RIBBLE VALLEY BOROUGH COUNCIL

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Dear Councillor

The next meeting of the **ACCOUNTS AND AUDIT COMMITTEE** is at **6.30PM** on **WEDNESDAY, 28 AUGUST 2013** at the **TOWN HALL, CHURCH STREET, CLITHEROE.**

I do hope you can be there.

Yours sincerely

CHIEF EXECUTIVE

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

AGENDA

Part I – items of business to be discussed in public

1. Apologies for absence.

✓ 2. Minutes of meeting held on 26 June 2013 – copy enclosed.

3. Declarations of Interest (if any).

4. Public Participation (if any).

FOR DECISION

✓ 5. The Audit Findings – report of Grant Thornton – copy enclosed.

✓ 6. Review of the Council's Arrangements for Securing Financial Resilience – report of Grant Thornton – copy enclosed.

✓ 7. Letter of Representation – report of Director of Resources – copy enclosed.

✓ 8. Approval of Audited Statement of Accounts for 2012/2013 – report of Director of Resources – copy enclosed.

<u>FOR INFORMATION</u>

✓ 9. Internal Audit Progress Report 2013/2014 – Report of Director of Resources – copy enclosed.

10. Reports from Representatives on Outside Bodies (if any).

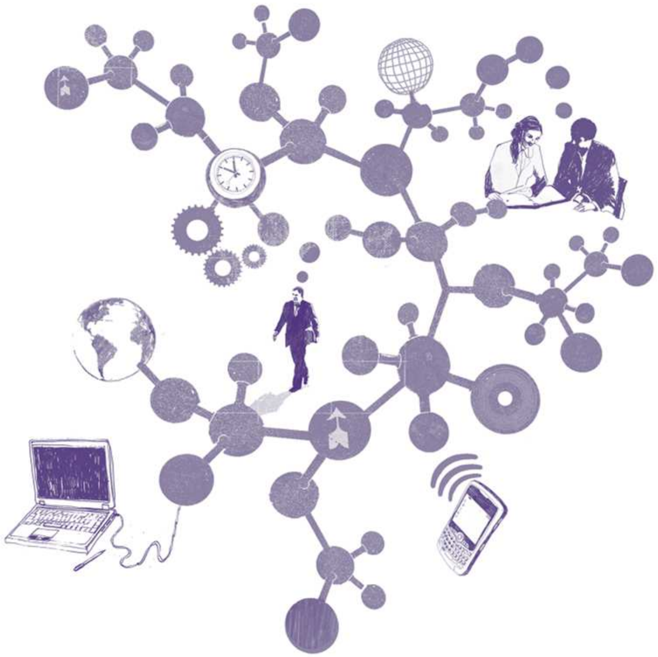
<u>Part II - items of business **not** to be discussed in public</u>

✓ 11. Risk Management – Red Risks – report of Director of Resources – copy enclosed.

The Audit Findings for Ribble Valley Borough Council

Year ended 31 March 2013

28 August 2013



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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify.

We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Contents

Section 1: Executive summary

Executive summary

Purpose of this report

This report highlights the key matters arising from our audit of Ribble Valley Borough Council's ('the Council') financial statements for the year ended 31 March 2013. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing 260 (ISA).

Under the Audit Commission's Code of Audit Practice we are required to report whether, in our opinion, the Council's financial statements present a true and fair view of the financial position, its expenditure and income for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting. We are also required to reach a formal conclusion on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (the Value for Money conclusion).

Introduction

In the conduct of our audit we have not had to alter or change our planned audit approach, which we communicated to you in our Audit Plan dated 27 March 2013.

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

- substantive testing of income and expenditure
- review of the final version of the financial statements
- obtaining and reviewing the final management letter of representation
- updating our post balance sheet events review, to the date of signing the opinion
- Whole of Government Accounts and
- we are awaiting assurance over the Lancashire Pension Fund from colleagues

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

Key issues arising from our audit

Financial statements opinion

We anticipate providing an unqualified opinion on the financial statements.

We have identified 1 adjustment which does not affect the Council's reported financial position (details are recorded in section 2 of this report). The draft financial statements recorded net expenditure of £6,257k and this remains the same in the audited financial statements. We have also made a number of minor adjustments to improve the presentation of the financial statements.

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

- working papers were of a good standard and we received responses to our queries on a timely basis
- we identified few errors in the financial statements.
- subject too the completion of the remaining audit work we intend to issue an unqualified opinion.

Further details are set out in section 2 of this report.

Value for money conclusion
We are pleased to report that, based on our review of the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources, we propose to give an unqualified VFM conclusion.

Further detail of our work on Value for Money is set out in section 3 of this report.

Whole of Government Accounts (WGA)
We will complete our work in respect of the Whole of Government Accounts in accordance with the national timetable.

Controls

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

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

Our work has not identified any control weaknesses which we wish to highlight for your attention.
Further details are provided within section 2 of this report.

The way forward

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

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

Acknowledgment

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

Grant Thornton UK LLP
August 2013

Section 2: Audit findings

Audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work. We set out on the following pages the work we have performed and findings arising from our work in respect of the audit risks we identified in our audit plan, presented to the Accounts and Audit Committee on 27 March 2013. We also set out the adjustments to the financial statements from our audit work and our findings in respect of internal controls.

Changes to Audit Plan

We have not made any changes to our Audit Plan as previously communicated to you on 27 March 2013.

Audit opinion

We anticipate that we will provide the Council with an unmodified opinion. Our audit opinion is set out in Appendix B.

Audit findings against significant risks

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA 315).

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

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
1.	**The revenue cycle includes fraudulent transactions** Under ISA 240 there is a presumed risk that revenue may be misstated due to improper recognition	• review and testing of revenue recognition policies • testing of material revenue streams	Our audit work has not identified any issues in respect of revenue recognition.
2.	**Management override of controls** Under ISA 240 there is a presumed risk of management over-ride of controls	• review of accounting estimates, judgements and decisions made by management • testing of journals entries • review of unusual significant transactions	Our audit work has not identified any evidence of management override of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues. We set out later in this section of the report our work and findings on key accounting estimates and judgments.

Audit findings against other risks

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

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Operating expenses	Operating expenses understated or not recorded in the correct period	We have undertaken the following work in relation to this risk: • documented our understanding of processes and key controls over the transaction cycle • undertaken walkthrough of the key controls to assess the whether those controls are designed effectively • substantive testing including attribute testing of a sample of operating expenses	Our audit work has not identified any significant issues in relation to the risk identified.
Operating expenses	Creditors understated or not recorded in the correct period	We have undertaken the following work in relation to this risk: • documented our understanding of processes and key controls over the transaction cycle • undertaken walkthrough of the key controls to assess the whether those controls are designed effectively • substantive testing including testing of a sample of creditors	Our audit work has not identified any significant issues in relation to the risk identified.

Audit findings against other risks

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Employee remuneration	Remuneration expenses not correct	We have undertaken the following work in relation to this risk: • documented our understanding of processes and key controls over the transaction cycle • undertaken walkthrough of the key controls to assess the whether those controls are designed effectively • Substantive testing including attribute testing of a sample of employee payments.	Our audit work has not identified any significant issues in relation to the risk identified.
Welfare expenditure	Welfare benefits improperly computed	We have undertaken the following work in relation to this risk: • documented our understanding of processes and key controls over the transaction cycle • undertaken walkthrough of the key controls to assess the whether those controls are designed effectively • completion of Module 3 testing on the benefit claim, testing cases in the headline cells for eligibility and correct calculation of benefit.	We identified two errors in our testing of welfare expenditure. Further work has been completed to assess the extent of the errors. We have been able to confirm one error is an isolated error. We have completed procedures in relation to the second error to enable us to identify any similar cases of which we have identified a further two cases. Additional testing is to be completed on these cases but they will not have a material impact on the benefit claim or on the values disclosed in the accounts.

Accounting policies, estimates & judgements

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

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	• The Council has adopted the standard revenue recognition policies for Local Government as set out in the Code of Practice. • The policies for revenue recognition are set out in accounting policy 2 within the accounts.	• The Council's policies are in accordance with the requirements of the Code of Practice for Local Government.	●
Judgements and estimates	• Key estimates and judgements include : – useful life of capital equipment – pension fund valuations and settlements – revaluations – impairments	The Council's policies and judgements are reasonable and appropriately disclosed. • Policies and judgements are in line with the requirements of the Code of Practice • Note 2 to the accounts sets out critical judgements in applying accounting policies • Note 3 to the accounts sets of assumptions made about the future and other major sources of estimation uncertainty. This includes an assessment of the likely impact if actual results differ from assumptions. • Accounting polices in relation to areas of judgement and estimation are adequately disclosed.	●
Other accounting policies	• We have reviewed the Council's policies against the requirements of the CIPFA Code and accounting standards.	• Our review of accounting policies has not highlighted any issues we need to bring to your attention	●

Assessment

● Marginal accounting policy which could potentially attract attention from regulators

● Accounting policy appropriate but scope for improved disclosure

● Accounting policy appropriate and disclosures sufficient

Misclassifications & disclosure changes

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

	Adjustment type	Value £'000	Account balance	Impact on the financial statements
1	Disclosure	595	10378	Note 29 shows grant income for the Council. The total grant income of £10.378m in the note on page 88 excluded the capital grants amount of £595k, although this is shown in the table on page 87. The total for grants credited to services should be £10.973m The accounts have been amended.
2	Disclosure	563	563	Note 32 sets out the lease payments the Council is committed to in future years. However, the analysis of the payments was incorrect as all future payments have been allocated to the year of expiry of the lease rather than analysed as within 1 year, 1-5 years and over 5 years. The accounts have been amended to correct this.

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Internal controls

The purpose of an audit is to express an opinion on the financial statements.

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Our work has not identified any control weaknesses to highlight for your attention

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Other communication requirements

We set out below details of other matters which we are required by auditing standards to communicate to those charged with governance.

	Issue	Commentary
1.	**Matters in relation to fraud**	• We have previously discussed the risk of fraud with the Audit Committee. We were made aware of one incident in the period which has been fully reported by officers to the Accounts and Audit Committee. No other issues have been identified during the course of our audit procedures.
2.	**Matters in relation to laws and regulations**	• We are not aware of any significant incidences of non-compliance with relevant laws and regulations.
3.	**Written representations**	• A standard letter of representation has been requested from the Council.
4.	**Disclosures**	• Our review found no material omissions in the financial statements
5.	**Matters in relation to related parties**	• We are not aware of any related party transactions which have not been disclosed
6.	**Going concern**	• Our work has not identified any reason to challenge the Council's decision to prepare the financial statements on a going concern basis.

Section 3: Value for Money

Value for Money

Value for Money conclusion

The Code of Audit Practice 2010 (the Code) describes the Council's responsibilities to put in place proper arrangements to:

- secure economy, efficiency and effectiveness in its use of resources
- ensure proper stewardship and governance
- review regularly the adequacy and effectiveness of these arrangements.

We are required to give our VFM conclusion based on the following two criteria specified by the Audit Commission which support our reporting responsibilities under the Code.

- **The Council has proper arrangements in place for securing financial resilience.** The Council has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.
- **The Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness.** The Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

Key findings

Securing financial resilience

We have undertaken a review which considered the Council's arrangements against the following three expected characteristics of proper arrangements as defined by the Audit Commission:

- Financial governance;
- Financial planning; and
- Financial control

Overall our work highlighted:

- Overall, the Council's level of available reserves and contingencies provide adequate cover for known future financial risks.
- The Council achieved its planned £635k of savings in 2012-13.
- The Medium Term Financial Plan (MTFP) is clearly set out and reflects information from other relevant areas of the business.
- Regular reports to monitor performance against the revenue budget and capital budget are made to the Policy and Finance Committee.
- There is an appropriate level of senior management and member level engagement in the financial management process
- The Council has a well established budget setting process and a good track record in managing budgets and achieving savings targets.
- The Council has well established systems and procedures for producing reliable financial monitoring and forecasting information.

Value for Money

Challenging economy, efficiency and effectiveness
We have reviewed whether the Council has prioritised its resources to take account of the tighter constraints it is required to operate within. We have completed the following work:

- Reviewed leadership provided by members and senior management on prioritising resources and spending reductions
- Reviewed decision making processes and the information available to support prioritisation.
- Assessed the Council's costs and spending compared to nearest statistical neighbours.
- Assessed the processes in place to monitor the implications of implementing efficiency savings plans and action taken to ensure services aren't adversely impacted.
- Assessed how the Council reviews the way activities are delivered and how it identifies opportunities to explore alternative ways of delivering activities.

Overall VFM conclusion

On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2013.

To support our VfM conclusion against the specified criteria we performed a risk assessment against VfM risk indicators specified by the Audit Commission. Following completion of our work we noted the following residual risks to our VfM conclusion:

Residual Risk identified	Assurances obtained	Conclusion on residual risk
Risk 1 We identified an area for improvement around how get members get an overview of the high level risks that might impact on the Council's strategic objectives.	We reviewed the risk management arrangements in place.	We are satisfied that the Council has robust risk management arrangements in place. with a comprehensive departmental level risk register. However, the number of risks on the full risk register means it is difficult for members to get an overview of the high level risks that might impact on the Council's strategic objectives. It would be useful if Council members received a summary "Corporate Risk Register" containing only the highest level strategic risks to scrutinise and to consider where these have the greatest potential impact on the Council achieving its overall strategic objectives

Section 4: Fees, non audit services and independence

Fees, non audit services and independence

We confirm below our final fees charged for the audit.

Fees

	Per Audit plan £	Actual fees £
Council audit	52,702	48,002
Grant certification (estimate)	10,550	10,550
Total audit fees	**63,252**	**58,552**

The Audit Commission notified the Council of a rebate on its 2012-13 fees of £4,700 during the year.

Fees for other services

Service	Fees £
None	Nil

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.

Section 5: Communication of audit matters

Communication of audit matters to those charged with governance

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

The Audit Plan outlined our audit strategy and plan to deliver the audit, while this Audit Findings report presents the key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission (www.audit-commission.gov.uk).

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

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Council's key risks when reaching our conclusions under the Code.

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

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

Appendices

Appendix A: Action plan

Priority
High - Significant effect on control system
Medium - Effect on control system
Low - Best practice

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	The number of risks on the full risk register means it is difficult for members to get an overview of the high level risks that might impact on the Council's strategic objectives. It would be useful if Council members received a summary "Corporate Risk Register" containing only the highest level strategic risks to scrutinise and to consider where these have the greatest potential impact on the Council achieving its overall strategic objectives	Medium		

Appendix 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

Opinion on the Authority financial statements

We have audited the financial statements of Ribble Valley Borough Council for the year ended 31 March 2013 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

This report is made solely to the members of Ribble Valley Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Director of Resources and auditor

As explained more fully in the Statement of the Director of Resources Responsibilities, the Director of Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Ribble Valley Borough Council as at 31 March 2013 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or.
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

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

Respective responsibilities of the Authority and the auditor

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

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

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

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in November 2012, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in November 2012, we are satisfied that, in all significant respects, Ribble Valley Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

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 Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

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

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

Date:

Appendix C: Overview of audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work.

Changes to Audit Plan

We have not had to change our Audit Plan as previously communicated to you on 27 March 2013

Account	Transaction cycle	Material misstatement risk?	Description of risk	Change to the audit plan	Audit findings
Cost of services - operating expenses	Operating expenses	Other	Operating expenses understated or not recorded in the correct period	No	None
Cost of services – employee remuneration	Employee remuneration	Other	Employee remuneration accrual understated.	No	None
Costs of services – Housing & council tax benefit	Welfare expenditure	Other	Welfare benefits are not calculated properly	No	None
Cost of services – other revenues (fees & charges)	Other revenues	None		No	None
(Gains)/ Loss on disposal of non current assets	Property, Plant and Equipment	None		No	None
Precepts and Levies	Council Tax	None		No	None
Interest payable and similar charges	Borrowings	None		No	None
Pension Interest cost	Employee remuneration	None		No	None

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Account	Transaction cycle	Material misstatement risk?	Description of risk	Change to the audit plan	Audit findings
Interest payable and similar charges	Borrowings	None		No	None
Pension Interest cost	Employee remuneration	None		No	None
Interest & investment income	Investments	None		No	None
Return on Pension assets	Employee remuneration	None		No	None
Investment properties: Income expenditure, valuation, changes & gain on disposal	Property, Plant & Equipment	None		No	None
Income from council tax	Council Tax	None		No	None
NNDR Distribution	NNDR	None		No	None
Other Government grants	Grant Income	None		No	None
Capital grants & Contributions (including those received in advance)	Property, Plant & Equipment	None		No	None
(Surplus)/ Deficit on revaluation of non current assets	Property, Plant & Equipment	None		No	None
Actuarial (gains)/ Losses on pension fund assets & liabilities	Employee remuneration	None		No	None

Account	Transaction cycle	Material misstatement risk?	Description of risk	Change to the audit plan	Audit findings
Other comprehensive (gains)/ Losses	Revenue/ Operating expenses	None		No	None
Property, Plant & Equipment	Property, Plant & Equipment	None		No	None
Heritage assets & Investment property	Property, Plant & Equipment	None		No	None
Intangible assets	Intangible assets	None		No	None
Investments (long & short term)	Investments	None		No	None
Debtors (long & short term)	Revenue	None		No	None
Assets held for sale	Property, Plant & Equipment	None		No	None
Inventories	Inventories	None		No	None
Cash & cash Equivalents	Bank & Cash	None		No	None
Borrowing (long & short term)	Debt	None		No	None
Creditors (long & Short term)	Operating Expenses	Other	Creditors understated or not recorded in the correct period	No	None

Account	Transaction cycle	Material misstatement risk?	Description of risk	Change to the audit plan	Audit findings
Provisions (long & short term)	Provision	None		No	None
Pension liability	Employee remuneration	None		No	None
Reserves	Equity	None		No	None

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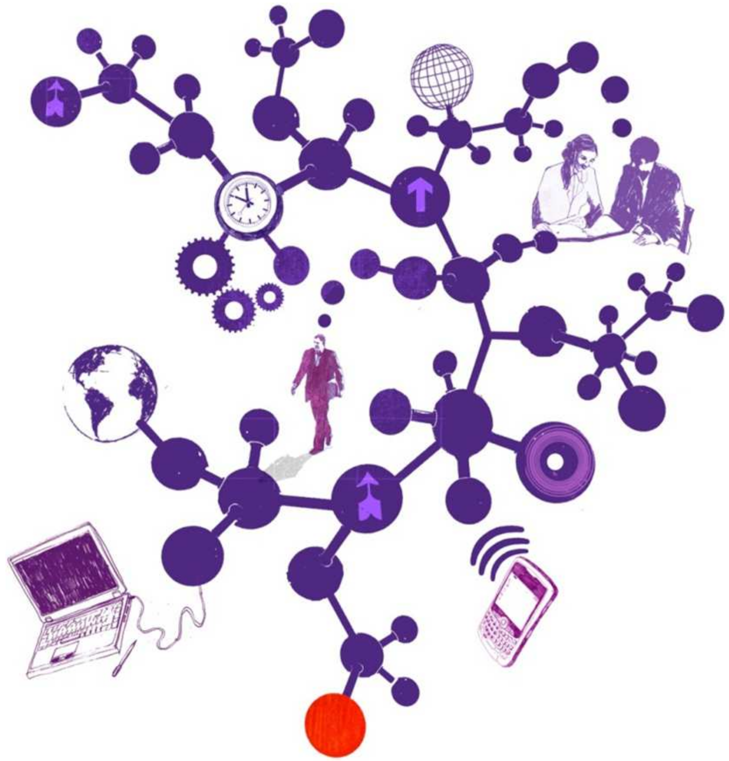
Review of the Council's Arrangements for Securing Financial Resilience for Ribble Valley Borough Council

Year ended 31 March 2013

28 August 2013



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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or any weaknesses in your internal controls. 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.

Contents

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Executive Summary

Our approach

Value for Money Conclusion

Our work supporting our Value for Money (VfM) conclusion, as part of the statutory external audit, includes a review to determine if the Council has proper arrangements in place for securing financial resilience.

In so doing we have considered whether the Council has robust financial systems and processes in place to manage its financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future. We have carried out our work in discussion and agreement with officers and completed it in such a way as to minimise disruption to them.

The definition of foreseeable future for the purposes of this financial resilience review is 12 months from the date of this report.

We have reviewed the financial resilience of the Council by looking at:

- Key indicators of financial performance;
- Its approach to strategic financial planning;
- Its approach to financial governance; and
- Its approach to financial control.

Further detail on each of these areas is provided in the sections of the report that follow. Our overall conclusion is that whilst the Council faces some risks and challenges during 2012/13 and beyond, its current arrangements for achieving financial resilience are adequate.

We have used a red/amber/green (RAG) rating with the following definitions.

Green	**Arrangements meet or exceed adequate standards**. Adequate arrangements identified and key characteristics of good practice appear to be in place.
Amber	**Potential risks and/or weaknesses**. Adequate arrangements and characteristics are in place in some respects, but not all. Evidence that the Council is taking forward areas where arrangements need to be strengthened.
Red	**High risk**: The Council's arrangements are generally inadequate or may have a high risk of not succeeding

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Executive Summary

National and Local Context

National Context

The Chancellor of the Exchequer announced the current Spending Review (SR10) to Parliament on 20 October 2010. SR10 represented the largest reductions in public spending since the 1920's. Revenue funding to local government was to reduce by 19% by 2014-15 (excluding schools, fire and police). After allowing for inflation, this equates to a 28% reduction in real terms with local government facing some of the largest cuts in the public sector. In addition, local government funding reductions were frontloaded, with 8% cash reductions in 2011-12. This followed a period of sustained growth in local government spending, which increased by 45% during the period 1997 to 2007.

The Chancellor of the Exchequer, in his Autumn Statement in November 2011, announced further public spending reductions of 0.9% in real terms in both 2015-16 and 2016-17. In his Autumn Statement on 5 December 2012, the Chancellor reinforced austerity measures announcing a further £6.6bn of savings during 2013-14 and 2014-15. Whilst health and schools will be continue to be protected in line with the Government's policy set out in SR10, local government will continue to face significant funding reductions. The Department for Communities and Local Government will contribute £470m of these additional savings, £445m of which will come from local authority funding during 2014-15, with local authorities being exempt from additional savings in 2013-14. In his March 2013 Budget the Chancellor announced a further departmental 1% saving during 13/14 and 14/15. The NHS and schools remain protected, but police and local government will need to find an additional 0.5% over both years.

