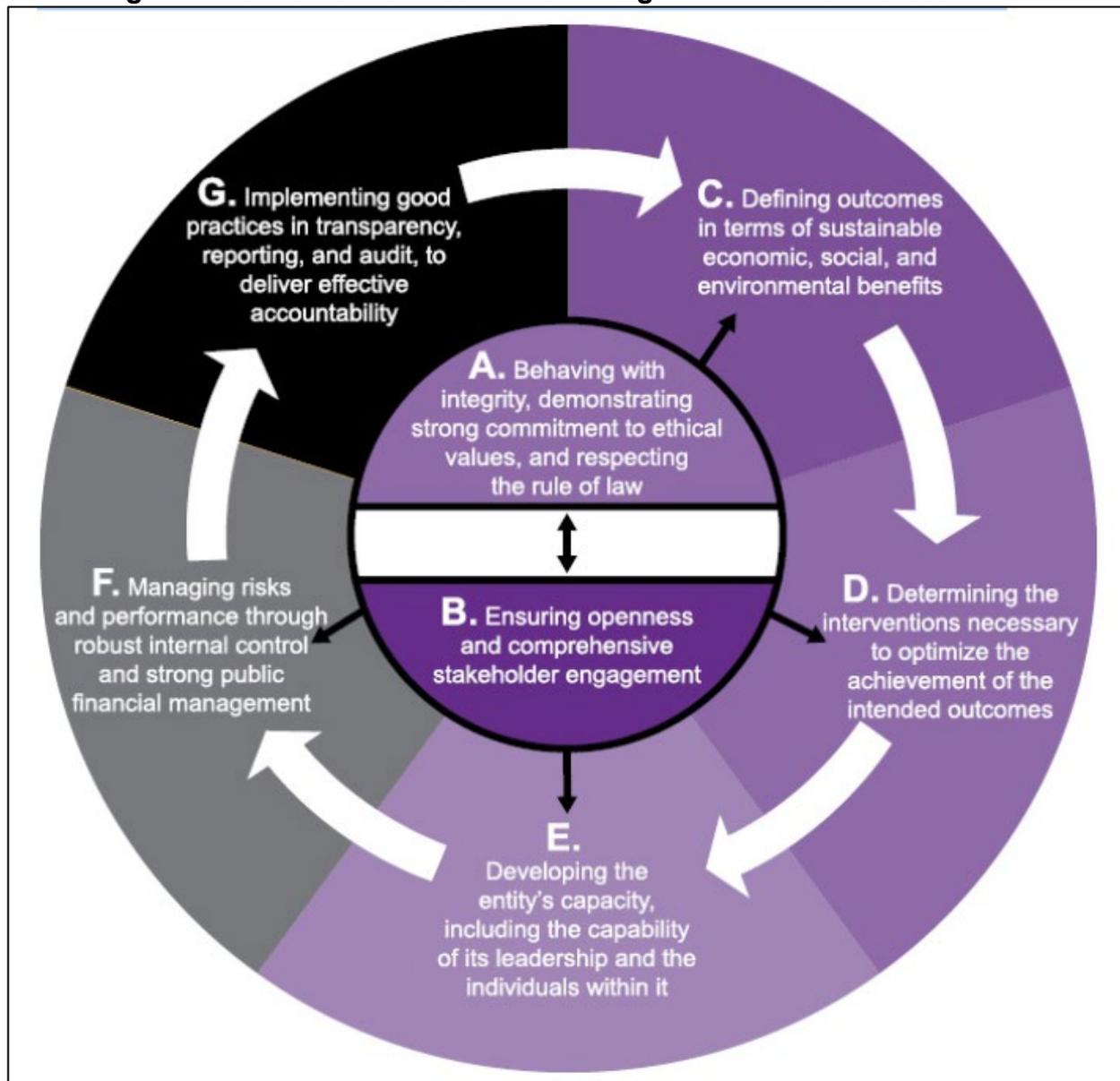
- Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.
- Ensuring openness and comprehensive stakeholder engagement.
- Defining outcomes in terms of sustainable economic, social and environmental benefits.
- Determining the interventions necessary 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 all 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: 7

meeting date: 24 JULY 2019  
title: ANNUAL GOVERNANCE STATEMENT  
submitted by: DIRECTOR OF RESOURCES  
principal author: MICHELLE HAWORTH

## 1 PURPOSE

- 1.1. To provide members with details of the Annual Governance review for 2018/19 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.

### **Review of Significant Governance Issues Raised in the Annual Governance Statement 2017/18**

3.4. There were a number of actions recommended in the 2017/18 annual governance review, and progress with these is detailed in the attached statement and summarised below.

- **Peer Challenge Review:** An action plan was formulated as a result of the recommendations of the Peer Challenge Review carried out in 2017/18. A report monitoring the implementation of the actions in line with the timescales identified was reported to Policy and Finance Committee in June 2019.

Whilst a number of actions are completed there are a number of outstanding actions that continue to be addressed and are being monitored. The latest status is provided as an annex to the attached Annual Governance Statement. This action has been carried forward in to 2019/20 based on the outstanding actions as at 31 March 2019.

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

A number of action points were put in place by the council's corporate management team to minimise the ongoing impact of vehicle maintenance costs and these have helped reduce the level of overspend in this area. However, there continues to be an overspend on the budget for 2018/19, resulting in this action being carried forward in to 2019/20.

- **Communications Strategy:** The council did 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.

At the end of the financial year work had been undertaken on producing a Corporate Communications Strategy, however in year there was no up to date strategy in place. As a result, this is included as an action for 2019/20. However, a revised Communications Strategy has since been approved by Policy and Finance Committee in June 2019.

### **Review of Significant Governance Issues 2018/19**

3.5. 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. A number of these are carried forward from the 2017/18 review as detailed above.

- **Peer Challenge Review** (*Carried forward from 2017/18*): Work continues to address the issues raised as part of the Peer Challenge Review. The recommendations made at that time are included as an annex to the attached Annual Governance Statement, showing progress and the outstanding issues as last report to Policy and Finance Committee.

As part of this review it is recognised that progress has been made, but that the outstanding recommendations need to be addressed. The remaining actions are to be addressed and an update report taken to Policy and Finance Committee

- **Refuse Vehicle Maintenance Costs** (*Carried forward from 2017/18*): Whilst an improvement on past years, there has been a continued overspend in refuse vehicle maintenance costs which have been highlighted to the relevant committees during the year.

Work needs to continue to review the overspend and the associated budgets. Corporate Management Team and Budget Working Group are to monitor progress and consider the budget position going forward

- **Communications Strategy** (*Carried forward from 2017/18*): The council did not have an up to date Communications Strategy in place as at 31 March 2019. 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.

It was recommended as part of the review that an updated communications strategy be considered by Corporate Management Team and taken to Policy and Finance Committee for approval. This has since been completed.

- **Members Code of Conduct – Complaints Process** (*New Significant Issue*): In light of the considerable disruption to council business over the last 18 months it is recommended that the members Code of Conduct is reviewed and the process for dealing with such complaints.

A review is to be undertaken in 2019/20

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 identified

- Political – None identified
- 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 identified

5 RECOMMENDED THAT COMMITTEE

- 5.1. Approve the attached Annual Governance Statement 2018/19, which is attached at Annex 1.

PRINCIPAL POLICY AND  
PERFORMANCE OFFICER

DIRECTOR OF RESOURCES

AA10-19/MH/AC  
12 July 2019

BACKGROUND PAPERS

None

For further information please ask for Michelle Haworth.

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# 240719 Annual Governance Statement

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2018/19

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Ribble Valley  
Borough Council

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

## **Annual Governance Statement** **2018/19**

### 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 2018/19 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 2019 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. In light of recent events it is recommended that a review of the Members Code of Conduct is carried out in 2019/2020.
- 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 2018/19 financial year, but this has been done as part of the new members' induction following local elections in May 2019. It is recommended that there should be an annual refresher on the key elements of the

constitution for all members. 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 and 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. There has been cause for concern during the year following actions by the council's Accounts and Audit Committee in its dealing with the procedures around a complaint against an elected member. Action by the Monitoring Officer was avoided only due to the matter being revisited as a result of the Call-In Procedure.
- 3.19. 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.
- 3.20. 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.
- 3.21. The council's decision making hierarchy and terms of reference for each committee are clearly identified within the Constitution.
- 3.22. 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.
- 3.23. The council has in place an Anti-Fraud and Corruption Policy which is due to be reviewed in 2019/2020.

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

### ***Openness***

- 3.24. 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.
- 3.25. 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.
- 3.26. The information which residents use most, such as Council Tax and Planning can be accessed quickly and easily from the main page.
- 3.27. 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.
- 3.28. 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, they provide the information necessary for members. Any further requests for information are minuted.
- 3.29. 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.
- 3.30. We make use of a Citizens Panel and other consultations and surveys wherever possible in informing decisions.

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

- 3.31. The council does not have an up to date Communications Strategy but this is currently under review.
- 3.32. The council does not have any formal partnerships in place. There was representation on the Local Enterprise Partnership for part of the year.
- 3.33. 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***

- 3.34. 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 helped with the council's research and consultation activity. The council's membership of the Infusion Research partnership ended on 31 March 2018. Any future consultation will be arranged on an ad-hoc basis as and when required and if required expertise will be procured from research and consultation consultants.

- 3.35. The council has a Citizens Panel which can be used to enable the council to access the views of Ribbles Valley people. The results can be used to develop policies and strategies, inform decision-making and identify where service improvements may be required.
- 3.36. 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 was reported to Policy and Finance Committee in July 2018.
- 3.37. The council has endeavoured to extend the use of social media and engagement with its website. A further promotional website was launched in June 2018.

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

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

- 3.38. 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.
- 3.39. 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.
- 3.40. 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. The Strategy will be reviewed in 2019.
- 3.41. 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.
- 3.42. 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.
- 3.43. The Council's Risk Register sets out the risks that we have to manage to help us achieve our objectives.
- 3.44. 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***

- 3.45. Consideration is given to economic, social and environmental benefits in the assessing of bids for the council's capital programme.

- 3.46. 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.
- 3.47. 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.
- 3.48. 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.
- 3.49. 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***

- 3.50. 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.
- 3.51. 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.
- 3.52. 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***

- 3.53. There are clear timetables in place for the various Service Committee meetings. These are published on the council's website.

- 3.54. 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.
- 3.55. 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.
- 3.56. 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.
- 3.57. 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.
- 3.58. 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***

- 3.59. 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.
- 3.60. 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.
- 3.61. 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***

- 3.62. 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.
- 3.63. 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.
- 3.64. 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.
- 3.65. During the 2017/18 financial year the council engaged in a Corporate Peer Challenge review.

- 3.66. 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
- 3.67. 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 the implementation of these have been monitored periodically. The LGA will also be carrying out a Corporate Peer Challenge follow up visit in September 2019.
- 3.68. The council does not have a workforce plan in place, however work is currently underway to produce a plan in 2019/2020.

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

- 3.69. 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
- 3.70. 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.
- 3.71. The Chief Executive leads on implementing strategy and managing service delivery and other outputs set by members.
- 3.72. 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.
- 3.73. 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.
- 3.74. 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.
- 3.75. 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.
- 3.76. 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.
- 3.77. 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.

- 3.78. 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.
- 3.79. 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.
- 3.80. 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***

- 3.81. 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.
- 3.82. 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***

- 3.83. 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.
- 3.84. 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.
- 3.85. 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.
- 3.86. 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.
- 3.87. 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.

- 3.88. 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.
- 3.89. 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.
- 3.90. 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***

- 3.91. 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.
- 3.92. 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.
- 3.93. The Risk Management Strategy is reviewed on a regular basis and is approved by the Accounts and Audit Committee.
- 3.94. 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.
- 3.95. 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.
- 3.96. 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.
- 3.97. 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***

- 3.98. 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 it's eight data protection principles.
- 3.99. The council's ICT Manager is the designated Data Protection Officer.
- 3.100. The council have a Data Protection Policy which is published on the council's Intranet and available for all staff.
- 3.101. 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 2019/20.
- 3.102. 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.
- 3.103. 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.
- 3.104. The internal audit team also review the accuracy of the performance indicators that are published at the end of the financial year.
- 3.105. 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.
- 3.106. The council complies with the Local Government Transparency Code 2015 by publishing accurate data online in the areas mandated by the Code.

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

- 3.107. 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.
- 3.108. 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.
- 3.109. 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.
- 3.110. 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.
- 3.111. 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.

- 3.112. All reports across all committees are published in a consistent style.
- 3.113. Financial outturn reports are presented to all service committees.
- 3.114. 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.
- 3.115. 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.
- 3.116. As part of the assurance review, the Director of Resources has highlighted the need to provide formal training to members and staff on the council's Financial Regulations and Contract Procedure Rules in light of the new administration following the elections in May 2019 and the high proportion of new elected members.

**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 uptake, satisfaction and management. Council websites are scored out of four stars and for 2018/19 (latest available) the council scored two 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 updated 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 2018/19.
- Chief Executive (Head of Paid Service);
  - Director of Resources (S151 Officer);
  - Director of Community Services;
  - Director of Planning and Economic Development;
- 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. Last 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. The action plan implementation has been periodically monitored and reported to Policy and Finance Committee.

***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.

6. REVIEW OF SIGNIFICANT GOVERNANCE ISSUES RAISED IN THE ANNUAL GOVERNANCE STATEMENT 2017/18

6.1 As part of last year's review there were a number of issues raised as part of the Annual Governance statement for 2017/18. The status of these issues is provided in the table below:

Subject Area	Description	Status	Action
<b>Peer Challenge Review</b>	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.	Whilst a number of actions are completed there are a number of outstanding actions that continue to be addressed and are being monitored. The latest status is provided at Annex 1.	Carried Forward
<b>Refuse Vehicle Maintenance Costs</b>	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.	A number of action points were put in place by the council's corporate management team to minimise the ongoing impact of vehicle maintenance costs and these have helped reduce the level of overspend in this area. However, there continues to be an overspend on the budget for 2018/19.	Carried Forward
<b>Communications Strategy</b>	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.	Work has been undertaken on producing a Corporate Communications Strategy, however in year there was no up to date strategy in place.	Carried Forward

7. REVIEW OF SIGNIFICANT GOVERNANCE ISSUES 2018/19

7.1 In considering the criteria for significant governance issues as listed at section 5 there are a number of areas to be raised as part of this Annual Governance Statement for 2018/19.

7.2 A number of these have been items that have been carried forward from the review of actions raised as part of the Annual Governance Statement 2017/18 as work continues to address these areas. It must be noted that progress has been made in the areas that have been carried forward, but that this work needs to continue to fully address the issues raised.

**Action Plan**

Subject Area	Details	Action
<p><b>Peer Challenge Review</b> <i>Carried Forward from 2017/18</i></p>	<p>Work continues to address the issues raised as part of the Peer Challenge Review. The recommendations made at that time are attached at Annex 1, showing progress and the outstanding issues as last report to Policy and Finance Committee.</p> <p>As part of this review it is recognised that progress has been made, but that the outstanding recommendations need to be addressed.</p>	<p>Remaining actions to be addressed and an update report taken to Policy and Finance Committee</p>
<p><b>Refuse Vehicle Maintenance Costs</b> <i>Carried Forward from 2017/18</i></p>	<p>Whilst an improvement on past years, there has been a continued overspend in refuse vehicle maintenance costs which have been highlighted to the relevant committees during the year.</p> <p>Work needs to continue to review the overspend and the associated budgets.</p>	<p>Corporate Management Team and Budget Working Group to monitor progress and consider the budget position going forward</p>
<p><b>Communications Strategy</b> <i>Carried Forward from 2017/18</i></p>	<p>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.</p>	<p>An updated communications strategy to be considered by Corporate Management Team and taken to Policy and Finance Committee for approval.</p>
<p><b>Members Code of Conduct – Complaints Process</b> <i>New Significant Issue</i></p>	<p>In light of the considerable disruption to council business over the last 18 months it is recommended that the members Code of Conduct is reviewed and the process for dealing with such complaints</p>	<p>Review to be undertaken in 2019/20</p>

Signed:

\_\_\_\_\_  
Leader of the Council  
On behalf of Ribble Valley Borough Council

\_\_\_\_\_  
Chief Executive

## CORPORATE PEER CHALLENGE - ACTION PLAN UPDATE JUNE 2019

### Key Recommendations:

- Strengthen engagement with staff and partners to ensure clarity of vision and desired outcomes in relation to the Corporate Strategy, priorities and initiatives.
- Review the Performance Management Framework linked to the Corporate Strategy.
- Review the resourcing of Corporate Strategy priorities.
- Develop an Economic Development Strategy.
- 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.
- 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	Update
<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>	<ul style="list-style-type: none"> <li>• Completed – reported to Policy and Finance Committee June 2018</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,	<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>	<ul style="list-style-type: none"> <li>• Completed – information in Backchat and published on the Council's website</li> </ul>

Issue (from the report)	Required Action	Milestones	Due Date	Lead	Update
<p>ambitions and priorities.</p> <p>The council need to ensure continued, 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>Following the Staff Survey an action plan was developed and approved by personnel Committee in June 2018. Several actions around Internal Communications were included and are now being implemented.</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>	<ul style="list-style-type: none"> <li>Review of Performance Management Framework reported to Policy and Finance Committee September 2018. Review of Performance Indicators is ongoing.</li> </ul>

Issue (from the report)	Required Action	Milestones	Due Date	Lead	Update
<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>	<ul style="list-style-type: none"> <li>Ongoing</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>	<ul style="list-style-type: none"> <li>The Performance Appraisal System was reviewed in April 2018. 95% of the 2018/2019 appraisals were conducted (an improvement on previous years).</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>	<ul style="list-style-type: none"> <li>Adopted by Policy and Finance Committee - June 2018</li> </ul>

Issue (from the report)	Required Action	Milestones	Due Date	Lead	Update
<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><del>September 2018</del></li> <li>December 2018</li> </ul>	<ul style="list-style-type: none"> <li>Director of Economic Development and Planning</li> </ul>	<ul style="list-style-type: none"> <li>This action was delayed due to the appointment of a new Director (in post August 2018). The due date was amended accordingly with the intention of reporting the Strategy to Economic Development committee in January 2019.</li> <li>At the start of the year the Council set up an Economic Partnership with businesses in the Borough. Information gathered at the initial two events has been used to formulate a draft Economic Plan which will be reported to Economic Development Committee in June and subject to public consultation. The final plan is expected to be finalised in autumn 2019.</li> </ul>

Issue (from the report)	Required Action	Milestones	Due Date	Lead	Update
<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>	<ul style="list-style-type: none"> <li>The Leader of the Council has recently been appointed to the LEP Board.</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>	<ul style="list-style-type: none"> <li>The Leader regularly attends meetings of both District Leaders and the Lancashire-wide Leaders group.</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>	<ul style="list-style-type: none"> <li>Absorb changes to National Planning Policy Framework (NPPF)</li> </ul>	<ul style="list-style-type: none"> <li>Outline Plan to Planning Committee</li> </ul>	<ul style="list-style-type: none"> <li>April/ May 2018</li> </ul>	<ul style="list-style-type: none"> <li>Head of Regeneration and Housing</li> </ul>	<ul style="list-style-type: none"> <li>Changes to NPPF were published later than anticipated (24 July). We are now operating to the changes which are reflected in current planning policy decisions and integrated into the Development Plan review process.</li> </ul>

Issue (from the report)	Required Action	Milestones	Due Date	Lead	Update
<p>There may be opportunities to review the pre-application offer to developers, agents and architects to strengthen current 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>• Articulate the vision for the area in terms of house building and economic development</li> <li>• Review the Core Strategy</li> <li>• Determine infrastructure requirements</li> <li>• Consider adopting the Community Infrastructure Levy</li> <li>• Support the development of neighbourhood plans</li> </ul>	<ul style="list-style-type: none"> <li>• Discussion and debate on the extent of new development</li> <li>• Interim reports to Planning Committee</li> <li>• Updated Core Strategy/Local Plan Review</li> <li>• Support to be offered as required</li> </ul>	<ul style="list-style-type: none"> <li>• September 2018</li> <li>• Throughout 2018 - 2020</li> <li>• March 2020</li> <li>• Ongoing</li> </ul>	<ul style="list-style-type: none"> <li>• Head of Regeneration and Housing</li> <li>• Head of Regeneration and Housing</li> <li>• Head of Regeneration and Housing</li> </ul>	<ul style="list-style-type: none"> <li>• Ongoing – this was delayed due to the appointment of a new Director. Housing matters will be the subject of further consideration as part of housing strategy and local plan review. Economic Plan draft is going to Economic Development Committee in June 2019.</li> <li>• Local Plan review is still ongoing</li> <li>• Web pages have been updated.</li> <li>• Assistance is offered whenever requested.</li> <li>• Longridge Neighbourhood Plan has now been adopted.</li> <li>• The Council has undertaken measures to promote Neighbourhood Plans with Parishes.</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> <p>To ensure continued cohesive</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 2018</li> </ul>	<ul style="list-style-type: none"> <li>• CEO/ Head of Legal Services</li> </ul>	<ul style="list-style-type: none"> <li>• The review of the Council's Governance arrangements takes place annually as part of the Annual Accounts and any issues raised are considered by the Accounts and Audit Committee</li> <li>• The Annual Governance Statement 2018/2019 has made recommendations with regards to governance issues</li> </ul>

Issue (from the report)	Required Action	Milestones	Due Date	Lead	Update
<p>leadership of the council in meeting the challenges ahead, the development of a standard approach to senior member and Corporate 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>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>	<ul style="list-style-type: none"> <li>Annual Training Plan is being compiled and will include Member training. Member training is regularly reported to Personnel Committee.</li> <li>The focus has recently shifted to inductions for new members following the local elections.</li> </ul>
	<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>The Head of Legal report the Member Officer Protocol, as a part 1 Information item, to each committee in the 2<sup>nd</sup> cycle 2018/19</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>	<ul style="list-style-type: none"> <li>CMT and Senior members held an Away Day was in May 2018. The intention is to hold similar meetings at regular intervals. The next one to be organised will look at setting the new Council's priorities for the 2019-2023 Corporate Strategy.</li> <li>The Chief Executive has meetings with the Leader and Deputy Leader of the Conservative group and the Leader of the Liberal Democrats on a regular basis</li> </ul>

# Audit Findings Report for Ribble Valley

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Year ended 31 March 2019

15 July 2019



# Contents



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## Section

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

## Page

3

4

14

17

## Appendices

- A. Audit adjustments
- B. Fees
- C. 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 findings and other matters 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 2019 for those charged with governance.

<b>Financial statements audit</b>	<p>Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Council's financial statements:</p> <ul style="list-style-type: none"><li>• give a true and fair view of the financial position of the Council and its income and expenditure for the year; and</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 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>Our audit work was completed on site during June and July. Our findings are summarised on pages 5 to 11. We have identified no adjustments to the financial statements that have resulted in an adjustment to the Council's Comprehensive Income and Expenditure Statement. Audit adjustments are detailed in Appendix A.</p> <p>Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion or material changes to the financial statements, subject to the following outstanding matters;</p> <ul style="list-style-type: none"><li>• receipt of a signed management representation letter</li><li>• completion of work to consider the issues arising from the "McCloud judgement"</li><li>• receipt of the letter of assurance from the pension fund</li><li>• responses from management and those charge with governance</li><li>• completion of a number of outstanding audit procedures and areas of testing and</li><li>• review of the final set of financial statements.</li></ul> <p>We have concluded that the other information to be published with the financial statements is consistent with our knowledge of your organisation and the financial statements we have audited.</p> <p>Our anticipated audit report opinion will be unqualified.</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 if, in our opinion, the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').</p>	<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. Our findings are summarised on page 16.</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>
<b>Acknowledgements</b>		

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 will be discussed with management and the Accounts and Audit Committee.

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

## Audit approach (continued)

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

We have not had to alter or change our audit plan, as communicated to you on 13 February 2019.

## 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 24 July 2019, as detailed in Appendix A. These outstanding items include:

- receipt of a signed management representation letter
- completion of work to consider the issues arising from the "McCloud judgement"
- receipt of the letter of assurance from the pension fund
- responses from management and those charged with governance
- completion of a number of outstanding audit procedures and areas of testing 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 remain the same as reported in our audit plan.

	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	432,000	This equates to 2% of the previous year's gross revenue expenditure for the year and is considered to be the level above which the users of the accounts would wish to be aware in the context of overall expenditure.
Performance materiality	324,000	Assessed to be 75% of financial statement materiality.
Trivial matters	21,000	Assessed to be 5% of financial statement materiality.
Materiality for senior officers remuneration	2%	Disclosures of senior manager remuneration in the Remuneration Report, based on 2% of the total executive and non-executive directors' remuneration. This item merits a lower materiality than financial statement level materiality due to being of particular interest to the public.

# Significant findings – audit risks

Risks identified in our Audit Plan	Commentary
<b>The revenue cycle includes fraudulent transactions (rebutted)</b>	<b>Auditor commentary</b> No changes to our assessment reported in the audit plan.
<b>Management override of controls</b>	<b>Auditor commentary</b> <ul style="list-style-type: none"><li data-bbox="689 480 2136 568">• We evaluated the design effectiveness of management controls over journals, analysed the journals listing and determined the criteria for selecting high risk unusual journals. We completed testing on unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration.</li><li data-bbox="689 592 2136 647">• We gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness with regard to corroborative evidence.</li><li data-bbox="689 671 2136 695">• We evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.</li></ul> Our audit work has not identified any issues in respect of management override of controls.

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# Significant findings – audit risks

Risks identified in our Audit Plan	Commentary
<b>Valuation of land and buildings (Periodic revaluation with desktop valuation in intervening years)</b>	<p><b>Auditor commentary</b></p> <p>In addressing this risk, we::</p> <ul style="list-style-type: none"> <li>evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work</li> <li>evaluated the competence, capabilities and objectivity of the valuation expert</li> <li>wrote to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the Code are met</li> <li>challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding</li> <li>tested revaluations made during the year to see if they had been input correctly into the Council's asset register</li> </ul> <p>Our audit work has not identified any issues in respect of valuation of land and buildings.</p>
<b>Valuation of pension fund net liability</b>	<p><b>Auditor commentary</b></p> <p>We have:</p> <ul style="list-style-type: none"> <li>updated our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluated the design of the associated controls;</li> <li>evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;</li> <li>assessed the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation;</li> <li>assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability;</li> <li>tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary;</li> <li>undertook procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report;</li> <li>we are still waiting for the assurances from the auditor of Lancashire County Pension Fund as to the controls surrounding the validity and accuracy of membership data, contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements. We are also awaiting the revised actuary statement from Mercers.</li> </ul> <p>Our audit work is still ongoing in this area.</p>

# Significant findings - other issues

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan and a summary of any significant control deficiencies identified during the year.

Issue	Commentary	Auditor view
<p><b>Potential impact of the McCloud judgement</b></p> <p>The Court of Appeal has ruled that there was age discrimination in the judges and firefighters pension schemes where transitional protections were given to scheme members.</p> <p>The Government applied to the Supreme Court for permission to appeal this ruling, but this permission was not granted. The case will now be remitted back to employment tribunal for remedy.</p> <p>The legal ruling around age discrimination (McCloud - Court of Appeal) has implications not just for pension funds, but also for other pension schemes where they have implemented transitional arrangements on changing benefits.</p>	<p>Discussion is ongoing in the sector regarding the potential impact of the ruling on the financial statements of Local Government bodies.</p> <p>The Council has requested an estimate from its actuary of the potential impact of the McCloud ruling. The actuary's estimate was of a possible increase in pension liabilities of £365,000, and an increase in service costs for the 2019/20 year of £365,000.</p> <p>Management's view is that the impact of the ruling is not material for Ribble Valley Borough Council, and will be considered for future years' actuarial valuations.</p>	<p>We have reviewed the analysis performed by the actuary, and consider that the approach that has been taken to arrive at this estimate is reasonable.</p> <p>Although we are of the view that there is sufficient evidence to indicate that a liability is probable, we have satisfied ourselves that there is not a risk of material error as a result of this issue. We also acknowledge the significant uncertainties relating to the estimation of the impact on the Council's liability.</p> <p>We have included this as an uncertainty within Appendix A.</p>

# Significant findings – key judgements and estimates

Accounting area	Summary of management's policy	Audit Comments	Assessment
<b>Provisions for NNDR appeals - £409,973</b>	Management's calculation is based upon the latest information about outstanding rates appeals provided by the Valuation Office Agency (VOA) and previous success rates. Due to an increase in outstanding appeals, the provision has increased by £53,532 in 2018/19.	<p>We have:</p> <ul style="list-style-type: none"> <li>• Reviewed the appropriateness of the underlying information used to determine the estimate</li> <li>• Reviewed the reasonableness of increase in estimate</li> <li>• Reviewed the adequacy of disclosure of estimate in the financial statements</li> </ul>	

## Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process is appropriate and key assumptions are neither optimistic or cautious

# Significant findings – key judgements and estimates

Accounting area	Summary of management's policy	Audit Comments	Assessment
<b>Land and Buildings – Other - £18.293m</b>	Other land and buildings (£18.293m) are not specialised in nature and are required to be valued at existing use value (EUV) at year end. The Council has engaged Taylor Weaver to complete the valuation of properties as at 01 March 2019 on a five yearly basis. A desktop review of all assets was undertaken during 2018/19. The valuation of properties valued by the valuer has resulted in a net increase of £1.376m.	We have: <ul style="list-style-type: none"> <li>completed an assessment of management's expert,</li> <li>reviewed the completeness and accuracy of the underlying information used to determine the estimate</li> <li>considered the consistency of estimate against the Gerald Eve report (as the auditors expert)</li> <li>reviewed the reasonableness of the increase in estimate and concluded that it is reasonable</li> <li>reviewed the disclosures for the estimate in the financial statements</li> </ul>	

## Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
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# Significant findings – key judgements and estimates

Accounting area	Summary of management's policy	Audit Comments	Assessment																								
<b>Net pension liability – £15.413m</b>	The Council's total net pension liability at 31 March 2019 is £15.413m (PY £15.402m) comprising the Lancashire Pension Fund Local Government and unfunded defined benefit pension scheme obligations. The Council uses Mercers to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed in 2016. A roll forward approach is used in intervening periods, which utilises key assumptions such as life expectancy, discount rates, salary growth and investment returns. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £15.413m net actuarial loss during 2018/19.	<p>We have completed an:</p> <ul style="list-style-type: none"> <li>Assessment of management's expert</li> <li>Assessment of actuary's roll forward approach taken, and completed detailed work to confirm the reasonableness of approach</li> <li>Assessment of the assumptions made by the actuary using PwC as an auditor's</li> </ul> <table border="1"> <thead> <tr> <th>Assumption</th> <th>Actuary value</th> <th>PwC range</th> <th>Assessment</th> </tr> </thead> <tbody> <tr> <td>Discount rate</td> <td>2.4%</td> <td>2.4%-2.5%</td> <td>●</td> </tr> <tr> <td>Pension increase rate</td> <td>2.3%</td> <td>2.2%-2.3%</td> <td>●</td> </tr> <tr> <td>Salary growth</td> <td>3.7%</td> <td>3.1%-3.7%</td> <td>●</td> </tr> <tr> <td>Life expectancy – Males currently aged 45 / 65</td> <td>25.1</td> <td>23 to 25.3 years.</td> <td>●</td> </tr> <tr> <td>Life expectancy – Females currently aged 45 / 65</td> <td>28.2</td> <td>25.9 to 28.1 years</td> <td>●</td> </tr> </tbody> </table> <p>We have also assessed the:</p> <ul style="list-style-type: none"> <li>Completeness and accuracy of the underlying information used to determine the estimate</li> <li>Impact of any changes to valuation method</li> <li>Reasonableness of the Council's share of LPS pension assets.</li> <li>Reasonableness of increase/in estimate</li> <li>Adequacy of disclosure of estimate in the financial statements.</li> </ul>	Assumption	Actuary value	PwC range	Assessment	Discount rate	2.4%	2.4%-2.5%	●	Pension increase rate	2.3%	2.2%-2.3%	●	Salary growth	3.7%	3.1%-3.7%	●	Life expectancy – Males currently aged 45 / 65	25.1	23 to 25.3 years.	●	Life expectancy – Females currently aged 45 / 65	28.2	25.9 to 28.1 years	●	●
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## Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process is appropriate and key assumptions are neither optimistic or cautious

# Significant findings - 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

### 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.

### 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.

### 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 opinion is unmodified in respect of going concern.
-

## Other communication requirements

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

Issue	Commentary
<b>Matters in relation to fraud</b>	We have previously discussed the risk of fraud with the Accounts and Audit Committee. We 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
<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
<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.
<b>Written representations</b>	A letter of representation has been requested from the Council, which is included in the Accounts and Audit Committee papers.
<b>Confirmation requests from third parties</b>	We requested from management permission to send confirmation requests to Lancashire County Council Pension Fund auditors and the treasury management and banking counterparties of the Council. This permission was granted and the requests were sent. We are waiting for one confirmation from the banking counterparties and the letter of assurance from the Pension Fund. We anticipate these will be received by the date of audit committee.
<b>Disclosures</b>	Our review found no material omissions in the financial statements
<b>Audit evidence and explanations/significant difficulties</b>	All information and explanations requested from management were provided.

## Other responsibilities under the Code

Issue	Commentary
<b>Other information</b>	<p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the 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>No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect.</p>
<b>Matters on which we report by exception</b>	<p>We are required to report on a number of matters by exception:</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>
<b>Specified procedures for Whole of Government Accounts</b>	<p>Note that work is not required as the Council does not exceed the threshold;</p>
<b>Certification of the closure of the audit</b>	<p>We intend to certify the closure of the 2018/19 audit of Ribble Valley Borough Council in the audit opinion.</p>

# Value for Money

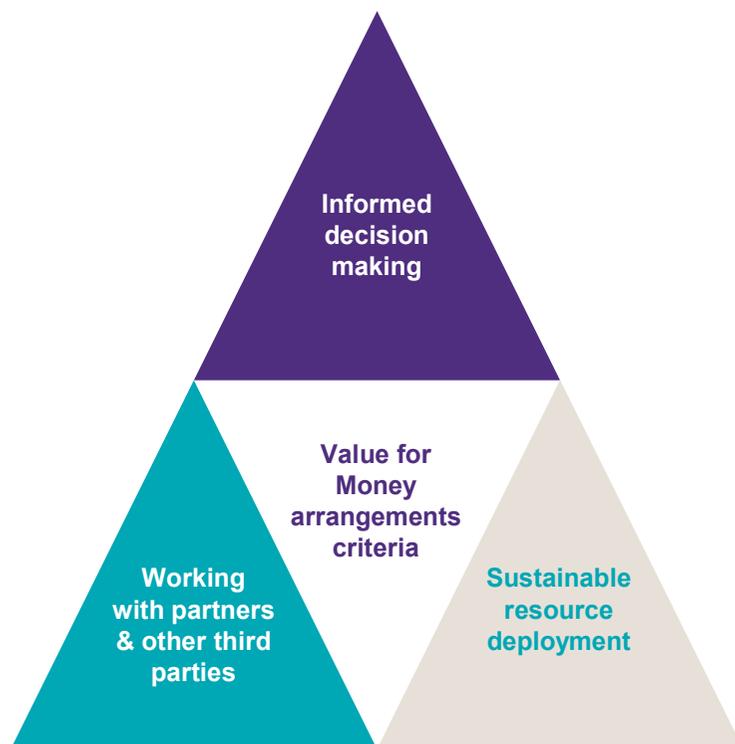
## Background to our VFM approach

We are required to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council. In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in November 2017. AGN 03 identifies one single criterion for auditors to evaluate:

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

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



## Risk assessment

We carried out an initial risk assessment in February 2019 and identified a number of significant risks 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 February 2019.

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.

# Value for Money

## 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 and 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 16.

## Overall conclusion

Based on the work we performed to address the significant risks, we are satisfied that the Council had proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

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

## Significant difficulties in undertaking our work

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

## Significant matters discussed with management

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

**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>Financial sustainability</b></p> <p>Financial stability based upon the Medium Term Financial Strategy (MTFS) and achievement of savings – it is likely that the Council will achieve a balanced budget in this regard for 2019/20 but that pressure will begin to mount from 2020/21 onwards, particularly with respect to the fair funding review and any future changes around business rates retention.</p> <p>We will review the Council’s arrangements for budgeting and monitoring of the ongoing financial position to assess whether the basis for assumptions and ongoing forecasts are realistic and appropriately managed.</p>	<ul style="list-style-type: none"> <li>• Budget monitoring reports are produced quarterly and are taken to each relevant committee; they are then reported to the Policy and Finance Committee as whole for the Council. The Council also has a budget working group which reviews the budgets on a quarterly basis.</li> <li>• Review of the budget monitoring report highlight the forecast year end position for the revenue budget compared to revised budget, as well as reporting on the capital programme and forecasted reserves position at year end. They summarise the key elements of the forecast position with suitable narrative around some of possible year end mitigations. Any significant areas of expenditure slippage are summarised and there is informative narrative provided; in January 2019 the budget for 2018/19 was amended due to actual price increases.</li> <li>• Whilst financial challenges facing the Council do exist, a four year financial plan is in place designed to address these. Levels of reserves have increased in recent years.</li> <li>• The Council have also secured arrangements to set up the revised NDR pool with an increased number of members. A robust memorandum of understanding is in place and agreed by all members of the pool.</li> </ul>	<p><b>Auditor view</b></p> <p>We have established that there are appropriate arrangements in place for the in year reporting and monitoring of the financial position of the Council.</p>

# 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 B

## 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. The following non-audit services were identified as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

	Fees £	Threats identified	Safeguards
<b>Audit related</b>			
Certification of Housing Benefit Claim	4,995	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 £4,995 in comparison to the total fee for the audit of £30,956 and in particular relative to Grant Thornton UK LLP's turnover overall. These factors all mitigate the perceived self-interest threat to an acceptable level.

These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. All services have been approved by the Accounts and Audit Committee. None of the services provided are subject to contingent fees.

# Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

## Misclassification and disclosure changes

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

Disclosure omission	Detail	Auditor recommendations	Adjusted?
<b>Senior officer remuneration</b>	<ul style="list-style-type: none"> <li>Banding change and salary updated</li> </ul>	<p>Banding for the Chief Executive was incorrectly disclosed within the £115k-£120k banding instead of the correct banding of £110k-£115k</p> <p>The narrative below the Banding Note had not included the FTE salary 2018/19 of the Head of Legal and Democratic Services</p> <p><b>Management response</b></p> <ul style="list-style-type: none"> <li>Adjustment has been made</li> </ul>	✓
<b>Financial instruments</b>	<ul style="list-style-type: none"> <li>Disclosure amendment</li> </ul>	<p>New Standard with effect from 1 April 2018: IFRS 9 replaces IAS 39 Financial Instruments – Recognition and Measurement. The Council had not disclosed IAS 39. Given that the comparative information remains under IAS 39 the accounting policies should provide relevant information for both IAS 39 and the new Standard IFRS 9.</p> <p>The Council should also disclose what the impact was and whether there was any adjustment required as a result of the move</p> <p><b>Management response</b></p> <ul style="list-style-type: none"> <li>Additional disclosure provided</li> </ul>	✓
<b>Revenue Contracts</b>	<ul style="list-style-type: none"> <li>Disclosure amendment</li> </ul>	<p>New Standard with effect from 1 April 2018: IFRS 15 replaces IAS 18 Revenue. The Council had not disclosed IAS 18. Given that the comparative information remains under IAS 18 the accounting policies should provide relevant information for both IAS 18 and the new Standard IFRS 15.</p> <p>The Council should also disclose what the impact was and whether there was any adjustment required as a result of the move</p> <p><b>Management response</b></p> <ul style="list-style-type: none"> <li>Additional disclosure provided</li> </ul>	✓

# Audit Adjustments

## Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2018/19 audit which have not been made within the final set of financial statements. The Accounts and Audit Committee is required to approve management's proposed treatment of all items recorded within the table below:

---

### Potential impact of the McCloud judgement

The legal ruling around age discrimination (McCloud - Court of Appeal) has implications for pension schemes where transitional arrangements on changing benefits have been implemented.

Discussion is ongoing in the sector regarding the potential impact of the ruling on the financial statements of Local Government bodies.

The Council has requested an estimate from its actuary of the potential impact of the McCloud ruling. The actuary's estimate was of a possible increase in pension liabilities of £365,000 and an increase in service costs for the 2019/20 year of £365,000.

We have satisfied ourselves that there is not a risk of material error as a result of this issue.

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The figures provided by the actuary are an estimate, and not a formal actuarial valuation. Although we are of the view that there is sufficient evidence to indicate that a liability is probable, we are satisfied that the differences are not likely to be material. This issue will be considered as part of the next actuarial valuation exercise in 2019/20.

# Fees

We confirm below our final fees charged for the audit and provision of non-audit services.

<b>Audit fees</b>	<b>Proposed fee</b>	<b>Final fee</b>
Council Audit	30,956	30,956
<b>Total audit fees (excluding VAT)</b>	<b>£30,956</b>	<b>£30,956</b>

<b>Fees for other services</b>	<b>Fees £'000</b>
Audit related services:	4,995
• Certification of Housing Benefit Claim	
<b>Total non-audit fees (excluding VAT)</b>	<b>£4,995</b>

# 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 2019 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Statement and notes to the financial statements, including a summary of significant accounting policies. The notes to the financial statements include the Expenditure and Funding Analysis (EFA), Notes to the Core Statements, Policies and Judgements and Notes to the Collection Fund Statement. 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 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2019 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 2018/19; 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.

## 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, the Narrative Report and the Annual Governance Statement, 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 audit 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 issue a report 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 make 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 make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

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 39, 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/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19, for being satisfied that they 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 there is an intention by government that the services provided by the Authority will no longer be provided.

The Accounts and Audit Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

### **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 2019.

### **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 2019.

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 Ribble Valley Borough Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

### **Use of our report**

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, for our audit work, for this report, or for the opinions we have formed.

*To be signed and dated*

Name Mark Heap, Key Audit Partner  
for and on behalf of Grant Thornton UK LLP, Local Auditor

Manchester

**July 2019**



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

DECISION

Agenda Item No 9

meeting date: 24 JULY 2019  
title: LETTER OF REPRESENTATION  
submitted by: DIRECTOR OF RESOURCES  
principal author: JANE PEARSON

1 PURPOSE

1.1 To approve the Letter of Representation for 2018/19 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.

2.3 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 2018/19.

3 2018/19 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 2018/19.



DIRECTOR OF RESOURCES

AA12-19/JP/AC  
24 July 2019

For further information please ask for Jane Pearson



# RIBBLE VALLEY BOROUGH COUNCIL

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Please ask for: Jane Pearson

Our ref: JP5-19/AC

Your ref:

Council Offices  
Church Walk, Clitheroe  
BB7 2RA

Tel: 01200 425111

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

24 July 2019

Dear Sirs

## **Ribble Valley Borough Council Financial Statements for the year ended 31 March 2019**

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 2019 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 2018/19 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 2018/19 ("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. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. There are no other material judgements that need to be disclosed.
- 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

Chief Executive: Marshal Scott CPFA

Directors: John Heap B.Eng. C.Eng. MICE, Nicola Hopkins MTCP MRTPI, Jane Pearson CPFA

- 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. We have not amended the financial statements for the revised pension fund actuarial statement received on 11 July 2019, which incorporates the 'McCloud judgement' pension liabilities, as we do not consider an overall increase of £243,000 in the Net Pension Liability to be material.
- 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**

- xxiii. 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**

- xxiv. 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 and Audit Committee at its meeting on 24/07/19.

Name: .....

Position: Director of Resources

Date: 24 July 2019

**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

Agenda Item No 10

meeting date: 24 JULY 2019  
title: APPROVAL OF AUDITED STATEMENT OF ACCOUNTS FOR 2018/19  
submitted by: DIRECTOR OF RESOURCES  
principal author: LAWSON ODDIE

### 1 PURPOSE

- 1.1 To seek Member approval of the Statement of Accounts for 2018/19, 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 2019 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 2018/19 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 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 2020/21 financial year, and also in revising the estimate for the current financial year.

### 3 STATEMENT OF ACCOUNTS FOR 2018/19

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:

- **IFRS 9 Financial Instruments** - IFRS 9 replaced IAS 39 Financial Instruments: Recognition and Measurement. It made changes to previous guidance on the classification and measurement of financial assets and introduced an 'expected credit loss' model for impairment of financial assets. The changes made on transition have had no impact on the balance sheet values.
- **IFRS 15 Revenue from Contracts with Customers** - This standard introduced new methodology for determining when income from providing goods and services is to be recognised in the Comprehensive Income and Expenditure Statement and replaced IAS 18 Revenue and IAS 11 Construction Contracts. As the council has relatively predictable income streams there has been no impact on the financial statements.

3.2 Members will be taken through the full statement of accounts for 2018/19 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.

### 4 GENERAL FUND OUTTURN POSITION 2018/19

4.1 Shown below is the final position for the 2018/19 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	3,764	3,888	3,843	79	-45
Economic Development	270	275	287	17	12
Health & Housing	976	957	879	-97	-78
Planning & Development	462	413	450	-12	37
Policy & Finance	1,931	2,015	1,958	27	-57
<b>Committee Expenditure</b>	<b>7,403</b>	<b>7,548</b>	<b>7,417</b>	<b>14</b>	<b>-131</b>
Interest Payable	7	7	7	0	0
Parish Precepts	435	435	435	0	0
Interest Received	-20	-83	-92	-72	-9
<b>Net Operating Expenditure</b>	<b>7,825</b>	<b>7,907</b>	<b>7,767</b>	<b>-58</b>	<b>-140</b>
Contingency for Pay Award	75	0	0	-75	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>
Contribution from Capital Receipts towards Disposal Costs	0	0	-4	-4	-4
Impairment Losses/(Gains) on Outstanding Debts	0	0	-8	-8	-8
Precept from Collection Fund (including parish precepts)	-3,886	-3,886	-3,886	0	0
Collection Fund Surplus - Council Tax	-70	-70	-70	0	0
Levy Account Surplus	0	0	-20	-20	-20
New Homes Bonus	-1,573	-1,576	-1,576	-3	0
Rural Areas Delivery Grant	-108	-108	-108	0	0
Revenue Support Grant	-109	-109	-109	0	0
Business Rates Baseline Funding	-1,303	-1,303	-1,303	0	0
Retained Rates Income	-399	-399	-399	0	0
10% Retained Business Rates Levy - Paid to LCC	53	72	72	19	0
S31 Grant	-931	-945	-955	-24	-10
Retained Rates - Renewable Energy	-82	-94	-92	-10	2
Collection Fund Deficit - Business Rates	25	25	25	0	0
<b>Deficit/(Surplus) for year before Capital Adjustments and Transfers to/(from) Earmarked Reserves</b>	<b>-483</b>	<b>-486</b>	<b>-666</b>	<b>-183</b>	<b>-180</b>
Depreciation	-893	-929	-929	-36	0
Minimum Revenue Provision	131	130	130	-1	0
Net Transfer to/(from) earmarked reserves	1,416	1,339	1,527	111	188
<b>Deficit/(Surplus) for Year</b>	<b>171</b>	<b>54</b>	<b>62</b>	<b>-109</b>	<b>8</b>

- 4.2 You will see we have made a deficit of £62,000 during the year, compared with the Revised Estimate which showed a deficit of £54,000, and the Original Estimate which showed a deficit of £171,000. 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 2018/19 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** are summarised below. Favourable variances are denoted by values with a minus sign.

Variation	£'000	Impact on Earmarked Reserves £'000	Net Variance £'000
<b><u>Expenditure Variations</u></b>			
Tuition Fees and Training Expenses	-31	3	-28
Ground Rent	-21	0	-21
Vehicle Repairs and Maintenance	71	0	71
Vehicle and Plant Hire	-11	10	-1
ICT Upgrade Costs	14	0	14
Equipment, Furniture and Materials	11	-31	-20
Planning Consultancy, Costs Lost on Appeal and other Legal Fees	109	-80	29
Promotional Activities	-27	11	-16
Development Plan Inspection Fees	-20	20	0
Rent Allowance Payments	-76	0	-76
Grants	-40	7	-33
<b>Total Expenditure Variances</b>	<b>-21</b>	<b>-60</b>	<b>-81</b>
<b><u>Income Variations</u></b>			
Rent Allowances Grant	48	0	48
Other Grants, Reimbursements, Contributions	-113	64	-49
Planning Fees	18	0	18
Car Parking Charges	-19	0	-19
Sale of Equipment and Materials	-23	21	-2
<b>Total Income Variances</b>	<b>-89</b>	<b>85</b>	<b>-4</b>
Other Variations	-21	124	103
<b>Net Variation on Committee Expenditure</b>	<b>-131</b>	<b>149</b>	<b>18</b>
<b>Impact of Corporate Variances on Earmarked Reserves</b>		<b>39</b>	<b>39</b>
<b>Net Variation after Corporate Movements on Earmarked Reserves</b>	<b>-131</b>	<b>188</b>	<b>57</b>
Increased Interest Received			-9
Contribution from Capital Receipts towards Disposal Costs			-4
Impairment Losses/(Gains) on Outstanding Debts			-8
Levy Account Surplus			-20
Increased S31 Grants			-10
Retained Rates - Renewable Energy			2
<b>Decrease in amount to take from balances compared to Revised Estimate</b>			<b>8</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 £170,738 from general fund balances to help finance the 2018/19 spending plans. However, this was revised later in the year to taking £54,388 from general fund balances. The final position shows that the council has taken £61,592 from general fund balances.

<b>General Fund Balance</b>		<b>£'000</b>
<b>General Fund Balances: Brought forward at 1 April 2018</b>		<b>2,533,703</b>
Deficit in 2018/19 taken from General Fund Balances		<b>-61,592</b>
<b>General Fund Balances: Carried forward at 31 March 2019</b>		<b>2,472,111</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 £1,416,194. However, this was revised later in the year to adding £1,339,693 to earmarked reserves. The final position shows that the council has **added** £1,527,417 to earmarked reserves for revenue purposes.
- 4.7 For capital purposes we **used** £802,772 from earmarked reserves to fund the capital programme.
- 4.8 The overall net movement was £724,645 **added** to earmarked reserves. Full details of the movement on our earmarked reserves are shown on page 83 of the Statement of Accounts.

<b>Earmarked Reserves</b>		<b>£</b>
<b>Earmarked Reserves: Brought forward at 1 April 2018</b>		<b>8,547,420</b>
Net added to Earmarked Reserves for revenue purposes		<b>1,527,417</b>
Net taken from Earmarked Reserves for capital purposes		<b>-802,772</b>
<b>Earmarked Reserves: Carried forward at 31 March 2019</b>		<b>9,272,065</b>

- 4.9 Some of the larger in-year additions to earmarked reserves have been from unused in year receipt of New Homes Bonus (£470,908) and Business Rates Growth (£873,020). However, much of this is earmarked for use in funding the capital programme over the coming years.