The next spending review period, 2015-16, was announced by the Chancellor on 26 June 2013. Local government will face a further 10% funding reduction for this period. Theses funding reductions come at a time when demographic and recession based factors are increasing demand for some services, and there is a decreasing demand for some services, such as car parking, where customers pay a fee or charge. Financial austerity is expected to continue until at least 2017.

Local Context

Ribble Valley is a local government district with borough status within county of Lancashire, England. Its council is based in Clitheroe. Other places include Whalley, Longridge and Ribchester. The area is so called due to the River Ribble which flows in its final stages towards its estuary near Preston. The area is popular with tourists who enjoy the area's natural unspoilt beauty, much of which lies within the Forest of Bowland.

The district was formed on 1 April 1974 under the Local Government Act 1972, as a merger of the municipal borough of Clitheroe, Longridge urban district, Clitheroe Rural District, part of Blackburn Rural District, part of Burnley Rural District, and part of Preston Rural District, as well as the Bowland Rural District from the West Riding of Yorkshire.

Unemployment in the area is the low compared to the national and regional averages whilst earnings are above the national average. Ribble Valley is a rural area and tourism and agriculture play an important role in the local economy. The estimated total spent by tourists in Ribble Valley each year is in excess of £19.5 million. and there are around 2,500 jobs in tourism-related businesses. Manufacturing accounts for around 26% of employment within the borough,.

The IMD 2010 provides measures of deprivation at local authority level, ranking the deprivation of 354 local authority districts in England, where 1 is the most deprived and 354 is the least deprived. The average score over a number of indicators for Ribble Valley is 290.

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Executive Summary

Overview of Arrangements

Risk area	Summary observations	High level risk assessment
Key Indicators of Performance	• Overall, the Council's level of available reserves and contingencies provide adequate cover for known future financial risks. • In 2012-13 the Council achieved an overall under-spend of £155k. After allowing for transfers to and from earmarked reserves this equates to a £98k under-spend.	Green
Strategic Financial Planning	• The Council achieved its planned £635k of savings in 2012-13. • The Council's revenue budget was set in February 2013, along with an updated three year medium term financial plan (MTFP) for the period 2013-14 to 2015-16. • The MTFP is clearly set out and reflects information from other areas of the business.	Green
Financial Governance	• The Council has a Budget Working Group (BWG) which drives initial budget proposals for review by service committees, Policy and Finance Committee and approval by full Council. • Regular reports to monitor performance against the revenue budget and capital budget are made to the service committees, BWG and Policy and Finance Committee. • There is an appropriate level of senior management and member level engagement in the financial management process.	Green
Financial Control	• The Council has a well established budget setting process and a good track record in managing budgets and achieving savings targets. • The Council has well established systems and procedures for producing reliable financial monitoring and forecasting information.	Green

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Executive Summary

Next Steps

Area of review	Key points for consideration	Responsibility	Timescale	Management response
Key Indicators of Performance	The Council should assess its needs in the light of the financial outlook for the medium term and ensure the level of reserves it holds is appropriate.			
Strategic Financial Planning	Given the scale of the challenges the Council faces, the MTFP will need to be responsive and set out clear plans to meet those challenges.			
Financial Governance	Members receive clear financial monitoring reports which will support them in the challenge they will need to provide to officers around the Council's financial position and decision making processes.			
Financial Control	The Council has comprehensive risk management arrangements which support a detailed risk register. The number of risks on the full risk register means it is difficult for members to get an overview of the high level risks that might impact on the Council's strategic objectives. It would be useful if Council members received a summary "Corporate Risk Register" containing only the highest level strategic risks to scrutinise and to consider where these have the greatest potential impact on the Council achieving its overall strategic objectives.			

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Key Indicators

Introduction

This section of the report includes analysis of key indicators of financial performance, benchmarked where this data is available. These indicators include:

- Working capital ratio
- Long term borrowing to tax revenue
- Long term borrowing to long term assets
- Sickness absence levels
- Out-turn against budget
- Useable Reserves: Gross Revenue Expenditure

We have used the Audit Commission's statistical nearest neighbours benchmarking group comprising the following authorities:

Rushcliffe Borough Council
Tewkesbury Borough Council
Melton Borough Council
Hambleton District Council
Harborough District Council
Maldon District Council
South Northamptonshire Council
Derbyshire Dales District Council
Craven District Council
West Devon District Council
North Dorset District Council
Mid Devon District Council
Richmondshire District Council
Barbergh District Council
Mid Suffolk District Council

Key Indicators

Overview of performance

Area of focus	Summary observations	Assessment
Liquidity	• The Council's working capital ratio has increased from 1.15 in 2007-08 to 2.35 in 2011-12. There have been year on year increases except in 2010-11 when there was a slight reduction. The working capital ratio indicates if an authority has enough current assets, or resources, to cover its immediate liabilities – i.e. those liabilities to be met over the next twelve month period. It should be noted that a high working capital ratio is not always a good thing; it could indicate that an authority is not effectively investing its excess cash. • The Council's working capital ratio is just below the average when compared to its nearest neighbours, its ratio in 2011-12 being 2.35 compared to an average of 3.77. This demonstrates a prudent but not overly cautious approach to working capital. • There is a mixed picture in terms of the movement in working capital ratios across the nearest neighbours. 10 of the 16 councils have increased their working capital from 2007-08 to 2011-12 whilst 6 have seen a decrease over the same period. Of those councils that have seen their ratio increase, there are large fluctuations in the rate of increase. The Council has seen an increase of 104% (2007-08 ratio of 1.15 to 2011-12 ratio of 2.35) which is positive. • The Council's collection rate for council tax was 99.01% in 2012-13. This is in line with the collection rate in 2011-12 although there has been a slight downward trend over the last five years. The economic circumstances of recent years are likely to have contributed to the slight fall in the collection rate. • The Council's collection rate for NNDR was 97.84% in 2012-13. This has increased from 97.19% in 2011-12. The collection rate has fluctuated slightly over the last five years.	Green
Borrowing	• The Council's long term borrowing (as a ratio of 'tax 'revenue) is 0.05. • The Council's long term borrowing to tax ratio has decreased from 0.09 in 2007-08 to 0.05 in 2011-12. This downward trend differs from most of the benchmarked group where ratios over this period have increased. The Council is in a sound position with long term debt a proportionally small amount compared to tax revenues. • The Council's long term borrowing to assets ratio is 0.02 • The Council's long term borrowing to assets ratio has decreased from 0.05 in 2007-08 to 0.02 in 2011-12. There is no clear overall trend across the benchmarked group as around half the councils have increased their ratio and half decreased. The Council's decrease over the last five years is a prudent approach as they reduce their exposure to long term borrowing. • The Council met it's prudential indicator targets for 12-13.	Green

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Key Indicators

Overview of performance

Area of focus	Summary observations	Assessment
Workforce	• The Council's sickness absence rate reduced from 6.81 days per FTE in 2010-11 to 5.91 days per FTE in 2011-12. • The Council's sickness absence figures compare well against figures for the public sector (7.9 in 2011-12) and local government generally (8 in 2011-12).	Green
Performance Against Budgets: revenue & capital	• The Council has a very good track record of meeting its budget and achieving savings. • In 2012-13 the Council achieved an overall under-spend of £155k. After allowing for transfers to and from earmarked reserves this equates to a £98k under-spend. • This underspend was spread across a number of service areas and included (for example) additional income received in respect of the VAT shelter arrangement, additional income from sale of freehold land, increased income from planning fees and rent for storage compound and reduced employee related expenditure due to vacant posts. • The Capital budget was underspent by around £200k in 2012-13. This partly related to slippage in projects and partly to underspend on capital grants for disabled facilities and repossession prevention which was less than anticipated.	Green
Reserve Balances	• The Council's useable reserves as a share of expenditure ratio was 0.27. This is consistent with the average ratio for the benchmarked group of 0.28. • Between 2008-09 and 2011-12 the Council increased the value of its useable reserves as a share of expenditure from 0.15 to 0.27. There is no clear trend in the nearest neighbours with some authorities increasing their reserves (as a share of expenditure) and other decreasing their reserve level. • CIPFA's guidance on reserves is that the level should follow the S151 officer's advice to the Council, which should be based on local circumstances. As at 31 March 2013 the Council has £6.346m reserves, with £1.7m representing the general fund balance. This is above the S151 officer's recommended minimum level of £700k.	Green

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Strategic Financial Planning

Key characteristics of good strategic financial planning

In conducting our review of strategic financial planning we have assessed the Council's performance against the following indicators:

- Focus on achievement of corporate priorities is evident through the financial planning process. The MTFP focuses resources on priorities.
- The MTFP includes outcome measures, scenario planning, benchmarking, resource planning and details on partnership working. Targets have been set for future periods in respect of reserve balances, prudential indicators etc.
- Annual financial plans follow the longer term financial strategy.
- There is regular review of the MTFP and the assumptions made within it. The Council responds to changing circumstances and manages its financial risks.
- The Council has performed stress testing on its model using a range of economic assumptions including CSR.
- The MTFP is linked to and is consistent with other key strategies, including workforce.
- KPIs can be derived for future periods from the information included within the MTFP.

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Strategic Financial Planning

Medium Term Financial Strategy

Area of focus	Summary observations	Assessment
Focus of the MTFP	• The Council's revenue budget was set in February 2013, along with an updated three year medium term financial plan (MTFP) for the period 2013-14 to 2015-16. • The Council has a budget working group that meets regularly through the year to review the Council's financial position and address any emerging financial issues • In order to produce a balanced budget for 12-13 and to give a good starting position for 13-14 a review of Council services was carried out by Heads of Services and the Corporate Management Team (CMT) in Summer 2011. • The savings proposed were reviewed by CMT and final proposals for savings of £635k put forward to the Policy and Finance Committee and the Personnel Committee in November 2011. The Council had also completed a review of senior management in 2010-11 which achieved savings averaging £108,000 per annum over five years. • Saving were monitored closely throughout 12-13 and were achieved. • In March 2013 the Council's capital budget was set for 2013-14 and a medium term capital programme up to 2015-16 approved. • Heads of Service were asked to submit capital bids putting forward schemes which were the absolute basic requirement to keep the council's services running. Details were presented to members and the budget working group and CMT met to consider the bids and made a number of proposals/amendments. • The Council do not intend to use future borrowing to finance the capital programme so the impact on the revenue budget is reduced. Funding from earmarked reserves (which were created for this purpose) will be used.	Green

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Strategic Financial Planning

Medium Term Financial Strategy

Area of focus	Summary observations	Assessment

Adequacy of planning assumptions	• The Council has set out expected expenditure and revenue for the years 2013-14 to 2015-16 in its MTFP. It has revisited the assumptions made for 2014-15 and 2015-16 to ensure they are realistic.
	• There remains significant uncertainty about the financial position for 2015-16. An indicative saving requirement of £725k was included in the updated MTFP, however figures are being updated as more information is received and confirmed.
	• The MTFP is based on a number of assumptions:
	    • The factors which may impact on future funding levels such as income levels from fees and charges and the localisation of business rates
	    • Anticipated external funding for 2013-14 and where known, the levels this will be at going forward
	    • A council tax increase of 2.5% in 2014-15 and 2015-16.
	    • Assumes use of balances of £150,000 p.a. from 2014-15.
	• These assumptions are reviewed regularly to take account of emerging information and have been updated since the issue of the MTFP to include the latest information available.
	• A general fund reserve balance of £1.381m has been set for 13-14 which is above the S151 officer's recommended minimum level of £700,000.
	• Earmarked reserves are estimated to increase from £3.982m at 31 March 2013 to £6.29m as 31 March 2016.
		Green

Scope of the MTFP and links to annual planning	• As a result of the service reviews and savings achieved during 2012-13, the Council does not need to make specific savings in order to meet the budget set for 2013-14. • There are clear processes in place to ensure the MTFP reflects information from other areas of the Council such as estates and HR. The Director of Resources and Head of Financial Services are part of the Asset Management Group and are able to assess any financial implications of significant proposals and ensure they align with the Council's MTFP. The HR manager reports directly to the Management Team again enabling any financial implications within these reports to be assessed against the MTFP or absorbed into future plans where appropriate.	Green

Strategic Financial Planning

Medium Term Financial Strategy

Area of focus	Summary observations	Assessment
Review processes	• Monitoring of progress against the MTFP is undertaken through the year by the Budget Working Group, for example the latest information regarding the Spending Round 2013 and the potential impact on Ribble Valley going forward was reported to the group in July 2013. • A formal report reviewing the MTFP at the six month stage is presented to Policy and Finance Committee in September.	Green
Responsiveness of the Plan	• The Council reviewed and updated the MTFP during the most recent financial planning cycle. • Future years funding will be reviewed during the lifetime of the plan and this process has already commenced for 2014-15. • The Council will need to ensure the plan remains responsive, especially given the scale of the savings required in 2014-15 and 2015-16. Previous service reviews have achieved the required substantial savings needed to set a balanced budget but the Council must ensure its current approach to financial planning remains appropriate to deal with the increasing and emerging financial pressures in local government.	Green

Financial Governance

Key characteristics of effective financial governance

In conducting our review of financial governance we have assessed the Council's performance against the following indicators:

Understanding

- There is a clear understanding of the financial environment the Council is operating within:
  - Regular reporting to Members. Reports include detail of action planning and variance analysis etc.
  - Actions have been taken to address key risk areas.
  - Officers and managers understand the financial implications of current and alternative policies, programmes and activities.

Engagement

- There is engagement with stakeholders including budget consultations.

Monitoring and review

- There are comprehensive policies and procedures in place for Members, Officers and budget holders which clearly outline responsibilities.
- Number of internal and external recommendations overdue for implementation.
- Committees and Cabinet regularly review performance and it is subject to appropriate levels of scrutiny.
- There are effective recovery plans in place (if required).

Financial Governance

Understanding and engagement

Area of focus	Summary observations	Assessment
Understanding the Financial Environment	• Regular reports to monitor performance against the revenue budget and capital budget are made to service committees, the Policy and Finance Committee. These reports, together with the minutes of the budget working group, treasury management reports and revenues and benefits reports, combine to give members a good overall view of council finances. • The annual budget is presented to the full Council for approval and the Council also received minutes of the Policy and Finance Committee and Accounts and Audit Committee to give further financial background and information. The Leader of the Council is also the Chair of the Policy and Finance Committee. • Where there are specific financial issues or changes, such as the Business Rates Retention Scheme, separate reports are made to members to outline the background to and implications of these maters. • Financial Regulations are reviewed on an annual basis and presented to the Policy and Finance Committee for approval. The Financial Regulations set out the financial responsibilities of the Council, the Head of Paid Service, the Monitoring Officer, the Section 151 Officer and Directors generally. • When the plans to make substantial savings in 2011-12 were finalised, briefings were held for staff to ensure they understood the financial position the Council was in and how savings could be achieved.	Green
Executive and Member Engagement	• There is an appropriate level of senior management and member level engagement in the financial management process. • The Director of Resources is part of the leadership team and is included in the decision making of the Council. • The Director of Resources considers that members of the Policy and Finance Committee are appropriately engaged and challenging. • The Accounts and Audit Committee provide a robust challenge to officers in relation to financial matters within their remit. • The Council makes good use of its website to communicate financial issues to stakeholders including the Council leader's message. The MTFP is available on the website and this is a clearly set out document.	Green

Financial Governance

Understanding and engagement

Area of focus	Summary observations	Assessment
Overview for controls over key cost categories	• The Council is relatively low spending. The "cost per head" for services provided compares well with its comparator group. • The Council's spend on back office services per head are in the lowest third of their comparative group.	Green
Budget reporting: revenue and capital	• After reporting to individual service committees for consideration, the overall budget each year is first presented to the Budget Working Group. Following review and challenge, this group recommends the budget to the Policy and Finance Committee. Following review at this committee, the budget is recommended to full Council for approval. This process provides adequate opportunity for members to engage with and understand the budget for the coming year. • The budget report to Policy and Finance Committee sets out the revised budget for the current year together with explanations for changes in expected levels of income and expenditure. The report outlines government funding and the precept requirement for the coming year. • The three year capital programme, revenue budget and Medium Term Financial Plan are presented to Policy and Finance Committee at the same time. This means members can see how the three documents link together to form the Council's financial plans going forward. • The reports to members are comprehensive and clearly set out. The Director of Resources presents the reports and provides any further explanation on key issues to members. • Revenue and Capital monitoring reports are presented to service committees and Policy and Finance Committee throughout the year. This means members are kept up to date with progress against budget and savings, any emerging issues or pressures, and the actions being taken to address them.	Green
Adequacy of other Committee/ Cabinet Reporting	• The Policy and Finance Committee receives a wide range of financial information in order to give a rounded view of Council finances including Treasury Management reports, Revenues and Benefits reports, economic development updates etc. • Individual committees also receive budget and capital monitoring reports in respect of their services, such as the Health and Housing Committee, Planning and Development Committee and Community Services Committee.	Green

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Financial Control

Key characteristics of effective financial control

In conducting our review of financial control we have assessed the Council's performance against the following indicators:

Budget setting and budget monitoring

- Budgets are robust and prepared in a timely fashion.
- Budgets are monitored at an officer, member and Cabinet level and officers are held accountable for budgetary performance.
- Financial forecasting is well-developed and forecasts are subject to regular review.

Savings Plans

- Processes for identifying, delivering and monitoring savings plan schemes are robust, well thought through and effective.

Financial Systems

- Key financial systems have received satisfactory reports from internal and external audit.
- Financial systems are adequate for future needs.

Finance Department

- The capacity and capability of the Finance Department is fit for purpose.

Internal Control

- There is an effective internal audit which has the proper profile within the organisation. Agreed Internal Audit recommendations are routinely implemented in a timely manner.
- There is a an assurance framework in place which is used effectively by the Council and business risks are managed and controlled.

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Financial Control

Internal arrangements

Area of focus	Summary observations	Assessment
Budget setting and monitoring - revenue and capital	• The Council has a well established budget setting process that encourages ownership from budget holders. The Council has a good track record in managing budgets and achieves its budgets each year. • The Corporate Management Team (CMT) meet on a weekly basis and review key financial information. Members of CMT sit on the Budget Working Group which reviews revenue and capital information, performance against budgets and other relevant financial information. • The Budget Working Group is the key interface between officers and members for financial monitoring and is attended by the Leader and Deputy Leader, Shadow Leader and the Chairs of key committees. • The monitoring process recognises the accountabilities of Heads of Services for the delivery of financial targets in their areas.	Green
Performance against Savings Plans	• In order to set a balanced budget for 12-13 the Council completed a number of services reviews in the Summer/Autumn 2011 and identified £635k of planned savings for 2012-13. • Heads of Service reviewed their areas to identify potential savings and a number of measures were presented to CMT for consideration. A package of measures was compiled and reviewed by the Budget Working Group before proposals were submitted to the Policy and Finance Committee and full Council for approval. • Progress against the savings target was monitored throughout the year. The planned level of savings were achieved. • As a result of the savings achieved in 12-13, the Council has been able to set a balanced budget for 2013-14. However the Medium Term Financial Plan shows that considerable savings will need to be identified in 2014-15 and 2015-16 in order to set a balanced budget.	Green

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Financial Control

Internal and external assurances

Area of focus	Summary observations	Assessment
Key Financial Accounting Systems	• The Council has well established systems and procedures for producing reliable financial monitoring and forecasting information. • The process has enabled the Council to identify and manage financial risks in a timely way.	Green
Finance Department Resourcing	• The Finance Department is resourced at an appropriate level for a council of this size. • The Director of Resources and Head of Financial Services are both CIPFA qualified and have the appropriate experience required for their roles. • Staff in the Finance Department are suitably qualified and experienced to provide support to service managers on financial issues.	Green
Internal audit arrangements	• The Council has adequate arrangements in place. • Internal audit work is provided in house by a small team of dedicated audit staff. • Internal audit did not deliver their full programme of work in 2012-13 due to staff vacancies and unanticipated investigation work. However, we understand that staff vacancies have now been filled and the plan for 13-14 is on track. • Internal audit receive good feedback from managers in the service areas they audit.	Green

External audit arrangements	• The key messages from the most recent Annual Audit Letter noted:
	    • An unqualified opinion on the Authority's 2011/12 financial statements was given
	    • The council had proper arrangements to secure economy, efficiency and effectiveness in its use of resources
	• The ISA260 report noted that there were two material errors identified in the audit of the accounts but that the accounts were amended to correct these errors.
	• The Council responds well to any recommendations raised.
		Green

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Financial Control

Internal and external assurances

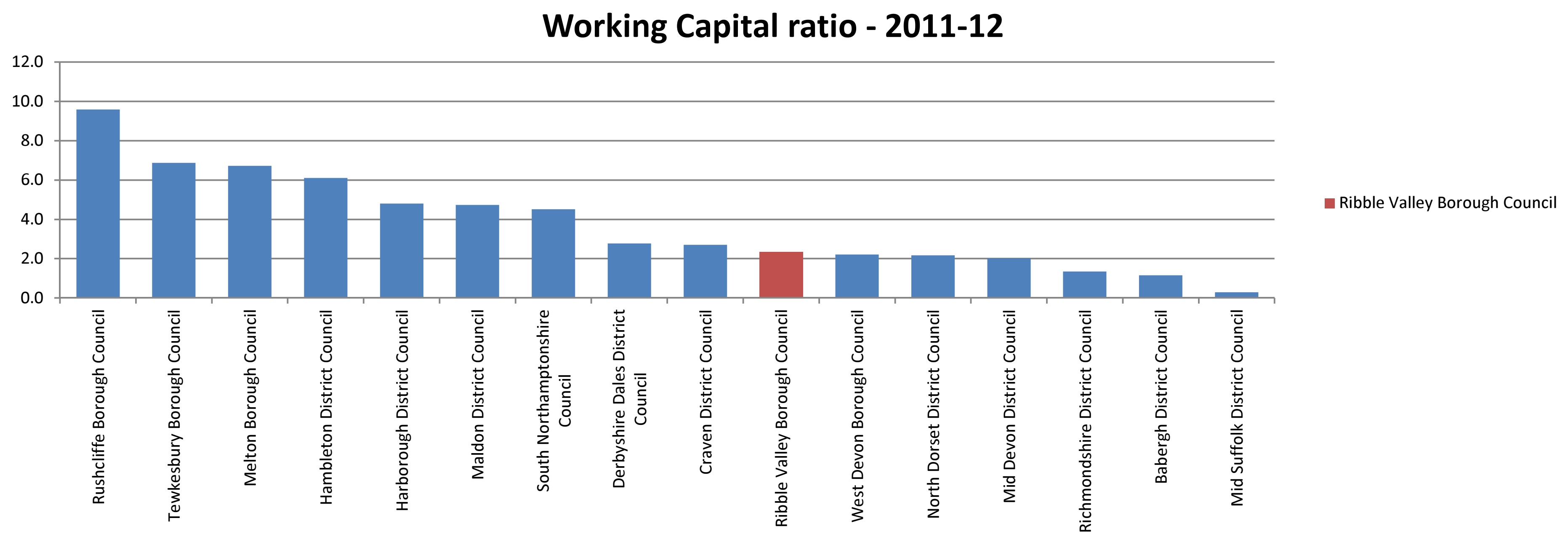
Area of focus	Summary observations	Assessment
Assurance framework/risk management	• The Council has robust risk management arrangements in place. • There is a comprehensive departmental level risk register which Heads of Service are responsible for updating with new or emerging risks. The risks are assessed and scored in respect of likelihood and impact. • Risks on the register are allocated to a named lead at a senior level,. The register has the relevant key controls listed. The use of RAG ratings (Red, Amber, Green, based on scores) helps ensure risks are appropriately managed. • CMT use their knowledge to review the risk register on a regular basis to ensure risks are being reviewed, managed and updated as appropriate and to consider whether any risks (notably potential red risks) have not been identified. • 'Red' risks are reported at each Accounts and Audit Committee. Any issues arising are then highlighted to full Council via the Accounts and Audit Committee minutes or via briefings from the Chair of Accounts and Audit Committee where necessary. • The number of risks on the full risk register means it is difficult for members to get an overview of the high level risks that might impact on the Council's strategic objectives. It would be useful if Council members received a summary "Corporate Risk Register" containing only the highest level strategic risks to scrutinise and to consider where these have the greatest potential impact on the Council achieving its overall strategic objectives.	Green

Key Indicators of Financial Performance

Working Capital Ratio - 2011/2012

Definition The working capital ratio indicates if an authority has enough current assets, or resources, to cover its immediate liabilities – i.e. those liabilities to be met over the next twelve month period. It should be noted that a high working capital ratio is not always a good thing; it could indicate that an authority is not effectively investing its excess cash.