### Business Rates in 2018/19

- 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 hold a Business Rates Volatility Earmarked Reserve to cushion any potential impacts (£1.682m).

- 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 in 2018/19 we were able to retain levy that would have otherwise been payable to central government of £725,653. Of this, 10% (£72,565) was paid to Lancashire County Council under the governance arrangements of the pool, resulting in net retained levy of £653,088 for this council.
- 4.14 Finally, there was a surplus on the Collection Fund for business rates, which the council received a share of.

<b>Business Rates Element</b>	<b>£'000</b>
Total Business Rates Income Forecast for 2018/19	-14,622
Less Payable to Central Government	7,311
Less Payable to Lancashire County Council	1,316
Less Payable to Lancashire Combined Fire Authority	146
<b>Balance Retained by Ribble Valley Borough Council</b>	<b>-5,849</b>
Less Tariff Payable to Central Government	4,147
<b>Baseline Business Rates Income of £1,303,000 plus Growth of £399,000</b>	<b>-1,702</b>
Business Rates retained on Renewable Energy Schemes	-92
Section 31 Grants	-955
Less 10% Retained Business Rates Levy Payable to Lancashire County Council	72
Less Business Rates Collection Fund Deficit	25
<b>Overall Net Retained Business Rates Related Income</b>	<b>-2,652</b>
<b>Business Rates Income Used In-Year</b>	
Baseline Business Rates Income	1,303
Use of Business Rates Growth	476
<b>Total Business Rates Income Used In-Year</b>	<b>1,779</b>
<b>Balance set aside in the Business Rates Growth Earmarked Reserve</b>	<b>873</b>

### **Collection Fund**

- 4.15 As billing authority, the council maintains a separate Collection Fund for the collection of and distribution of council tax and business rates.

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

4.17 For business rates, similar principles apply. Total forecast collectable rates are paid from the Collection Fund at fixed shares to Central Government, Ribble Valley Borough Council, Lancashire County Council and Lancashire Fire and Rescue Authority. 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 130 of the Statement of Accounts.

### **Capital**

4.18 During the year the Council spent £1,276,243 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 Housing Related Grants.

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

<b>Capital Programme</b>	<b>Original Estimate</b>	<b>Revised Estimate</b>	<b>Actual</b>	<b>Original Estimate Compared to Actual</b>	<b>Revised Estimate Compared to Actual</b>
	£	£	£	£	£
Community Services Committee	712,200	781,930	723,041	10,841	-58,889
Economic Development Committee	100,000	100,000	0	-100,000	-100,000
Planning and Development Committee	0	30,200	3,775	3,775	-26,425
Policy and Finance Committee	156,420	161,730	100,797	-55,623	-60,933
Health and Housing Committee	522,000	891,240	448,630	-73,370	-442,610
<b>Total Capital Expenditure</b>	<b>1,490,620</b>	<b>1,965,100</b>	<b>1,276,243</b>	<b>-214,377</b>	<b>-688,857</b>
Grants and Contributions	-297,000	-499,810	-436,850	-139,850	62,960

Capital Programme	Original Estimate £	Revised Estimate £	Actual £	Original Estimate Compared to Actual £	Revised Estimate Compared to Actual £
Borrowing	-175,000	-36,000	-36,620	138,380	-620
Earmarked Reserves	-1,018,620	-1,429,290	-802,773	215,847	626,517
<b>Total Resources</b>	<b>-1,490,620</b>	<b>-1,965,100</b>	<b>-1,276,243</b>	<b>214,377</b>	<b>688,857</b>

4.20 As shown in the table above, comparing spend to budget, there is a variance of £688,857 between the revised capital programme and actual spend.

4.21 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 £688,857 variance, £678,270 is accounted for as slippage in to the 2019/20 financial year, and is summarised below:

Scheme Name	Slippage in to the 2019/20 Financial Year £
Play Area Improvements	18,870
Replacement Vehicle	37,500
Off-Street Car Parks - Upgrade of Payment System	1,500
Planning System Update and Portal Link	26,420
Queensway Garages Roof Replacement and Repairs	1,830
Financial System Upgrade	14,120
New Council Telephone System	45,000
Disabled Facilities Grants	360,120
Landlord/Tenant Grants	84,240
Affordable Warmth Grants	6,920
Economic Development Initiatives	81,750
<b>Total Capital Slippage</b>	<b>678,270</b>

### **Balance Sheet**

4.22 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.

4.23 The main movements on the balance sheet between 31 March 2018 and 31 March 2019 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 decreased mainly due to a number of large debtors that were outstanding at 31 March 2018 financial year, which do not apply at 31 March 2019. These related to a debtor for outstanding Flood Resilience Grant Income (£269k) and the Quarter 4 income due under the cost sharing arrangement (£107k). Additionally there is a much lower level of income due in under the VAT share agreement at this year-end, being £93k less than that at the 31 March 2018.
- **Cash and Cash Equivalents** is higher at the 31 March 2019 due to a higher level of short term investments that were in place at year end (£12.175m) compared to 31 March 2018 (£9.915m)
- **Short Term Creditors** have increased at 31 March, notably due to a higher level owed to MHCLG in respect of the closedown position on the Collection Fund (£300k). Additionally there has been an increase in S106 income, which is held on the council's balance sheet as a short term creditor (£304k)
- **Earmarked Reserves** are held for numerous reasons with some of the larger balances being in relation to New Homes Bonus and Business Rates Growth 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 £725Km at 31 March 2019 compared to the previous year end.

4.24 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.

4.25 The council has always worked to minimise the impacts of reduced government funding and will continue work to minimise the impact of any future changes to local government finance through the work of the Budget Working Group.

## 5 PENSIONS AND THE MCCLOUD RULING

5.1 On 27 June the Supreme Court denied the Government's request to appeal the ruling in the linked cases of Sargeant and McCloud (generally referred to as McCloud in the Local Government Pension Scheme). In effect this meant that the transitional protections afforded to older members when the Public Service Pension Schemes were amended constituted unlawful age discrimination.

5.2 As a result of this our auditors requested that the position on the pension fund be reviewed as at 31 March 2019. A high level position was obtained from the actuary Mercers and this in turn led to a more detailed full review being undertaken, the results of which were received on 11 July 2019.

5.3 These new results gave a position where the pension deficit moved from £15.413m to £15.656m at 31 March 2019. This was as a result of a new Past Service Cost of £365k and also increased Remeasurements (assets) of £122k, this being the net movement of £243k.

5.4 These adjustments to the accounts are bookkeeping adjustments which have no impact on the level of use of general fund balances at the council. Within the statement of accounts such adjustments are peppered throughout the main statements and also a large number of the notes.

5.5 As the net position is below materiality (but still reportable) and due to the lateness of the decision of the Supreme Court and the consequential lateness of the information being received from the actuary, a decision was made not to amend the Statement of Accounts presented to committee. This is also following discussion with our external auditors, Grant Thornton.

## 6 CONCLUSION

6.1 The final outturn of a **deficit of £62,000** means that we have taken £8,000 **more** from general fund balances than was estimated when we prepared the Revised Estimates.

6.2 There has also been £188,000 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 set aside in the Business Rates Growth Reserve and New Homes Bonus Reserve, much of which is committed for financing the future capital programme.

6.3 There has been a very recent decision around pensions that impacts on the net pension liability for the council. A decision has been made not to restate the Statement of Accounts to reflect the decision.

## 7 RISK ASSESSMENT

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

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

## 8 RECOMMENDED THAT COMMITTEE

8.1 Approve the audited Statement of Accounts for 2018/19.

HEAD OF FINANCIAL SERVICES

DIRECTOR OF RESOURCES

AA13-19/LO/AC

12 July 2019

# 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 liabilities ie those liabilities that are anticipated to be settled beyond 12 months
Long-term borrowing	17	(89,733)	
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	<u>1,381,915</u>
		<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)



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# Statement of Accounts

[Audited]

2018/2019

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,  
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# Table of Contents

<b>Independent Auditors' Report</b>	<b>5</b>
<b>Narrative Report</b>	<b>9</b>
<b>Statement of Responsibilities</b>	<b>39</b>
<b>Approval of the Statement of Accounts</b>	<b>40</b>
<b>Statement of Accounting Policies</b>	<b>41</b>
<b>Comprehensive Income and Expenditure Statement</b>	<b>60</b>
<b>Movement in Reserves Statement</b>	<b>62</b>
<b>Balance Sheet</b>	<b>64</b>
<b>Cash Flow Statement</b>	<b>65</b>
<b>Notes to the Core Financial Statements</b>	
1 Expenditure and funding analysis	66
2 Note to the expenditure and funding analysis	67
3 Expenditure and income analysed by nature	69
4 Accounting standards that have been issued but have not yet been adopted	70
5 Critical judgements in applying accounting policies	70
6 Assumptions made about the future and other major sources of estimation uncertainty	71
7 Material items of income and expense	72
8 Taxation and non-specific grant income	74
9 Events after the reporting period	75
10 Adjustments between accounting basis and funding basis under regulations	75
11 Lancashire business rates pool	81
12 Transfers to/from earmarked reserves	83

**Table of Contents**

13	Property, plant and equipment	89
14	Heritage assets	93
15	Financial instruments	94
16	Short Term Debtors	97
17	Cash and cash equivalents	97
18	Short Term Creditors	97
19	Provisions	98
20	Usable reserves	98
21	Unusable reserves	100
22	Cash flow statement – operating activities	104
23	Cash flow statement – investing activities	105
24	Cash flow statement – financing activities	105
25	Members' allowances	106
26	Officers' emoluments	107
27	External audit costs	111
28	Grant income	111
29	Related party transactions	113
30	Capital expenditure and capital financing	116
31	Leases	116
32	Defined benefit pension schemes	117
33	Contingent liabilities	123
34	Contingent assets	124
35	Nature and extent of risks arising from financial instruments	124
<b>Collection Fund</b>		<b>130</b>
<b>Glossary of Terms</b>		<b>137</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 2018/19 (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).

### **IFRS 9 Financial Instruments**

IFRS 9 replaced IAS 39 Financial Instruments: Recognition and Measurement. It made changes to previous guidance on the classification and measurement of financial assets and introduced an 'expected credit loss' model for impairment of financial assets. The changes made on transition to the balance sheet have had no impact on the balance sheet values.

### **IFRS 15 Revenue from Contracts with Customers**

This standard introduced new methodology for determining when income from providing goods and services is to be recognised in the Comprehensive Income and Expenditure Statement and replaced IAS 18 Revenue and IAS 11 Construction Contracts. As the council has relatively predictable income streams there has been no impact on the financial statements.

**Narrative Report**

**2 RIBBLE VALLEY DEMOGRAPHICS AND ECONOMY**

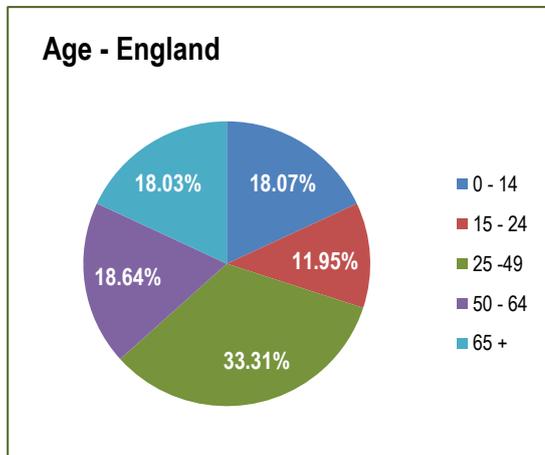
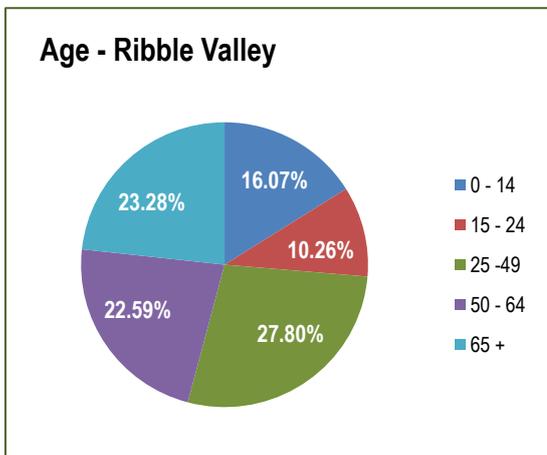
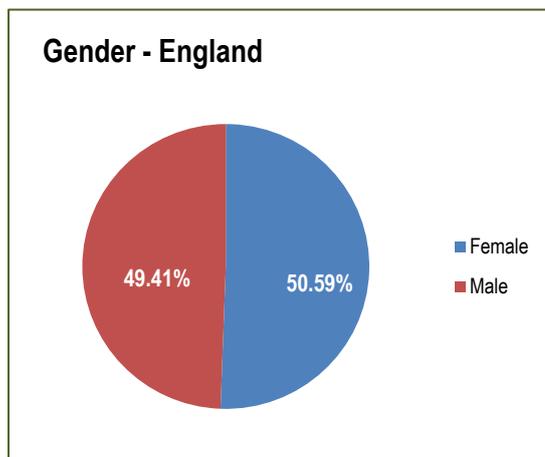
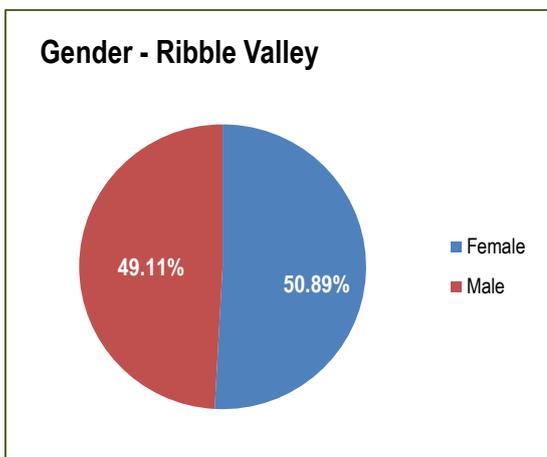
Locality

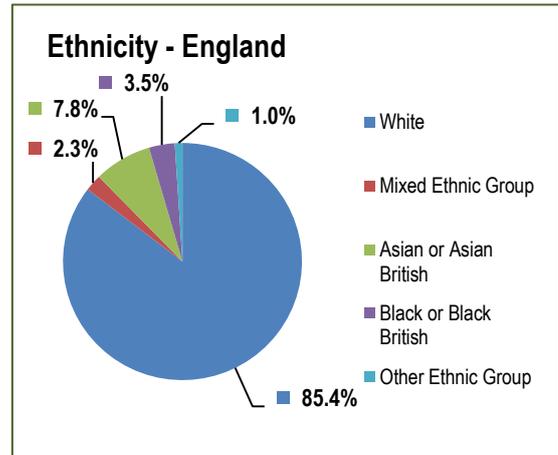
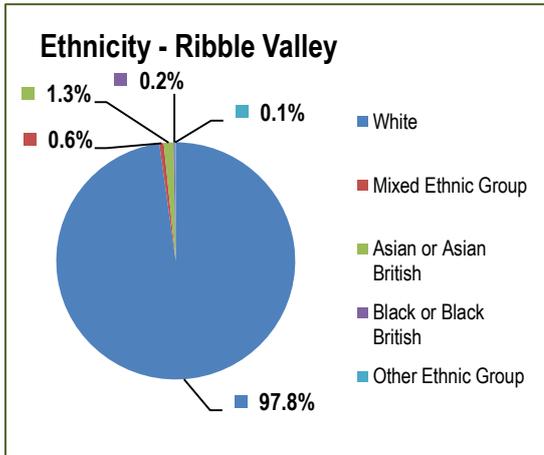
Ribble Valley is in the County of Lancashire bordering neighbouring councils in Pennine Lancashire, Craven District Council in North Yorkshire, South Ribble, Preston, Wyre and Lancaster Borough Councils. The administrative centre for the district is the historic market town of Clitheroe. The industrial 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 2017 Mid-Year Estimates for gender and age and March 2011 (Census) for Ethnicity. The total population for the borough, based on these statistics, is 59,504. The statistics for Ribble Valley are shown alongside those for England as a whole for comparison.



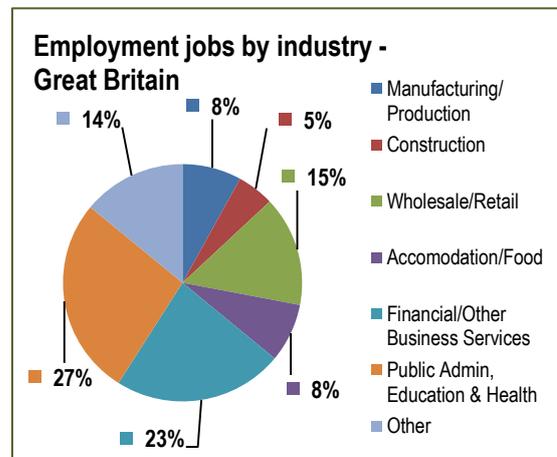
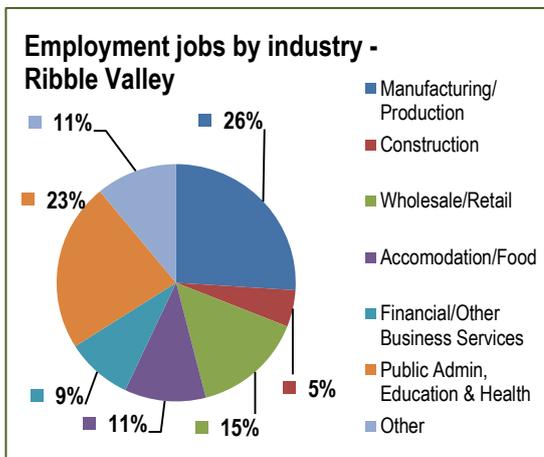


**Local Economy and Business Information**

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.

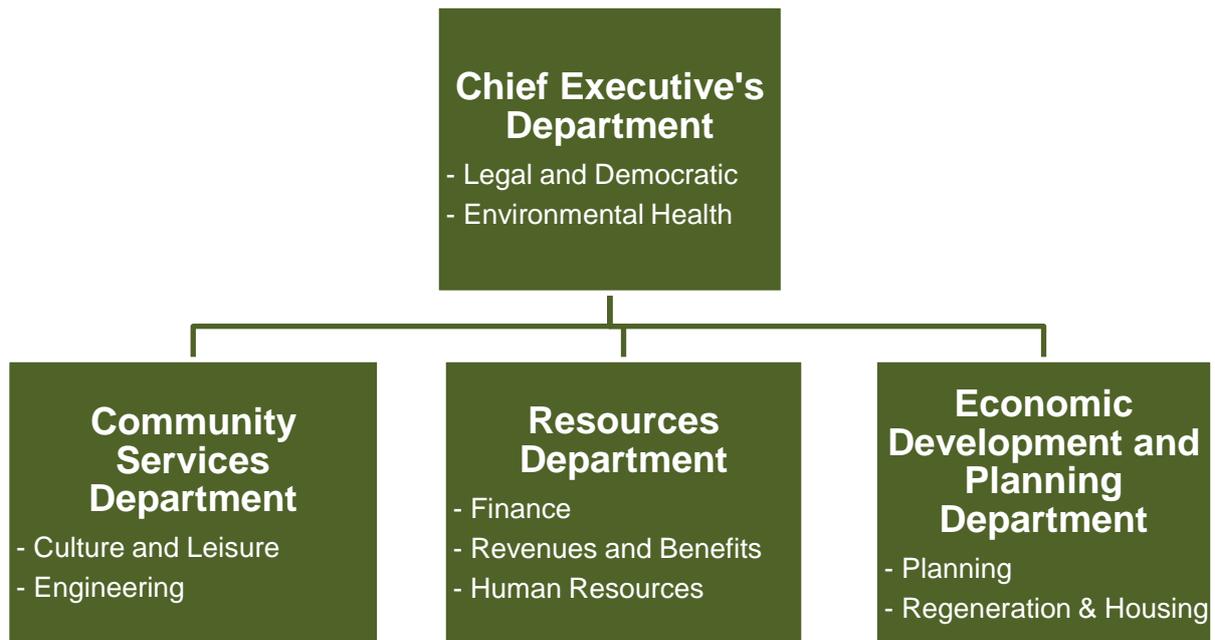
The area also has a strong agricultural association, with high value meat and milk products, and has a large number of farm holdings in the dairy and grazing categories. A number of farming businesses have diversified to offer locally produced food and drink, retail and leisure facilities and tourist 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 2018).



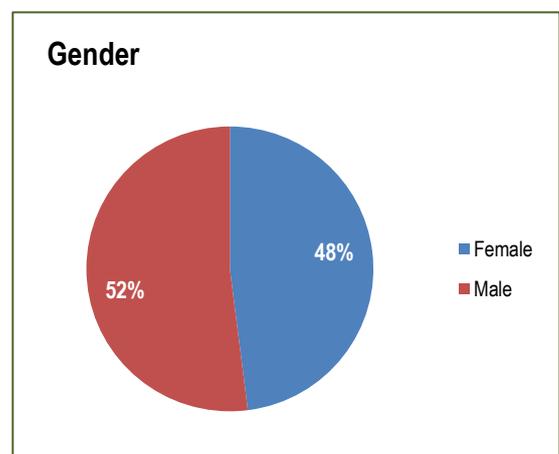
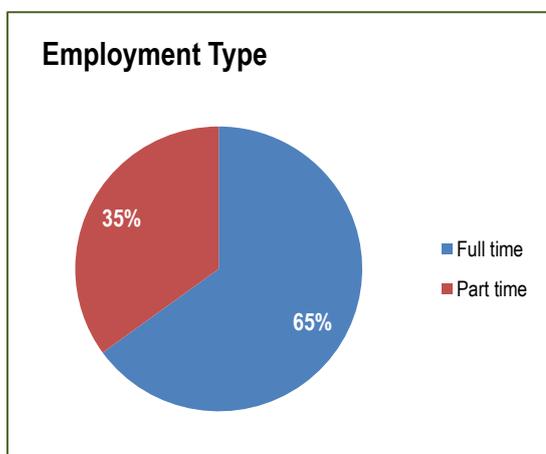
## Narrative Report

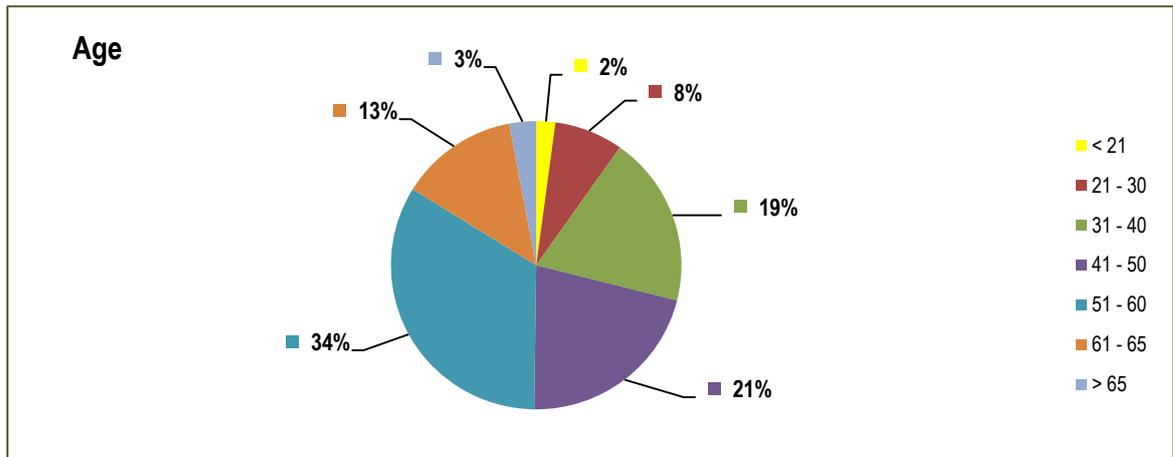
### 3 OUR EMPLOYEES

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 Director of Economic Development and Planning. Each member of the Corporate Management Team has responsibility for one of the council's 4 departments.



As at the 31 March 2019 the council employed 235 members of staff. The overall establishment consisted of 235 posts, of which 16 were vacant posts at 31 March. The tables below provide some information on the profile of our employees as at the end of the 2018/19 financial year.





#### 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. As at the 31 March 2019, the last full election for Ribble Valley Councillors was in May 2015. There has since been a further election that took place on the 2 May 2019.