Findings The Council's working capital ratio is just below the average when compared to its nearest neighbours, its ratio in 2011-12 being 2.35 compared to an average of 3.77. This demonstrates a prudent but not overly cautious approach to working capital management.



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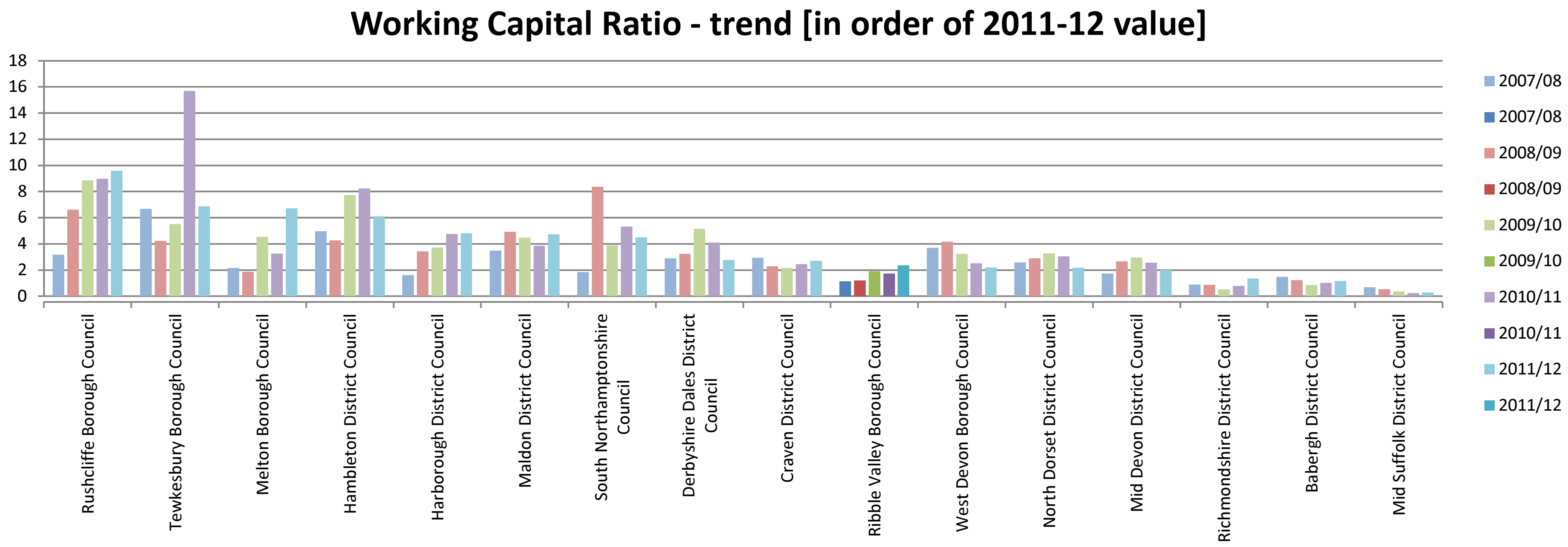
Key Indicators of Financial Performance

Working Capital Ratio – Trend

Findings There is a mixed picture in terms of the movement in working capital ratios across the nearest neighbours. 10 out of the 16 councils have increased their working capital from 2007-08 to 2011-12 whilst 6 out of the 16 have seen a decrease over the same period. Of those councils that have seen their ratio increase, there are large fluctuations in the rate of increase. The Council has seen an increase of 104% (2007-08 ratio of 1.15 to 2011-12 ratio of 2.35).



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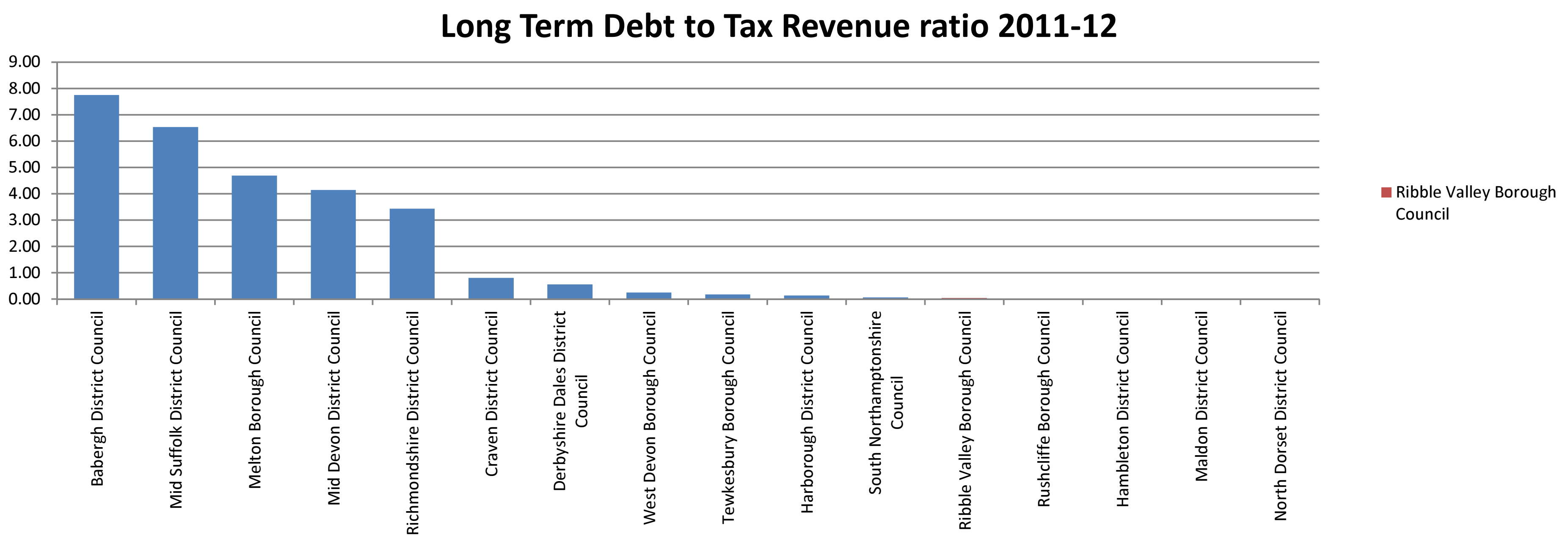
Key Indicators of Financial Performance

Long Term Debt to Tax Ratio - 2011/2012

Definition This shows long term borrowing as a share of tax revenue. A ratio of more than one means that long term borrowing exceeds council tax revenue.

Findings The Council's long term borrowing (as a percentage of tax revenue) is 0.05 which is at the lower end of the comparator group.



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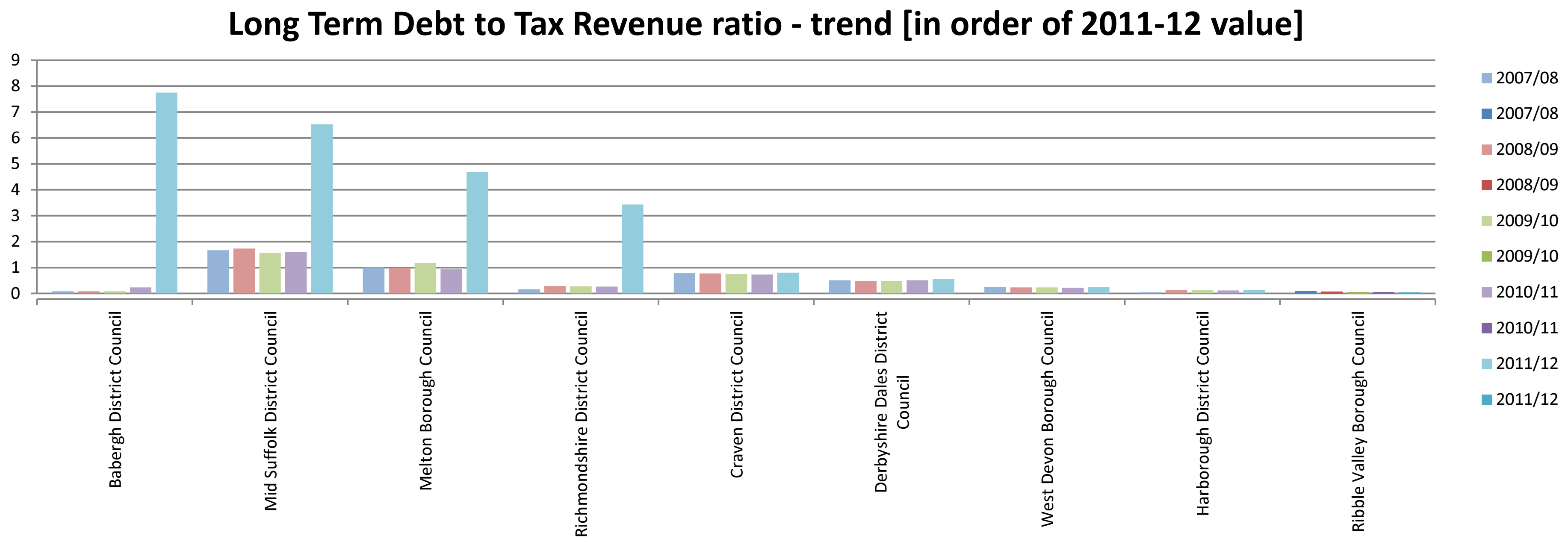
Key Indicators of Financial Performance

Long Term Debt to Tax – Trend

Findings The Council's long term borrowing to assets ratio has decreased from 0.09 in 2007-08 to 0.05 in 20011-12. This downward trend is different from the majority of the benchmarked group who have increased their ratios over this period. The Council is in a sound position with long term debt a proportionally small amount compared to tax revenues.



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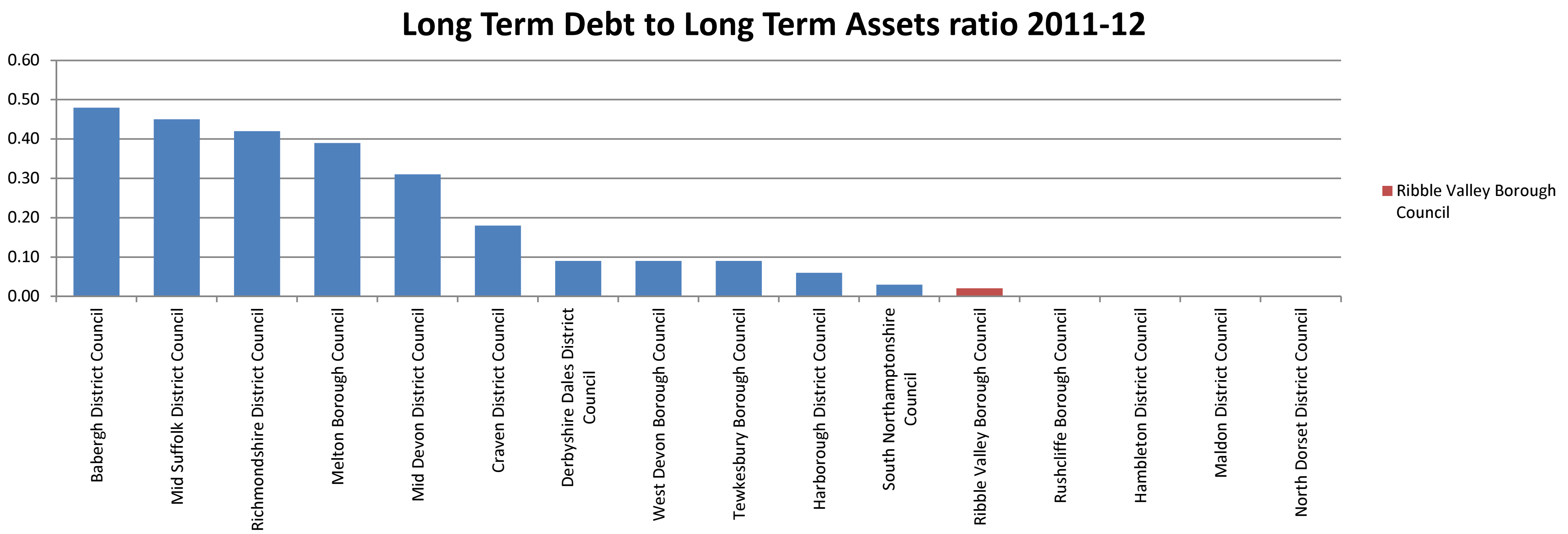
Key Indicators of Financial Performance

Long Term Debt to Long Term Assets - 2011/2012

Definition This ratio shows long term borrowing as a share of long term assets. A ratio of more than one means that long term borrowing exceeds the value of long term assets.

Findings The Council's long term borrowing to assets ratio is 0.02.



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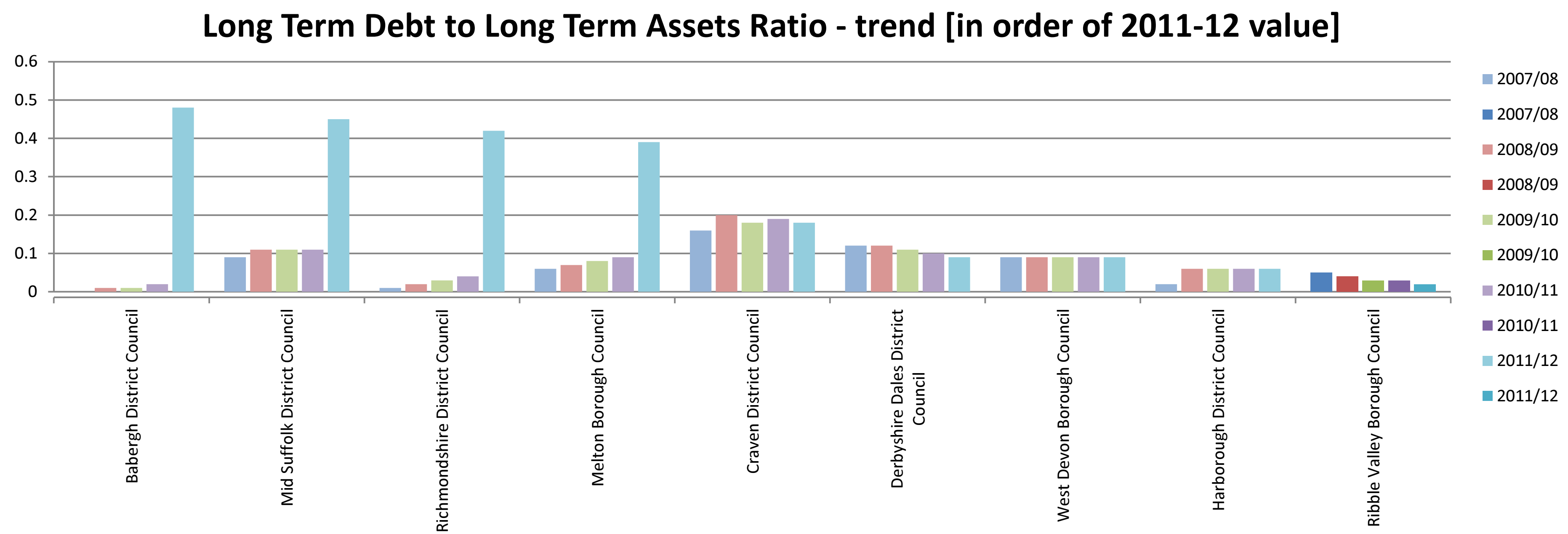
Key Indicators of Financial Performance

Long Term Debt to Long Term Assets – Trend

Findings The Council's long term borrowing to assets ratio has decreased from 0.05 in 2007-08 to 0.02 in 2011-12. There is no clear overall trend across the benchmarked group as around half the councils have increased their ratio and half decreased.



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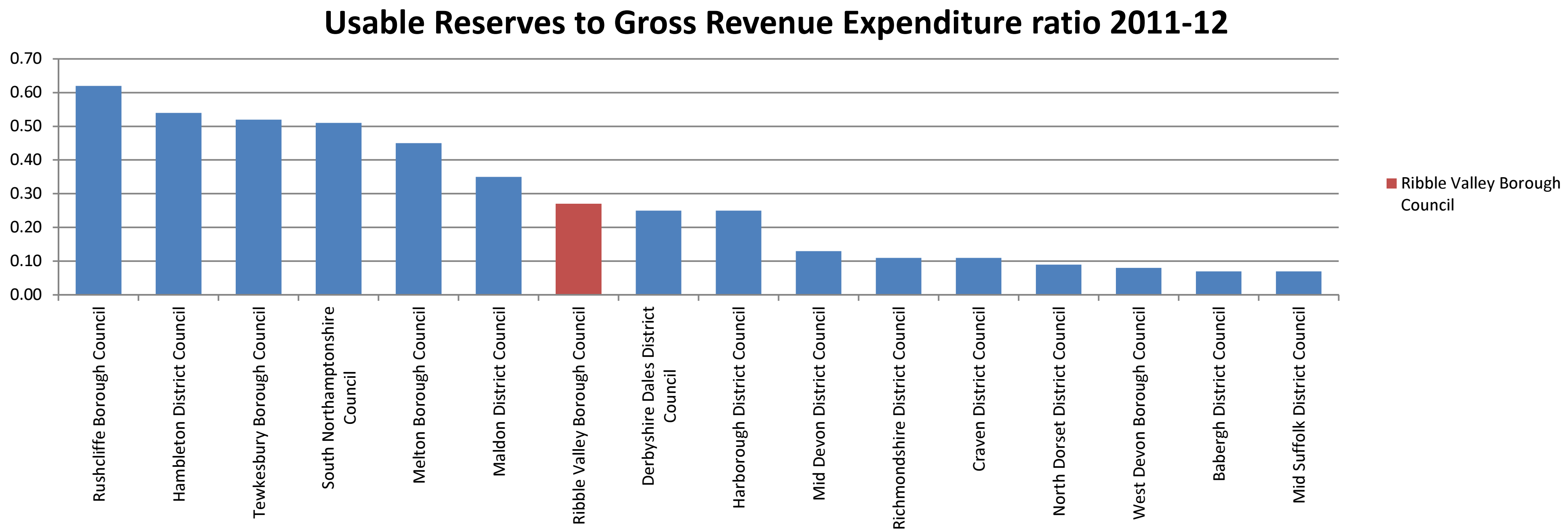
Key Indicators of Financial Performance

Usable Reserves to Gross Revenue Expenditure - 2011/2012

Definition This shows useable capital and revenue reserves as a share of expenditure. A ratio of one means the total reserves matches the level of expenditure.

Findings The Council's useable reserves as a share of expenditure ratio was 0.27. This is around the average ratio of the benchmarked group (0.28).



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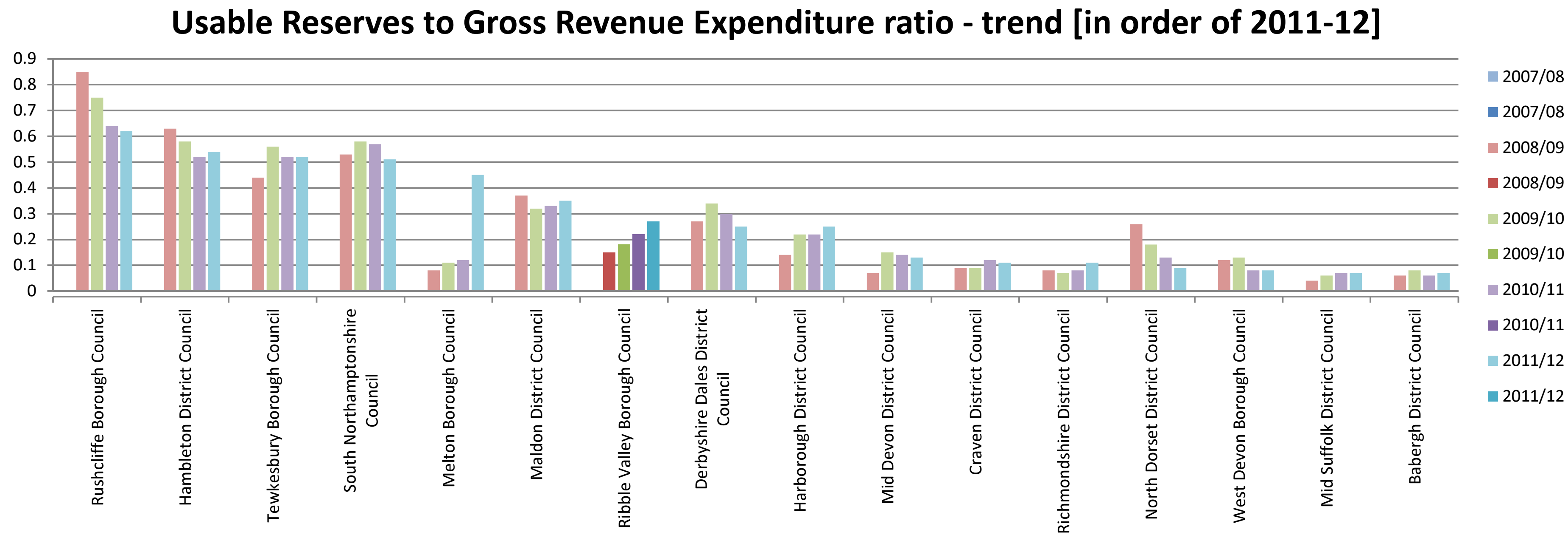
Key Indicators of Financial Performance

Usable Reserves to Gross Revenue Expenditure – Trend

Findings Between 2008-09 and 2011-12 the Council increased the value of its useable reserves as a share of expenditure from 0.15 to 0.27. There is no clear trend in the nearest neighbours with some authorities increasing their reserves (as a share of expenditure) and other decreasing their reserve levels.
CIPFA's guidance on reserves is that the level should follow the S151 officer's advice to the Council, which should be based on local circumstances. As at 31 March 2013 the Council has £6.346m reserves, with £1.7m representing the general fund balance. This is above the S151 officer's recommended minimum level of £700k.



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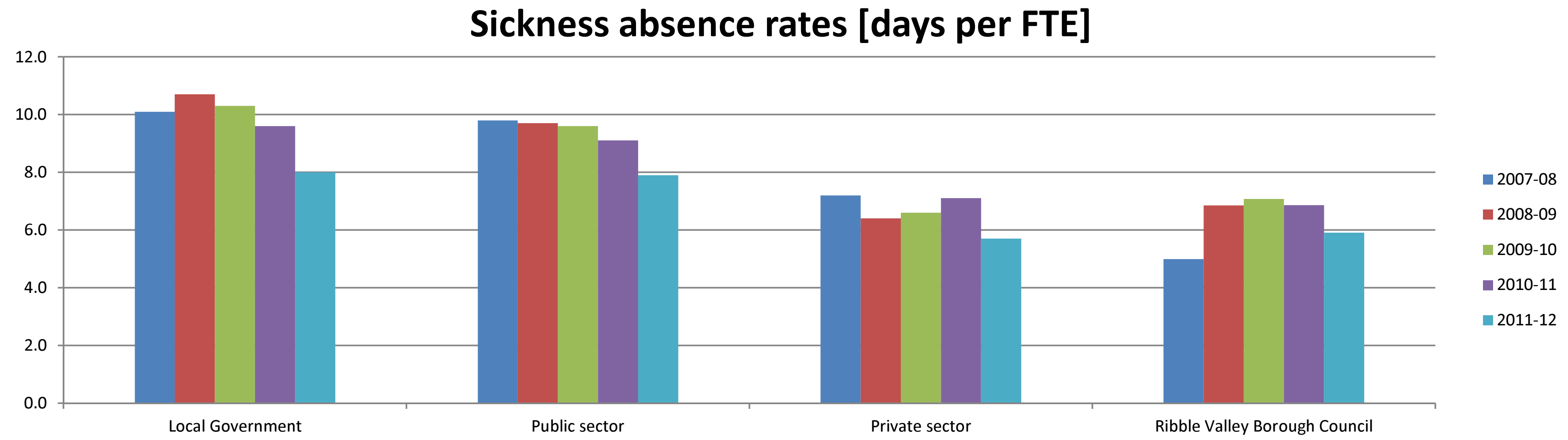
Key Indicators of Financial Performance

Sickness absence

Finding The Council's sickness absence rate reduced from 6.81 days per FTE in 2010-11 to 5.91 days per FTE in 2011-12 after having risen over previous years. The Council's sickness absence figures compare well against figures for the public sector (7.9 in 2011-12) and local government generally (8 in 2011-12).



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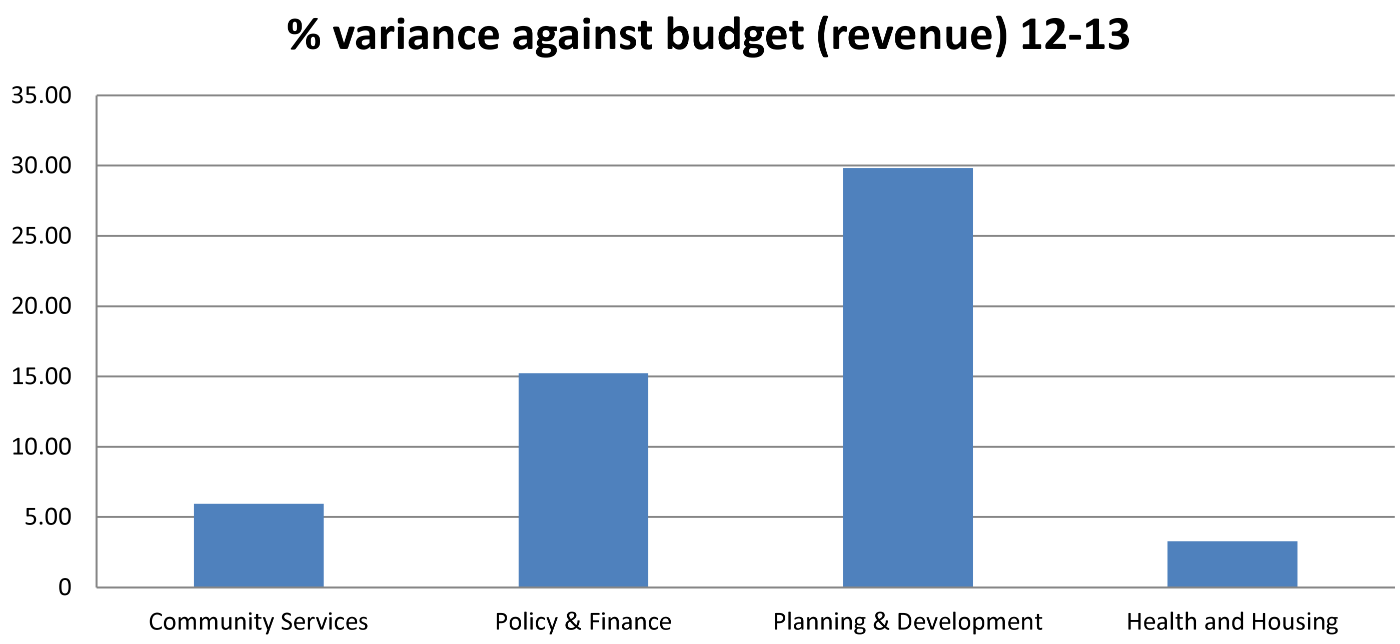
Key Indicators of Financial Performance

Outturn against budget (revenue)

Finding In 2012-13 the Council achieved an overall under-spend of £155k. After allowing for transfers to and from earmarked reserves this equates to a £98k under-spend. This underspend was spread across a number of service areas and included (for example) additional income received in respect of the VAT shelter arrangement, additional income from sale of freehold land and rent for storage compound, increased income from planning services and reduced employee related expenditure due to vacant posts.



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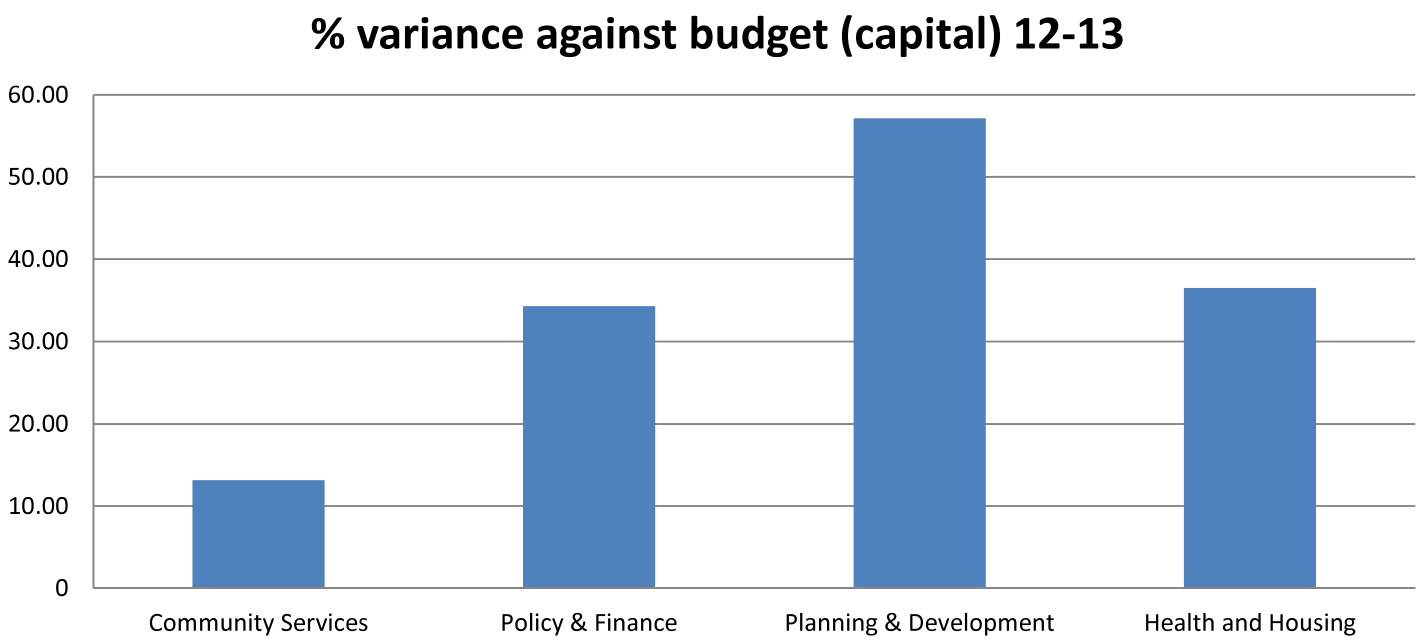
Key Indicators of Financial Performance

Outturn against budget (capital)

Finding In 2012-13 the Council had an approved capital budget of £1,536k. This was revised to £1,343k and at the year end the Council had Underspent this revised amount by £243k.



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DECISION

RIBBLE VALLEY BOROUGH COUNCIL
REPORT TO ACCOUNTS AND AUDIT COMMITTEE

Agenda Item No

meeting date: 28 AUGUST 2013
title: LETTER OF REPRESENTATION
submitted by: DIRECTOR OF RESOURCES
principal author: JANE PEARSON

1 PURPOSE

1.1 To approve the Letter of Representation for 2012/13 on behalf of the Council.

2 BACKGROUND

2.1 As you will be aware, each year our external auditors request a letter of representation from management confirming all material items have been disclosed within the financial statements.

2.2 The letter sets out assurances from the Council to Grant Thornton that relevant accounting standards have been complied with and gives further assurances that the Council has disclosed information where to withhold it would have undermined the accuracy and reliability of the Statement of Accounts. The letter also covers my own responsibilities and those of the Council in producing the annual accounts for the authority. Grant Thornton requires you to approve the Letter of Representation before they can issue their opinion and conclusion on our accounts for 2012/13.

3 2012/13 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 2012/13.

DIRECTOR OF RESOURCES

AA13-13/JP/AC
16 August 2013

BACKGROUND PAPERS

For further information please ask for Jane Pearson

RIBBLE VALLEY BOROUGH COUNCIL

Please ask for: Mrs J Pearson
Our ref: JP18-13/AC
Your ref:
Email: jane.pearson@ribblevalley.gov.uk
Resources fax: 01200 414432

Council Offices
Church Walk, Clitheroe
BB7 2RA

Tel: 01200 425111

www.ribblevalley.gov.uk

Dear Sirs

Ribble Valley Borough Council
Financial Statements for the year ended 31 March 2013

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 2013 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with International Financial Reporting.

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

Financial Statements

i We have fulfilled our responsibilities for the preparation of the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("the Code") as adapted for International Financial Reporting Standards; in particular the financial statements give a true and fair view in accordance therewith.

ii We have complied with the requirements of all statutory directions and these matters have been appropriately reflected and disclosed in the financial statements.

iii We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

iv Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

v We are satisfied that the material judgements used by us 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 further material judgements that need to be disclosed.

vi We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities for IAS19 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 retirement benefits have been identified and properly accounted for (including vii any arrangements that are statutory, contractual or implicit in the employer's actions, that arise in the UK or overseas, that are funded or unfunded).

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 requires adjustment or disclosure have been adjusted or disclosed.

x The financial statements are free of material misstatements, including omissions.

xi We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

xii 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

xiii We have provided you with:

a. access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;

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.

xiv We have communicated to you all deficiencies in internal control of which management is aware.

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

xvi 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.

xvii 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.

xviii We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, regulators or others.

xix 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.

xx We have disclosed to you the entity of the Council's related parties and all the related party relationships and transactions of which we are aware.

Annual Governance Statement

xxi 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

Approval

The approval of this letter of representation was minuted by the Council's Accounts and Audit Committee at its meeting on 28 August 2013

Signed on behalf of the Council

Name…………………………….

Position………………………….

Date…………………………….

Name…………………………….

Position………………………….

Date…………………………….

Yours sincerely

Jane Pearson
Director of Resources

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

13-13aa

DECISION

RIBBLE VALLEY BOROUGH COUNCIL
REPORT TO ACCOUNTS AND AUDIT COMMITTEE

Agenda Item No

meeting date: 28 AUGUST 2013
title: APPROVAL OF AUDITED STATEMENT OF ACCOUNTS FOR 2012/13
submitted by: DIRECTOR OF RESOURCES
principal author: LAWSON ODDIE

1 PURPOSE

1.1 To seek Member approval of the Statement of Accounts for 2012/13, following completion of the audit.

1.2 Relevance to the Council's ambition 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 Consideration – none identified

2 BACKGROUND

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

2.2 At your meeting on 26 June 2013 this committee approved the Statement of Accounts for 2012/13, **subject to audit**.

2.3 This preceded the period of audit of the accounts by our external auditors, which commenced this year on 1 July 2013 and is now completed.

2.4 The final approved version following any amendments must be published by the end of September.

3 AMENDMENTS TO DRAFT VERSION OF THE STATEMENT OF ACCOUNTS FOR 2012/13

3.1 The clearance meeting with Grant Thornton was held on 31 July 2013. The purpose of the meeting is for the auditors to report their findings during the audit of the accounts and for agreement to be reached with ourselves on any adjustments to be carried out. Following the clearance meeting a number of amendments have been made to the Statement of Accounts as referred to in the Letter of Representation report, which is included elsewhere on the agenda for this meeting.

3.2 We are very pleased that in the main there have been only minor amendments to the draft accounts recommended by our auditors. The few amendments made were changes to the presentation of items of information contained in the notes to the accounts and had no impact on the overall figures stated in the main statements.

3.3 The main changes made were an amended overall total of grants credited to services in note 29 on page 88, as the overall total in the ‘subject to audit’ version of the accounts did not include the subtotal for capital grants at the bottom of page 87. Secondly, note 32 in the ‘subject to audit’ version of the accounts showed the classification of leases by expiry date rather than showing the values classified by payment due date.

4 STATEMENT OF ACCOUNTS FOR 2012/13

4.1 The final statement of accounts for 2012/13 is attached to this report. Following receipt of the auditor’s opinion, we will publish the accounts on our website prior to the deadline of 30 September 2013. A summary version of the accounts will also be prepared and published on our website.

4.2 Once again, from the Council’s perspective, the early audit of the accounts has progressed very smoothly and timely, and the deadline for the approval of the audited Statement of Accounts at this meeting has been met. We are very pleased to have met this deadline once again.

5 RISK ASSESSMENT

5.1 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 Accounts
- Political – none.
- Reputation – Whilst there is no longer a requirement to present the Statement of Accounts in their draft stage to committee for approval, by doing so the Council demonstrated its commitment to best practice. The early completion of the audit and approval of the final audited Statement of Accounts at this meeting with minimal amendment can only be good for the Council’s reputation.
- Equality and Diversity – Public Notices have been placed in the local newspaper and also on the Council’s website, in order to raise awareness of the impending audit.

6 CONCLUSION

6.1 Due to a considerable amount of time and effort by our finance team the closure of the council’s accounts for 2012/13 has proceeded well.

6.2 The planned early closedown and audit of the Statement of Accounts has been completed as planned, which is extremely pleasing.

7 RECOMMENDED THAT THE ACCOUNTS AND AUDIT COMMITTEE

7.1 Approve the audited Statement of Accounts for 2012/13.

HEAD OF FINANCIAL SERVICES DIRECTOR OF RESOURCES

AA14-13/LO/AC
16 August 2013

BACKGROUND PAPERS
Closedown Working Papers – Final Accounts 2012/13
Report to Accounts and Audit Committee 26 June 2013 - Draft Statement of Accounts 2012/13

For further information please ask for Lawson Oddie, extension 4541

Statement of Accounts

[Audited]

2012/2013

Ribble Valley Borough Council

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

☎ 01200 425111

lawson.oddie@ribblevalley.gov.uk

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

Table of Contents

Independent Auditors' Report to Members

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Explanatory Foreword

1 INTRODUCTION

The Council's statement of accounts for the year ended 31 March 2013 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 2012/13 are:

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.*

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

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

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

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

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

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

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

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

Collection Fund Statement *This reflects the statutory requirement for billing authorities, such as Ribble Valley Borough Council, to maintain a separate fund for the collection and distribution of amounts due in respect of council tax and National Non-Domestic Rates (NNDR).*

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.

Code of Practice on Local Authority Accounting in the United Kingdom 2012/13 (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 2011.
- The audit of those accounts undertaken in accordance with the statutory framework established by section 5 of the Audit Commission Act 1998 for England.

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).

There are no major areas of change that impact on this Council's 2012/13 Statement of Accounts.

2 GENERAL FUND

Whilst the Comprehensive Income and Expenditure Statement is presented in accordance with the Service Reporting Code of Practice (SeRCOP) it is also possible to analyse our spending in accordance with the Council's committee structure.

The Council's General Fund services are partly paid for by government grants and contributions from pooled business rates with the balance being funded from council tax. Shown below is a summary of the general fund accounts comparing actual expenditure with the original and revised budgets for the year.

Committee	Original Estimate £'000	Revised Estimate £'000	Actual £'000	Original Estimate Compared to Actual £'000	Revised Estimate Compared to Actual £'000
Community Services	3,309	3,256	3,112	-197	-144
Policy & Finance	1,910	1,774	1,619	-291	-155
Planning & Development	600	630	421	-179	-209
Health & Housing	672	718	650	-22	-68
Committee Expenditure	**6,491**	**6,378**	**5,802**	**-689**	**-576**
Interest Payable	20	20	20	0	0
Parish Precepts	372	372	372	0	0
Interest Received	-30	-30	-27	3	3
Net Operating Expenditure	**6,853**	**6,740**	**6,167**	**-686**	**-573**
Precept from Collection Fund (including parish precepts)	-3,528	-3,528	-3,528	0	0
Deficit on Collection Fund	10	10	10	0	0
New Homes Bonus	-167	-180	-180	-13	0
Council Tax Freeze Concession	-79	-79	-79	0	0
Revenue Support Grant	-55	-55	-55	0	0
Business Rates Redistribution	-2,847	-2,847	-2,847	0	0
Contingency	75	0	0	-75	0
Deficit/(Surplus) for year	**262**	**61**	**-512**	**-774**	**-573**
Depreciation	-688	-656	-656	32	0
Minimum Revenue Provision	148	140	140	-8	0
Net Transfer to/from earmarked reserves	299	525	945	646	420
Deficit/(Surplus) for year	**21**	**70**	**-83**	**-104**	**-153**

Amendments to our budget in the year

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

Item	£'000
Increase in New Homes Bonus	-13
Removal of Contingency	-75
Decrease in Depreciation	32
Decrease in Minimum Revenue Provision	-8
Increase in amount set aside in Earmarked Reserves	226
Net decrease in Service Committee costs	-113
Net increase in amount to take from balances for the year	**49**

Financial Performance and Outlook

The council's final outturn against budget demonstrates the achievement of the savings identified as part of the council's full service reviews that were undertaken in 2011/12, with some areas achieving further savings.

Our budget monitoring arrangements and full reporting on financial progress to our members has helped keep our spending and income targets on track, with the early ability to take corrective action where needed.

This has helped result in us adding £83,000 to our general balances rather than our revised estimate of taking £70,000 from general balances. We have also continued to review the level and need for each of our earmarked reserves in order to better prepare ourselves for known pressures that the council is likely to experience in the short to medium term.

The forthcoming Spending Review in June 2013 could potentially see further substantial cuts to local government funding. The council has always worked to minimise the impacts of reduced government funding and is already working to minimise the impact of the provisional level of government funding for 2013/14 where we will see a reduction of 12.7%. Over the last few years we have undertaken a review of senior management and more recently undertaken full service reviews which have achieved savings of £635,000.

We recognise that these changing times mean that we need to keep ahead of our service delivery methods. As part of our service reviews we fundamentally changed how we serve our customers, through a dedicated new customer services function which will achieve substantial savings through upfront investment in infrastructure.

The government believes that local authorities should receive a financial benefit by being able to retain a proportion of business rates if they achieve local growth in business rates. It is seen that this would act as a financial incentive to local authorities to stimulate growth within their borough.

This is fundamental to the changes made to the manner in which local government is funded from 1 April 2013 onwards. This does increase the volatility around the council's future funding, with heavy reliance on economic growth within the borough and the potential impairment of our funding should any business cease or reduce their operations within the borough boundary. We have set aside a 'safety net' within our earmarked reserves to help mitigate the effects of any such future volatility.

As a result of the extensive uncertainty surrounding future government support towards the council, the need for healthy reserves becomes increasingly important. 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 the future uncertainties.

The financial impact of our Local Council Tax Support Scheme, which was first introduced from the 1 April 2013, will be closely monitored throughout the 2013/14 financial year in order to inform any future changes to the scheme from 1 April 2014.

Investment income continues to be a low provider of financial support for the council, with lower income earned in year than had been expected. The Council continues to exercise caution in the investment of its resources with the security of principal sums invested being paramount. It is not anticipated that interest rates will improve in the immediate future.