Councillors 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. As at 31 March 2019, our Councillors represented the following parties:

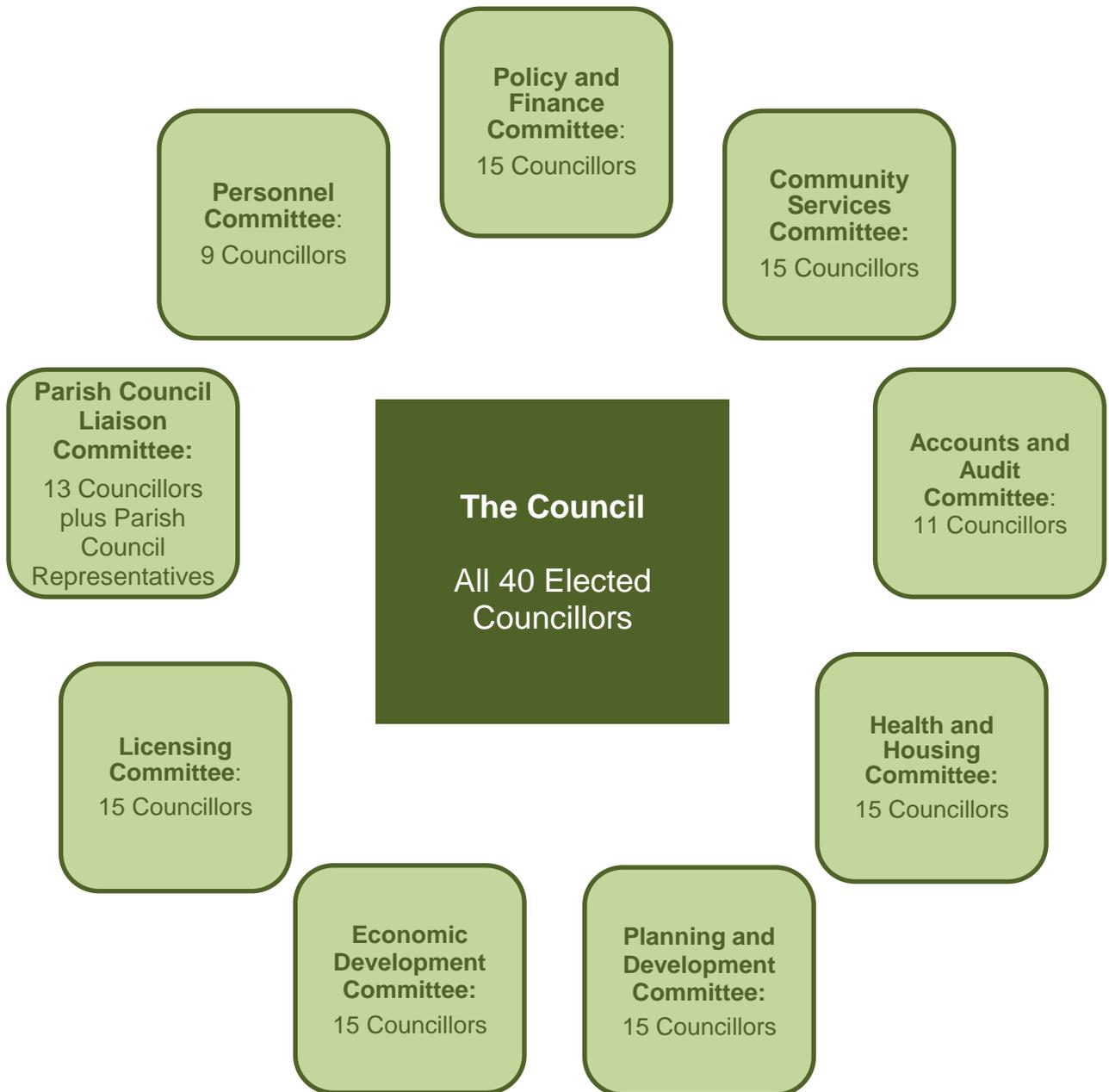
Conservative Party	30 Councillors
Democratic Conservatives	5 Councillors
Liberal Democrat Party	4 Councillors
Labour Party	1 Councillor
<b>Total</b>	<b>40 Councillors</b>

As the Conservative Party has the most number of Councillors, they have control of the Council. The Council operates a Committee System.

**Narrative Report**

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The diagram below shows the committee structure as at the 31 March 2019, and which operated throughout the 2018/19 financial year.



**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	3,764	3,888	3,843	79	-45
Economic Development	270	275	287	17	12
Health & Housing	976	957	879	-97	-78
Planning & Development	462	413	450	-12	37
Policy & Finance	1,931	2,015	1,958	27	-57
<b>Committee Expenditure</b>	<b>7,403</b>	<b>7,548</b>	<b>7,417</b>	<b>14</b>	<b>-131</b>
Interest Payable	7	7	7	0	0
Parish Precepts	435	435	435	0	0
Interest Received	-20	-83	-92	-72	-9
<b>Net Operating Expenditure</b>	<b>7,825</b>	<b>7,907</b>	<b>7,767</b>	<b>-58</b>	<b>-140</b>
Contingency for Pay Award	75	0	0	-75	0
Contribution from Capital Receipts towards Disposal Costs	0	0	-4	-4	-4
Impairment Losses/(Gains) on Outstanding Debts	0	0	-8	-8	-8
Precept from Collection Fund (including parish precepts)	-3,886	-3,886	-3,886	0	0
Collection Fund Surplus - Council Tax	-70	-70	-70	0	0
Levy Account Surplus	0	0	-20	-20	-20
New Homes Bonus	-1,573	-1,576	-1,576	-3	0
Rural Areas Delivery Grant	-108	-108	-108	0	0
Revenue Support Grant	-109	-109	-109	0	0
Business Rates Baseline Funding	-1,303	-1,303	-1,303	0	0
Retained Rates Income	-399	-399	-399	0	0
10% Retained Business Rates Levy - Paid to LCC	53	72	72	19	0
S31 Grant	-931	-945	-955	-24	-10
Retained Rates - Renewable Energy	-82	-94	-92	-10	2
Collection Fund Deficit - Business Rates	25	25	25	0	0
<b>Deficit/(Surplus) for year before Capital Adjustments and Transfers to/(from) Earmarked Reserves</b>	<b>-483</b>	<b>-486</b>	<b>-666</b>	<b>-183</b>	<b>-180</b>
Depreciation	-893	-929	-929	-36	0
Minimum Revenue Provision	131	130	130	-1	0
Net Transfer to/(from) earmarked reserves	1,416	1,339	1,527	111	188
<b>Deficit/(Surplus) for Year</b>	<b>171</b>	<b>54</b>	<b>62</b>	<b>-109</b>	<b>8</b>

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

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

Committee	Original Estimate	Revised Estimate	Actual	Original Estimate Compared to Actual	Revised Estimate Compared to Actual
	£'000	£'000	£'000	£'000	£'000
Community Services	3,764	3,888	3,843	79	-45
Economic Development	270	275	287	17	12
Health & Housing	976	957	879	-97	-78
Planning & Development	462	413	450	-12	37
Policy & Finance	1,931	2,015	1,958	27	-57
<b>Committee Expenditure</b>	<b>7,403</b>	<b>7,548</b>	<b>7,417</b>	<b>14</b>	<b>-131</b>

This net expenditure can also be analysed across the various income and expenditure types as shown below. This provides more of an insight as 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	6,588	6,723	6,684	96	-39
Premises Related	1,607	1,720	1,656	49	-64
Transport Related	1,607	1,676	1,798	191	122
Supplies & Services	1,657	1,749	1,825	168	76
Third Party Payments	379	371	375	-4	4
Transfer Payments	6,592	6,671	6,562	-30	-109
Support Services	6,199	6,488	6,451	252	-37
Depreciation and Impairment	893	937	929	36	-8
<b>Total Expenditure</b>	<b>25,522</b>	<b>26,335</b>	<b>26,280</b>	<b>758</b>	<b>-55</b>
Government Grants	-6,636	-6,759	-6,781	-145	-22
Other Grants and Contributions	-192	-253	-304	-112	-51
Customer and Client Receipts	-3,133	-3,267	-3,283	-150	-16
Recharges and Oncosts	-8,158	-8,508	-8,495	-337	13
<b>Total Income</b>	<b>-18,119</b>	<b>-18,787</b>	<b>-18,863</b>	<b>-744</b>	<b>-76</b>
<b>Net Expenditure</b>	<b>7,403</b>	<b>7,548</b>	<b>7,417</b>	<b>14</b>	<b>-131</b>

## Narrative Report

### Amendments to our budget in the year

As can be seen above, our budget is revised 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 Increase in Service Committee Costs	145
Impact of Py Award now Incorporated in to Committee Budgets	-75
Increase in Forecast 10% Retained Levy Payable to Lancashire County Council	19
Increase in S31 Grants Receivable	-14
Increase in Retained Rates from Renewable Energy	-12
Increase in Forecast Interest Earned	-63
Increase in amount removed for Depreciation	-36
Decrease in the Minimum Revenue Provision	-1
Increase in New Homes Bonus Grant	-3
Decrease in amount set aside in Earmarked Reserves	-76
<b>Net decrease in amount to take from balances for the year</b>	<b>-116</b>

### How our revenue services are financed

As shown earlier our total actual net expenditure for committees was £7.417m. 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.

- 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 £8.293m 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	-3,451
Precept relating to all Parishes	-435
Collection Fund Surplus	-70
<b>Total Net Council Tax Income</b>	<b>-3,956</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 are 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 £725,653. Of this 10% (£72,565) was paid to Lancashire County Council under the governance arrangements of the pool, resulting in net retained levy of £653,088 for this council.

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

## Narrative Report

Business Rates Element	£'000
Total Business Rates Income Forecast for 2018/19	-14,622
Less Payable to Central Government	7,311
Less Payable to Lancashire County Council	1,316
Less Payable to Lancashire Combined Fire Authority	146
<b>Balance Retained by Ribble Valley Borough Council</b>	<b>-5,849</b>
Less Tariff Payable to Central Government	4,147
<b>Baseline Business Rates Income of £1,303,000 plus Growth of £399,000</b>	<b>-1,702</b>
Business Rates retained on Renewable Energy Schemes	-92
Section 31 Grants	-955
Less 10% Retained Business Rates Levy Payable to Lancashire County Council	72
Less Business Rates Collection Fund Deficit	25
<b>Overall Net Retained Business Rates Related Income</b>	<b>-2,652</b>

### Revenue Support Grant

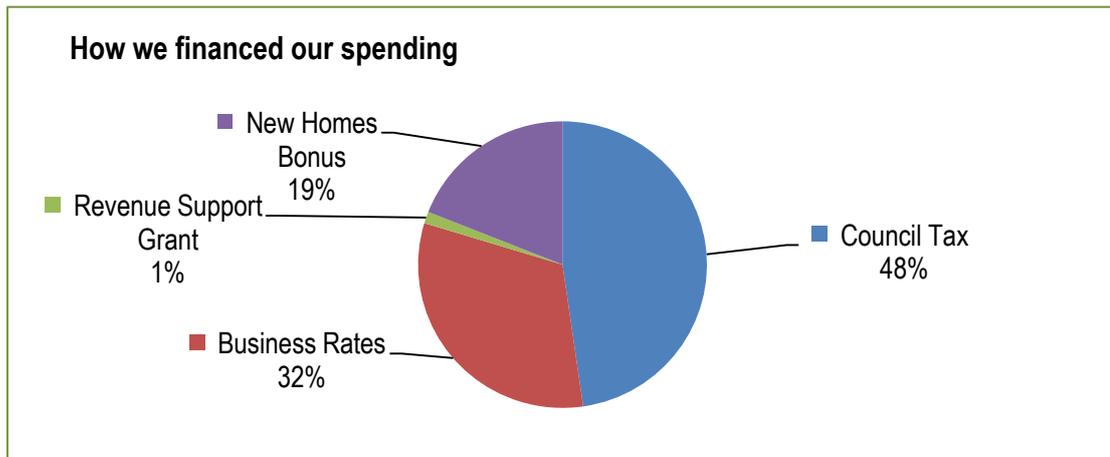
This is a source of funding that has seen a significant decrease over past years and ended in 2018/19. In 2018/19 we received £109,149 (2017/18 £304,319)

### 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 four years. The amount is also supplemented with an additional amount for affordable homes.

Our allocation for 2018/19 was £1,575,908 and is shown in the table below (2017/18 £1,576,990)

New Homes Bonus	£'000
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
2018/19 Allocation - last year payable is 2021/22	-414
<b>Total New Homes Bonus received in 2018/19</b>	<b>-1,576</b>



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

During 2018/19 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	-31
Ground Rent	-21
Vehicle Repairs and Maintenance	71
Vehicle and Plant Hire	-11
ICT Upgrade Costs	14
Equipment, Furniture and Materials	11
Planning Consultancy, Costs Lost on Appeal and other Legal Fees	109
Promotional Activities	-27
Development Plan Inspection Fees	-20
Rent Allowance Payments	-76
Grants	-40
<b>Total Expenditure Variances</b>	<b>-21</b>
<b><u>Income Variations</u></b>	
Rent Allowances Grant	48
Other Grants, Reimbursements, Contributions	-113
Planning Fees	18
Car Parking Charges	-19
Sale of Equipment and Materials	-23
<b>Total Income Variances</b>	<b>-89</b>

## Narrative Report

Variation	£'000
Other Variations	-21
<b>Net Variation on Committee Expenditure</b>	<b>-131</b>
Increased Interest Received	-9
<b>Variation on Net Operating Expenditure</b>	<b>-140</b>
Contribution from Capital receipts towards Disposal Costs	-4
Impairment Losses/(Gains) on Outstanding Debts	-8
Levy Account Surplus	-20
Increased S31 Grants	-10
Retained Rates - Renewable Energy	2
<b>Variation on Deficit/(Surplus) for Year</b>	<b>-180</b>
Extra Transfers to Earmarked Reserves (for Revenue)	188
<b>Increase in amount to take from balances compared to Revised Estimate</b>	<b>8</b>

### **General Fund Balances and Earmarked Reserves**

We had originally planned to take £170,738 from general fund balances to help finance the 2018/19 spending plans. However, this was revised later in the year to taking £54,388 from general fund balances. The final position shows that the council has taken £61,592 from general fund balances.

General Fund Balance	£'000
<b>General Fund Balances: Brought forward at 1 April 2018</b>	<b>2,533,703</b>
Deficit in 2018/19 taken from General Fund Balances	-61,592
<b>General Fund Balances: Carried forward at 31 March 2019</b>	<b>2,472,111</b>

With regard to earmarked reserves, in support of the revenue account and excluding capital transactions, we had originally planned to add £1,416,194. However, this was revised later in the year to adding £1,339,693 to earmarked reserves.

The final position shows that the council has added £1,527,417 to earmarked reserves for revenue purposes. For capital purposes we took £802,773 from earmarked reserves to fund the capital programme. The overall net movement was £724,644 added to earmarked reserves.

Earmarked Reserves	£
<b>Earmarked Reserves: Brought forward at 1 April 2018</b>	<b>8,547,420</b>
Net added to Earmarked Reserves for revenue purposes	1,527,417
Net taken from Earmarked Reserves for capital purposes	-802,773
<b>Earmarked Reserves: Carried forward at 31 March 2019</b>	<b>9,272,064</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 £1,276,243 on capital schemes. The main areas of expenditure included:

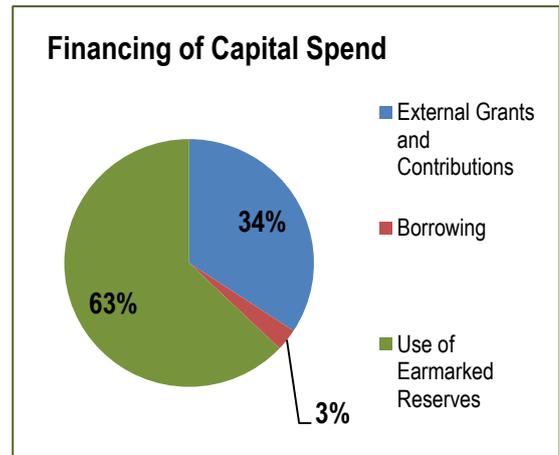
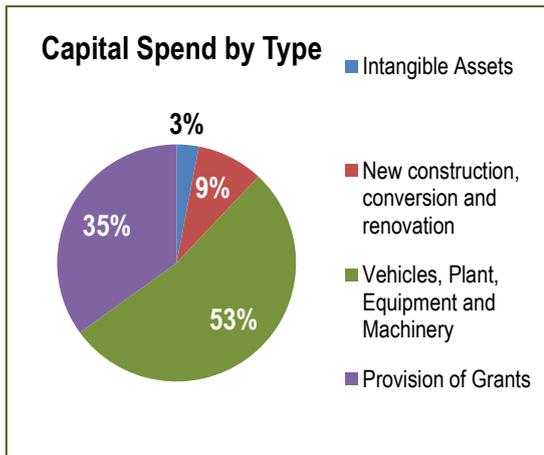
- Replacement Vehicles and Plant.
- Improvement Works at the Council Chambers.
- Refurbishment of Windows at the Castle Museum.
- Play Area Improvements.
- Payment of Housing Related Grants.

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	712,200	781,930	723,041	10,841	-58,889
Economic Development Committee	100,000	100,000	0	-100,000	-100,000
Planning and Development Committee	0	30,200	3,775	3,775	-26,425
Policy and Finance Committee	156,420	161,730	100,797	-55,623	-60,933
Health and Housing Committee	522,000	891,240	448,630	-73,370	-442,610
<b>Total Capital Expenditure</b>	<b>1,490,620</b>	<b>1,965,100</b>	<b>1,276,243</b>	<b>-214,377</b>	<b>-688,857</b>
Grants and Contributions	-297,000	-499,810	-436,850	-139,850	62,960
Borrowing	-175,000	-36,000	-36,620	138,380	-620
Earmarked Reserves	-1,018,620	-1,429,290	-802,773	215,847	626,517
<b>Total Resources</b>	<b>-1,490,620</b>	<b>-1,965,100</b>	<b>-1,276,243</b>	<b>214,377</b>	<b>688,857</b>

Shown below are summaries of the type of expenditure that is represented in the £1,276,243 of capital expenditure shown in the table above and its financing.

## Narrative Report



As shown in the table above, comparing spend to budget, there is a variance of £688,857 between the revised capital programme and actual spend. 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 £688,857 variance, £678,270 is accounted for as slippage in to the 2019/20 financial year, and is summarised below:

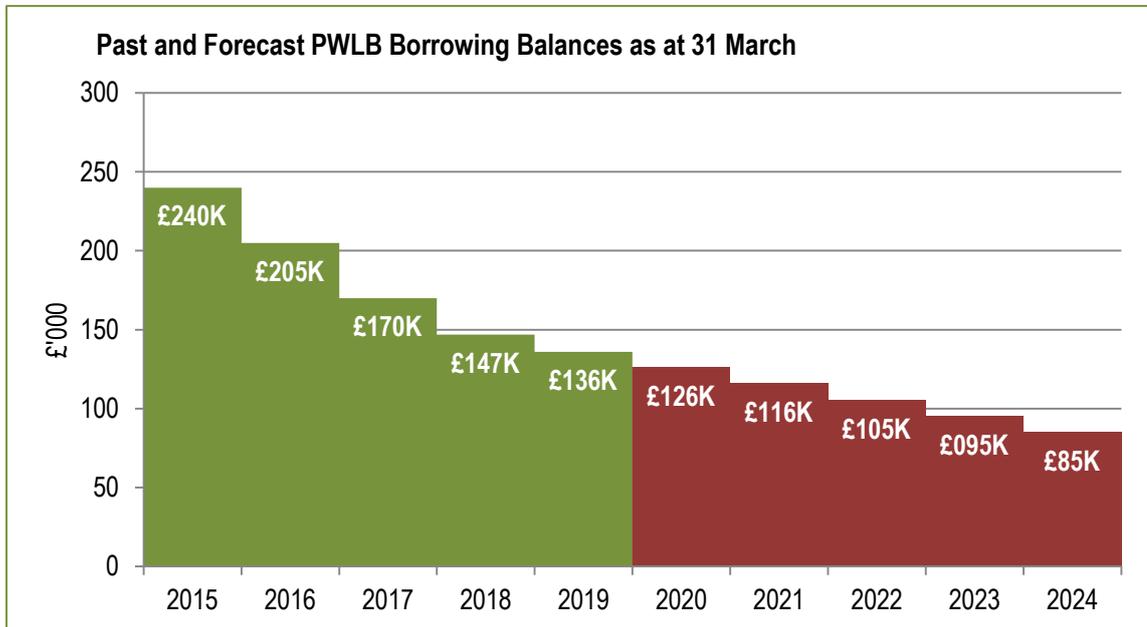
Scheme Name	Slippage in to the 2019/20 Financial Year £
Play Area Improvements	18,870
Replacement Vehicle	37,500
Off-Street Car Parks - Upgrade of Payment System	1,500
Planning System Update and Portal Link	26,420
Queensway Garages Roof Replacement and Repairs	1,830
Financial System Upgrade	14,120
New Council Telephone System	45,000
Disabled Facilities Grants	360,120
Landlord/Tenant Grants	84,240
Affordable Warmth Grants	6,920
Economic Development Initiatives	81,750
<b>Total Capital Slippage</b>	<b>678,270</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 2019 was £136k. These are included in the Balance Sheet within Short Term Borrowing and Long Term Borrowing. A detailed analysis of the Council's long term borrowing is shown in note 15 to the core financial statements.

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



Past actuals shown in green, forecast (based on Public Works Loan Board loans held at 31 March 2019) shown in red

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

## 7 OUR FINANCIAL PERFORMANCE – COLLECTION FUND

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

With regard to council tax, each precepting body declares the precept that they require from the collection fund to support their services in February each year. This forms the basis for what we, as billing authority, then charge residents as council tax.

Due to the change of circumstances for residents and changes to occupied property numbers, the actual amount of council tax collected from residents can be higher or lower than the total amount required to be paid to precepting bodies. This results in either a forecast surplus or deficit, which is declared in the following January each year and is either paid to or collected from precepting bodies in the following financial year.

For business rates, similar principles apply. Total forecast collectable rates are paid from the Collection Fund at fixed shares to Central Government, Ribble Valley Borough Council, Lancashire County Council and Lancashire Fire and Rescue.

## Narrative Report

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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 2018/19 is summarised in the table below, compared to the forecast performance.

Collection Fund	Original Estimate	Revised Estimate	Actual	Original Estimate Compared to Actual	Revised Estimate Compared to Actual
	£'000	£'000	£'000	£'000	£'000
<b>Council Tax - Expenditure</b>					
Total of all Precepts	39,151	39,151	39,151	0	0
Total Council Tax Surplus distributed	695	695	695	0	0
Council Tax Benefit	0	3	6	6	3
Bad Debts Provision	296	100	12	-284	-88
<b>Expenditure Subtotal - Council Tax</b>	<b>40,142</b>	<b>39,949</b>	<b>39,864</b>	<b>-278</b>	<b>-85</b>
<b>Business Rates - Expenditure</b>					
Deficit Brought Forward	63	0	0	-63	0
Cost of Collection	88	88	88	0	0
Enterprise Zones	131	218	195	64	-23
Renewable Energy Schemes	82	94	92	10	-2
Transitional Protection	195	0	0	-195	0
Total Distribution of Business Rates	14,622	14,622	14,622	0	0
Appeals Provision	473	616	54	-419	-562
Bad Debts Provision	158	150	92	-66	-58
<b>Expenditure Subtotal - Business Rates</b>	<b>15,812</b>	<b>15,788</b>	<b>15,143</b>	<b>-669</b>	<b>-645</b>
<b>Total Expenditure</b>	<b>55,954</b>	<b>55,737</b>	<b>55,007</b>	<b>-947</b>	<b>-730</b>
<b>Council Tax - Income</b>					
Surplus Brought Forward	695	821	821	126	0
Council Tax Income	39,447	39,747	39,743	296	-4
MHCLG Grant	0	0	6	6	6
<b>Income Subtotal - Council Tax</b>	<b>40,142</b>	<b>40,568</b>	<b>40,570</b>	<b>428</b>	<b>2</b>
<b>Business Rates - Income</b>					
Surplus Brought Forward	0	94	94	94	0
Total Business Rates Deficit distributed	63	63	63	0	0
Transitional Protection	0	208	187	187	-21
Net Rates Payable (before appeals)	15,749	15,983	15,375	-374	-608
<b>Income Subtotal - Business Rates</b>	<b>15,812</b>	<b>16,348</b>	<b>15,719</b>	<b>-93</b>	<b>-629</b>
<b>Total Income</b>	<b>55,954</b>	<b>56,916</b>	<b>56,289</b>	<b>335</b>	<b>-627</b>
<b>Council Tax Surplus/(Deficit) carried forward</b>					
	0	619	706	706	87
<b>Business Rates Surplus/(Deficit) carried forward</b>					
	0	560	576	576	16
<b>Total Net Surplus/(Deficit) carried forward</b>	<b>0</b>	<b>1,179</b>	<b>1,282</b>	<b>1,282</b>	<b>103</b>

## Narrative Report

### 8 OUR NON-FINANCIAL PERFORMANCE

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

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

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

- **To maintain critical financial management and controls, and ensure the authority provides council tax payers with value for money, within the current financial constraints:** The Council continued to have 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 continued to support charities and voluntary organisations across the borough who carry out an important role in supporting our vulnerable citizens. Regular training was carried out to ensure our staff continue to provide high levels of customer care.
- **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 continued to work closely with all its parishes and town councils via the Parish Council Liaison Committee. Financial support was also provided to parishes through the concurrent function grant scheme. The Council has a number of grant schemes that support communities and organisations across the borough, these include recreation and sports, culture, arts, 'Ribble Valley In Bloom' and voluntary organisations. The Council also has a dedicated up-and-active team who continue to promote healthy lifestyles throughout the borough.
- **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 continues to take Economic Development, Regeneration and Tourism very seriously and has had many successes with both attracting new businesses into Ribble Valley and helping existing businesses to expand. An Economic Development Committee has been created to lead, consider and propose matters concerning the promotion of economic development throughout the Borough. In 2018 the Council created a new post of Director of Planning and Economic Development to deliver these services. We are still working towards securing an appropriate town centre redevelopment for Clitheroe to support business and local services.

- **To seek to improve the transport network, especially to our rural areas:** Despite cuts by Lancashire County Council to some rural bus services, Ribble Valley Borough Council continues to provide essential grant funding to The Little Green Bus which offers a community transport service for the elderly and vulnerable people. We also strongly objected to the proposed closure of the Clitheroe Interchange Office, which had been earmarked for closure by the County Council but has been given a reprieve.
- **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. The new roundabout on the A59 near the Standen housing development has now been installed and a significant improvement has been made to this important junction.