During 2012/13 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:

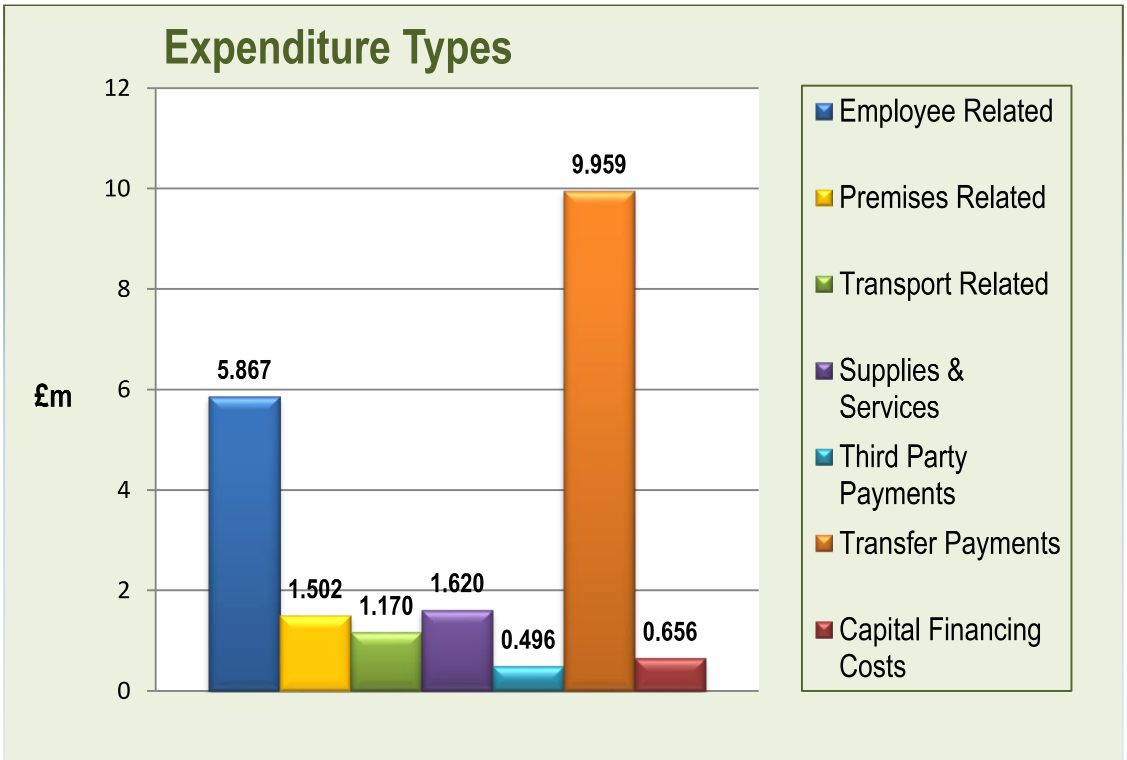
Variation	£'000
Direct Employee Costs	-38
Staff Training Costs	-19
Public Conveniences	-35
Building Repairs and Maintenance	-5
Vehicle Running Costs	-21
Staff Vehicle Mileage	-7
Equipment, Materials and Admin	-23
Books and Publications	-10
Forest of Bowland Bridleway Scheme *(Scheme now to take place in 2013/14)*	-35
Computer Equipment	-20
Postages	-9
Printing and Stationery	-10
Planning Consultants	35
Core Strategy Consultants *(Costs of further consultancy work will fall in 2013/14)*	-38
Council Meetings and Members' Allowances	-10

Variation	£'000
Protective Clothing and Uniforms	-4
Bank and Audit Fees	-4
Advertising	-12
Management of Homelessness Unit	-5
Management of Museum	-7
Ordnance Survey Fees	-6
Warm Homes Scheme	-30
Payment of Grants	-22
Payment of Benefits	143
Government Subsidy towards Benefits	-140
Children’s Trust Grant	-10
Planning Fee Income	-131
Building Control Income	18
Recycling Credits	-15
Release of Section 106 Monies *(To fund two capital schemes)*	-19
Increased income from other services	-28
VAT Shelter Income	-37
Other Variations	-22
	-576
Decreased Interest Received	3
Extra Transfers to Earmarked Reserves	420
Increase in amount to add to balances	**-153**

Analysis of our Expenditure by Type

We have shown in the graph and chart below how our total general fund ***expenditure*** is broken down by ***type:***

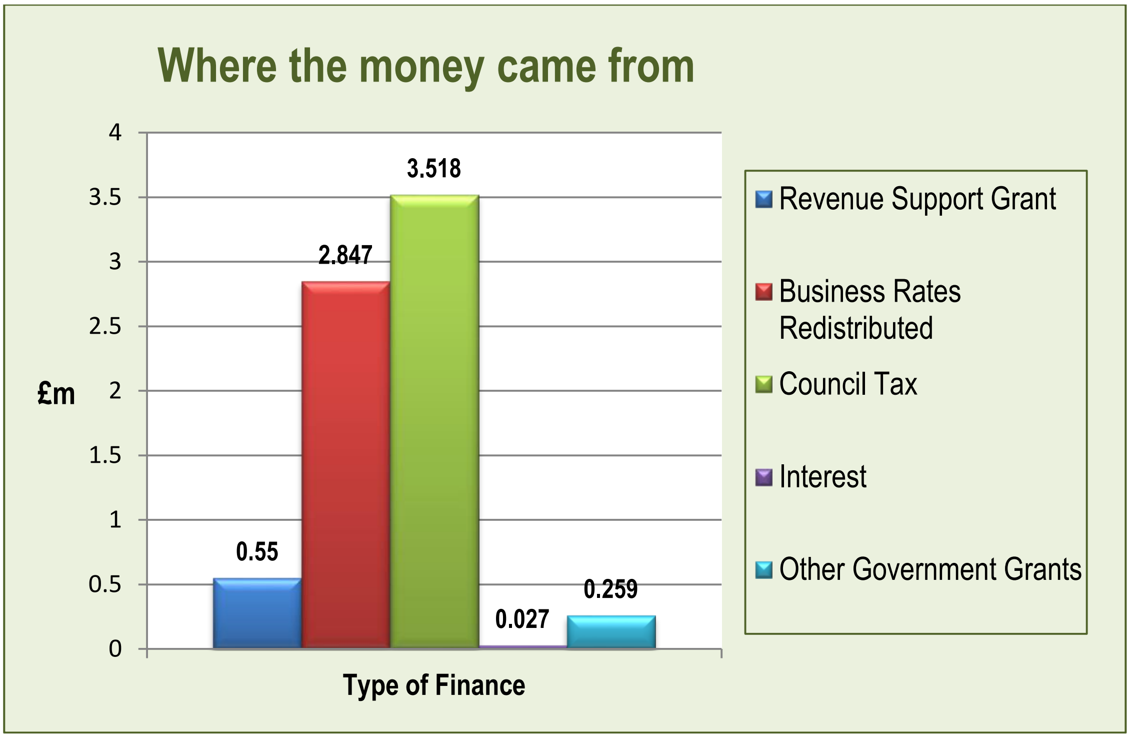
Type	£'000
Employee Related	5,867
Premises Related	1,502
Transport Related	1,170
Supplies & Services	1,620
Third Party Payments	496
Transfer Payments	9,959
Capital Financing Costs	656
Total Expenditure	**21,270**



You can see that the two biggest types of expenditure are our employee costs and transfer payments. Transfer payments are payments such as housing benefits which we make on behalf of the Government.

How our general fund budget is financed

As shown earlier our total net expenditure for committees is £5.802m. A number of adjustments are then made to this total including the removal of depreciation from our accounts, interest payable and the transfers to/from earmarked reserves. After these adjustments we are left with expenditure to be financed for the year of £7.201m. We finance this as follows:



It is obviously very important to maintain a healthy level of general fund balances to cover for unforeseen events and also provide a stable level of resources for future planning. This however has to be balanced against meeting the council's spending priorities and also very importantly setting a low council tax.

We had originally planned to take £21,000 from general fund balances to help finance the 2012/13 spending plans. However, this was revised later in the year to taking £70,000 from general fund balances. The final position shows that the council has added £83,000 to general fund balances.

	£'000
General Fund Balances: Brought forward at 1 April 2012	**1,616**
Surplus in 2012/13 added to General Fund Balances	**83**
General Fund Balances: Carried forward at 31 March 2013	**1,699**

3 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 2013 increased to £16.371m (31 March 2012 £13.346m).

The main reason for the increase in net liability is due to an increase in the actuarial (gains)/losses on liabilities. Actuarial (gains)/losses on liabilities is the change in the benefit obligation (liabilities) due to changes in the actuarial assumptions between the start and end of the year.

Over 2011/12 the discount rate reduced by 0.6% (increasing the liabilities), but was offset by a reduction in inflation and pay growth of 0.4% (which reduces the liabilities). Combining these gave a change in the net position (i.e. the real discount rate above inflation) of 0.2%, resulting in an actuarial loss of £1.4m.

Over 2012/13 the discount rate reduced by a further 0.7%, offset by a 0.1% reduction in inflation and pay growth. This gives a change in the real discount rate of 0.6%. This is three times greater than the change in 2011/12, and so results in a greater actuarial loss of £4.9m (broadly three times the 2011/12 figure). Furthermore, at 31 March 2013 the fund's actuary, Mercer Ltd, amended the mortality assumption based on the latest trends and evidence in this area, and this caused a further loss of just under £0.5m.

The changes in the financial assumptions (discount rate, inflation, pay growth) over the period were driven by movements in the underlying market conditions on which they are based. For example, the discount rate is based on AA rated corporate bond yields.

4 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 refuse vehicles & plant.
- Awarding improvement grants for private sector renewal.

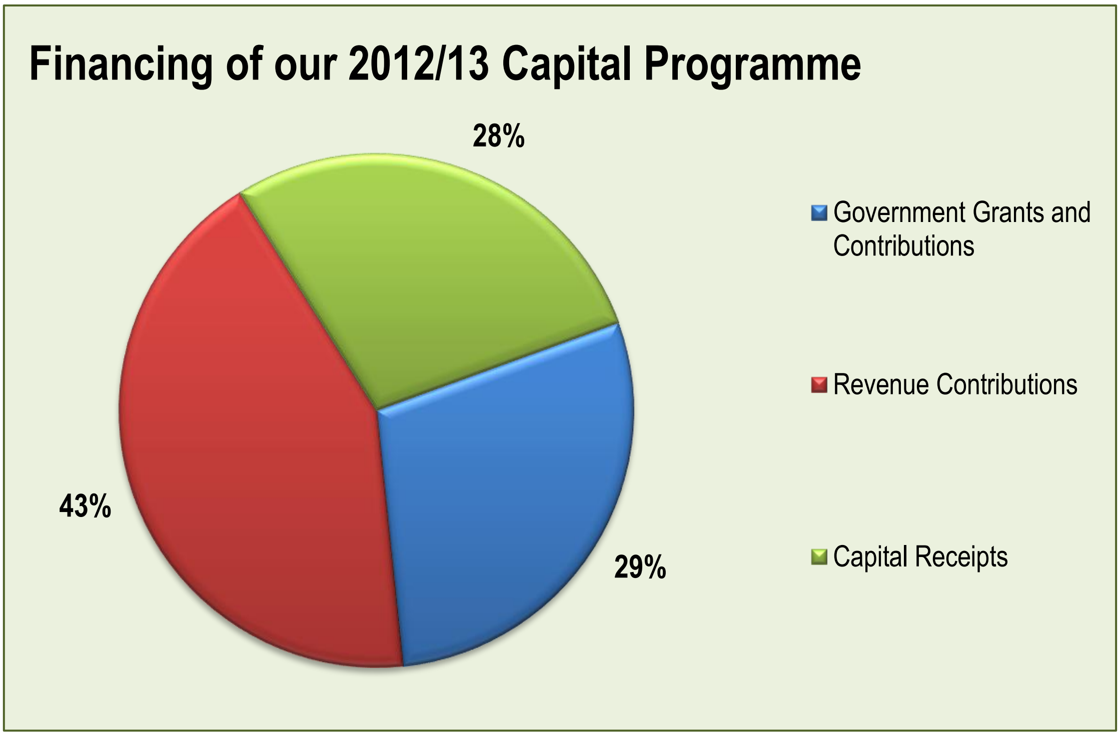
During the year the Council spent over £1.1 million on capital schemes. The main areas of expenditure included:

- Improvements to Children's Play Areas
- Replacement IT Systems
- Service Remodelling
- Replacement Vehicles and Plant
- Affordable Housing Initiatives
- Renovation and Disabled Facilities Grants

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. These schemes include the following:

- Improvements to Children's Play Areas
- Economic Development Initiatives
- Affordable Housing Initiatives

How the Capital Programme was Financed	£'000
Government grants and contributions	318
Capital Receipts	312
Revenue contributions	470
	1,100



The Council did not finance any capital expenditure from borrowing in 2012/13. However, the Council always look to make full use of advantageous lending terms that are offered by the Public Works Loan Board (PWLB).

The total PWLB loans outstanding as at 31 March 2013 was £0.365m. 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 12 to the core financial statements.

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

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

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 2013.

Jane L Pearson
Director of Resources CPFA

Approval of the Statement of Accounts

I confirm that these draft accounts (subject to audit), including the Comprehensive Income and Expenditure Statement on page 41 and the Balance Sheet on page 43, were approved by the Accounts and Audit Committee at its meeting held on 26 June 2013.

Signed by:

Cllr John Hill
Chairman of Accounts and Audit Committee

28 August 2013

Statement of Accounting Policies

1 GENERAL PRINCIPLES

The Statement of Accounts summarises the Council's transactions for the 2012/13 financial year and its position at the year-end of 31 March 2013. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011, 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 2012/13* and the *Service Reporting Code of Practice 2012/13*, supported by International Financial Reporting Standards (IFRS).

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

2 ACCRUALS OF INCOME AND EXPENDITURE

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

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

3 CASH AND CASH EQUIVALENTS

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are 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 EXCEPTIONAL ITEMS

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

5 PRIOR PERIOD ADJUSTMENTS, CHANGES IN ACCOUNTING POLICIES AND ESTIMATES AND ERRORS

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

6 CHARGES TO REVENUE FOR NON-CURRENT ASSETS

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 amortisations. 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.

7 EMPLOYEE BENEFITS

Benefits Payable during Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

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 and are charged on an accruals basis to the appropriate service, or where applicable, to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

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 4.4% (5.1% 31 March 2012) 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
- The Change in the Net Pensions Liability is analysed into seven components:
  - Current Service Cost – the increase in liabilities as a result of years 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 arising from current year decisions 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 as part of Non Distributed Costs.
  - Interest Cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

- Expected Return on Assets – the annual investment return on the fund assets attributable to Ribble Valley Borough Council, based on an average of the expected long-term return - credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- Gains or Losses on Settlements and Curtailments – the result of actions to relieve Ribble Valley Borough Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure statement as part of Non distributed Costs.
- 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.
- 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 appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the Pension Fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

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

8 EVENTS AFTER THE BALANCE SHEET DATE

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

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.

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

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

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

Financial Assets

Financial assets are classified in two types:

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

Loans and Receivables

Loans and receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Should the Council make loans at less than market rates (soft loans), a loss would be recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a higher effective rate of interest than the rate that would be receivable from the soft loan, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement. The Council has made no material soft loans.

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

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

Available-for-sale Assets

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

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

- instruments with quoted market prices – market price
- other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted market prices – independent appraisal of company valuations

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

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

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

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

10 FOREIGN CURRENCY TRANSLATION

Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

11 GOVERNMENT GRANTS AND CONTRIBUTIONS

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 (non-ringfenced 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.

12 HERITAGE ASSETS

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

Heritage Assets are

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

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

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

The Castle Keep at Clitheroe

- Built in 1186 by Robert de Lacy, the Norman Keep of Clitheroe Castle is said to be one of the smallest Keeps in England. The Council considers that obtaining a valuation for the Keep would involve a disproportionate cost in comparison to the benefits to the users of the Council's financial statements. Therefore the Council does not recognise this heritage asset on the balance sheet.
- The Council maintains and preserves the Castle Keep and last undertook substantial work over the period 2006 to 2009. The Keep is open to the general public without charge and the council retains detailed information about its history much of which can be seen with chargeable admission to the Clitheroe Castle Museum.

The Clitheroe Castle Museum Collection

- The Clitheroe Castle Museum Collection principally includes archaeological artifacts, geological collections, militaria and items of local social historical interest. Due to the diverse nature of the museum collection, and without accurate valuation information on any individual asset within the collection, the council has included the collection at insurance value as provided by the Lancashire County Museum Service.

- The Clitheroe Castle Museum collection is maintained and managed by the Lancashire County Museum Service who act as custodians on behalf of the Council. A full list of the collection is retained by both the Council and Lancashire County Museum Service. Not all of the collection is on display at the Clitheroe Castle Museum due to the volume and nature of some of the items within the collection. However, those items on display at the Clitheroe Castle Museum can be seen with chargeable admission to the Museum. At this premises the collection is interspersed with items under the ownership of Lancashire County Museum Service.
- Any acquisitions to the collection would generally be made by donation; however the collection has remained relatively static over recent years. Any donation of note would be recognised at valuation ascertained by the museum's curator or at insurance valuation.

Civic Regalia

- The Civic Regalia includes a number of chains of office. Some of these were passed to this Council at the time of Local Government reorganisation in 1974. These heritage assets have been included on the Council's balance sheet at insurance valuation.
- The civic regalia can be viewed by appointment through contact with the main council offices or alternatively the current civic regalia can 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 19* 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 19* on Property, Plant and Equipment in this summary of significant accounting policies)

13 INTANGIBLE ASSETS

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

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

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

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

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.

14 INVENTORIES AND LONG TERM CONTRACTS

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 with the exception of the General Stores which is valued at average cost.

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.

15 INVESTMENT PROPERTY

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements 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.

16 JOINTLY CONTROLLED OPERATIONS AND JOINTLY CONTROLLED ASSETS

Jointly controlled operations are activities undertaken by the Council in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Council and other venturers, with the assets being used to obtain benefits for the venturers. The joint venture does not involve the establishment of a separate entity. The Council accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

The Council currently has no jointly controlled operations or jointly controlled assets.

17 LEASES

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

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.

The Council as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the authority at the end of the lease period).

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from the 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).

The Council as Lessor

Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, 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. A gain, representing the Council's net investment in the lease, is 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), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- A charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- Finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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 therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Operating Leases

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. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. 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.

18 OVERHEADS AND SUPPORT SERVICES

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Service Reporting Code of Practice 2012/13* (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation
- Non distributed costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

These two cost categories are defined in *Se*RCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

19 PROPERTY, PLANT AND EQUIPMENT

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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 fair 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 fair value.

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

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

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

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

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

Property, Plant and Equipment Classification	31 March 2013 Revalued Amount in Balance Sheet £	Equivalent Carrying Amount Under Cost Model £
Other Land and Buildings	10,200,738	6,875,961
Vehicles, Plant, Furniture and Equipment	1,999,907	1,999,907
Infrastructure Assets	220,491	220,491
Community Assets	1,552,130	1,536,948
Surplus Assets (Not for Sale)	74,214	71,194
Total	**14,047,480**	**10,704,501**

Impairments

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

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

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

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

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

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

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

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

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

Disposals and Non-current Assets Held for Sale

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

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

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

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. 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.

20 PRIVATE FINANCE INITIATIVE (PFI) AND SIMILAR CONTRACTS

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. The Council has no PFIs or similar contracts.

21 PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions

Provisions are made where an event has taken place that gives the council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

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

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

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

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

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

Contingent Assets

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

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

22 RESERVES

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

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

23 REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUE

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.

24 VAT

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.

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 reserves.

The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council’s services, more details of which are shown in the Comprehensive Income and Expenditure Statement. This is different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes.