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

- **To improve the health of people living and working in our area:** The Council's Up-and-active team continued to work closely with our citizens to improve their health and lifestyles. We continued to provide important leisure services such as Ribblesdale Pool, football pitches, parks and play areas. We supported the Ribble Valley Cycle Festival in partnership with other local organisations and businesses with an interest in cycling development. The Council has approved a significant capital scheme to provide a new 3G pitch at Edisford along with two 3G five aside pitches, a three tennis court size multi surface area along with a community classroom and toilets which will be constructed in 2019/20.
- **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. The new capital project at Edisford will encourage further recreational and sporting activity for young people within the Ribble Valley.
- **To ensure that Ribble Valley remains a safe place to live:** Ribble Valley remains a low crime area and a safe place to live. This success is in part due to the work of our Community Safety Partnership. The Partnership continues to address 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 of the Community Alcohol Partnership which aims to stop the supply of alcohol to underage young people. The Council also has a multidisciplinary event safety advisory group (ESAG) to ensure any events held in the Ribble Valley are carried out safely.
- **To take a leading role in working with partners on the evolving public health agenda:** The Council received an Affordable Warmth Grant awarded from 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

## Narrative Report

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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:** The Council has through its planning powers secured funds to assist in the restoration of Primrose Lodge in Clitheroe. This scheme will be carried out by the Ribble Rivers Trust and will ensure the site is improved and restored to provide a valuable habitat and accessible public area. Specifically this will see desilting, construction of bridges, footpaths and viewing platform and also the construction of one of longest fish passes in the country.
- **To retain weekly collections of residual waste:** The Council's weekly refuse collection and recycling service has continued to operate along with the free collection of green waste for residents.
- **To provide a high quality environment, keeping land clear of litter and refuse, and reducing the incidents of dog fouling:** The Council's dog warden service has undertaken a series of high profile patrols during the morning and also at night in specially targeted areas to reduce the incidence of dog fouling. The Council has also taken the decision to permit any dog waste to be disposed of in litter bins throughout the borough.

### 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 affordable accommodation on all sites over 30 units.
- **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.
- 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%.

## Narrative Report

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### *Change and Improvement*

In 2018/19 the Council amended its management structure to include a new department, Economic Development and Planning and also appointed a new Director to lead this area. The new department was created following the reallocation of staff from Housing, Planning & Economic Development service areas.

This has enabled the Council to devote more time and resources to promote economic development across the borough which is one of its key priorities.

A Corporate Peer Challenge was carried out in November 2017. Following this an action plan was formulated and agreed by the Policy and Finance Committee in March 2018.

The action plan set out the following key areas in need of for 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.
- Review the Performance Management Framework linked to the Corporate Strategy.
- Review the resourcing of Corporate Strategy priorities.
- Develop an Economic Development Strategy.
- 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.
- Strengthen engagement between the Leadership and Corporate Management Team – this includes the chairs of committees.

During 2018/19 the Council made significant progress in implementing these recommendations and a follow up Peer Challenge Review is due in September 2019 to assess the Council's progress

## 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.

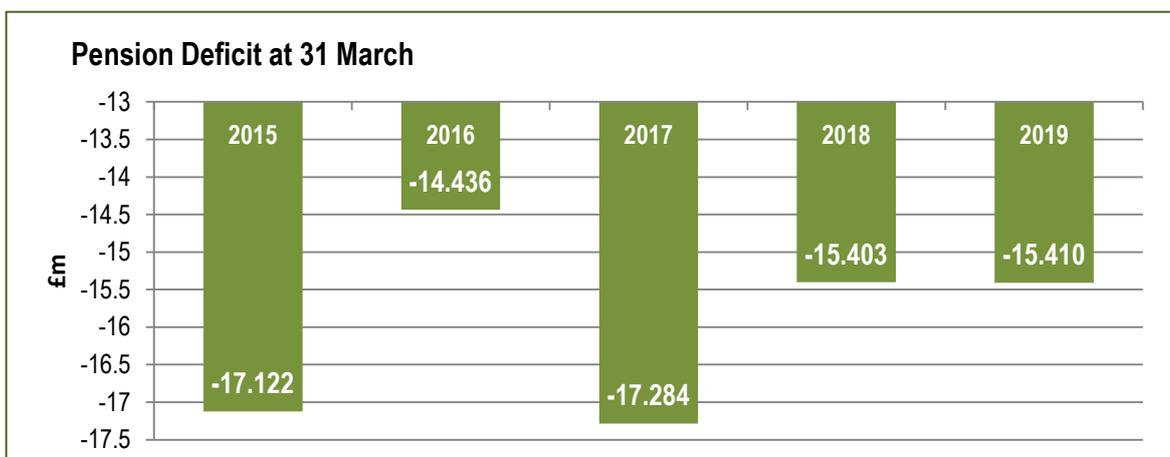
The net pension asset/liability in respect of the surplus/deficit on the pension fund, as calculated by the fund's actuary, is included in the council's balance sheet. In Ribble Valley Borough Council's case the net liability as at 31 March 2019 increased to £15.413m (31 March 2018 £15.403m).

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	3,318
<b>Remeasurements (assets)</b>	-4,252
<b>Net movement from remeasurements</b>	<b>-934</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.



## Narrative Report

## 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 (which ceases after 2018/19) whilst others will reduce substantially. After 2019/20 there is major uncertainty around the key funding streams that we receive from the Government. We are currently awaiting the outcome of two major consultations: Business Rate Retention Reform and Fair Funding Review.

The council's medium term financial strategy for the period 2019/23 uses the remaining year of the four year settlement together with a number of assumptions for future years. The table below provides a summary of the medium term financial outlook for the council.

	2019/20 Forecast £	2020/21 Forecast £	2021/22 Forecast £	2022/23 Forecast £
Net Expenditure	7,010,306	7,294,869	7,486,756	7,682,611
Interest Receipts	-100,000	-75,000	-75,000	-75,000
Use of Superannuation Reserve	-36,512	-36,512	-36,512	-36,512
Use of Business Rates Growth	-675,514	-875,514	-675,514	-675,514
Use of New Homes Bonus	-1,105,000	-1,105,000	-1,105,000	-1,105,000
(Use of)/Contribution to Balances	-93,896	-250,000	-250,000	-250,000
<b>Savings Required</b>	<b>0</b>	<b>162,302</b>	<b>-74,713</b>	<b>-112,962</b>
<b>Budget Requirement</b>	<b>4,999,384</b>	<b>5,115,145</b>	<b>5,270,017</b>	<b>5,427,623</b>
Business Rates Baseline	-1,440,601	-1,440,601	-1,440,601	-1,440,601
Collection Fund (Deficit)/Surplus	-61,419	-25,000	-25,000	-25,000
<b>Precept</b>	<b>3,497,364</b>	<b>3,649,544</b>	<b>3,804,416</b>	<b>3,962,022</b>
Taxbase	23,209	23,441	23,676	23,912
<b>Band D Council Tax</b>	<b>£150.69</b>	<b>£155.69</b>	<b>£160.69</b>	<b>£165.69</b>
Projected/Actual Council Tax increase	<b>0%</b>	<b>£5 max</b>	<b>£5 max</b>	<b>£5 max</b>

The forecast assumes our funding stays at the 2019/20 level, however at this stage there are no indications from the Government. The forecast also assumes the current maximum permitted increase of £5 for Band D Council Tax. However, the actual council tax rate set for any given year would be a decision for the elected members at that time.

2019/20 is the final year of the current four year finance settlement and whilst a balanced budget has been set for the 2019/20 financial year, the Council's latest three year budget forecast estimates a modest budget gap in 2021/22 of £75k and £113k in 2022/23. However it is important to note that the outcome of the Fair Funding Review and the implications of Business Rate Retention Reforms will be crucial in terms of our future budget forecast and therefore to some extent the forecast beyond 2019/20 is impossible to predict with any certainty.

Significant consultation has taken place on these two key areas of Local Government Finance. The aim of the Fair Funding Review is to design a new system for allocating funding between local authorities, which inevitably will mean that some authorities will receive more funding from central government in the future whilst others will receive less funding.

The business rates retention system means councils gain or lose as local business rates revenues rise or fall. The government plans to increase the proportion of gains or losses borne locally to 75% from 2020/21 (from the standard 50% currently), and has been piloting 100% and 75% schemes in pilot authorities. These reforms could significantly impact the levels of business rate income retained by local authorities in the future. Proposals include resetting of baselines, negotiation of tier splits, changes to safety nets and changes to the administration of the business rates retention system.

From 2019/20 this Council is a member of the new Lancashire Business Rate Pilot Pool which means that locally we will retain 75% of business rate growth. The Pilot is for one year only and our future business rate income will depend on the outcome of the reforms.

Considerable changes were announced to the New Homes Bonus Scheme in 2016 with regard to the introduction of a baseline level of growth and a reduction in the number of years of legacy payments. Indeed further changes may be made in future years, particularly around whether payments should be allowed for homes built following a planning appeal. We will need to keep the use of our New Homes Bonus grant under review as it forms a major element of our funding for both our revenue and capital budgets.

The financial implications for the Council of the UK leaving the European Union continue to be a cause for concern however we will keep this under review.

Future pressure on services is also foreseen due to the expected increase in housing in the borough. This could impact on many of our services.

It is important for the council to maintain a healthy level of balances to cover unforeseen events and also provide a stable level of resources for future planning. This is particularly important as we face uncertainty regarding our future core funding.

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

The Budget Working Group will continue to keep the Council's financial position under review.

## Narrative Report

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### 11 PRINCIPAL RISKS AND UNCERTAINTIES

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

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

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

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

- Outcome of Fair Funding Review and Business Rates Retention Reform Consultations.
- Longer term viability of the Lancashire Business Rates Pilot following the Fair Funding Review and Business Rates Retention Reform.

#### **Availability of Staffing**

- Ageing Workforce.
- Continuing recruitment difficulties.
- Staff sickness.

#### **Business Rates Retention Scheme**

- Outcome of Business Rates Retention Reform Consultation
- Risk of large appeals.
- Continuing uncertainty around Brexit and the potential 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.

#### **Corporate Peer Challenge**

- Remaining elements of the Action Plan are not met or further issues are raised at the review in 2019

#### **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 2019 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 2018/19 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.

## Narrative Report

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- 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

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 2019.

Jane L Pearson  
Director of Resources CPFA  
12 July 2019

**Approval of the Statement of Accounts**

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## Approval of the Statement of Accounts

I confirm that these accounts, including the Comprehensive Income and Expenditure Statement on page 60 and the Balance Sheet on page 64, were approved by the Accounts and Audit Committee at its meeting held on 24 July 2019.

Signed by:

Chairman of Accounts and Audit Committee  
24 July 2019

# Statement of Accounting Policies

## 1 GENERAL PRINCIPLES

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The Statement of Accounts summarises the Council's transactions for the 2018/19 financial year and its position at the year-end of 31 March 2019. 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 2018/19*, 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 contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with performance obligations in the contract.
- 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.
- The council has adopted IFRS15 Revenue from Contracts with Customers in accordance with the Code; however, this has no material impact on the financial statements.

## Statement of Accounting Policies

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### 3 CASH AND CASH EQUIVALENTS

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Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

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

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

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Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

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

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

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

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

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

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

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

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

**Accounting for Council Tax and NDR**

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

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

**7 EMPLOYEE BENEFITS**

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**Benefits Payable during Employment**

Short-term employee benefits are those due to be settled 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 2.5% (2.6% 31 March 2018) 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.

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

## Statement of Accounting Policies

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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.

### **Financial Assets**

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI)

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (ie where the cash flows do not take the form of a basic debt instrument).

### **Financial Assets Measured at Amortised Cost**

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) 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 financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

### **Expected Credit Loss Model**

The authority recognises expected credit losses on all of its financial assets held at amortised cost either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the council.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

## Statement of Accounting Policies

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### 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.

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

**Statement of Accounting Policies**

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- 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.
- 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.

## Statement of Accounting Policies

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- 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.
- 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).

## Statement of Accounting Policies

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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.

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.

## Statement of Accounting Policies

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### **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

**Statement of Accounting Policies**

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- 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.

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.

## Statement of Accounting Policies

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 2019	
	Revalued Amount in Balance Sheet £	Equivalent Carrying Amount Under Cost Model £
Other Land and Buildings	15,019,560	7,182,046
Vehicles, Plant, Furniture and Equipment	1,848,232	1,848,232
Infrastructure Assets	287,078	287,078
Community Assets	1,567,127	1,554,404
Surplus Assets (Not for Sale)	25,389	19,077
<b>Total</b>	<b>18,747,386</b>	<b>10,890,837</b>

### 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).

## Statement of Accounting Policies

The Council operates a straight-line method for depreciation over the useful economic life of the asset, for most assets 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.

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.

## Statement of Accounting Policies

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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.

### ***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.

**Statement of Accounting Policies**

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**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.

**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 transferring amounts out of the General Fund Balance. 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 transferred back into the General Fund Balance 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.

## Statement of Accounting Policies

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### 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.

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

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

2017/18			2018/19				
Gross Expenditure £	Gross Income £	Net Expenditure £		Gross Expenditure £	Gross Income £	Net Expenditure £	Note
8,348,573	-4,567,278	3,781,295	Community Services Committee	8,324,390	-4,232,337	4,092,053	
298,990	-62,670	236,320	Economic Development Committee	373,037	-68,242	304,795	
8,042,147	-7,193,211	848,936	Health and Housing Committee	7,828,900	-6,870,026	958,874	
1,353,974	-845,906	508,068	Planning and Development Committee	1,459,750	-932,312	527,438	
3,548,691	-1,543,105	2,005,586	Policy and Finance Committee	2,945,060	-873,937	2,071,123	
<b>21,592,375</b>	<b>-14,212,170</b>	<b>7,380,205</b>	<b>Cost of Services</b>	<b>20,931,137</b>	<b>-12,976,854</b>	<b>7,954,283</b>	<b>1/2</b>
			<b>Other Operating Expenditure</b>				
		405,278	Payment of Precepts to Parishes			435,183	
		23,000	Pensions Administration Expenses			24,000	32
		-63,588	(Gains)/Losses on the Disposal of non-Current Assets			-238,241	
			<b>Financing and Investment Income and Expenditure</b>				
		7,828	Interest Payable on Debt			7,033	
		-21,002	Investment Interest Income			-92,326	
		0	Impairment Losses/Gains			-8,569	
		418,000	Net Interest on the net defined benefit liability (asset)			374,000	32
		-50,783	(Gain)/Loss on Trading Accounts			-47,726	
			<b>Taxation and Non-Specific Grant Income</b>				
		-3,749,957	Council Tax			-3,943,505	8
		-1,765,791	Non Domestic Rates Income and Expenditure			-1,889,056	8/11
		-304,319	Revenue Support Grant (RSG)			-109,149	8
		-3,000	Capital Grants and Contributions			-3,000	8
		-2,586,757	Other Non-Specific Grants			-2,659,205	8
		<b>-310,886</b>	<b>(Surplus) or Deficit on Provision of Services</b>			<b>-196,278</b>	<b>1/2</b>
		-1,787,918	(Surplus) or Deficit on Revaluation of Property, Plant and Equipment Assets			-601,803	
		-2,930,000	Actuarial (Gains)/Losses on Pensions Assets/Liabilities			-934,000	32
		<b>-4,717,918</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>-1,535,803</b>	
		<b>-5,028,804</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>-1,732,081</b>	

## 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 2018/19	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 2018</b>	2,533,703	8,547,420	11,081,123	305,428	842,867	12,229,418	376,464	12,605,882
Total Comprehensive Income and Expenditure	-528,367	724,645	196,278			196,278	1,535,803	1,732,081
Adjustments between Accounting Basis and Funding Basis Under Regulations <i>See Note 10</i>	466,775		466,775	74,631	243,741	785,147	-785,147	0
<b>Increase/Decrease in Year</b>	<b>-61,592</b>	<b>724,645</b>	<b>663,053</b>	<b>74,631</b>	<b>243,741</b>	<b>981,425</b>	<b>750,656</b>	<b>1,732,081</b>
<b>Balance at 31 March 2019 Carried Forward</b>	<b>2,472,111</b>	<b>9,272,065</b>	<b>11,744,176</b>	<b>380,059</b>	<b>1,086,608</b>	<b>13,210,843</b>	<b>1,127,120</b>	<b>14,337,963</b>

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>	2,716,569	6,785,206	9,501,775	197,687	804,279	10,503,741	-2,926,663	7,577,078
Total Comprehensive Income and Expenditure	-1,451,328	1,762,214	310,886			310,886	4,717,918	5,028,804
Adjustments between Accounting Basis and Funding Basis Under Regulations <i>See Note 10</i>	1,268,462		1,268,462	107,741	38,588	1,414,791	-1,414,791	0
<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>

## 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 2018	31 March 2019	Note
£	£	
<b>Long Term Assets</b>		
18,293,099 Property, Plant and Equipment	18,747,386	13
892,392 Heritage Assets	917,217	14
2,395 Intangible Assets	36,105	
280,044 Long Term Debtors	265,462	15
<b>19,467,930 Total Long Term Assets</b>	<b>19,966,170</b>	
<b>Current Assets</b>		
10,000 Financial Asset Held for Sale	10,000	15
9,750 Assets Held for Sale	0	
75,388 Inventories	54,933	
1,975,560 Short Term Debtors	1,439,578	6/15/16
10,151,387 Cash and Cash Equivalents	12,392,535	15/17
<b>12,222,085 Total Current Assets</b>	<b>13,897,046</b>	
<b>Current Liabilities</b>		
-17,893 Short Term Borrowing	-17,893	
-3,138,979 Short Term Creditors	-3,558,404	15/18
-388,560 Provisions	-409,973	6/19
<b>-3,545,432 Total Current Liabilities</b>	<b>-3,986,270</b>	
<b>Long Term Liabilities</b>		
-136,377 Long Term Borrowing	-125,983	
-15,402,324 Net Pensions Liability	-15,413,000	6/32
<b>-15,538,701 Total Long Term Liabilities</b>	<b>-15,538,983</b>	
<b>12,605,882 Net Assets</b>	<b>14,337,963</b>	
<b>Usable Reserves</b>		
2,533,703 General Fund Balance	2,472,111	20
8,547,420 Earmarked General Fund Reserves	9,272,065	12
842,867 Usable Capital Receipts Reserve	1,086,608	
305,428 Capital Grants Unapplied	380,059	
<b>12,229,418 Total Usable Reserves</b>	<b>13,210,843</b>	
<b>Unusable Reserves</b>		
6,880,184 Capital Adjustment Account	7,158,190	21
120,613 Collection Fund Adjustment Account	300,110	
8,830,697 Revaluation Reserve	9,148,982	
-15,402,324 Pension Reserve	-15,413,000	32
-52,706 Accumulated Absences Account	-67,162	
<b>376,464 Total Unusable Reserves</b>	<b>1,127,120</b>	
<b>12,605,882 Total Reserves</b>	<b>14,337,963</b>	

## 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.

2017/18 £		2018/19 £	Note
-310,886	Net (Surplus) or Deficit on the Provision of Services	-196,278	
-1,343,298	Adjustments to Net Surplus or Deficit on the Provision of Services for Non-Cash Movements	-1,727,096	22
63,588	Adjustments for Items Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities	243,741	22
<b>-1,590,596</b>	<b>Net Cash Flows from Operating Activities</b>	<b>-1,679,633</b>	
-212,127	Investing Activities	-209,962	23
221,614	Financing Activities	-351,553	24
<b>-1,581,109</b>	<b>Net Increase or decrease in Cash and Cash Equivalents</b>	<b>-2,241,148</b>	
8,570,278	Cash and Cash Equivalents 1 April	10,151,387	
<b>10,151,387</b>	<b>Cash and Cash Equivalents 31 March</b>	<b>12,392,535</b>	17

## Notes to the Core Financial Statements

# 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.

2018/19	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	3,843,274	248,779	4,092,053
Economic Development Committee	286,840	17,955	304,795
Health and Housing Committee	879,111	79,763	958,874
Planning and Development Committee	450,324	77,114	527,438
Policy and Finance Committee	1,958,302	112,821	2,071,123
<b>Net Cost of Services</b>	<b>7,417,851</b>	<b>536,432</b>	<b>7,954,283</b>
Other Income and Expenditure	-8,080,903	-69,658	-8,150,561
<b>(Surplus) or Deficit</b>	<b>-663,052</b>	<b>466,774</b>	<b>-196,278</b>
Opening General Fund Balance at 31 March 2018	-11,081,123		
<b>Closing General Fund Balance as at 31 March 2019</b>	<b>-11,744,175</b>		

## Notes to the Core Financial Statements

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>		

## 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.

2018/19	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	3,843,274	9,290	240,743	-1,253	<b>4,092,054</b>
Economic Development Committee	286,840		15,843	2,112	<b>304,795</b>
Health and Housing Committee	879,111	-56,101	87,722	48,142	<b>958,874</b>
Planning and Development Committee	450,324		78,970	-1,856	<b>527,438</b>
Policy and Finance Committee	1,958,302	-25,615	123,398	15,037	<b>2,071,122</b>
<b>Net Cost of Services</b>	<b>7,417,851</b>	<b>-72,426</b>	<b>546,676</b>	<b>62,182</b>	<b>7,954,283</b>
Other Income and Expenditure	-8,080,903	-240,434	398,000	-227,224	<b>-8,150,561</b>
<b>(Surplus) or Deficit</b>	<b>-663,052</b>	<b>-312,860</b>	<b>944,676</b>	<b>-165,042</b>	<b>-196,278</b>

## Notes to the Core Financial Statements

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		3,781,295
Economic Development Committee	223,163		13,157		236,320
Health and Housing Committee	793,032	-81,241	86,363	50,782	848,936
Planning and Development Committee	424,605		83,463		508,068
Policy and Finance Committee	1,840,901	13,817	150,868		2,005,586
<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	-7,691,091
<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>

**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.

## Notes to the Core Financial Statements

- For **Financing and Investment Income and Expenditure** – the net interest on the defined benefit liability is charged to the Comprehensive Income and Expenditure Statement.

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.

2017/18 £		2018/19 £
<i>Expenditure</i>		
7,610,567	Employee Expenditure	7,619,743
13,484,359	Other Service Expenses	12,916,706
842,882	Depreciation, Amortisation and Impairment	856,783
23,000	Pensions Administration Costs	24,000
7,828	Interest Payments	7,033
405,278	Precepts and Levies	435,183
<b>22,373,914</b>	<b>Total Expenditure</b>	<b>21,859,448</b>
<i>Income</i>		
-5,654,262	Fees and Charges and Other Service Income	-5,974,078
-63,588	Gain or Loss on Disposal of Non-Current Assets	-238,241
-5,515,748	Income from Council Tax and Business Rates	-5,832,561
-11,430,200	Government Grants, Contributions and Donations	-9,918,520
-21,002	Interest and Investment Income	-92,326
<b>-22,684,800</b>	<b>Total Income</b>	<b>-22,055,726</b>
<b>-310,886</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>-196,278</b>

## Notes to the Core Financial Statements

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

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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:

- **Amendments to IAS40 Investment Property: Transfers of Investment Property.** Amended to state that *'an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. The change of use shall consist of the property meeting, or ceasing to meet, the definition of investment property'*. The Council does not hold investment property, and the amendment therefore does not affect the Council's financial assets.
- **Annual Improvements to IFRS Standards 2014-2016 Cycle.** The amendment to *IFRS1 First-time Adoption of International Financial Reporting Standards*, the clarification on *IFRS12 Disclosure of Interests in Other Entities* and *IAS 28 Investments in Associates and Joint Ventures* are all not applicable to the Council.
- **IFRIC 22 Foreign Currency Transactions and Advance Consideration.** IFRIC 22 clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Council does not undertake foreign currency transactions; therefore the amendment does not affect the Council's financial assets.
- **IFRIC 23 Uncertainty over Income Tax Treatments.** The interpretation applied to the determination of taxable profit (tax loss), tax base, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. No such uncertainty exists for the Council and therefore there will be no impact on its financial assets.
- **Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation.** Amends the existing requirement in IFRS9 regarding termination rights in order to allow measurement at amortised cost (or depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payment. There is no impact on the Council's financial liabilities.

### 5 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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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:

## Notes to the Core Financial Statements

- 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.

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

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

The items in the Council's Balance Sheet at 31 March 2019 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 2019 was £15.413m. 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 2019:</b> deficit would be £14.278m</li> <li><b>+0.1% p.a. inflation as at 31 March 2019:</b> deficit would be £16.568m</li> <li><b>+0.1% p.a. pay growth as at 31 March 2019:</b> deficit would be £15.582m</li> <li><b>1 year addition to members' life expectancy as at 31 March 2019:</b> deficit would be £16.760m</li> </ul>
<b>Arrears</b>	At 31 March 2019, the Council had a balance of sundry debtors of £508,697 (including overpaid housing benefits). A review of significant balances suggested that an impairment of doubtful debts of £164,317 (including overpaid housing benefits) was appropriate. However, the level of such an allowance may fluctuate in adequacy.	If collection rates were to deteriorate, a 10% increase in the impairment would equate to £16,432

## Notes to the Core Financial Statements

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
<b>Business Rates Appeals Provision</b>	At the 31 March the Council made a provision on the Collection Fund of £1,024,932 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 £409,973 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 £102,493 in total or a £40,997 share for this council.

## 7 MATERIAL ITEMS OF INCOME AND EXPENSE

### Housing Benefit

The Council has a statutory duty to administer Housing Benefit claims on behalf of the Department for Work and Pensions. The Council pays out Housing Benefits to eligible claimants. In 2018/19 £6.28m was paid out (£6.63m in 2017/18), 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 £6.34m was received from the Department for Work and Pensions in 2018/19 (£6.67m in 2017/18).