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 2012/13	Usable Reserves					Unusable Reserves							
	General Fund Balance £	Earmarked General Fund Reserves £	Capital Grants Unapplied £	Capital Receipts Reserve £	TOTAL USABLE RESERVES £	Capital Adjustment Account £	Collection Fund Adjustment Account £	Revaluation Reserve £	Deferred Capital Receipts Reserve £	Pensions Reserve £	Accumulated Absences Account £	TOTAL UNUSABLE RESERVES £	TOTAL COUNCIL RESERVES £
Balance at 31 March 2012	**1,616,373**	**4,173,399**	**59,019**	**192,971**	**6,041,762**	**8,001,907**	**-17,575**	**4,224,281**	**3,035**	**-13,346,324**	**-85,266**	**-1,219,942**	**4,821,820**
<u>Movement in Reserves During 2012/13</u>													
Surplus or (deficit) on the provision of Services	82,990	0	0	0	**82,990**	0	0	0	0	0	0	**0**	**82,990**
Other Comprehensive Income and Expenditure	0	0	0	0	**0**	0	0	17,763	0	-2,564,000	0	**-2,546,237**	**-2,546,237**
Total Comprehensive Income and Expenditure	**82,990**	**0**	**0**	**0**	**82,990**	**0**	**0**	**17,763**	**0**	**-2,564,000**	**0**	**-2,546,237**	**-2,463,247**
Adjustments between Accounting Basis and Funding Basis Under Regulations **(NOTE 6)**	473,776	0	276,732	-192,971	**557,537**	-51,233	-5,340	-63,777	-1,342	-461,000	25,155	**-557,537**	**0**
Net Increase/ Decrease before Transfers to Earmarked Reserves	**556,766**	**0**	**276,732**	**-192,971**	**640,527**	**-51,233**	**-5,340**	**-46,014**	**-1,342**	**-3,025,000**	**25,155**	**-3,103,774**	**-2,463,247**
Transfers to/from Earmarked Reserves **(NOTE 7)**	-473,391	473,391	0	0	**0**	0	0	0	0	0	0	**0**	**0**
Increase/Decrease in Year	**83,375**	**473,391**	**276,732**	**-192,971**	**640,527**	**-51,233**	**-5,340**	**-46,014**	**-1,342**	**-3,025,000**	**25,155**	**-3,103,774**	**-2,463,247**
Balance at 31 March 2013 Carried Forward (NOTES 19 and 20)	**1,699,748**	**4,646,790**	**335,751**	**0**	**6,682,289**	**7,950,674**	**-22,915**	**4,178,267**	**1,693**	**-16,371,324**	**-60,111**	**-4,323,716**	**2,358,573**

Movement in Reserves Statement

Movements in 2011/12	Usable Reserves					Unusable Reserves							
	General Fund Balance £	Earmarked General Fund Reserves £	Capital Grants Unapplied £	Capital Receipts Reserve £	TOTAL USABLE RESERVES £	Capital Adjustment Account £	Collection Fund Adjustment Account £	Revaluation Reserve £	Deferred Capital Receipts Reserve £	Pensions Reserve £	Accumulated Absences Account £	TOTAL UNUSABLE RESERVES £	TOTAL COUNCIL RESERVES £
Balance at 31 March 2011	**1,448,760**	**3,505,789**	**151,180**	**0**	**5,105,729**	**8,461,884**	**-29,975**	**4,383,057**	**3,915**	**-10,225,324**	**-85,826**	**2,507,731**	**7,613,460**
Movement in Reserves During 2011/12													
Surplus or (deficit) on the provision of Services	67,360	0	0	0	**67,360**	0	0	0	0	0	0	**0**	**67,360**
Other Comprehensive Income and Expenditure	0	0	0	0	**0**	0	0	0	0	-2,859,000	0	**-2,859,000**	**-2,859,000**
Total Comprehensive Income and Expenditure	**67,360**	**0**	**0**	**0**	**67,360**	**0**	**0**	**0**	**0**	**-2,859,000**	**0**	**-2,859,000**	**-2,791,640**
Adjustments between Accounting Basis and Funding Basis Under Regulations **(NOTE 6)**	767,863	0	-92,161	192,971	**868,673**	-459,977	12,400	-158,776	-880	-262,000	560	**-868,673**	**0**
Net Increase/ Decrease before Transfers to Earmarked Reserves	**835,223**	**0**	**-92,161**	**192,971**	**936,033**	**-459,977**	**12,400**	**-158,776**	**-880**	**-3,121,000**	**560**	**-3,727,673**	**-2,791,640**
Transfers to/from Earmarked Reserves **(NOTE 7)**	-667,610	667,610	0	0	**0**	0	0	0	0	0	0	**0**	**0**
Increase/Decrease in Year	**167,613**	**667,610**	**-92,161**	**192,971**	**936,033**	**-459,977**	**12,400**	**-158,776**	**-880**	**-3,121,000**	**560**	**-3,727,673**	**-2,791,640**
Balance at 31 March 2012 Carried Forward (NOTES 19 and 20)	**1,616,373**	**4,173,399**	**59,019**	**192,971**	**6,041,762**	**8,001,907**	**-17,575**	**4,224,281**	**3,035**	**-13,346,324**	**-85,266**	**-1,219,942**	**4,821,820**

Comprehensive Income and Expenditure Statement

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

The 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

2011/12 Gross Expenditure £	2011/12 Gross Income £	2011/12 Net Expenditure £		2012/13 Gross Expenditure £	2012/13 Gross Income £	2012/13 Net Expenditure £	Note
3,460,059	-2,714,114	745,945	Central Services to the Public	3,411,174	-2,745,232	665,942	
2,927,142	-1,541,322	1,385,820	Cultural and Related Services	2,607,267	-1,322,719	1,284,548	
3,312,299	-915,667	2,396,632	Environmental and Regulatory Services	3,297,376	-939,938	2,357,438	4
1,352,850	-711,346	641,504	Planning Services	1,532,749	-1,083,234	449,515	
1,350,993	-1,365,171	-14,178	Highways and Transport Services	1,306,655	-1,325,308	-18,653	
7,708,598	-7,536,584	172,014	Other Housing Services	8,132,571	-7,686,092	446,479	
48,398	-29,227	19,171	Adult Social Care	38,478	-22,731	15,747	
1,650,032	-815,959	834,073	Corporate and Democratic Core	1,737,193	-803,635	933,558	4
166,356	0	166,356	Non Distributed Costs	122,307	0	122,307	
21,976,727	**-15,629,390**	**6,347,337**	**Cost of Services**	**22,185,770**	**-15,928,889**	**6,256,881**	**24/29**
			Other Operating Expenditure				
		372,315	Payment of Precepts to Parishes			371,815	
		-73,376	Gains/Losses on the Disposal of Non-Current Assets			-58,469	
		660	Payment of Housing Capital Receipts to Government Pool			1,007	
			Financing and Investment Income and Expenditure				
		23,302	Interest Payable on Debt			19,790	12
		-21,800	Investment Interest Income			-26,835	12
		258,000	Pensions Interest Costs and Expected Return on Pension Assets			424,000	33
		-64,367	(Gain)/Loss on Investment Property			-63,211	10
		-15,579	(Gain)/Loss on Trading Accounts			-47,159	25
			Taxation and Non-Specific Grant Income				
		-3,516,106	Council Tax			-3,513,072	
		-2,472,716	National Non Domestic Rates (NNDR)			-2,846,507	29
		-764,324	Revenue Support Grant (RSG)			-55,179	29
		0	Capital Grants and Contributions			-287,500	29
		-140,706	Other Non-Specific Grants			-258,551	29
		-67,360	**(Surplus) or Deficit on Provision of Services**			**-82,990**	
		0	(Surplus) or Deficit on Revaluation of Property, Plant and Equipment Assets			-17,763	
		2,859,000	Actuarial (Gains)/Losses on Pensions Assets/Liabilities			2,564,000	33
		2,859,000	**Other Comprehensive Income and Expenditure**			**2,546,237**	
		2,791,640	**Total Comprehensive Income and Expenditure**			**2,463,247**	

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 2012 £		31 March 2013 £	Note
	Long Term Assets		
	Property, Plant and Equipment		**8**
10,472,657	*- Other Land and Buildings*	10,200,738	
2,022,005	*- Vehicles, Plant, Furniture and Equipment*	1,999,907	
222,258	*- Infrastructure Assets*	220,491	
1,525,696	*- Community Assets*	1,552,130	
165,787	*- Surplus Assets (Not for Sale)*	74,214	
14,408,403	**Total Property, Plant and Equipment**	**14,047,480**	
806,600	Heritage Assets	806,600	**9/37**
868,108	Investment Properties	819,772	**10**
40,565	Intangible Assets	125,602	**11**
374,869	Long Term Debtors	352,748	**12**
16,498,545	**Total Long Term Assets**	**16,152,202**	
	Current Assets		
0	Assets Held for Sale	86,750	**16**
79,540	Inventories	79,939	**13**
1,397,147	Short Term Debtors	1,452,543	**3/14/34/36**
2,066,521	Cash and Cash Equivalents	2,757,193	**15/36**
3,543,208	**Total Current Assets**	**4,376,425**	
	Current Liabilities		
-78,608	Short Term Borrowing	-78,608	
-1,430,193	Short Term Creditors	-1,426,421	**17**
-1,508,801	**Total Current Liabilities**	**-1,505,029**	
	Long Term Liabilities		
-364,808	Long Term Borrowing	-293,701	**12**
	Other Long Term Liabilities		
-13,346,324	*- Net Pensions Liability*	-16,371,324	**33**
-13,711,132	**Total Long Term Liabilities**	**-16,665,025**	
4,821,820	**Net Assets**	**2,358,573**	
	Usable Reserves		**19**
1,616,373	General Fund Balance	1,699,748	
4,173,399	Earmarked General Fund Reserves	4,646,790	**7**
59,019	Capital Grants Unapplied	335,751	
192,971	Usable Capital Receipts Reserve	0	
6,041,762	**Total Usable Reserves**	**6,682,289**	
	Unusable Reserves		**20**
8,001,907	Capital Adjustment Account	7,950,674	
-17,575	Collection Fund Adjustment Account	-22,915	
4,224,281	Revaluation Reserve	4,178,267	
3,035	Deferred Capital Receipts Account	1,693	
-13,346,324	Pension Reserve	-16,371,324	**33**
-85,266	Accumulated Absences Account	-60,111	
-1,219,942	**Total Unusable Reserves**	**-4,323,716**	
4,821,820	**Total Reserves**	**2,358,573**	

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 extent 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.

2011/12 £		2012/13 £	Note
-67,360	Net (Surplus) or Deficit on the Provision of Services	-82,990	
-1,629,692	Adjustments to Net Surplus or Deficit on the Provision of Services for Non-Cash Movements	-792,623	**21**
192,971	Adjustments for Items Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities	118,804	**21**
-1,504,081	**Net Cash Flows from Operating Activities**	***-756,809***	**21**
-100,811	Investing Activities	-83,761	**22**
-68,962	Financing Activities	149,898	**23**
-1,673,854	**Net Increase or decrease in Cash and Cash Equivalents**	***-690,672***	
392,667	Cash and Cash Equivalents 1 April	2,066,521	
2,066,521	**Cash and Cash Equivalents 31 March**	**2,757,193**	**15**

Notes to the Core Financial Statements

1 ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED

Amendments to IAS 19 Employee Benefits

On 16 June 2011, the IASB issued a revised version of IAS 19 Employee benefits, which makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits.

The amendments are applicable to accounting periods starting on or after 1 January 2013. The pension fund's actuary, Mercer Ltd, has provided estimates of the likely impact of the revised standard as shown below.

	Current IAS19 Disclosure £'000	Revised IAS19 Disclosure £'000	Difference £'000
Changes in benefit obligation during period to 31 March 2013			
Benefit obligation at the beginning of the period	**42,809**	**42,809**	**0**
Current Service Cost	826	846	20
Interest on Pensions liabilities	2,091	2,071	-20
Member contributions	274	274	0
Actuarial (gains)/losses on liabilities	5,344	0	-5,344
Remeasurements (liabilities)	0	5,344	5,344
Benefits/transfers paid	-1,357	-1,357	0
Benefit obligation at the end of the period	**49,987**	**49,987**	**0**

	Current IAS19 Disclosure £'000	Revised IAS19 Disclosure £'000	Difference £'000
Changes in plan assets during the period to 31 March 2013			
Fair value of plan assets at beginning of period	**29,462**	**29,462**	**0**
Expected return on plan assets	1,667	0	-1,667
Interest on plan assets	0	1,436	1,436
Remeasurements (assets)	0	3,028	3,028
Administration expenses	0	-17	-17
Actuarial gains/(losses) on assets	2,780	0	-2,780
Employer contributions	789	789	0
Member contributions	274	274	0
Benefits/transfers paid	-1,357	-1,357	0
Fair value of plan assets at end of period	**33,615**	**33,615**	**0**

	Current IAS19 Disclosure £'000	Revised IAS19 Disclosure £'000	Difference £'000
Components of pension cost for period to 31 March 2013			
Current service costs	826	846	20
Interest on pension liabilities	2,091	0	-2,091
Net interest costs	0	635	635
Expected return on assets	-1,667	0	1,667
Administration expenses	0	17	17
Total pension cost recognised in Surplus or Deficit on Provision of Services	**1,250**	**1,498**	**248**

	Current IAS19 Disclosure £'000	Revised IAS19 Disclosure £'000	Difference £'000
Statement of other comprehensive income			
Actuarial (gains)/losses	2,564	846	-1,718
Interest on pension liabilities	2,091	0	-2,091
Total pension cost recognised in Statement of Other Comprehensive Income and Expenditure	**4,655**	**846**	**-3,809**

Amendments to IAS 1 Presentation of Financial Statements regarding Other Comprehensive Income

These amendments relate to a change in presentation only.

2 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

- There is a degree of uncertainty about the future levels of funding for local government services in future years. 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.
- The Council has a current challenge with HM Revenue and Customs for the payment of compound interest in respect of a number of claims that have been previously settled, but with payment of simple interest. There is no sufficient certainty to treat this claim as a probable contingent asset therefore prudence requires that no adjustments are made to the Statement of Accounts.

3 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 2013 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
Pensions Liability	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.	Mercer Limited are the actuaries for the Lancashire County Pension Fund. The Pension Fund Deficit for Ribble Valley at 31 March 2013 was £16.371m. The following sensitivity analysis is provided by Mercer Limited: • ***+0.1% p.a. discount rate as at 31 March 2013:*** deficit would be £15.532m • ***+0.1% p.a. inflation as at 31 March 2013:*** deficit would be £17.228m • ***1 year addition to members' life expectancy as at 31 March 2013:*** deficit would be £17.367m
Arrears	At 31 March 2013, the Council had a balance of sundry debtors of £417,000 (including overpaid housing benefits). A review of significant balances suggested that an impairment of doubtful debts of £116,000 (including overpaid housing benefits) was appropriate. However, in the changing current economic climate, 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 £11,600

4 MATERIAL ITEMS OF INCOME AND EXPENSE

VAT Sharing Arrangement

As part of the Voluntary Housing Stock Transfer an agreement was reached with Ribble Valley Homes Ltd to share their Value Added Tax that they can claim from HM Revenue and Customs. This arrangement is unique to Councils and Registered Social Landlords upon transfer. In the 2012/13 financial year the Council received £385,503 from Ribble Valley Homes Ltd under these arrangements (£445,230 in 2011/12)

Waste Collection

During the year the council received a grant of £222,000 (total over three years will be £750,000) for the Weekly Collection Support Scheme. The grant was transferred to Capital Grants Unapplied to fund expenditure to be incurred in 2013/14.

5 EVENTS AFTER THE BALANCE SHEET DATE

Non-Adjusting Event after the Reporting Period for Non-Domestic Rates – Appeals

When the new arrangements for the retention of business rates come into effect on 1 April 2013, local authorities will assume the liability for refunding ratepayers who have successfully appealed against the rateable value of their properties on the rating list.

This will include amounts that were previously paid over (to Central Government) in respect of 2012/13 and prior years. Previously, such amounts would not have been recognised as income by the council, but would have been transferred to DCLG.

When the council assumes these liabilities on the 1 April 2013, the respective share for Ribble Valley Borough Council of this liability would be £177,910. This is based on the forecast level of adjustment due to appeals for the 2013/14 financial year, as indicated in a return (NNDR1) to DCLG in January 2013.

6 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

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

General Fund Balance

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

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

Capital Receipts Reserve

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

Capital Grants Unapplied

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

Notes to the Core Financial Statements

Movements in 2012/13	Usable Reserves: General Fund Balance £	Usable Reserves: Capital grants Unapplied £	Usable Reserves: Capital Receipts Reserve £	Movement in Unusable Reserves £
Adjustments between Accounting Basis and Funding Basis Under Regulations				
Adjustments primarily involving the Capital Adjustment Account				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement				
Charges for depreciation and impairment of non-current assets	647,989			-647,989
Revaluation losses on Property Plant and Equipment (Charged to surplus or Deficit on Provision of Services)	228,686			-228,686
Amortisation of Intangible Assets	8,113			-8,113
Capital Grants and Contributions Applied	-296,854			296,854
Revenue Expenditure Funded from Capital Under Statute	410,970			-410,970
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	60,000			-60,000
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Account				
Statutory Provision for the Financing of Capital investment	-140,226			140,226
Capital expenditure charged against General Fund Balances	-470,332			470,332
Adjustments primarily involving the Capital Grants Unapplied Account				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-298,293	298,293		
Application of grants to capital financing transferred to the Capital Adjustment Account		-21,561		21,561

Movements in 2012/13	Usable Reserves: General Fund Balance £	Usable Reserves: Capital grants Unapplied £	Usable Reserves: Capital Receipts Reserve £	Movement in Unusable Reserves £
Adjustments between Accounting Basis and Funding Basis Under Regulations				
Adjustments primarily involving the Capital Receipts Reserve				
Transfer of Cash Sale Proceeds Credited as Part of the Gain/Loss on Disposal to the Comprehensive Income and Expenditure Statement	-118,469		118,469	
Use of the Capital Receipts Reserve to finance new capital expenditure			-311,775	311,775
Contribution from the Capital Receipts Reserve towards administrative cost of Non-Current asset disposals				
Contribution from the Capital receipts Reserve to finance the payments to the Government Capital receipts pool	1,007		-1,007	
Transfer from deferred capital receipts reserve upon receipt of cash			1,342	-1,342
Adjustments primarily involving the Pensions Reserve				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	1,250,000			-1,250,000
Employer's pensions contributions and direct payments to pensioners payable in the year	-789,000			789,000
Adjustments primarily involving the Collection Fund Adjustment Account				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income collected for the year in accordance with statutory requirements	5,340			-5,340
Adjustments primarily involving the Accumulated Absences Account				
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	-25,155			25,155
Total Adjustments	**473,776**	**276,732**	**-192,971**	**-557,537**

Notes to the Core Financial Statements

Movements in 2011/12	Usable Reserves			Movement in Unusable Reserves £
	General Fund Balance £	Capital grants Unapplied £	Capital Receipts Reserve £	
Adjustments between Accounting Basis and Funding Basis Under Regulations				
Adjustments primarily involving the Capital Adjustment Account				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement				
Charges for depreciation and impairment of non-current assets	763,489			-763,489
Revaluation losses on Property Plant and Equipment (Charged to surplus or Deficit on Provision of Services)				0
Amortisation of Intangible Assets				0
Capital Grants and Contributions Applied	-223,895			223,895
Revenue Expenditure Funded from Capital Under Statute	420,617			-420,617
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	119,375			-119,375
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Account				
Statutory Provision for the Financing of Capital investment	-143,758			143,758
Capital expenditure charged against General Fund Balances	-178,283			178,283
Adjustments primarily involving the Capital Grants Unapplied Account				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-46,631	46,631		0
Application of grants to capital financing transferred to the Capital Adjustment Account		-138,792		138,792

Movements in 2011/12	Usable Reserves			
	General Fund Balance £	Capital grants Unapplied £	Capital Receipts Reserve £	Movement in Unusable Reserves £
Adjustments between Accounting Basis and Funding Basis Under Regulations				
Adjustments primarily involving the Capital Receipts Reserve				
Transfer of Cash Sale Proceeds Credited as Part of the Gain/Loss on Disposal to the Comprehensive Income and Expenditure Statement	-195,000		195,000	0
Use of the Capital Receipts Reserve to finance new capital expenditure			0	0
Contribution from the Capital Receipts Reserve towards administrative cost of Non-Current asset disposals	2,249		-2,249	
Contribution from the Capital receipts Reserve to finance the payments to the Government Capital receipts pool	660		-660	0
Transfer from deferred capital receipts reserve upon receipt of cash			880	-880
Adjustments primarily involving the Pensions Reserve				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	1,090,000			-1,090,000
Employer's pensions contributions and direct payments to pensioners payable in the year	-828,000			828,000
Adjustments primarily involving the Collection Fund Adjustment Account				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income collected for the year in accordance with statutory requirements	-12,400			12,400
Adjustments primarily involving the Accumulated Absences Account				
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	-560			560
Total Adjustments	**767,863**	**-92,161**	**192,971**	**-868,673**

7 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 2012/13.

General Fund	Balance at 31 March 2011 £	Transfers In 2011/12 £	Transfers Out 2011/12 £	Balance at 31 March 2012 £	Transfers In 2012/13 £	Transfers Out 2012/13 £	Balance at 31 March 2013 £
Local Recreation Grants Fund *Used to fund recreation grants*	**16,831**	6,820		**23,651**	3,010		**26,661**
Elections Fund *Used to fund borough elections held once every four years*	**63,551**	19,870	-63,869	**19,552**	20,507		**40,059**
Audit Reserve Fund *Used for computer audit*	**12,335**			**12,335**			**12,335**
Building Control Fund *Available to equalise net expenditure over a three year period*	**-53,274**		-33,036	**-86,310**		-33,111	**-119,421**
Rural Development Reserve *Used to fund consultation work on rural housing*	**1,631**			**1,631**			**1,631**
Capital *Used to fund the capital programme*	**54,665**	282,279	-12,848	**324,096**	78,345	-3,083	**399,358**
Insurance *Available to meet any costs following demise of Municipal Mutual Insurance Company*	**20,000**			**20,000**		-3,252	**16,748**
Christmas Lights/RV in Bloom *Available to fund contributions towards Christmas Lights and Ribble Valley in Bloom*	**3,416**		-150	**3,266**		-1,980	**1,286**
Community Enhancement *Used to fund grants to local organisations*	**2,881**			**2,881**	8,538		**11,419**
New Community Enhancement Schemes *Additional reserve for funding grants to local organisations*	**6,809**			**6,809**		-6,809	**0**
Rent Deposit Reserve *Set aside for homeless rent deposits*	**7,837**			**7,837**			**7,837**
Revenue Contributions (RCCO) Unapplied *Used to fund capital expenditure*	**23,134**		-12,529	**10,605**		-10,605	**0**

General Fund	Balance at 31 March 2011	Transfers In 2011/12	Transfers Out 2011/12	Balance at 31 March 2012	Transfers In 2012/13	Transfers Out 2012/13	Balance at 31 March 2013
	£	£	£	£	£	£	£
Parish Schemes *Used to fund Parish improvement schemes*	**1,729**			**1,729**		-1,729	**0**
Local Development Framework *To finance Local Development Framework costs*	**11,583**		-7,754	**3,829**		-3,829	**0**
LALPAC Licensing System *To fund costs of LALPAC licensing system*	**1,866**		-442	**1,424**			**1,424**
IT Equipment *To fund future software and hardware upgrades*	**0**	90,540		**90,540**		-42,147	**48,393**
Conservation Reserve *To fund conservation schemes completed after the financial year end*	**6,210**			**6,210**			**6,210**
Concessionary Travel *To fund the transfer of the administration of the scheme to upper tier local authorities*	**40,026**			**40,026**			**40,026**
Fleming VAT Claim *VAT recovered from 'Fleming' claim challenge to HMRC*	**239,926**			**239,926**			**239,926**
Government Connect *To fund revenue costs of Government Connect Service*	**5,239**		-5,239	**0**			**0**
Repairs and Maintenance *To fund emergency repairs and maintenance items, including legionella and asbestos abatement*	**33,299**			**33,299**		-4,000	**29,299**
Post LSVT *To fund any costs post LSVT which may arise, such as pension fund liabilities*	**438,150**			**438,150**		-36,513	**401,637**
Market Town Enhancement *To fund grants under Market Towns Enhancement Scheme*	**6,643**			**6,643**			**6,643**
Planning Delivery *To fund improved delivery of housing and other planning outcomes*	**132,846**	13,200	-146,046	**0**			**0**
Performance Reward Grant *Performance Reward Grant received and yet to be distributed to successful schemes*	**526,710**		-98,662	**428,048**		-54,216	**373,832**