### 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. There was no such income for 2018/19.

### 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 committees, have full control of the level of the car parking charges that are set.

In 2018/19 the Council received £392,985 in income from chargeable car parks (in 2017/18 £361,287). 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 were 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 to householders and £54,696 to businesses under the scheme. None were paid out in 2018/19.

**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 2018/19 the council received £673,661 in planning application fees, which help fund the provision of the service. (£592,313 in 2017/18).

**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 2018/19 the Council received £954,930 through various business rates Section 31 grants (£902,819 in 2017/18).

## Notes to the Core Financial Statements

### 8 TAXATION AND NON-SPECIFIC GRANT INCOME

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

#### Council Tax

	2017/18 £	2018/19 £
Ribble Valley Borough Council Precept	-3,275,257	-3,451,102
Precept Relating to Parishes	-405,278	-435,183
Surplus Received in Year (Declared January Prior to Start of Year)	-59,557	-70,351
Movement on Collection Fund (Surplus)/Deficit at Year End	-9,865	13,131
<b>Total Council Tax</b>	<b>-3,749,957</b>	<b>-3,943,505</b>

#### Non-Domestic Rates Income and Expenditure

	2017/18 £	2018/19 £
Ribble Valley Borough Council Share of Business Rates Income	-5,710,120	-5,848,942
Less Tariff Payable to Central Government	4,026,300	4,147,262
10% Retained Levy Payable to Lancashire County Council under Business Rates Pooling Arrangements	66,134	72,565
(Surplus)/Deficit Payment in Year (Declared January Prior to Start of Year)	-45,369	25,165
Movement on Collection Fund Deficit/(Surplus) at Year End	-2,822	-192,628
Business Rates Retained on Renewable Energy Schemes	-99,914	-92,478
<b>Overall Net Retained Business Rates Related Income</b>	<b>-1,765,791</b>	<b>-1,889,056</b>

#### Revenue Support Grant

This is a source of funding that has seen a significant decrease over past years and is forecast will stop after 2018/19. In 2018/19 we received £109,149 (2017/18 £304,319).

#### Capital Grants and Contributions

	2017/18 £	2018/19 £
Longridge Town Council	-3,000	-3,000
<b>Total Capital Grants and Contributions</b>	<b>-3,000</b>	<b>-3,000</b>

**Other Non-Specific Grants**

	2017/18 £	2018/19 £
New Homes Bonus	-1,576,990	-1,575,908
Rural Areas Delivery Grant	-86,603	-107,921
Transition Grant	-20,345	0
Levy Account Surplus	0	-20,446
Business Rates Section 31 Grants		
Small Business Rates Relief (SBRR) Scheme	-794,294	-847,033
SBRR on Existing Properties where 2nd Property is Occupied	-8,240	-7,043
'New Empty' Properties	-9	-18
Multiplier Cap	-31,816	-49,431
Discretionary Scheme	-37,490	-18,651
Pub Relief Scheme	-17,069	-18,586
Rural Rate Relief	-8,412	-8,040
Supporting Small Businesses	-5,880	-6,021
'Long Term Empty' Properties	-22	0
Retail Relief	609	0
Flooding Relief	-196	0
In Lieu of Transitional Relief	0	-107
<b>Other Non-Specific Grants</b>	<b>-2,586,757</b>	<b>-2,659,205</b>

**9 EVENTS AFTER THE REPORTING PERIOD**

The Statement of Accounts was authorised for issue on the 31 May 2019. 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 2019, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

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

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

## 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 2018/19	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	926,775			-926,775
Revaluation losses on Property Plant and Equipment (Charged to surplus or Deficit on Provision of Services)	-12,575			12,575
Amortisation of Intangible Assets	2,395			-2,395
Capital Grants and Contributions Applied	-144,444			144,444
Revenue Expenditure Funded from Capital Under Statute	448,630			-448,630
Amounts of Non-Current Assets Written Off on Disposal or sale as Part of the gain/Loss on Disposal to the Comprehensive Income and Expenditure Statement	9,750			-9,750
<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	-129,840			129,840
Capital expenditure charged against General Fund Balances	-802,773			802,773
<b>Adjustments primarily involving the Capital Grants Unapplied Account</b>				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-367,037	367,037		
Application of grants to capital financing transferred to the Capital Adjustment Account		-292,406		292,406
<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	-247,991		247,991	
Contribution from the Capital Receipts Reserve towards administrative cost of Non-Current asset disposals	4,250		-4,250	

## Notes to the Core Financial Statements

Movements in 2018/19	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	1,968,000			-1,968,000
Employer's pensions contributions and direct payments to pensioners payable in the year	-1,023,324			1,023,324
<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	-179,497			179,497
<b>Adjustments primarily involving the Accumulated Absences Account</b>				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	14,456			-14,456
<b>Total Adjustments</b>	<b>466,775</b>	<b>74,631</b>	<b>243,741</b>	<b>-785,147</b>

## 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

## 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>

**11 LANCASHIRE BUSINESS RATES POOL**

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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 are 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, was 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 £725,653 (£661,344 in 2017/18), hence under pooling we have benefitted from extra income of £653,088 (£595,210 in 2017/18). 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 total fee of £20,000 is payable, charged equally to all members of the pool 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.

## Notes to the Core Financial Statements

Lancashire Business Rates Pool Members 2018/19	Authority Type	Tariffs and Top-Ups in Respect of 2018/19 £	Retained Levy on Growth 2018/19 £	10% Retained Levy Payable to/received by Lancashire County Council £	Net Retained Levy 2018/19 £
Burnley Borough Council	Tariff	5,813,386	-779,370	77,937	-701,433
Chorley Borough Council	Tariff	6,255,602	-798,029	79,803	-718,226
Fylde Borough Council	Tariff	7,792,807	-640,137	64,014	-576,123
Hyndburn Borough Council	Tariff	3,817,977	-554,502	55,450	-499,052
Pendle Borough Council	Tariff	3,259,593	-355,927	35,593	-320,334
Ribble Valley Borough Council	Tariff	4,147,262	-725,653	72,565	-653,088
Rossendale Borough Council	Tariff	2,610,199	-603,452	60,345	-543,107
South Ribble Borough Council	Tariff	9,933,983	-1,190,680	119,068	-1,071,612
West Lancashire Borough Council	Tariff	8,367,158	-889,169	88,917	-800,252
Wyre Borough Council	Tariff	6,577,163	-608,534	60,853	-547,681
Lancashire County Council	Top-Up	-152,078,891	0	-714,545	-714,545
Central Government	-	93,503,761	0	0	0
<b>Total</b>		<b>0</b>	<b>-7,145,453</b>	<b>0</b>	<b>-7,145,453</b>

*Pool membership in 2017/18 did not include Burnley Borough Council*

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.

## Notes to the Core Financial Statements

## 12 TRANSFERS TO/FROM EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund balance in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2018/19.

General Fund	Balance at 31 March 2017 £	Transfers In 2017/18 £	Transfers Out 2017/18 £	Balance at 31 March 2018 £	Transfers In 2018/19 £	Transfers Out 2018/19 £	Balance at 31 March 2019 £
<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>	37,869		-19,894	17,975	16,980		34,955
<b>Audit Reserve Fund</b> <i>Used for computer audit</i>	12,335			12,335			12,335
<b>Refuse Collection</b> <i>To fund refuse collection costs of bin replacements and other cost pressures</i>	59,728	14,468	-5,699	68,497	6,542	-27,724	47,315
<b>Amenity Cleansing Reserve</b> <i>Used to fund known future amenity cleansing works</i>	0	5,750		5,750	24,160		29,910
<b>Clitheroe Food Festival</b> <i>Resources set aside or used to help support the costs associated with the Clitheroe Food Festival</i>	25,913		-8,177	17,736		-3,910	13,826
<b>Promotional Activities Reserve</b> <i>To fund planned publicity and promotional activities</i>	0			0	5,000		5,000
<b>Total Reserves for Shorter Term Service Commitments</b>	<b>135,845</b>	<b>20,218</b>	<b>-33,770</b>	<b>122,293</b>	<b>52,682</b>	<b>-31,634</b>	<b>143,341</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>	36,329	60,072	-9,401	87,000	33,000	-18,232	101,768
<b>Revaluation of Assets Reserve</b> <i>To contribute towards the revaluation of the Council's assets every five years.</i>	5,230	2,060		7,290	2,110		9,400
<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	12,778		12,778	29,450		42,228

## Notes to the Core Financial Statements

General Fund	Balance at 31 March 2017 £	Transfers In 2017/18 £	Transfers Out 2017/18 £	Balance at 31 March 2018 £	Transfers In 2018/19 £	Transfers Out 2018/19 £	Balance at 31 March 2019 £
<b>Total Reserves to Smooth the Revenue Impact of Longer Term Cyclical Costs</b>	41,559	74,910	-9,401	107,068	64,560	-18,232	153,396
<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>	-43,832	2,672		-41,160		-7,993	-49,153
<b>Total Reserves for Trading or Business Units</b>	-43,832	2,672	0	-41,160		-7,993	-49,153
<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>	821,421	451,357	-412,306	860,472	835,243	-802,772	892,943
<b>ICT Renewals</b> <i>To fund future software and hardware pressures</i>	171,399	4,260	-7,870	167,789	3,130	-26,048	144,871
<b>Vehicle &amp; Plant Renewals Reserve</b> <i>Resources set aside to fund future replacement of Vehicles and Plant through the capital programme</i>	392,000	46,000		438,000	0	-386,965	51,035
<b>Total Reserves for Sums Set Aside for Major Schemes such as Capital Projects</b>	1,384,820	501,617	-420,176	1,466,261	838,373	-1,215,785	1,088,849
<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>	1,300,315	130,738	-207,999	1,223,054	37,779	-52,964	1,207,869
<b>Fleming VAT Claim</b> <i>VAT recovered from 'Fleming' claim challenge to HMRC</i>	72,212		-4,941	67,271		-6,452	60,819
<b>Insurance</b> <i>Available to meet any costs following demise of Municipal Mutual Insurance Company</i>	14,581			14,581			14,581

## Notes to the Core Financial Statements

General Fund	Balance at 31 March 2017 £	Transfers In 2017/18 £	Transfers Out 2017/18 £	Balance at 31 March 2018 £	Transfers In 2018/19 £	Transfers Out 2018/19 £	Balance at 31 March 2019 £
<b>Repairs and Maintenance</b> <i>To fund emergency repairs and maintenance items, including legionella and asbestos abatement</i>	29,299			29,299	31,100	-15,320	45,079
<b>Post LSVT</b> <i>To fund any costs post LSVT which may arise, such as pension fund liabilities</i>	255,588		-36,513	219,075		-36,512	182,563
<b>Restructuring Reserve</b> <i>To fund costs resulting from restructuring reviews</i>	227,541		-20,224	207,317		-10,284	197,033
<b>Equipment Reserve</b> <i>To fund essential and urgent equipment requirements</i>	115,133	20,707	-12,323	123,517	14,866	-56,775	81,608
<b>Invest to Save Fund</b> <i>To fund future invest to save projects</i>	250,000			250,000		-18,169	231,831
<b>Planning Reserve</b> <i>To fund any future potential planning issues such as Local Development Plan expenditure and Planning Appeals</i>	148,545		-23,565	124,980	113,278	-105,707	132,551
<b>Housing Benefit Reserve</b> <i>To help meet the challenges facing the service in the coming years</i>	100,000			100,000			100,000
<b>Business Rates Volatility Reserve</b> <i>To provide some protection against business rates volatilities</i>	777,610	904,390		1,682,000			1,682,000
<b>Business Rates Growth Reserve</b> <i>Business rates growth used to support revenue expenditure or the capital programme.</i>	0	221,060		221,060	873,020	-94,508	999,572
<b>New Homes Bonus Reserve</b> <i>To help support revenue and capital expenditure</i>	1,278,478	783,911	-175,618	1,886,771	470,908	-139,469	2,218,210
<b>Total Reserves for Longer Term Strategic or Corporate Items</b>	4,569,302	2,060,806	-481,183	6,148,925	1,540,951	-536,160	7,153,716

## Notes to the Core Financial Statements

General Fund	Balance at 31 March 2017 £	Transfers In 2017/18 £	Transfers Out 2017/18 £	Balance at 31 March 2018 £	Transfers In 2018/19 £	Transfers Out 2018/19 £	Balance at 31 March 2019 £
<b>Reserves for External Funding where Expenditure has yet to be Incurred</b>							
<b>Performance Reward Grant</b>							
<i>Performance Reward Grant received and used to fund associated projects</i>	67,577			67,577			67,577
<b>Land Charges Reserve</b>							
<i>To fund any potential restitution claims for personal search fees</i>	46,794			46,794	4,323		51,117
<b>Pendle Hill User Reserve</b>							
<i>To fund improvement schemes on Pendle Hill</i>	44,069	441		44,510	191	-20,280	24,421
<b>Crime Reduction Partnership Reserve</b>							
<i>To fund cost of crime reduction initiatives</i>	29,877	4,731		34,608	4,494		39,102
<b>Up and Active Reserve</b>							
<i>To fund potential residual staffing costs</i>	14,361		-590	13,771		-1,183	12,588
<b>Housing Related Grants Reserve</b>							
<i>Residual grant received, to be committed to future grant schemes</i>	187,404	40,170	-28,869	198,705		-36,165	162,540
<b>Planning Policy Related Grants Reserve</b>							
<i>To provide short term capacity support when dealing with housing planning applications</i>	35,495		-29,645	5,850			5,850
<b>Community Right to Bid/Challenge</b>							
<i>To fund any future costs under the Community Right to Bid and Community Right to Challenge Regulations</i>	45,124			45,124			45,124
<b>Grant Funded Sports Development</b>							
<i>To finance future Sports Development grant funded expenditure</i>	600	3,040		3,640		-650	2,990

## Notes to the Core Financial Statements

General Fund	Balance at 31 March 2017 £	Transfers In 2017/18 £	Transfers Out 2017/18 £	Balance at 31 March 2018 £	Transfers In 2018/19 £	Transfers Out 2018/19 £	Balance at 31 March 2019 £
<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>	8,203	31,764	-23,377	16,590			16,590
<b><u>Rural Services Reserve</u></b> <i>Grant received with the purpose of supporting rural services</i>	105,544			105,544		-21,494	84,050
<b><u>Neighbourhood Planning Reserve</u></b> <i>MHCLG Neighbourhood Planning Grant received to fund future related expenditure</i>	15,000		-4,931	10,069	6,064		16,133
<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>	64,452		-27,633	36,819			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	45,000		45,000	28,750		73,750
<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	16,420		16,420	7,397		23,817

## Notes to the Core Financial Statements

General Fund	Balance at 31 March 2017 £	Transfers In 2017/18 £	Transfers Out 2017/18 £	Balance at 31 March 2018 £	Transfers In 2018/19 £	Transfers Out 2018/19 £	Balance at 31 March 2019 £
<b>Flood Resilience Grant Reserve</b>							
<i>Grant funding relating to residual Flood Resilience Grants</i>	0	20,000		20,000		-20,000	0
<b>EU Exit Funding Reserve</b>							
<i>Grant funding relating to impacts in respect of the EU Exit</i>	0			0	17,484		17,484
<b>Cyber Resilience Grant Reserve</b>							
<i>Grant funding in respect of Cyber Resilience work</i>	0			0	10,600		10,600
<b>Pendle Hill Landscape Partnership Reserve</b>							
<i>To fund schemes in respect of the Pendle Hill Landscape Partnership</i>	0			0	20,000		20,000
<b>Housing Benefits New Burden Grants Reserve</b>							
<i>Grant income to support new burdens in respect of Housing Benefits</i>	0			0	11,983		11,983
<b>LCTS New Burdens Grant Reserve</b>							
<i>Grant income to support new burdens in respect of Localised Council Tax Support</i>	0			0	26,370		26,370
<b>Total Reserves for External Funding where Expenditure has yet to be Incurred</b>	697,511	161,566	-115,045	744,032	137,656	-99,772	781,916
<b>Total of all Earmarked Reserves</b>	6,785,206	2,821,789	-1,059,575	8,547,420	2,634,222	-1,909,576	9,272,065

## Notes to the Core Financial Statements

## 13 PROPERTY, PLANT AND EQUIPMENT

Movements in 2018/19	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 2018	14,824	4,674	359	1,593	77	21,527
Additions/Acquisitions	79	712				791
Derecognition - Disposal		-263				-263
Reclassification (to)/from Surplus Assets	52				-52	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	165					165
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	-56					-56
<b>At 31 March 2019</b>	<b>15,064</b>	<b>5,123</b>	<b>359</b>	<b>1,593</b>	<b>25</b>	<b>22,164</b>
<b><i>Accumulated Depreciation and Impairments</i></b>						
At 1 April 2018	-27	-3,122	-62	-23	0	-3,234
Derecognition - Disposal		263				263
Depreciation Charge	-496	-416	-10	-3	-2	-927
Depreciation written out to the Revaluation Reserve	465					465
Depreciation written out to the Surplus/Deficit on the Provision of Services	15				1	16
Impairment (losses)/reversals recognised in the Revaluation Reserve	-53					-53
Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services	53					53
Reclassification (to)/from Surplus Assets	-1				1	0
<b>At 31 March 2019</b>	<b>-44</b>	<b>-3,275</b>	<b>-72</b>	<b>-26</b>	<b>0</b>	<b>-3,417</b>
<b>Net Book Value</b>						
at 31 March 2018	14,797	1,552	297	1,570	77	18,293
at 31 March 2019	15,020	1,848	287	1,567	25	18,747

## Notes to the Core Financial Statements

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>Cost or Valuation</b>						
At 1 April 2017	13,385	4,521	359	1,593	77	19,935
Additions/Acquisitions	73	366				439
Derecognition - Disposal		-213				-213
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>4,674</b>	<b>359</b>	<b>1,593</b>	<b>77</b>	<b>21,527</b>
<b>Accumulated Depreciation and Impairments</b>						
At 1 April 2017	-14	-2,881	-53	-20	-2	-2,970
Derecognition - Disposal		213				213
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>-3,122</b>	<b>-62</b>	<b>-23</b>	<b>0</b>	<b>-3,234</b>
<b>Net Book Value</b>						
at 31 March 2017	13,371	1,640	306	1,573	75	16,965
at 31 March 2018	14,797	1,552	297	1,570	77	18,293

## Notes to the Core Financial Statements

**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 generally 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 2019 the Council had an approved capital programme of £2,688,190 for 2019/20 and had £678,270 of budget slippage from the 2018/19 capital programme that was rolled forward to be spent in 2019/20. At 31 March 2019, the Council had capital order commitments of £359,463, of which £68,719 related to 2018/19 capital programme slippage and £290,744 related to the 2019/20 capital programme.

Of the £359,463 capital order commitments, £345,349 related to property, plant and equipment and £14,114 related to intangible assets.

**Effects of Changes in Estimates**

In 2018/19 the Council made no material changes to its accounting estimates for Property, Plant and Equipment.

## Notes to the Core Financial Statements

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### 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. The desktop review as at 1 March 2019 was undertaken by Taylor Weaver Ltd and Lea Hough & Co Chartered Surveyors.

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

## 14 HERITAGE ASSETS

Reconciliation of the Carrying Value of Heritage Assets Held by the Council	Clitheroe Castle Museum Collection £'000	Civic Regalia £'000	Total Heritage Assets £'000
<i><u>Cost or Valuation</u></i>			
At 1 April 2018	827	65	892
Revaluations	25		25
<b>At 31 March 2019</b>	<b>852</b>	<b>65</b>	<b>917</b>
<i><u>Cost or Valuation</u></i>			
At 1 April 2017	827	65	892
<b>At 31 March 2018</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 2018/19 or 2017/18 financial years.

## Notes to the Core Financial Statements

## 15 FINANCIAL INSTRUMENTS

**Reclassification and Remeasurement of Financial Assets**

The Council adopted IFRS 9 Financial Instruments accounting standard with effect from 1 April 2018. The main changes include the reclassification and re-measurement of financial assets and the earlier recognition of the impairment of financial assets.

IFRS 9 replaced IAS 39 Financial Instruments: Recognition and Measurement. It made changes to previous guidance on the classification and measurement of financial assets and introduced an 'expected credit loss' model for impairment of financial assets. The Authority's trade receivables and investments in financial assets classed as held to maturity (unless classed as fair value through profit and loss) have been assessed for impairment by applying the expected credit loss model.

The changes made on transition to the balance sheet are summarised below, and have no impact on the balance sheet values:

	Previous Classification	New Classifications as at 1 April 2018			Total Balance Sheet Carrying £
		Amortised Cost £	Fair Value Through Profit or Loss £	Non-Financial Instrument Balances £	
<b><u>Investments</u></b>					
Financial Asset Held for Sale	Loans and receivables	10,000	-	-	10,000
Loans and receivables	Loans and receivables	10,151,367	-	-	10,151,367
<b><u>Debtors</u></b>					
Loans and receivables (Long Term)	Loans and receivables	280,044	-	-	280,044
Financial assets carried at contract amount (Short Term)	Loans and receivables	1,296,482	-	-	1,296,482
<b>Reclassified Amounts at 1 April 2018</b>		<b>11,737,893</b>	<b>0</b>	<b>0</b>	<b>11,737,893</b>
Remeasurements at 1 April 2018		-	-	-	0
<b>Remeasured Carrying amounts at 1 April 2018</b>		<b>11,737,893</b>	<b>0</b>	<b>0</b>	<b>11,737,893</b>

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI)

## Notes to the Core Financial Statements

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost.

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 2018 £	31 March 2019 £	31 March 2018 £	31 March 2019 £
<u>Investments at Amortised Costs</u>				
Financial Asset Held for Sale			10,000	10,000
Loans and receivables			10,151,367	12,392,535
<b>Total Investments</b>	<b>0</b>	<b>0</b>	<b>10,161,367</b>	<b>12,402,535</b>
<u>Debtors at Amortised Cost</u>				
Loans and receivables	280,044	265,462		
Financial assets carried at contract amount			1,296,482	1,120,601
<b>Total Debtors</b>	<b>280,044</b>	<b>265,462</b>	<b>1,296,482</b>	<b>1,120,601</b>
<u>Borrowings at Amortised Cost</u>				
Financial liabilities at amortised cost	-136,377	-125,983	-10,393	-10,393
<b>Total Borrowings</b>	<b>-136,377</b>	<b>-125,983</b>	<b>-10,393</b>	<b>-10,393</b>
<u>Creditors at Amortised Cost</u>				
Financial liabilities carried at contract amount			-1,122,616	-902,798
<b>Total Creditors</b>	<b>0</b>	<b>0</b>	<b>-1,122,616</b>	<b>-902,798</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

	2017/18		2018/19	
	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables
	£	£	£	£
Interest expenses	7,828	17,961	7,033	
Interest Income		-38,963		-92,326
<b>Total</b>	<b>7,828</b>	<b>-21,002</b>	<b>7,033</b>	<b>-92,326</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 2018 and 31 March 2019 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 2018		31 March 2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£	£	£	£
Financial Liabilities	146,770	185,696	136,377	174,471

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 2018		31 March 2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£	£	£	£
Long-term debtors	280,044	280,044	265,462	265,462

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

**16 SHORT TERM DEBTORS**

	31 March 2018	31 March 2019
	£	£
Central government bodies	511,326	489,245
Other local authorities	440,774	86,100
Public corporations and trading funds	31	
Other entities and individuals		
- Other Debtors	768,326	602,892
- Business Rates	272,835	263,098
- Council Tax	213,588	212,995
- Prepayments	133,639	160,758
- Impairment	-364,959	-375,510
<b>Total</b>	<b>1,975,560</b>	<b>1,439,578</b>

**17 CASH AND CASH EQUIVALENTS**

	31 March 2018	31 March 2019
	£	£
Cash held by the Council	15,403	15,628
Bank Current Accounts	220,984	201,907
Short Term Investments	9,915,000	12,175,000
<b>Total</b>	<b>10,151,387</b>	<b>12,392,535</b>

**18 SHORT TERM CREDITORS**

	31 March 2018	31 March 2019
	£	£
Central government bodies	-679,230	-964,631
Other local authorities	-1,441,063	-1,319,160
Public corporations and trading funds	-29,125	
Other entities and individuals		
- Other Creditors	-371,584	-398,039
- Business Rates	-86,129	-81,183
- Council Tax	-62,049	-71,910
- Commuted Sums	-421,376	-658,001
- Refundable Deposits	-12,624	-12,624
- Receipts in Advance	-35,799	-52,856
<b>Total</b>	<b>-3,138,979</b>	<b>-3,558,404</b>

## Notes to the Core Financial Statements

### 19 PROVISIONS

The only provision, which is shown in the table below, relates to amounts set aside to meet potential future liabilities from appeals 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 6.

Business Rates Appeals Provision	2017/18 £	2018/19 £
<b>Balance at 1 April</b>	<b>507,560</b>	<b>388,560</b>
Movements in provisions in the year	-119,000	21,413
<b>Balance at 31 March</b>	<b>388,560</b>	<b>409,973</b>

### 20 USABLE RESERVES

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

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

31 March 2018 £	31 March 2019 £
2,533,703 General Fund Balance	2,472,111
8,547,420 Earmarked General Fund Reserves	9,272,065
842,867 Usable Capital Receipts Reserve	1,086,608
305,428 Capital Grants Unapplied	380,059
<b>12,229,418 Total Usable Reserves</b>	<b>13,210,843</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.

2017/18 £	2018/19 £
<b>2,716,569 Opening General Fund Balance</b>	<b>2,533,703</b>
-182,866 Net amount added to (taken from) General Fund Balance	-61,592
<b>2,533,703 Closing General Fund Balance</b>	<b>2,472,111</b>

**Earmarked General Fund Reserves**

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

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

2017/18 £	2018/19 £
<b>6,785,206 Opening Earmarked General Fund Reserves</b>	<b>8,547,420</b>
2,821,789 Amounts added to Earmarked General Fund Reserves	2,634,222
-1,059,575 Amounts taken from Earmarked General Fund Reserves	-1,909,577
<b>8,547,420 Closing Earmarked General Fund Reserves</b>	<b>9,272,065</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.

2017/18 £	2018/19 £
<b>197,687 Opening Capital Grants Unapplied</b>	<b>305,428</b>
292,406 Amounts added to Capital Grants Unapplied	511,481
-184,665 Amounts taken from Capital Grants Unapplied	-436,850
<b>305,428 Closing Capital Grants Unapplied</b>	<b>380,059</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.

2017/18 £	2018/19 £
<b>804,279 Opening Usable Capital Receipts Reserve</b>	<b>842,867</b>
63,588 Amounts added to the Usable Capital Receipts Reserve	247,991
-25,000 Amounts taken from the Usable Capital Receipts Reserve	-4,250
<b>842,867 Closing Usable Capital Receipts Reserve</b>	<b>1,086,608</b>

## Notes to the Core Financial Statements

## 21 UNUSABLE RESERVES

31 March 2018 £		31 March 2019 £
6,880,184	Capital Adjustment Account	7,158,190
120,613	Collection Fund Adjustment Account	300,110
8,830,697	Revaluation Reserve	9,148,982
-15,402,324	Pension Reserve	-15,413,000
-52,706	Accumulated Absences Account	-67,162
<b>376,464</b>	<b>Total Unusable Reserves</b>	<b>1,127,120</b>

**Capital Adjustment Account**

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

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

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

## Notes to the Core Financial Statements

2017/18 £		2018/19 £	£
<b>7,044,683</b>	<b>Balance at 1 April</b>		<b>6,880,184</b>
	<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive income and Expenditure statement</b>		
-889,263	- Charges for depreciation and impairment of non-current assets	-926,775	
	- Revaluation losses on Property, Plant and Equipment	12,575	
-21,025	- Amortisation of intangible assets	-2,395	
-284,408	- Revenue expenditure funded from capital under statute	-448,630	
	- Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-9,750	
<b>-1,194,696</b>			<b>-1,374,975</b>
213,979	Adjusting amounts written out of the Revaluation Reserve		283,518
<b>6,063,966</b>	<b>Net written out amount of the cost of non-current assets consumed in the year</b>		<b>5,788,727</b>
	<b>Capital financing applied in the year</b>		
25,000	- Use of Capital Receipts Reserve to finance new capital expenditure		
62,427	- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	144,444	
184,665	- Application of grants to capital financing from the Capital Grants Unapplied Account	292,406	
131,820	- Statutory provision for the financing of capital investment charged against the General Fund	129,840	
412,306	- Capital expenditure charged against the General Fund balance	802,773	
<b>816,218</b>			<b>1,369,463</b>
<b>6,880,184</b>	<b>Balance at 31 March</b>		<b>7,158,190</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.

2017/18 £		2018/19 £
107,926	<b>Balance at 1 April</b>	120,613
9,865	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	-13,131
2,822	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	192,628
120,613	<b>Balance at 31 March</b>	300,110

### 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.

2017/18 £		2017/18 £
7,256,758	<b>Balance at 1 April</b>	8,830,696
1,787,918	Upward revaluation of assets	1,016,949
	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	-415,145
1,787,918	<b>Surplus or Deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services</b>	601,804
-213,980	Difference between fair value depreciation and historical cost depreciation	-283,518
-213,980	<b>Amount written off to the Capital Adjustment Account</b>	-283,518
8,830,696	<b>Balance at 31 March</b>	9,148,982

## 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.

2017/18 £		2018/19 £
<b>-17,283,324</b>	<b>Balance at 1 April</b>	<b>-15,402,324</b>
2,930,000	Remeasurements of the net defined benefit liability/(asset)	934,000
-2,058,000	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	-1,968,000
1,009,000	Employer's pensions contributions and direct payments to pensioners payable in the year	1,023,324
<b>-15,402,324</b>	<b>Balance at 31 March</b>	<b>-15,413,000</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% - hence the adjustment made in 2018/19.

2017/18 £		2018/19 £
-52,706	Balance at 1 April	-52,706
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	-67,162
0	<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>	-14,456
-52,706	Balance at 31 March	-67,162

## 22 CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

2017/18 £		2018/19 £
-21,002	Interest received	-92,325
7,828	Interest paid	7,033
-13,174	<b>Net Interest</b>	<b>-85,292</b>

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

2017/18 £		2018/19 £
-63,588	Proceeds from the sale of property, plant and equipment and intangible assets	-243,741
-63,588		-243,741

## Notes to the Core Financial Statements

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

2017/18 £		2018/19 £
-889,263	Depreciation	-926,775
0	Impairment and downward valuations	12,575
-21,025	Amortisation	-2,395
-334,318	(Increase)/decrease in creditors	-107,100
330,776	Increase/(decrease) in debtors	-558,276
17,801	Increase/(decrease) in inventories	-20,455
119,000	(Increase)/decrease in provisions	-21,413
-1,049,000	Movement in pension liability	-944,676
0	Carrying amount of Property, Plant and Equipment sold	-9,750
62,427	Capital Grants and Contributions Applied	144,444
-284,408	Revenue Expenditure Funded from Capital Under Statute	-448,630
412,306	Capital Expenditure Charged against General Fund Balances	802,773
292,406	Capital Grants and Contributions Unapplied Credited to the Comprehensive Income and Expenditure Statement	367,037
0	Accumulated Absences	-14,455
<b>-1,343,298</b>		<b>-1,727,096</b>

### 23 CASH FLOW STATEMENT – INVESTING ACTIVITIES

2017/18 £		2018/19 £
756,546	Purchase of property, plant and equipment, investment property and intangible assets	1,340,321
-63,588	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-243,741
-905,085	Other receipts from investing activities	-1,306,542
<b>-212,127</b>	<b>Net cash flows from investing activities</b>	<b>-209,962</b>

### 24 CASH FLOW STATEMENT – FINANCING ACTIVITIES

2017/18 £		2018/19 £
22,893	Repayments of short- and long-term borrowing	10,394
198,721	Other payments for financing activities	-361,947
<b>221,614</b>	<b>Net cash flows from financing activities</b>	<b>-351,553</b>

**Notes to the Core Financial Statements**

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**25 MEMBERS' ALLOWANCES**

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

	2017/18	2018/19
	£	£
Basic Allowance	142,838	145,108
Special Responsibility Allowances	72,240	74,900
Expenses	4,541	4,215
	<b>219,619</b>	<b>224,223</b>

## Notes to the Core Financial Statements

## 26 OFFICERS' EMOLUMENTS

Shown in the tables below are details of those officers where the **salary** element within officer remuneration is greater than £50,000.

## Remuneration Disclosure (excluding Pension Contributions)

Post Holder Information	Salary	Benefits in Kind	Total Remuneration excluding Pension Contributions	Salary	Benefits in Kind	Total Remuneration excluding Pension Contributions
	2017/18 £	2017/18 £	2017/18 £	2018/19 £	2018/19 £	2018/19 £
Chief Executive <sup>1</sup>	107,552	9,115	<b>116,667</b>	103,688	10,090	<b>113,778</b>
Director of Community Services	80,427	1,973	<b>82,400</b>	82,038	4,492	<b>86,530</b>
Director of Resources	80,427	10,737	<b>91,164</b>	82,038	11,430	<b>93,468</b>
Director of Economic Development and Planning Services <sup>2</sup>	0	0	<b>0</b>	49,206	0	<b>49,206</b>
Head of Financial Services	52,638	6,129	<b>58,767</b>	53,691	7,451	<b>61,142</b>
Head of Planning Services	52,638	5,821	<b>58,459</b>	53,691	6,626	<b>60,317</b>
Head of Legal and Democratic Services <sup>3</sup>	42,110	3,655	<b>45,765</b>	42,953	4,238	<b>47,191</b>
	<b>415,792</b>	<b>37,430</b>	<b>453,222</b>	<b>467,305</b>	<b>44,327</b>	<b>511,632</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. 2018/19 £389 (all of which was pensionable); 2017/18 £6,281 (£5,656 of which was pensionable)

<sup>2</sup> The post of Director of Economic Development and Planning Services is a new post in 2018/19 and the post holder started in the role on 6 August 2018. The full year equivalent of the pay received in year was £75,174 and therefore this officer is required to be disclosed in this note.

<sup>3</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 £53,691 in 2018/19 (£52,638 in 2017/18) and therefore this officer is required to be disclosed in this note.

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.

## Notes to the Core Financial Statements

The table below shows the contribution rates that applied in the 2017/18 and 2018/19 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 2017/18	Salary Banding 2018/19	Employee Contribution Rate
£0 - £13,700	£0 - £14,100	5.50%
> £13,701 - £21,400	> £14,101 - £22,000	5.80%
> £21,401 - £34,700	> £22,001 - £35,700	6.50%
> £34,701 - £43,900	> £35,701 - £45,200	6.80%
> £43,901 - £61,300	> £45,201 - £63,100	8.50%
> £61,301 - £86,800	> £63,101 - £89,400	9.90%
> £86,801 - £102,200	> £89,401 - £105,200	10.50%
> £102,201 - £153,300	> £105,201 - £157,800	11.40%
> £153,301	> £157,801	12.50%

For 2017/18 and 2018/19, 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 at the beginning of the financial year in settlement of its in year pension contribution liabilities.

This fixed single discounted payment in both years 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	2017/18	2018/19
Percentage Contribution Rate <i>(This is the rate from which the fixed single discounted payment was calculated by the pension fund - see below)</i>	16.5%	16.5%
Actual Fixed Single Discounted Payment Made	£760,200	£767,700
Lump Sum Payment from the Council <i>(in respect of pension fund deficit recovery)</i>	£173,500	£179,900

The table below sets out the remuneration disclosures for Senior Officers whose **salary** is less than £150,000 but equal to or more than £50,000 per year, together with the council's pension contributions. The pension contributions shown exclude those which were made by the employee and are based on the Percentage Contribution Rate shown above.

## Notes to the Core Financial Statements

## Remuneration Disclosure (including Pension Contributions)

Post Holder Information	Total Remuneration excluding Pension Contributions 2017/18 £	Pension Contributions 2017/18 £	Total Remuneration including Pension Contributions 2017/18 £	Total Remuneration excluding Pension Contributions 2018/19 £	Pension Contributions 2018/19 £	Total Remuneration including Pension Contributions 2018/19 £
Chief Executive <sup>1</sup>	116,667	17,643	<b>134,310</b>	113,778	17,109	<b>130,887</b>
Director of Community Services	82,400	13,270	<b>95,670</b>	86,530	13,536	<b>100,066</b>
Director of Resources	91,164	13,270	<b>104,434</b>	93,468	13,536	<b>107,004</b>
Director of Economic Development and Planning Services <sup>2</sup>	0	0	<b>0</b>	49,206	8,119	<b>57,325</b>
Head of Financial Services	58,767	8,685	<b>67,452</b>	61,142	8,859	<b>70,001</b>
Head of Planning Services	58,459	8,685	<b>67,144</b>	60,317	8,859	<b>69,176</b>
Head of Legal and Democratic Services <sup>3</sup>	45,765	6,948	<b>52,713</b>	47,191	7,087	<b>54,278</b>
	<b>453,222</b>	<b>68,501</b>	<b>521,723</b>	<b>511,632</b>	<b>77,105</b>	<b>588,737</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. 2018/19 £389 (all of which was pensionable); 2017/18 £6,281 (£5,656 of which was pensionable)

<sup>2</sup> The post of Director of Economic Development and Planning Services is a new post in 2018/19 and the post holder started in the role on 6 August 2018. The full year equivalent of the pay received in year was £75,174 and therefore this officer is required to be disclosed in this note.

<sup>3</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 £53,691 in 2018/19 (£52,638 in 2017/18) 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:

	2017/18	2018/19
£50,000 - £54,999	4	5
£55,000 - £59,999	***3	***1
£60,000 - £64,999		2
£65,000 - £69,999		
£70,000 - £74,999		
£75,000 - £79,999		**1
£80,000 - £84,999	1	
£85,000 - £89,999		1
£90,000 - £94,999	1	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. 2018/19 £389 (all of which was pensionable); 2017/18 £6,281 (£5,656 of which was pensionable)

\*\* The post of Director of Economic Development and Planning Services is a new post in 2018/19 and the post holder started in the role on 6 August 2018. The full year equivalent of the pay received in year was £75,174 and therefore this officer is required to be disclosed in this note.

\*\*\* 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 £53,691 in 2018/19 (£52,638 in 2017/18) and therefore this officer is required to be disclosed in this note.

There were no redundancy payments made in 2018/19 or 2017/18.

**27 EXTERNAL AUDIT COSTS**

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

	2017/18 £	2018/19 £
Fees payable to Grant Thornton UK LLP with regard to external audit services carried out by the appointed auditor for the year	40,202	30,956
Fees payable to Grant Thornton UK LLP for the certification of grant claims and returns for the year.	7,321	11,191
Public Sector Audit Appointments (PSAA) Rebate	-4,975	
<b>Total</b>	<b>42,548</b>	<b>42,147</b>

**28 GRANT INCOME**

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2018/19 and 2017/18:

	2017/18 £	2018/19 £
<b><i>Credited to Taxation and Non Specific Grant Income</i></b>		
Revenue Support Grant	-304,319	-109,149
New Homes Bonus	-1,576,990	-1,575,908
Business Rates S31 Grant	-902,819	-954,930
Rural Services Delivery Grant	-86,603	-107,921
Transition Grant	-20,345	
Levy Account Surplus		-20,446
Capital Grants	-3,000	-3,000
<b>Total Credited to Taxation and Non Specific Grant Income</b>	<b>-2,894,076</b>	<b>-2,771,354</b>
<b><i>Credited to Services</i></b>		
<b><i>Grants Received for Capital Purposes</i></b>		
Disabled Facilities Grant - Main Funding	-297,106	-320,991
Disabled Facilities Grant - additional funding	-31,466	-93,365
Funding from Onward Homes towards Disabled Facilities Grant	0	-85,451
LCC Affordable Warmth Grant	-23,261	-8,674
<b>Total Grants Received for Capital Purposes</b>	<b>-351,833</b>	<b>-508,481</b>

## Notes to the Core Financial Statements

	2017/18 £	2018/19 £
<b><u>Grants Received for Revenue Purposes</u></b>		
Business Rates Administration	-88,997	-88,160
Lancashire Highways Partnership	-11,684	-11,680
DWP - Rent Allowance and Rent Rebate Subsidy	-6,673,691	-6,338,892
DWP and MHCLG Council Tax and Housing Benefit Administration Grant	-132,518	-122,400
Ribble Valley Community Safety Partnership	-13,300	-10,047
DWP LA Data Sharing IT Costs Funding	-12,469	-20,894
Individual Electoral Registration Grant	-31,764	-25,411
DWP - Discretionary Housing Payments Fund	-46,638	-38,233
MHCLG (via LCC) Flood Resilience Grants	-269,087	20,000
MHCLG - Custom and Self Build Grant	-30,000	-30,000
MHCLG - Business Rates Relief Admin Grant	-12,000	
MHCLG - Flexible Homelessness Support Grant	-40,000	-41,000
DWP - Universal Credit Service Funding	-11,426	-12,259
LCC - Domestic Abuse Support Worker and Support Services Grant	-42,884	-10,469
MHCLG - EU Exit Funding		-17,484
MHCLG - High St Community Clean-Up		-11,660
MHCLG - Local Authority Parks Improvement Funding		-10,000
MHCLG - Business Rates Transitional Protection Payments		-187,371
MHCLG - Neighbourhood Plan		-20,000
LGA - Cyber Resilience Grant		-10,600
Other Grants	-64,138	-60,121
<b>Total Grants Received for Revenue Purposes</b>	<b>-7,480,596</b>	<b>-7,046,681</b>
<b>Total Credited to Services</b>	<b>-7,832,429</b>	<b>-7,555,162</b>

Where the Council receives grants, contributions and donations which have conditions attached to them that will require the monies or property to be returned to the giver, such grants, contributions and donations are not recognised as income in the Comprehensive Income and Expenditure Statement. At the end of both financial years there have been no such grants, contributions or donations.

**29 RELATED PARTY TRANSACTIONS**

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The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council. In this context, related parties include:

- Central Government
- 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**

Central Government has effective control over the general operation of the Council – it is responsible for providing the statutory framework within which the Council operates, provides a large proportion of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in Note 28 on grant income.

**Elected Members**

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid is shown at Note 25.

Each year, Members declare interests by completing a 'Disclosable Pecuniary Interests' form (these are available for public inspection at the Council Offices, Clitheroe, and on the Council's website) and a 'Related Party Relationships' form.

In respect of the 2018/19 financial year, the council made one grant award to an organisation where the award was financially significant to that organisation and two Members had disclosed an interest. This was in respect of a grant for £51,500 awarded to Ribble Valley Citizens Advice Bureau to cover core running costs. The Members declaring an interest in this organisation did not take part in the discussion or the decision relating to the grant award.

In 2017/18 the same organisation received a grant of £60,000 and one member declared an interest. 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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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 2018/19 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 2017/18.

### 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 130.
- Other standard business transactions between the Council and Lancashire County Council, such as superannuation payments to Lancashire Pension Fund - see Note 32.
- The Lancashire Business Rates Pool was operational during 2017/18 and 2018/19 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 11.

The Council and other public bodies operate under the common control and law of UK Central Government, and do not exert influence or control over each other.

### Entities Controlled or Significantly Influenced by the Council

The Council does not have any associated companies or joint venture partners.

A number of Members represent the views of the Council on a number of external bodies and organisations:

- 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

**30 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.

	2017/18 £	2018/19 £
<b>Opening Capital Financing Requirement</b>	<b>3,579,573</b>	<b>3,486,756</b>
<b><u>Capital Investment</u></b>		
Property, Plant and Equipment	438,992	827,613
Revenue Expenditure Funded from Capital Under Statute	284,409	448,630
<b><u>Sources of Finance:</u></b>		
Grants and Other Contributions	-247,092	-436,850
Capital Receipts	-25,000	
Sums set aside from revenue:		
- Revenue Contributions	-412,306	-802,773
- Minimum Revenue Provision	-131,820	-129,840
<b>Closing Capital Financing Requirement</b>	<b>3,486,756</b>	<b>3,393,536</b>
<b><u>Explanation of Movements in Year</u></b>		
Increase/(Decrease) in Underlying Need to Borrow (Unsupported by Government Financial Assistance)	-92,817	-93,220
<b>Increase/(Decrease) in Capital Financing Requirement</b>	<b>-92,817</b>	<b>-93,220</b>

**31 LEASES****Operating Leases with the Council as Lessee**

The council holds a number of vehicles, land and buildings on operating leases. The future minimum lease payments due are:

	31 March 2018 £	31 March 2019 £
Not later than one year	96,718	89,807
Later than one year and not later than five years	210,179	178,336
Later than five years	525,713	402,908
	<b>832,610</b>	<b>671,051</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 £85,884 (£95,257 in 2017/18).

**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 2018 £	31 March 2019 £
Not later than one year	-96,689	-91,144
Later than one year and not later than five years	-232,088	-218,949
Later than five years	-533,730	-481,471
	<b>-862,507</b>	<b>-791,564</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 2018/19 income included under the Cost of Services in the Comprehensive Income and Expenditure Statement in relation to the above leases was £100,023. (£89,588 in 2017/18).

## 32 DEFINED BENEFIT PENSION SCHEMES

**Participation in Pension Scheme**

As part of the terms and conditions of employment of its officers, the Council makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until the employees retire, the Council has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme. The scheme is administered by Lancashire County Council. This is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

The Lancashire County Pension Fund is a multi-employer arrangement, under which each employer is responsible for the pension cost, liabilities and funding risks relating to its own employees and former employees. Each employer's contributions to the Fund are calculated in accordance with the LGPS Regulations, which require an actuarial valuation to be carried out every three years.

## Notes to the Core Financial Statements

The last actuarial valuation of the Fund was carried out at 31 March 2016, and at that date showed a funding level of 90% (assets of £6.0bn against accrued liabilities of about £6.7bn). The weighted average duration of the liabilities of the Fund as a whole is 16 years, measured on the IAS19 actuarial assumptions. The duration of the liabilities for the individual employers which participate in the scheme can be significantly different from this, reflecting the profile of its employees and former employees.

### Transactions relating to Post-employment Benefits

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves statement during the year:

	Local Government Pension Scheme	
	2017/18 £'000	2018/19 £'000
<b>Comprehensive Income and Expenditure Statement</b>		
<b>Cost of Services</b>		
- current service costs	1,617	1,570
<b>Other Operating Expenditure</b>		
- administration expenses	23	24
<b>Financing and Investment Income and Expenditure</b>		
- net interest expense	418	374
<b>Total Post employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>2,058</b>	<b>1,968</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)	-509	-4,252
- actuarial gains and losses arising on changes in financial assumptions	-2,421	3,318
<b>Total Post employment Benefit Charged to the Comprehensive Income and Expenditure Account</b>	<b>-872</b>	<b>1,034</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	-2,058	-1,968
<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>		
- employers' contributions payable to the scheme	<b>1,009</b>	<b>1,024</b>

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2019 is a gain of £934,000 (31 March 2018 gain of £2,930,000).

## 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	2017/18 £'000	2018/19 £'000
Present value of the defined benefit obligation	63,426	68,377
Fair value of plan assets	-48,023	-52,964
<b>Net liability arising from defined benefit obligation</b>	<b>15,403</b>	<b>15,413</b>

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

Local Government Pension Scheme	2017/18 £'000	2018/19 £'000
<b>Opening fair value of scheme assets</b>	<b>46,798</b>	<b>48,023</b>
Interest Income	1,167	1,254
Remeasurements gain/(loss):		
- the return on plan assets, excluding the amount included in the net interest expense	509	4,252
Administration Expenses	-23	-24
Contributions from employer	1,009	1,024
Contributions from employees into the scheme	300	314
Benefits/transfers paid	-1,737	-1,879
<b>Closing fair value of scheme assets</b>	<b>48,023</b>	<b>52,964</b>

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

Local Government Pension Scheme	2017/18 £'000	2018/19 £'000
<b>Opening balance at 1 April</b>	<b>64,082</b>	<b>63,426</b>
Current service cost	1,617	1,570
Interest Cost	1,585	1,628
Contributions from scheme participants	300	314
Remeasurement (gains) and losses:		
- Experience (gain)/loss		
- Actuarial (gains)/losses arising from changes in demographic assumptions	-2,421	3,318
- Actuarial (gains)/losses arising from changes in financial assumptions		
Benefits/transfers paid	-1,737	-1,879
<b>Closing balance at 31 March</b>	<b>63,426</b>	<b>68,377</b>

## Notes to the Core Financial Statements

***Local Government Pension Scheme Assets Comprised:***

Local Government Pension Scheme	Quoted	31 March 2018	31 March 2019
Fair value of scheme assets	Y/N	£'000	£'000
<b><i>Cash</i></b>			
- Cash and Cash Equivalents	N	-1,161	0
- Cash accounts	N	2,027	270
- Net Current Assets	N	-1,068	37
<b>Subtotal Cash</b>		<b>-202</b>	<b>307</b>
<b><i>Bonds</i></b>			
- UK corporate	Y	274	359
- Overseas corporate	N	570	262
- UK index linked	Y	1,146	1,862
- Overseas fixed interest	N	46	0
<b>Subtotal Bonds</b>		<b>2,036</b>	<b>2,483</b>
<b><i>Property</i></b>			
- Offices	N	933	1,035
- Offices/warehouse	N	100	137
- Industrial/warehouse	N	1,332	1,600
- Shops	N	389	382
- Retail warehouse	N	747	713
- Shopping centre	N	185	180
- Multi let commercial building	N	831	889
<b>Subtotal Property</b>		<b>4,517</b>	<b>4,936</b>
<b><i>Alternatives</i></b>			
- Overseas private equity	N	3,486	4,071
- Infrastructure	N	6,086	7,487
- Credit funds	N	8,849	3,761
- Pooled fixed income	N	1,185	5,761
- Indirect property funds	N	729	811
- Overseas pooled equity funds	N	21,337	23,347
<b>Subtotal Alternatives</b>		<b>41,672</b>	<b>45,238</b>
<b>Total</b>		<b>48,023</b>	<b>52,964</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	2017/18	2018/19
<b>Mortality Assumptions</b>		
Longevity at 65 for current pensioners:		
Men	22.7 years	22.8 years
Women	25.4 years	25.5 years
Longevity at 65 for future pensioners:		
Men	25 years	25.1 years
Women	28 years	28.2 years
Rate of Consumer Price Index (CPI) Inflation	2.1%	2.2%
Rate of increase in salaries ( <i>adjustment made for short term pay restraint in line with the latest actuarial valuation</i> )	3.6%	3.7% *
Rate of increase in pensions	2.2%	2.3%
Rate for discounting scheme liabilities	2.6%	2.4%
* An adjustment has been made for short term pay restraints in line with the latest actuarial valuation		

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)	1,347
Rate of inflation (+0.1% per annum)	1,155
Rate of increase in salaries (+0.1% per annum)	169
Rate of discounting scheme liabilities (+0.1% per annum)	-1,135

## 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 14 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 £1,066,000 in employer contributions to the scheme in 2019/20.