Notes to the Core Financial Statements

General Fund	Balance at 31 March 2011 £	Transfers In 2011/12 £	Transfers Out 2011/12 £	Balance at 31 March 2012 £	Transfers In 2012/13 £	Transfers Out 2012/13 £	Balance at 31 March 2013 £
Refuse Collection *To fund refuse collection costs of bin replacements*	**18,000**			**18,000**			**18,000**
Restructuring Reserve *To fund costs resulting from restructuring reviews*	**275,000**	27,900	-75,359	**227,541**			**227,541**
VAT Shelter Reserve *Funds received from the post LSVT VAT Shelter arrangements, partly used to contribute towards the future financing of the capital programme*	**1,047,542**	445,230	-65,548	**1,427,224**	385,503	-314,293	**1,498,434**
Revaluation of Assets Reserve *To contribute towards the revaluation of the Council's assets every five years.*	**2,000**	2,000		**4,000**	2,000		**6,000**
Clean Air Reserve *To fund clean air survey work*	**4,500**		-379	**4,121**		-480	**3,641**
Estates Maintenance Reserve *To fund approved one-off boundary maintenance work to Estates asset*	**2,500**		-2,500	**0**			**0**
Equipment Reserve *To fund essential and urgent equipment requirements*	**31,000**	2,000		**33,000**	10,170		**43,170**
Forest of Bowland Reserve *To fund access improvement schemes within the Ribble Valley section of the Forest of Bowland*	**27,146**	7,500		**34,646**			**34,646**
Invest to Save Fund *To fund future invest to save projects*	**250,000**	21,917	-7,619	**264,298**	78,082	-92,380	**250,000**
Land Charges Reserve *To fund any potential restitution claims for personal search fees*	**34,356**			**34,356**			**34,356**
Land Charges System Reserve *To fund planned land charges system purchase*	**9,000**		-9,000	**0**			**0**
Pendle Hill User Reserve *To fund improvement schemes on Pendle Hill*	**17,830**	7,941	-8,000	**17,771**	191	-4,450	**13,512**
Planning Reserve *To fund any future potential planning issues*	**100,000**	153,167	-103,167	**150,000**	231,000	-71,929	**309,071**
Tourism Promotions Reserve *To fund planned tourism publicity and promotions*	**6,812**	1,950	-6,812	**1,950**		-1,950	**0**

General Fund	Balance at 31 March 2011 £	Transfers In 2011/12 £	Transfers Out 2011/12 £	Balance at 31 March 2012 £	Transfers In 2012/13 £	Transfers Out 2012/13 £	Balance at 31 March 2013 £
Crime Reduction Partnership Reserve *To fund cost of crime reduction initiatives*	**16,060**	10,429		**26,489**	2,986		**29,475**
Housing Benefit Reserve *To help meet the challenges facing the service in the coming years*	**60,000**	40,000		**100,000**			**100,000**
Wellbeing and Health Equality *To fund expenditure on Wellbeing and Health*	**0**	47,428		**47,428**			**47,428**
Exercise Referral Reserve *To fund potential residual staffing costs*	**0**	5,310		**5,310**	847		**6,157**
Clitheroe Cemetery Reserve *To finance any future liabilities from the cemetery extension*	**0**	3,640		**3,640**			**3,640**
New Homes Bonus Reserve *To help finance future economic development capital schemes*	**0**	2,046		**2,046**	119,645		**121,691**
Core Strategy Reserve *To fund the production of the Core Strategy*	**0**	87,412		**87,412**	103,829	-31,144	**160,097**
Emergency Planning Reserve *To fund the production of District Emergency and Business Continuity Plans*	**0**	2,520		**2,520**		-1,250	**1,270**
CCTV Reserve *To fund purchase of additional CCTV Equipment*	**0**	1,000		**1,000**			**1,000**
Warm Homes Healthy People Reserve *Residual grant received, to be committed to future grant schemes*	**0**	44,470		**44,470**		-14,539	**29,931**
Business Rates Volatility Reserve *To provide some protection against business rates volatilities*	**0**			**0**	135,904		**135,904**
Community Right to Bid/Challenge *To fund any future costs under the Community Right to Bid and Community Right to Challenge Regulations*	**0**			**0**	13,420		**13,420**

Notes to the Core Financial Statements

General Fund	Balance at 31 March 2011 £	Transfers In 2011/12 £	Transfers Out 2011/12 £	Balance at 31 March 2012 £	Transfers In 2012/13 £	Transfers Out 2012/13 £	Balance at 31 March 2013 £
Voluntary Organisation Grant Reserve *To fund schemes carried out by the Voluntary Sector*	**0**			**0**	3,720		**3,720**
Grant Funded Sports Development *To finance future Sports Development grant funded expenditure*	**0**			**0**	6,283		**6,283**
Human Resource Development *To provide for staff training commitments*	**0**			**0**	3,100		**3,100**
	3,505,789	**1,326,569**	**-658,959**	**4,173,399**	**1,207,080**	**-733,689**	**4,646,790**

8 PROPERTY, PLANT AND EQUIPMENT

Movements in 2012/13	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
Cost or Valuation						
At 1 April 2012	10,879	3,107	235	1,531	173	**15,925**
Additions	123	428	4	29	0	**584**
Derecognition - Disposal	0	-64	0	0	0	**-64**
Assets reclassified (to)/from Held for Sale	0	0	0	0	-93	**-93**
At 31 March 2013	**11,002**	**3,471**	**239**	**1,560**	**80**	**16,352**
Accumulated Depreciation and Impairments						
At 1 April 2012	-406	-1,085	-13	-6	-7	**-1,517**
Derecognition - Disposal	0	64	0	0	0	**64**
Depreciation written out to the Surplus/Deficit on the Provision of Services	-185	-450	-6	-2	-4	**-647**
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	-210	0	0	0	0	**-210**
Asset Reclassification to/from Held for Sale	0	0	0	0	5	**5**
At 31 March 2013	**-801**	**-1,471**	**-19**	**-8**	**-6**	**-2,305**
Net Book Value						
at 31 March 2012	**10,473**	**2,022**	**222**	**1,525**	**166**	**14,408**
at 31 March 2013	**10,201**	**2,000**	**220**	**1,552**	**74**	**14,047**

Notes to the Core Financial Statements

Movements in 2011/12	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
Cost or Valuation						
At 1 April 2011	11,030	3,090	235	1,490	0	**15,845**
Additions	22	17	0	41	0	**80**
Derecognition - Other	-7	0	0	0	7	**0**
Assets reclassified (to)/from Surplus Assets	-166	0	0	0	166	**0**
At 31 March 2012	**10,879**	**3,107**	**235**	**1,531**	**173**	**15,925**
Accumulated Depreciation and Impairments						
At 1 April 2011	-225	-519	-7	-3	0	**-754**
Depreciation written out to the Revaluation Reserve	-63	0	0	-1	0	**-64**
Depreciation written out to the Surplus/Deficit on the Provision of Services	-125	-566	-6	-2	0	**-699**
Derecognition - Other	7	0	0	0	-7	**0**
At 31 March 2012	**-406**	**-1,085**	**-13**	**-6**	**-7**	**-1,517**
Net Book Value						
at 31 March 2011	**10,805**	**2,571**	**228**	**1,487**	**0**	**15,091**
at 31 March 2012	**10,473**	**2,022**	**222**	**1,525**	**166**	**14,408**

Depreciation

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

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

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 2013 and 31 March 2012, the Council had no major capital commitments.

Effects of Changes in Estimates

In 2012/13 the Council made no material changes to its accounting estimates for Property, Plant and Equipment.

Revaluations

The freehold and leasehold properties, which comprise the Council's property portfolio, were revalued on 1 March 2010 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 6th Edition as published by the Royal Institute of Chartered Surveyors.

For each asset under Property, Plant and Equipment an Existing Use Value (EUV) was provided.

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.

Investment Property, which are assets held by the council but which are not directly occupied or used in the delivery of services, were valued at Market Value (MV).

An impairment review was undertaken by the district valuer, Mr A T Snape BA (Hons) MRICS.

At the 31 March 2013 the year on year valuations did not indicate any significant decline in the Fair Value of the assets other than in the case of the Council Offices, Church Walk, Clitheroe. The site has reduced in value from £1.55m to £1.35m due to the current market for office space. This is considered a significant fall and is therefore reflected within the Statement of Accounts.

9 HERITAGE ASSETS

Reconciliation of the Carrying Value of Heritage Assets Held by the Council	Castle Keep at Clitheroe £'000	Clitheroe Castle Museum Collection £'000	Civic Regalia £'000	Roman Bath Site Ribchester £'000	Total Heritage Assets £'000
Cost or Valuation					
At 1 April 2011	0	750	57	0	**807**
At 31 March 2012	**0**	**750**	**57**	**0**	**807**
Cost or Valuation					
At 1 April 2012	0	750	57	0	**807**
At 31 March 2013	**0**	**750**	**57**	**0**	**807**

The Castle Keep at Clitheroe

The Castle Keep at Clitheroe was built in 1186 by Robert de Lacy and is said to be one of the smallest Norman keeps in England. As set out in the summary of significant accounting policies, the council does not consider that reliable cost or valuation information can be obtained for this site. As information on cost or value is not available, and the cost of obtaining the information outweighs any benefit from obtaining such valuation, the asset is not included on the Balance Sheet.

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.

Civic Regalia

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

The Roman Bath site at Ribchester

The Roman Bath site at Ribchester consists of the archaeological remains of a Roman bath house. As set out in the summary of significant accounting policies, the council does not consider that reliable cost or valuation information can be obtained for this site. As information on cost or value is not available, and the cost of obtaining the information outweighs any benefit from obtaining such valuation, the asset is not included on the Balance Sheet.

Additions of Heritage Assets

There have been no additions to the council's Heritage Assets in the 2012/13 financial year.

Disposals of Heritage Assets

There have been no disposals of the council's Heritage Assets in the 2012/13 financial year.

10 INVESTMENT PROPERTIES

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

	2011/12 £	2012/13 £
Rental income from investment property	-98,010	-98,785
Direct operating expenses arising from investment property	33,643	35,574
Net Gain/(Loss)	**-64,367**	**-63,211**

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

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

	2011/12 £'000	2012/13 £'000
Balance at the start of the year	**868**	**868**
Additions		
- Subsequent Expenditure	0	12
Disposals	0	-60
Balance at end of the year	**868**	**820**

11 INTANGIBLE ASSETS

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The purchases made in 2011/12 are in respect of the council's land charges system and replacement Customer Relationship Management (CRM) system. Purchases in the 2012/13 financial year related to the purchase of a module for the new Local Council Tax Support Scheme and also a new website.

Amortisation is on a straight line basis over 5 years, starting on the year after purchase.

The movement on Intangible Asset balances during the year is as follows:

Purchased Software Licences	2011/12 £'000	2012/13 £'000
Balance at start of year:		
Gross carrying amount	15	56
Accumulated amortisation	-15	-15
Net carrying amount at start of year	**0**	**41**
Movement in year:		
Expenditure in Year	41	93
Written Off to Revenue in year	0	-8
Balance at 31 March	**41**	**126**

12 FINANCIAL INSTRUMENTS

Categories of Financial Instruments

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

	Long-Term		Current	
	31 March 2012 £	31 March 2013 £	31 March 2012 £	31 March 2013 £
Investments				
Loans and receivables	0	0	2,066,521	2,757,193
Total Investments	**0**	**0**	**2,066,521**	**2,757,193**
Debtors				
Loans and receivables	374,869	352,748	0	0
Financial assets carried at contract amount	0	0	295,020	317,341
Total Debtors	**374,869**	**352,748**	**295,020**	**317,341**
Borrowings				
Financial liabilities at amortised cost	-364,808	-293,701	-71,108	-71,108
Total Borrowings	**-364,808**	**-293,701**	**-71,108**	**-71,108**
Creditors				
Financial liabilities carried at contract amount	0	0	-373,372	-181,823
Total Creditors	**0**	**0**	**-373,372**	**-181,823**

The Financial Instruments categorised above represent:

- 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 mortgages, 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.

Income, Expenses, Gains and Losses

	2011/2012		2012/2013	
	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables
	£	£	£	£
Interest expenses	23,302	4,419	19,790	5,686
Interest Income	0	-26,219	0	-32,521
Total	**23,302**	**-21,800**	**19,790**	**-26,835**

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 2012 and 31 March 2013 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 2012		31 March 2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£	£	£	£
Financial Liabilities	435,916	510,208	364,808	436,580

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 2012		31 March 2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£	£	£	£
Long-term debtors	374,869	374,869	352,748	352,748

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

13 INVENTORIES

	General Stores		Tourism Stocks		Other Stocks		Totals	
	2011/12 £	2012/13 £	2011/12 £	2012/13 £	2011/12 £	2012/13 £	2011/12 £	2012/13 £
Balance outstanding at start of year	**52,201**	**62,995**	**7,553**	**3,001**	**20,362**	**13,544**	**80,116**	**79,540**
Purchases	249,823	231,320	9,387	9,488	42,137	32,663	**301,347**	**273,471**
Recognised as an expense in the year	-238,699	-228,994	-13,713	-8,394	-46,795	-34,299	**-299,207**	**-271,687**
Written Off balances	-330	-153	-226	-1,206	-2,160	-26	**-2,716**	**-1,385**
Balance outstanding at year-end	**62,995**	**65,168**	**3,001**	**2,889**	**13,544**	**11,882**	**79,540**	**79,939**

14 DEBTORS

	31 March 2012 £	31 March 2013 £
Central government bodies	226,149	24,641
Central government bodies - Net of Impairment	**226,149**	**24,641**
Other local authorities	310,489	333,254
Other local authorities - Net of Impairment	**310,489**	**333,254**
NHS Bodies	22,792	5,001
NHS Bodies - Net of Impairment	**22,792**	**5,001**
Public corporations and trading funds	25,513	0
Public corporations and trading funds - Net of Impairment	**25,513**	**0**
Other entities and individuals		
- House Purchase and Improvement Loans	6	1,341
- Sundry Debtors	767,921	1,015,350
- Council Tax	68,443	78,885
- Prepayments	114,077	136,875
- Impairment	-138,243	-142,804
Other entities and individuals - Net of Impairments	**812,204**	**1,089,647**
Total	**1,397,147**	**1,452,543**

15 CASH AND CASH EQUIVALENTS

	31 March 2012 £	31 March 2013 £
Cash held by the Council	13,762	11,104
Bank current accounts	152,759	231,089
Short Term Investments	1,900,000	2,515,000
Subtotal	**2,066,521**	**2,757,193**

16 ASSETS HELD FOR SALE

	Current	
	2011/12 £	2012/13 £
Balance outstanding at start of year	**119,375**	**0**
Assets newly classified as held for sale:		
- Other assets /liabilities in disposal group	0	93,500
Revaluation losses	0	-4,807
Revaluaton gains	0	22,571
Impairment losses	0	-18,879
Assets sold	-119,375	0
Other Movements	0	-5,635
Balance outstanding at year-end	**0**	**86,750**

17 CREDITORS

	31 March 2012 £	31 March 2013 £
Central government bodies	225,158	327,599
Other local authorities	319,664	263,052
NHS Bodies	1,566	198
Public corporations and trading funds	0	34,756
Other entities and individuals		
Sundry Creditors	529,364	475,603
Council Tax	46,425	46,107
Commuted Sums	60,955	162,240
Refundable Deposits	12,048	8,913
Receipts in Advance	235,013	107,953
Total	**1,430,193**	**1,426,421**

18 PROVISIONS

The only provision, which is shown in the table below, relates to employee compensated short term absences.

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits 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 benefits are charged to revenue in the financial year in which the holiday absence occurs.

The treatment of these adjustments in the 2011/12 financial year and onwards has changed and the entry is now shown in the accounts as a creditor rather than through a provision. The net effect on the accounts remains the same; however, the adjustment for 2011/12 now appears in a different part of the balance sheet, but still within Current Liabilities.

The resulting balance on provisions for 2011/12 is nil, and there have been no provisions for 2012/13. As a result no provisions are shown on the balance sheet. However, the movement in provisions in 2011/12 is shown in the table below for completeness.

Short Term Compensated Absences	2011/12 £	2012/13 £
Balance at 1 April	**85,826**	**0**
Amounts used in the year	-85,826	0
Balance at 31 March	**0**	**0**

19 USABLE RESERVES

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and Notes 6 and 19.

In summary the Usable Reserves are shown below. Detailed analysis of the council's earmarked reserves is available in Note 7.

31 March 2012 £		31 March 2013 £
1,616,373	General Fund Balance	1,699,748
4,173,399	Earmarked General Fund Reserves	4,646,790
59,019	Capital Grants Unapplied	335,751
192,971	Usable Capital Receipts Reserve	0
6,041,762	**Total Usable Reserves**	**6,682,289**

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.

2011/2012 £		2012/2013 £
1,448,760	**Opening General Fund balance**	**1,616,373**
167,613	Net amount added to (taken from) General Fund balance	83,375
1,616,373	**Closing General Fund balance**	**1,699,748**

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 as the specific details of each one can be seen at Note 7.

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

2011/2012 £		2012/2013 £
3,505,789	**Opening Earmarked General Fund Reserves**	**4,173,399**
1,326,569	Amounts added to Earmarked General Fund Reserves	1,207,080
-658,959	Amounts taken from Earmarked General Fund Reserves	-733,689
4,173,399	**Closing Earmarked General Fund Reserves**	**4,646,790**

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.

2011/2012 £		2012/2013 £
151,180	**Opening Capital Grants Unapplied**	**59,019**
46,631	Amounts added to Capital Grants Unapplied	298,293
-138,792	Amounts taken from Capital Grants Unapplied	-21,561
59,019	**Closing Capital Grants Unapplied**	**335,751**

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.

2011/2012 £		2012/2013 £
0	**Opening Usable Capital Receipts Reserve**	**192,971**
192,971	Amounts added to the Usable Capital Receipts Reserve	119,811
0	Amounts taken from the Usable Capital Receipts Reserve	-312,782
192,971	**Closing Usable Capital Receipts Reserve**	**0**

20 UNUSABLE RESERVES

31 March 2012 £		31 March 2013 £
8,001,907	Capital Adjustment Account	7,950,674
-17,575	Collection Fund Adjustment Account	-22,915
4,224,281	Revaluation Reserve	4,178,267
3,035	Deferred Capital Receipts Account	1,693
-13,346,324	Pension Reserve	-16,371,324
-85,266	Accumulated Absences Account	-60,111
-1,219,942	**Total Unusable Reserves**	**-4,323,716**

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings to the Revaluation Reserve to convert 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 enhancement.

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 6 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

2011/2012 £		2012/2013 £	£
8,461,884	**Balance at 1 April**		**8,001,907**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive income and Expenditure statement		
-763,489	- Charges for depreciation and impairment of non-current assets	-647,989	
0	- Revaluation losses on Property, Plant and Equipment	-228,686	
0	- Amortisation of intangible assets	-8,113	
-420,617	- Revenue expenditure funded from capital under statute	-410,970	
-24,376	- 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	-60,000	
-1,208,482			**-1,355,758**
63,777	Adjusting amounts written out of the Revaluation Reserve		63,777
7,317,179	**Net written out amount of the cost of non-current assets consumed in the year**		**6,709,926**
	Capital financing applied in the year		
0	- Use of the Capital Receipts Reserve to finance new capital expenditure	311,775	
223,895	- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	296,854	
138,792	- Application of grants to capital financing from the Capital Grants Unapplied Account	21,561	
143,758	- Statutory provision for the financing of capital investment charged against the General Fund	140,226	
178,283	- Capital expenditure charged against the General Fund	470,332	
684,728			**1,240,748**
0	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		0
8,001,907	**Balance at 31 March**		**7,950,674**

Collection Fund Adjustment Account

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

2011/2012 £		2012/2013 £
-29,975	**Balance at 1 April**	**-17,575**
12,400	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	-5,340
-17,575	**Balance at 31 March**	**-22,915**

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.

2011/2012 £		2012/2013	£
4,383,057	**Balance at 1 April**		**4,224,281**
0	Upward revaluation of assets	22,571	
0	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	-4,808	
0	**Surplus or Deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services**		**17,763**
-63,777	Difference between fair value depreciation and historical cost depreciation	-63,777	
-94,999	Accumulated gains on assets sold or scrapped	0	
-158,776	**Amount written off to the Capital Adjustment Account**		**-63,777**
4,224,281	**Balance at 31 March**		**4,178,267**

Deferred Capital Receipts Account

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

2011/2012 £		2012/2013 £
3,915	**Balance at 1 April**	**3,035**
-880	Transfer to the Capital Receipts Reserve upon receipt of cash	-1,342
3,035	**Balance at 31 March**	**1,693**

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.

2011/2012 £		2012/2013 £
-10,225,324	**Balance at 1 April**	**-13,346,324**
-2,859,000	Actuarial gains and (losses) on pensions assets and liabilities	-2,564,000
-1,090,000	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	-1,250,000
828,000	Employer's pensions contributions and direct payments to pensioners payable in the year	789,000
-13,346,324	**Balance at 31 March**	**-16,371,324**

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.

2011/2012 £		2012/2013 £
-85,826	**Balance at 1 April**	**-85,266**
85,826	Settlement or cancellation of accrual made at the end of the preceding year	85,266
-85,266	Amounts accrued at the year end of the current year	-60,111
560	**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**	**25,155**
-85,266	**Balance at 31 March**	**-60,111**

21 CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

2011/2012 £		2012/2013 £
-21,800	Interest received	-26,835
23,302	Interest paid	19,790

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

2011/2012 £		2012/2013 £
192,971	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	118,804
192,971		**118,804**

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

2011/2012 £		2012/2013 £
-763,489	Depreciation	-647,989
0	Impairment and downward valuations	-228,686
0	Amortisation	-8,113
19,146	Increase/decrease in creditors	-21,383
-532,150	Increase/decrease in debtors	-45,515
-576	Increase/decrease in inventories	399
-262,000	Movement in pension liability	-461,000
-119,375	Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	-60,000
28,752	Other non-cash items charged to the net surplus or deficit on the provision of services	679,664
-1,629,692		**-792,623**

22 CASH FLOW STATEMENT – INVESTING ACTIVITIES

2011/2012 £		2012/2013 £
540,969	Purchase of property, plant and equipment, investment property and intangible assets	1,100,522
-192,971	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-118,804
-448,809	Other receipts from investing activities	-1,065,479
-100,811	**Net cash flows from investing activities**	**-83,761**

23 CASH FLOW STATEMENT – FINANCING ACTIVITIES

2011/2012 £		2012/2013 £
71,108	Repayments of short- and long-term borrowing	71,108
-140,070	Other payments for financing activities	78,790
-68,962	**Net cash flows from financing activities**	**149,898**

24 AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the *Service Reporting Code of Practice*. However, decisions about resource allocation are taken by the Council on the basis of budget reports analysed across Committees. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- Other than depreciation, no charges are made in committee reports in relation to capital expenditure, capital grants and contributions, or revenue expenditure funded from capital under statute (whereas revaluation and impairment losses in excess of the balance on the Revaluation Reserve, amortisations, revenue expenditure funded from capital under statute and Capital grants and contributions are all shown on services in the Comprehensive Income and Expenditure Statement).
- The cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year.
- Accumulated Absences costs are not included in the reports to Committees.