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	2014/15	2015/16	2016/17	2017/18	2018/19
	£'000	£'000	£'000	£'000	£'000
Present Value of Liabilities	55,578	54,250	64,082	63,426	68,377
Fair Value of Assets	-38,455	-39,814	-46,798	-48,023	-52,964
<b>Deficit in the scheme</b>	<b>17,123</b>	<b>14,436</b>	<b>17,284</b>	<b>15,403</b>	<b>15,413</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 £15.413m 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.

**33 CONTINGENT LIABILITIES**

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**Housing Stock Transfer Warranties****Collateral warranty by the Council in favour of Security Trustee (Prudential Trustee Company Ltd)**

The Council has given a number of warranties for up to 30 years from 1 April 2008 in respect of title, encumbrances, planning matters, statutory obligations, adverse orders, leases, tenancies and information and statistics supplied.

In addition the following specific warranties have been given:

- Unlimited warranty for up to 30 years from 1 April 2008 in respect of environmental pollution.
- Unlimited warranty for up to 30 years from 1 April 2008 in respect of claims relating to asbestos pollution, except that this shall not apply in respect of the first £381,000 of costs and expenses incurred in aggregate by the Trustees and Ribble Valley Homes in relation to works.

**Warranties by the Council in favour of Ribble Valley Homes**

The Council has given a number of warranties for up to 22 years from 1 April 2008 in respect of title, encumbrances, planning matters, statutory obligations, adverse orders, leases, tenancies and information and statistics supplied.

In addition the following specific warranties have been given:

- Warranty not exceeding £27m for up to 25 years from 1 April 2008 in respect of environmental pollution.
- Unlimited warranty for up to 15 years from 1 April 2008 in respect of claims relating to asbestos pollution, except in respect of the first £381,000 of costs and expenses in aggregate incurred in relation to the removal and treatment works.
- Unlimited warranty for an unlimited period in respect of claims relating to exposure to asbestos.
- Unlimited warranty for an unlimited period in respect of vires claims.
- Warranty for any losses arising as a result of incorrect application of the 2012 rent convergence.

## Notes to the Core Financial Statements

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### 34 CONTINGENT ASSETS

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#### VAT Sharing Arrangement

As part of the Voluntary Stock Transfer an agreement has been reached with Ribble Valley Homes Ltd to share the Value Added Tax that they can claim from HM Revenue and Customs. This arrangement is unique to Councils and Registered Social Landlords upon transfer. The agreement was planned to run for 15 years, starting in 2008/09. The Council's share of total reclaimable VAT received each year will depend on the actual amount of qualifying capital expenditure incurred by Ribble Valley Homes Ltd each year.

### 35 NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

- Credit Risk – the possibility that other parties might fail to pay amounts due to the Council.
- Liquidity Risk – the possibility that the Council might not have funds available to meet its commitments to make payments.
- Market Risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates and stock market movements.

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out within the Council's Financial Services team, under policies approved by the Council in the annual treasury management strategy.

The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

#### 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.

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**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 16 to the accounts shows a total provision for the impairment of debts of £375,510 of which £15,317 relates to sundry debts (£164,317 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 2019 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 2019	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2019	Estimated maximum exposure to default and uncollectability at 31 March 2019	Estimated maximum exposure at 31 March 2018
	£ A	% B	% C	£ (A x C)	£
Deposits with banks and building societies	12,175,000	0.00%	0.00%	0	0
Customers (Sundry Debt including overpaid Housing Benefits recovered from ongoing benefit)	508,696	4.11%	32.30%	164,317	170,394

The council expects settlement terms from debtors of no greater than 14 days. On this basis £372,376 of the sundry debtor balance at 31 March 2019 is past its due date for payment (£406,451 at 31 March 2018); 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 2018 £'000	As at 31 March 2019 £'000
Less than 30 days	136	92
30 days to 59 days	34	21
60 days to 89 days	12	8
90 days to 119 days	9	1
120 days +	303	307
	<b>494</b>	<b>429</b>

**Liquidity risk**

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the council has ready access to borrowings from the money markets, the Public Works Loans Board and through the UK Municipal Bonds Agency plc (Local Capital Finance Company). There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

The Council manages its liquidity position through the risk management procedures, such as the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports, as well as through cash flow management procedures required by the Code of Practice.

The approved prudential indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategy addresses the main risks and the Financial Services team address the operational risks within the approved parameters.

The maturity analysis of financial liabilities is as follows:

Financial Liabilities by Maturity Risk	31 March 2018	31 March 2019
	£'000	£'000
Less than one year	11	10
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	45	35
	<b>147</b>	<b>136</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 2018, are as follows:

Limits in Interest Rate Exposure	2018/19 Upper	2019/20 Upper	2020/21 Upper
Maximum Principal Sums Borrowed >364 Days	£7.506m	£8.080m	£6.684m
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 an additional £155,850. 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 Business Rates Retention Scheme (BRRS). 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 2018/19

## Collection Fund

2017/18 Total £'000		2018/19 Council Tax £'000	2018/19 Business Rates £'000	2018/19 Total £'000	Notes
<b>Income</b>					
37,137	Income from Council Tax Payers	39,743		39,743	
2	Transfers From General Fund - Council Tax Benefits			0	
6	Transfers From General Fund - Flood Relief			0	
8	Family Annexes Discount Grant (MHCLG)	6		6	
14,662	Income from Business Ratepayers		15,375	15,375	1
	Transitional Protection Payments		187	187	
	Share of Estimated Deficit:				
0	- Central Government		31	31	
0	- Lancashire County Council		6	6	
0	- Ribble Valley Borough Council		25	25	
0	- Lancashire Combined Fire Authority		1	1	
51,815		39,749	15,625	55,374	
<b>Expenditure</b>					
	Precepts and Demands:				3
27,466	- Lancashire County Council	29,656		29,656	
3,681	- Ribble Valley Borough Council (including parishes)	3,886		3,886	
3,719	- Police and Crime Commissioner (PCC) for Lancashire	4,064		4,064	
1,472	- Lancashire Combined Fire Authority	1,545		1,545	
	Business Rates				
7,137	- Central Government		7,311	7,311	
1,285	- Lancashire County Council		1,316	1,316	
5,710	- Ribble Valley Borough Council		5,849	5,849	
143	- Lancashire Combined Fire Authority		146	146	
	Share of Estimated Surplus:				
57	- Central Government			0	
440	- Lancashire County Council	525		525	
105	- Ribble Valley Borough Council	70		70	
25	- Lancashire Combined Fire Authority	28		28	
59	- Police and Crime Commissioner (PCC) for Lancashire	71		71	
17	Transfers to General Fund - Council Tax Benefits	7		7	
89	Costs of Collection		88	88	
100	Renewable Energy Schemes		92	92	
191	Provision for Bad/Doubtful Debts	12	92	104	4
257	Enterprise Zone		195	195	
37	Transitional Protection Payments			0	
-297	Provision for Appeals		54	54	5
51,693		39,864	15,143	55,007	
122	<b>(Deficit)/Surplus for the Year</b>	-115	482	367	
793	(Deficit)/Surplus Brought Forward	821	94	915	
915	<b>(Deficit)/Surplus Carried Forward</b>	706	576	1,282	
<b>Allocated to</b>					
47	- Central Government		288	288	6
629	- Lancashire County Council	534	52	586	
121	- Ribble Valley Borough Council	70	230	300	
84	- Police and Crime Commissioner (PCC) for Lancashire	74		74	
34	- Lancashire Combined Fire Authority	28	6	34	
915		706	576	1,282	

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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 2018/19 were estimated before the start of the financial year as £7.311m to Central Government, £1.316m to Lancashire County Council, £0.146m to Lancashire Combined Fire Authority and £5.849m to Ribble Valley Borough Council. These sums have been paid in 2018/19 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 £4.147m from the general fund.

The total income from business rate payers collected in 2018/19 was £15.375m (£14.663m in 2017/18).

For the 2018/19 financial year this council was part of the Lancashire Business Rates Pool, which began on 1 April 2016 (with some changes to overall membership since it started). 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 £725,653, hence under pooling we have benefitted from extra income of £653,088. 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 total fee of £20,000 is payable, shared by all pool members, to Ribble Valley Borough Council in their role as lead.

## Collection Fund

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The transactions listed above relating to the levy, retained levy, tariff and Business Rate Pool Management Fee are all transactions that operate outside of the Collection Fund but are referred to here for completeness and context.

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

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 2019. 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 2019 has been calculated at £1.025m (31 March 2018 £0.971m)

The total non-domestic rateable value at 31 March 2019 was £39,376,242 compared to £39,616,767 at 31 March 2018 based on the 2010 listing. The non-domestic rateable value at 31 March 2019 on the 2017 listing was £42,243,495 compared to £41,601,151 at 31 March 2018.

The national non-domestic multiplier (rate in the pound) for the year 2018/19 was 49.3 pence compared to 47.9 pence in the year 2017/18.

The income collectable from business ratepayers differs from the yield; based on the total rateable value due to the award of transitional adjustments, empty property relief and mandatory relief.

## 2 COUNCIL TAX BASE

The gross amount of council tax payable for a property is determined by reference to a band that is allocated to the property by the Listing Officer who is an official of the Inland Revenue. There are eight property bands, A to H, each of which attracts a different level of council tax based upon the charge at band D.

In 2018/19 the Council set a band D council tax of £1,690.52 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	12	11.0	6.1
A	6/9	3,604	2,992.7	1,995.1
B	7/9	5,033	4,436.8	3,450.8
C	8/9	5,029	4,519.2	4,017.0
D	1	4,550	4,194.7	4,194.7
E	11/9	3,557	3,343.1	4,086.0
F	13/9	2,220	2,109.1	3,046.4
G	15/9	1,885	1,800.7	3,001.1
H	18/9	203	194.7	389.4
<b>Totals</b>		<b>26,093</b>	<b>23,602.00</b>	<b>24,186.6</b>
			Adjustments	-1,111.5
			Adjustment for Collection Rate	-173.1
			<b>Council Tax Base</b>	<b>22,902</b>

## Collection Fund

**3 BAND D COUNCIL TAX**

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

	2017/18 £	2018/19 £
Lancashire County Council Precept	27,465,937	29,656,258
Police and Crime Commissioner (PCC) for Lancashire Precept	3,719,481	4,063,960
Lancashire Combined Fire Authority Precept	1,472,506	1,544,969
Ribble Valley Borough Council Demand (excluding Parishes)	3,275,257	3,451,102
<b>Total to be Met From Council Tax</b>	<b>35,933,181</b>	<b>38,716,289</b>
Divided by Council Tax Base (Band D Equivalent Dwellings)	22,481	22,902
<b>Band D Council Tax (Average excluding Parishes)</b>	<b>£1,598.38</b>	<b>£1,690.52</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 2018</b>	<b>590,000</b>	<b>340,000</b>	<b>930,000</b>
Write Offs in Year	-21,476	-42,207	<b>-63,683</b>
Increase to Provision	11,476	92,207	<b>103,683</b>
<b>Closing Balance 31 March 2019</b>	<b>580,000</b>	<b>390,000</b>	<b>970,000</b>

**5 PROVISION FOR BUSINESS RATES APPEALS**

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

	2017/18 £	2018/19 £
<b>Balance at 1 April</b>	<b>1,268,900</b>	<b>971,400</b>
Adjustment to the provision made in the year	-297,500	53,532
<b>Balance at 31 March</b>	<b>971,400</b>	<b>1,024,932</b>

**6 PRECEPTS AND DEMANDS ON THE COLLECTION FUND**

For both billing authorities and major preceptors, the Council Tax income included in the Income and Expenditure Account for the year must be the accrued income for the year. The table below shows the precept for each major precepting body for the year and the accrued deficit at the 31 March.

2017/18			2018/19	
Precept	Share of 31 March (Deficit) or Surplus		Precept	Share of 31 March (Deficit) or Surplus
£'000	£'000		£'000	£'000
27,466	621	Lancashire County Council	29,656	534
3,719	84	Police and Crime Commissioner for Lancashire	4,064	74
1,472	33	Lancashire Combined Fire Authority	1,545	28
3,681	83	Ribble Valley Borough Council	3,886	70
<b>36,338</b>	<b>821</b>	<b>Total</b>	<b>39,151</b>	<b>706</b>

The business rates shares as at the 31 March are shown in the table below. As with Council Tax, the income included in the Income and Expenditure Account for the year must be the accrued income for the year.

2017/18			2018/19	
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
7,137	47	Central Government	7,311	288
1,285	8	Lancashire County Council	1,316	52
143	1	Lancashire Combined Fire Authority	146	6
5,710	38	Ribble Valley Borough Council	5,849	230
<b>14,275</b>	<b>94</b>	<b>Total</b>	<b>14,622</b>	<b>576</b>

## Collection Fund

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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 2018 and January 2019 are shown in the table below.

(Deficit) or Surplus Declared January 2018				(Deficit) or Surplus Declared January 2019		
Business Rates £'000	Council Tax £'000	Total £'000		Business Rates £'000	Council Tax £'000	Total £'000
-31		<b>-31</b>	Central Government	280		<b>280</b>
-6	525	<b>519</b>	Lancashire County Council	51	469	<b>520</b>
	71	<b>71</b>	Police and Crime Commissioner for Lancashire		64	<b>64</b>
-1	28	<b>27</b>	Lancashire Combined Fire Authority	6	24	<b>30</b>
-25	70	<b>45</b>	Ribble Valley Borough Council	224	62	<b>286</b>
<b>-63</b>	<b>694</b>	<b>631</b>	<b>Total</b>	<b>561</b>	<b>619</b>	<b>1,180</b>

# Glossary of Terms

## **Accounting Period**

The period of time covered by the accounts, normally 12 months commencing on 1st April for local authorities.

## **Accounting Policies**

Those principles, bases, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are to be reflected in its financial statements through

- I. recognising,
- II. selecting measurement bases for, and
- III. presenting assets, liabilities, gains, losses and changes to reserves.

Accounting policies do not include estimation techniques.

Accounting policies define the process whereby transactions and other events are reflected in financial statements. For example, an accounting policy for a particular type of expenditure may specify whether an asset or a loss is to be recognised; the basis on which it is to be measured; and where in the revenue account or Balance Sheet it is to be presented.

## **Accruals**

Sums included in the final accounts to cover income or expenditure attributable to the accounting period but for which payment has not been made/received at the balance sheet date.

## **Accruals Basis**

An accounting concept which requires that income and expenditure are accrued (i.e. recognised as they are earned or incurred, not as they are received or paid). Under this concept therefore, inclusion or exclusion of an item of income or expenditure will depend on the period to which it relates, not the period in which it was received or performed.

## **Actuarial Gains and Losses**

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because:

- I. events have not coincided with the actuarial assumptions made for the last valuation (experience gains and losses), or
- II. the actuarial assumptions have changed.

## **Amortisation**

The loss in value of an intangible asset due to its use by the organisation.

## Glossary of Terms

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### Appointed Auditors

From 1 April 2015 the appointment of External Auditors to Local Authorities is undertaken by Public Sector Audit Appointments Limited (PSAA), an independent company limited by guarantee and incorporated by the Local Government Association in August 2014. This role was previously undertaken by The Audit Commission. Grant Thornton is the council's Appointed Auditor

### 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)

### Business Rates Retention Scheme (BRRS)

Under the business rates retention scheme local authorities are able to come together, on a voluntary basis to pool their NDR, giving them scope to generate additional growth through collaborative effort and reduce levy payments.

### 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.

**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.

## Glossary of Terms

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### 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.

**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.

## Glossary of Terms

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### **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.

**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.

## Glossary of Terms

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### Related Parties

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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

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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

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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

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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

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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

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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

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Spending on day-to-day items including employees' pay, premises costs and supplies and services.

### Revenue Expenditure Funded from Capital Under Statute

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

**Revenue Support Grant**

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

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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  
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# RIBBLE VALLEY BOROUGH COUNCIL

## REPORT TO ACCOUNTS & AUDIT COMMITTEE

Agenda Item No: 11

meeting date: 24 JULY 2019  
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.
- 2.3. The 2018/19 financial year was the first year where the council were responsible for this appointment, with Grant Thornton being appointed at a fee of £4,995 with the addition of a day rate of £835 for some known additional work that may need to be undertaken (specific timeframes unknown until the work is satisfactorily completed). The work for this first year is still ongoing.
- 2.4. The council have now been set a deadline of 31 July 2019 by the DWP for informing them of who we have appointed as our auditors for the 2019/20 claim.
- 2.5. The attached document provides details of the quote received from Grant Thornton for this work and we will be appointing them on this basis for the 2019/20 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 £5,145 with the addition of a day rate of £860 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 2019/20 Housing Benefit Subsidy claim we are now required to appoint our own auditor. Grant Thornton will be appointed for 2019/20 at a rate of £5,145 plus a day rate of £860 for all additional work required.

4.2 We will be notifying DWP of our appointment within the required deadline.

HEAD OF FINANCIAL SERVICES

DIRECTOR OF RESOURCES

AA14-19/LO/AC  
12 July 2019

BACKGROUND PAPERS

None

For further information please ask for Lawson Oddie.

Our ref:  
Your ref:

Jane Pearson  
Director of Resources  
Ribble Valley Borough Council  
Church Walk  
Clitheroe

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12 July 2019

Dear Jane

## Housing Benefit Subsidy claim assurance for 2019/20 relating to Ribble Valley Borough Council

This letter comprises our proposals and indicative fee for the audit of the 2019/20 Housing Benefit Subsidy claim. The indicative fee will be £5,145; this will include the "discovery testing" and all other core requirements\* completed by Grant Thornton.

\*By core requirements we mean:

- all work necessary to audit the council's Housing Benefit Subsidy claim, assuming that the level of "40+ testing" required is unchanged from that in relation to the 2017/18 claim
- planning and liaison
- completion of Modules incorporated into the Housing Benefit Assurance Process (HBAP) as determined by the Department of Work and Pensions (DWP)
- discussing and agreeing the results of our work with officers
- keeping the Audit Committee informed of progress in delivering this work and reporting the outcome of our work
- drafting and agreeing qualification letters, if necessary
- sharing our insights from our work with other councils, where relevant, and from our liaison with DWP

Our core work does not include work relating to additional 40+ testing that may be required when testing for prior year issues, or for errors identified in-year. Such additional work, and any further work that may be requested by DWP after the submission of the audited claim would be chargeable at a day rate of £860 plus VAT.

We propose the same day rate for additional work, whether the work is undertaken by us, as the reporting accountant, or performed by the Council. However, the key difference will be the time required to undertake the quantum of work. Therefore, if the Council undertakes the work, in the workbooks to the DWP required standard, we will only need to re-perform a sample to gain the appropriate assurance, meaning less input from us and less cost to you.

All figures quoted are exclusive of VAT.

Please get in touch to advise if this quote is acceptable to yourselves, or if there is any aspect of the quotation above which you would like to discuss.

Yours sincerely

Mark Heap

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

Agenda Item No 12

meeting date: 24 JULY 2019  
 title: INTERNAL AUDIT PROGRESS REPORT 2019/20  
 submitted by: DIRECTOR OF RESOURCES  
 principal author: MICK AINSCOW

### 1 PURPOSE

1.1 To report to Committee internal audit work progress to date for 2019/20.

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 2019/20 is attached as Annex 1 alongside progress to date. In summary resources for the year have been allocated as follows:

Audit Area	2019/20 Planned Days	Actual Days to 10 July 2019
Fundamental (Main) Systems	230	15
Other Systems	74	26
Probity and Regularity	232	42
On-going checks	12	3
Risk Management, Performance Indicators	40	0
Non-Audit Duties (Insurance)	35	2
College	30	0
Contingencies/unplanned work	20	0
Vacant Post		92
Available Audit Days to 31 March 2020		493
	<b>673</b>	<b>673</b>

2.4 The position with regards to audit work carried out as at the 10 July 2019 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, Car Parking, Cash Receipting, VIC/Platform Gallery, Health and Safety and Procurement.
- 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 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 10 April 2019. The table below sets out the assurance opinions issued from these audits:

Date of Report	Assurance Opinion	Report Details
24.05.19	Full 	Fees and Charges – ensuring that fees approved by Committee were those being charged by respective departments. No issues arising
31.05.19	Full 	Car Parking – looking at cash collection and banking procedures, issuing of permits and payment of penalty notices. System operating well. No recommendations arising.
13.06.19	Full 	VIC/Platform Gallery – all areas of operation examined. Controls in place are operating as intended. No recommendations arising.

Date of Report	Assurance Opinion	Report Details
21.06.19	Full ✓✓✓	Cash Receipting System – sound system of internal control operating. Controls in place were being consistently applied. No recommendations arising.
04.07.19	Full ✓✓✓	Health and Safety – All policies and procedures examined. Recommendations agreed at previous audit continue to work well.

## 5 CURRENT STAFFING ISSUES

5.1 We are still trying to recruit for the Internal Auditor position within the Internal Audit team, which has been vacant now since September 2018. In addition, the Internal Audit Assistant left in early June to take up a position elsewhere. Both jobs are currently being advertised with a closing date of 19 July and interviews scheduled to be held in early August.

## 6 UPDATE ON RED RISKS

6.1 There are currently no red risks to report.

## 7 CONCLUSION

7.1 Progress to date with the 2019/20 audit plan is satisfactory.

PRINCIPAL AUDITOR

DIRECTOR OF RESOURCES

AA15-19/MA/AC  
12 July 2019

## Annex 1

2019/20 Planned Days	Audit	Actual days to 10/07/19	Status as at 10/07/19
<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	13	Testing complete
12	Treasury Management	0	Not started
15	Procurement	13	Testing complete
20	Business Continuity	0	Not started
12	Asset Management	0	Not started
<b>74</b>		<b>26</b>	
<i>Probity and Regularity</i>			
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	12	
10	Car Parking	10	
5	VIC/Platform Gallery	5	
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	5	
5	Ribblesdale Pool	0	Not started
3	Museum/Café	0	Not started
12	Partnership Arrangements	0	Not started
12	Grants received	0	Not started
12	Grants paid	0	Not started
12	Data Protection/GDPR	0	Not started
15	Section 106 Agreements/Planning Enforcement	0	Not started
10	Building Control	0	Not started
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>232</b>		<b>42</b>	

2019/20 Planned Days	Audit	Actual days to 10/07/19	Status as at 10/07/19
<i>Continuous Activity/Ongoing Checks</i>			
12	Income Monitoring	3	∞
20	Contingencies/unplanned work	0	
15	Risk Management	0	∞
20	Corporate Governance	0	∞
5	Performance Indicators	0	∞
<b>40</b>		<b>0</b>	
35	Insurance	2	∞
30	Training	0	∞
	Vacant post	92	
	Available audit days to 31/3/2020	493	
<b>673</b>		<b>673</b>	

**Key:**

∞ Continuous Activity

✓ Completed

Not started No work undertaken in the current year on these audits



Jane Pearson  
 Director of Resources  
 Ribble Valley Borough Council  
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9 April 2019

Dear Jane

## Planned audit fee for 2019/20

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 had the power to make auditor appointments for audits of opted- in local government bodies from 2018/19.

For opted- in bodies PSAA's responsibilities also include setting fees and monitoring the quality of auditors' work. Further information on PSAA and its responsibilities are available on the [PSAA website](#).

All grant work, including housing benefit certification, 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 2019/20 scale fees for opted-in bodies at the end of March 2019, following a consultation process. Individual scale fees have been maintained [at the same level as in 2018/19, unless there were specific circumstances which required otherwise](#). Further details are set out on the [PSAA website](#). The Council's scale fee for 2019/20 has been set by PSAA at £30,956 which is the same as in 2018/19.

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 2019/20, 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 2019/20. 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 2019/20 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 (if applicable).

PSAA will agree fees for considering objections from the point at which auditors accept an objection as valid, or any special investigations, as a variation to the scale fee.

### Value for Money conclusion

The Code requires us to consider whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.

The NAO issued its 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 2019	7,739
December 2019	7,739
March 2020	7,739
June 2020	7,739
<b>Total</b>	<b>30,956</b>

### Outline audit timetable

We will undertake our audit planning and interim audit procedures in December 2019 to March 2020. Upon completion of this phase of our work we will issue a detailed audit plan setting out our findings and details of our audit approach. Our final accounts audit and work on the VfM conclusion will be completed in July 2020 and work on the whole of government accounts return in August 2020.

<b>Phase of work</b>	<b>Timing</b>	<b>Outputs</b>	<b>Comments</b>
Audit planning and interim audit	December 2019 - March 2020	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 – July 2020	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	April – July 2020	Audit Findings (Report to those charged with governance)	As above
Whole of government accounts	August 2020	Opinion on the WGA return	This work will be completed alongside the accounts audit.
Annual audit letter	August 2020	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 2019/20 are:

	Name	Phone Number	E-mail
Key Audit Partner	Mark Heap	0161 234 6375	<a href="mailto:Mark.r.heap@uk.gt.com">Mark.r.heap@uk.gt.com</a>
Engagement Manager	Sophia Iqbal	0161 234 6372	<a href="mailto:sophia.s.iqbal@uk.gt.com">sophia.s.iqbal@uk.gt.com</a>
In Charge Auditor	Rebecca Lynam	0161 214 3682	<a href="mailto:Rebecca.lynam@uk.gt.com">Rebecca.lynam@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 Sarah Howard, our Public Sector Assurance regional lead partner, via [sarah.howard@uk.gt.com](mailto:sarah.howard@uk.gt.com).

Yours sincerely

Mark Heap  
Key Audit Partner  
Grant Thornton UK LLP