Committee Income and Expenditure 2012/13	Community Services Committee £	Health and Housing Committee £	Planning and Development Committee £	Policy and Finance Committee £	Total £
Fees, charges and other service income	-4,796,757	-10,015,278	-875,358	-5,023,873	**-20,711,266**
Government Grants	0	-269,299	-1,747	-88,196	**-359,242**
Total Income	**-4,796,757**	**-10,284,577**	**-877,105**	**-5,112,069**	**-21,070,508**
Employee related expenditure	2,914,054	8,375	17,663	2,927,409	**5,867,501**
Other service expenses	3,061,690	9,939,304	244,372	1,500,225	**14,745,591**
Support Services recharges	1,379,352	975,130	1,034,922	2,214,566	**5,603,970**
Depreciation	554,031	11,784	1,183	89,104	**656,102**
Total Expenditure	**7,909,127**	**10,934,593**	**1,298,140**	**6,731,304**	**26,873,164**
Net Expenditure	**3,112,370**	**650,016**	**421,035**	**1,619,235**	**5,802,656**

Notes to the Core Financial Statements

Committee Income and Expenditure 2011/12	Community Services Committee £	Health and Housing Committee £	Planning and Development Committee £	Policy and Finance Committee £	Total £
Fees, charges and other service income	-4,795,980	-308,799	-656,985	-4,726,661	**-10,488,425**
Government Grants	-106	-9,921,484	-20,847	-90,104	**-10,032,541**
Total Income	**-4,796,086**	**-10,230,283**	**-677,832**	**-4,816,765**	**-20,520,966**
Employee related expenditure	3,072,586	3,570	67,862	2,925,096	**6,069,114**
Other service expenses	3,115,425	9,714,242	257,669	1,497,670	**14,585,006**
Support Services recharges	1,284,651	953,530	926,257	2,052,778	**5,217,216**
Depreciation	668,836	13,597	3,657	77,400	**763,490**
Total Expenditure	**8,141,498**	**10,684,939**	**1,255,445**	**6,552,944**	**26,634,826**
Net Expenditure	**3,345,412**	**454,656**	**577,613**	**1,736,179**	**6,113,860**

Reconciliation of Committee Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of Committee income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	2011/2012 £	2012/2013 £
Net Expenditure in the Committee Analysis	**6,113,860**	**5,802,656**
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	153,531	343,855
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	**153,531**	**343,855**
Cost of Services, Gain/Loss on Trading Accounts and Gain/Loss on Investment Properties in Comprehensive Income and Expenditure Statement	**6,267,391**	**6,146,511**

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of Committee income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of services included in the Comprehensive Income and Expenditure Statement.

2012/2013	Committee Analysis £	Amounts not Reported to Management for Decision Making £	Cost of Services including Investment Properties and Trading Accounts £	Corporate Amounts £	Total £
Fees, charges and other service income	-10,965,287	0	**-10,965,287**	0	**-10,965,287**
Interest and investment income	0	0	**0**	-26,835	**-26,835**
Income from council tax	0	0	**0**	-3,513,072	**-3,513,072**
Capital Grants and Contributions	0	-307,647	**-307,647**	-287,500	**-595,147**
Government grants and contributions	-10,105,221	0	**-10,105,221**	-3,160,237	**-13,265,458**
Total Income	**-21,070,508**	**-307,647**	**-21,378,155**	**-6,987,644**	**-28,365,799**
Employee related expenditure	5,867,501	11,846	**5,879,347**	424,000	**6,303,347**
Other service expenses	14,745,591	0	**14,745,591**	0	**14,745,591**
Support Service recharges	5,603,970	0	**5,603,970**	0	**5,603,970**
Depreciation, amortisation and impairment	656,102	639,656	**1,295,758**	0	**1,295,758**
Interest payments	0	0	**0**	19,790	**19,790**
Precepts and levies	0	0	**0**	371,815	**371,815**
Payments to Housing Capital Receipts Pool	0	0	**0**	1,007	**1,007**
Gain or loss on disposal of Non-Current assets	0	0	**0**	-58,469	**-58,469**
Total Expenditure	**26,873,164**	**651,502**	**27,524,666**	**758,143**	**28,282,809**
Surplus or Deficit on the Provision of Services	**5,802,656**	**343,855**	**6,146,511**	**-6,229,501**	**-82,990**

Notes to the Core Financial Statements

2011/2012	Committee Analysis £	Amounts not Reported to Management for Decision Making £	Cost of Services including Investment Properties and Trading Accounts £	Corporate Amounts £	Total £
Fees, charges and other service income	-10,488,425	0	**-10,488,425**	0	**-10,488,425**
Interest and investment income	0	0	**0**	-21,800	**-21,800**
Income from council tax	0	0	**0**	-3,516,106	**-3,516,106**
Government grants and contributions	-10,032,541	-270,526	**-10,303,067**	-3,377,746	**-13,680,813**
Total Income	**-20,520,966**	**-270,526**	**-20,791,492**	**-6,915,652**	**-27,707,144**
Employee related expenditure	6,069,114	3,440	**6,072,554**	258,000	**6,330,554**
Other service expenses	14,585,006	0	**14,585,006**	0	**14,585,006**
Support Service recharges	5,217,216	0	**5,217,216**	0	**5,217,216**
Depreciation, amortisation and impairment	763,490	420,617	**1,184,107**	0	**1,184,107**
Interest payments	0	0	**0**	23,302	**23,302**
Precepts and levies	0	0	**0**	372,315	**372,315**
Payments to Housing Capital Receipts Pool	0	0	**0**	660	**660**
Gain or loss on disposal of Non-Current assets	0	0	**0**	-73,376	**-73,376**
Total Expenditure	**26,634,826**	**424,057**	**27,058,883**	**580,901**	**27,639,784**
Surplus or Deficit on the Provision of Services	**6,113,860**	**153,531**	**6,267,391**	**-6,334,751**	**-67,360**

25 TRADING OPERATIONS

The Council has established one trading unit where the Head of Service is required to operate in a commercial environment and balance their budget by generating income from other organisations. Detail of this unit is as follows:

		2011/2012	2012/2013
		£	£
Clitheroe Market *The Council own and operate the Clitheroe Market site, offering 41 cabins for rent to market traders together with 31 stalls and numerous additional pitches.*	Turnover	-108,874	-112,760
	Expenditure	93,295	65,601
	Surplus	**-15,579**	**-47,159**

The net surplus on Trading Operations, as above, is shown under Financing and Investment Income and Expenditure on the Comprehensive Income and Expenditure Statement.

26 MEMBERS' ALLOWANCES

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

	2011/2012	2012/2013
	£	£
Basic Allowance	106,543	113,760
Special Responsibility Allowances	80,859	78,463
Expenses	7,079	5,952
	194,481	**198,175**

27 OFFICERS' EMOLUMENTS

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

Remuneration Disclosure (excluding Pension Contributions)

Post Holder Information	Salary 2011/2012 £	Benefits in Kind 2011/2012 £	Total Remuneration excluding Pension Contributions 2011/2012 £	Salary 2012/2013 £	Benefits in Kind 2012/2013 £	Total Remuneration excluding Pension Contributions 2012/2013 £
Chief Executive*	95,859	6,496	**102,355**	94,828	7,054	**101,882**
Director of Community Services	73,233	6,889	**80,122**	76,524	7,116	**83,640**
Director of Resources	70,122	8,010	**78,132**	74,904	7,962	**82,866**
	239,214	**21,395**	**260,609**	**246,256**	**22,132**	**268,388**

*Please note that the values for the officer marked * includes Acting Returning Officers Fees, which fluctuate from year to year depending on the elections called. (2012/13 £2,500 and 2011/12 £9,333)*

In both financial years there were no employees with a salary of more than £150,000.

Please note that the figures shown above for the Chief Executive post includes receipts for Acting Returning Officers Fees which fluctuate from year to year depending on the elections called. (2012/13 £2,500 and 2011/12 £9,333).

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.

Salary Banding 2011/2012	Salary Banding 2012/2013	Employee Contribution Rate
£0 - £12,900	£0 - £13,500	5.5%
> £12,900 - £15,100	> £13,500 - £15,800	5.8%
> £15,100 - £19,400	> £15,800 - £20,400	5.9%
> £19,400 - £32,400	> £20,400 - £34,000	6.5%
> £32,400 - £43,301	> £34,000 - £45,500	6.8%
> £43,301 - £81,100	> £45,500 - £85,300	7.2%
> £81,100	> £85,300	7.5%

The contribution to the pension scheme which the council make is based upon the employee's salary and the rate consists of two elements. The two elements of the contribution rate for Ribble Valley Borough Council in 2011/2012 and 2012/2013 were:

Elements of Contribution Rate	2011/2012	2012/2013
Common Rate	12.5%	12.5%
Ribble Valley Adjustment amount	3.6%	4.1%
Total Contribution Rate	**16.1%**	**16.6%**

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 Common Rate.

Remuneration Disclosure (including Pension Contributions)

Post Holder Information	Total Remuneration excluding Pension Contributions 2011/2012 £	Pension Contributions 2011/2012 £	Total Remuneration including Pension Contributions 2011/2012 £	Total Remuneration excluding Pension Contributions 2012/2013 £	Pension Contributions 2012/2013 £	Total Remuneration including Pension Contributions 2012/2013 £
Chief Executive*	102,355	11,982	**114,337**	101,882	11,541	**113,423**
Director of Community Services	80,122	9,154	**89,276**	83,640	9,566	**93,206**
Director of Resources	78,132	8,765	**86,897**	82,866	9,363	**92,229**
	260,609	**29,901**	**290,510**	**268,388**	**30,470**	**298,858**

*Please note that the values for the officer marked * includes Acting Returning Officers Fees, which fluctuate from year to year depending on the elections called. (2012/13 £2,500 and 2011/12 £9,333)*

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:

	2011/2012	Staff who have left	2012/2013
£50,000 - £54,999	2		3
£55,000 - £59,999			
£60,000 - £64,999			
£65,000 - £69,999			
£70,000 - £74,999			
£75,000 - £79,999	1		
£80,000 - £84,999	1		2
£85,000 - £89,999			
£90,000 - £94,999			
£95,000 - £99,999			
£100,000 - £104,999	*1		*1

*Please note that the officer marked * includes Acting Returning Officers Fees, which fluctuate from year to year depending on the elections called. (2012/13 £2,500 and 2011/12 £9,333).*

The number of exit packages with total cost per band are set out in the table below, and include pension strain costs. These were made in the 2011/12 financial year only and resulted from the Council's service review, helping towards a number of future service savings which in total will help the council achieve savings in excess of £630,000 per annum:

Exit Package Cost Band (including special payments)	Number of Compulsory Redundancies		Total Cost of Exit Packages in Each Band	
	2011/12	2012/13	2011/12	2012/13
£0 - £20,000	2	0	11,057	0
£20,001 - £40,000	2	0	63,035	0

No exit packages were made in the 2012/13 financial year.

28 EXTERNAL AUDIT COSTS

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

	2011/2012 £	2012/2013 £
Fees Payable to the Audit Commission with regard to external audit services carried out by the appointed auditor for the year	80,810	
Fees Payable to Grant Thornton UK LLP with regard to external audit services carried out by the appointed auditor for the year	0	52,702
Fees payable to the Audit Commission for the certification of grant claims and returns for the year.	22,470	0
Fees payable to Grant Thornton UK LLP for the certification of grant claims and returns for the year.	0	10,550
Rebate on Fees Payable to the Audit Commission with regard to external audit services carried out by the appointed auditor for the previous year	0	-4,700
Total	**103,280**	**58,552**

29 GRANT INCOME

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2012/13:

	2011/2012 £	2012/2013 £
Credited to Taxation and Non Specific Grant Income		
National Non Domestic Rates	-2,472,716	-2,846,507
Revenue Support Grant	-764,324	-55,179
New Homes Bonus	-64,046	-179,645
Council Tax Freeze Grant	-78,660	-78,906
Total Credited to Taxation and Non Specific Grant Income	**-3,379,746**	**-3,160,237**
Credited to Services		
Grants Received for Capital Purposes		
Disabled Facilities Grant	-136,940	-155,564
Big Lottery Children's Play	-79,796	0
Sport England	-20,000	0
Flood Protection Grant	-790	-111,210
DCLG Mortgage Rescue Programme	-30,000	0
DCLG Weekly Collection Support Scheme	0	-222,000
Community Spaces	0	-37,134
DCLG - New Burdens Grant - Localising Support for Council Tax	0	-62,500
Other Capital Grants and Contributions	-3,000	-6,739
Total Grants Received for Capital Purposes	**-270,526**	**-595,147**

Notes to the Core Financial Statements

	2011/2012 £	2012/2013 £
Grants Received for Revenue Purposes		
Habitats and Climate Change Grant	-16,835	0
DEFRA Flood Grant	-10,846	-2,154
NNDR Administration	-85,061	-85,289
Small Business Rate Relief	-2,995	-2,500
Lancashire Drug and Alcohol Action	0	-10,000
Lancashire Children's Trust	-20,000	-30,000
LAA and LSP Crime Reduction	-37,332	-20,222
Lancashire Highways Partnership	-61,900	-61,900
East Lancashire Primary Care Trust	-155,690	-91,168
Arts Council	0	-9,000
Sport England	-14,660	0
School Sports Partnership	0	-3,000
Lancashire Sport Partnership	0	-3,500
Ribble Valley Community Safety Partnership	-15,999	0
Council Tax Benefit subsidy	-2,323,979	-2,259,619
Rent Allowance Subsidy	-7,189,406	-7,386,178
Council Tax and Housing Benefit Administration	-271,107	-251,912
Performance Reward Grant toward Dog Warden Service	-4,000	0
DoH - Warm Homes Grant	-108,251	-51,839
DCLG Homelessness Grant	-50,000	-50,000
DCLG - Right to Bid Grant	0	-4,873
DCLG - Right to Challenge Grant	0	-8,547
DCLG New Burden Local Housing Allowance Grant	0	-16,497
DCLG - New Burdens Grant - Localising Support for Council Tax	0	-21,500
Other Grants	-34,905	-8,590
Total Grants Received for Revenue Purposes	**-10,402,966**	**-10,378,288**
Total Credited to Services	**-10,673,492**	**-10,973,435**

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.

30 RELATED PARTY TRANSACTIONS

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

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 the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 29, which details the grant income received by the council.

Transactions with central government have been disclosed within both the income and expenditure account and the cash flow statement, as well as in notes to the core financial statements.

Members

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid is shown at Note 26.

Within the year each member completed a 'Register of Members' Interests' form, the details of which are retained in the Register of Members Interests, which is open to public inspection at the Council Offices, Clitheroe. A number of members represent the Council on external bodies and organisations. Four members of the Council are Board Members of Ribble Valley Homes to whom the council transferred its housing stock on 31 March 2008.

There has been £6,700 of business transactions between the Council and businesses where 6 members had declared an interest; however the relevant members had no commissioning role in the transactions. With regard to the award of grants, £95,250 was awarded in the year to bodies in which 2 members had declared an interest on the 'Register of Members' Interests', but the relevant members did not take part in any discussions or decisions relating to the grants.

Officers

Within the year each member of staff completed a 'Register of Officer Interests' form. There has been £1,040 of business transactions between the Council and businesses where 4 members of staff had declared an interest; however the relevant members of staff had no commissioning role in the transactions. With regard to the award of grants, £850 was awarded in the year to bodies in which 3 members of staff had declared an interest. However, the relevant members of staff did not take part in any discussions or decisions relating to the grants.

Other Public Bodies

The main transactions that have taken place with other public bodies are the payment of precepts (Collection Fund page 105) to:

- Lancashire County Council
- Lancashire Police Authority
- Lancashire Fire and Rescue
- Precepting Parish and Town Councils

31 CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

	2011/2012 £	2012/2013 £
Opening Capital Financing Requirement	**4,041,248**	**3,897,490**
Capital Investment		
Property, Plant and Equipment	79,788	596,402
Intangible Assets	40,564	93,150
Revenue Expenditure Funded from Capital Under Statute	420,617	410,970
Sources of Finance:		
Capital Receipts	0	-311,775
Government Grants and Other Contributions	-362,687	-318,415
Sums set aside from revenue:		
- Revenue Contributions	-178,282	-470,332
- Minimum Revenue Provision	-143,758	-140,226
Closing Capital Financing Requirement	**3,897,490**	**3,757,264**
Explanation of Movements in Year		
Increase/(Decrease) in Underlying Need to Borrow (Unsupported by Government Financial Assistance)	-143,758	-140,226
Increase/(Decrease) in Capital Financing Requirement	**-143,758**	**-140,226**

32 LEASES

The Council as Lessee

Finance Leases

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

Operating Leases

The council holds a number of vehicles and pieces of land on operating leases. The majority of these are for three year terms.

The future minimum lease payments due are:

	2011/2012 £	2012/2013 £
Not later than one year	65,393	66,358
Later than one year and not later than five years	71,601	55,326
Later than five years	448,042	441,464
	585,036	**563,148**

The expenditure charged to the Cost of Services in the Comprehensive Income and Expenditure Statement in relation to the above leases was £76,604 (£78,667 in 2011/12).

The Council as Lessor

Finance Leases

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

Operating Leases

The council leases out property under operating leases for community services such as sports and leisure.

The future minimum lease payments receivable are:

	2011/2012 £	2012/2013 £
Not later than one year	-44,898	-44,042
Later than one year and not later than five years	-151,050	-143,850
Later than five years	-214,093	-195,133
	-410,041	**-383,025**

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 2012/13 income included under the Cost of Services in the Comprehensive Income and Expenditure Statement in relation to the above leases was £37,516. (£37,445 in 2011/12).

33 DEFINED BENEFIT PENSION SCHEMES

Participation in Pension Scheme

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

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

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	
	2011/2012 £'000	2012/2013 £'000
Comprehensive Income and Expenditure Statement		
Cost of Services		
- current service costs	783	826
- settlements and curtailments	49	0
Financing and Investment Income and Expenditure		
- interest cost	2,168	2,091
- expected return on scheme assets	-1,910	-1,667
Total Post employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**1,090**	**1,250**
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
- actuarial gains and losses	2,859	2,564
Total Post employment Benefit Charged to the Comprehensive Income and Expenditure Account	**3,949**	**3,814**
Movement in Reserves Statement		
- reversal of net charges made to the Surplus or deficit for the Provision of Services for post employment benefits in accordance with the Code	-1,090	-1,250
Actual amount charged against the General Fund Balance for pensions in the year:		
- employers' contributions payable to the scheme	**828**	**789**

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2013 is a loss of £2,564,000 (31 March 2012 loss of £2,859,000).

Assets and Liabilities in Relation to Post-employment Benefits

Reconciliation of present value of the scheme liabilities:

Local Government Pension Scheme	2011/2012 £'000	2012/2013 £'000
1 April	**39,687**	**42,809**
Current Service Cost	783	826
Interest Cost	2,168	2,091
Contributions by scheme participants	280	274
Actuarial (gains)/losses on liabilities	1,430	5,344
Benefits paid	-1,588	-1,357
Settlements and Curtailments	49	0
31 March	**42,809**	**49,987**

The main reason for the increase in net liability is due to an increase in the actuarial (gains)/losses on liabilities. Actuarial (gains)/losses on liabilities is the change in the benefit obligation (liabilities) due to changes in the actuarial assumptions between the start and end of the year.

Over 2011/12 the discount rate reduced by 0.6% (increasing the liabilities), but was offset by a reduction in inflation and pay growth of 0.4% (which reduces the liabilities). Combining these gave a change in the net position (i.e. the real discount rate above inflation) of 0.2%, resulting in an actuarial loss of £1.4m.

Over 2012/13 the discount rate reduced by a further 0.7%, offset by a 0.1% reduction in inflation and pay growth. This gives a change in the real discount rate of 0.6%. This is three times greater than the change in 2011/12, and so results in a greater actuarial loss of £4.9m (broadly three times the 2011/12 figure). Furthermore, at 31 March 2013 the fund's actuary, Mercer Ltd, amended the mortality assumption based on the latest trends and evidence in this area, and this caused a further loss of just under £0.5m.

The changes in the financial assumptions (discount rate, inflation, pay growth) over the period were driven by movements in the underlying market conditions on which they are based. For example, the discount rate is based on AA rated corporate bond yields.

Reconciliation of fair value of the scheme assets:

Local Government Pension Scheme	2011/2012 £'000	2012/2013 £'000
1 April	**29,461**	**29,462**
Expected return on plan assets	1,910	1,667
Actuarial gains/(losses) on assets	-1,429	2,780
Employer contributions	828	789
Member contributions	280	274
Benefits/Transfers paid	-1,588	-1,357
31 March	**29,462**	**33,615**

The expected return on assets represents the allowance made, calculated at the start of the accounting year for the anticipated investment return to be earned on the assets during the year. Typically an investment return of 5.69% (net of expenses) on the existing assets is anticipated for accounting purposes.

Scheme History

Local Government Pension Scheme	2008/2009 £'000	2009/2010 £'000	2010/2011 £'000	2011/2012 £'000	2012/2013 £'000
Present Value of Liabilities	-31,755	-42,812	-39,687	-42,809	-49,987
Fair Value of Assets	21,200	27,210	29,461	29,462	33,615
Surplus/(Deficit) in the scheme	**-10,555**	**-15,602**	**-10,226**	**-13,347**	**-16,372**

The liabilities show the underlying commitments that the council has in the long run to pay post-employment (retirement) benefits. The total liability of £16.372m 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.

- The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary.
- The total employer contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2014 are £810,000.

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The scheme liabilities have been assessed by Mercer Limited, an independent firm of actuaries, estimates for the fund being based on the latest full valuation of the scheme on 31 March 2010.

The principal assumptions used by the actuary have been:

Local Government Pension Scheme	2011/2012	2012/2013
Long term expected rate of return on assets in the scheme:		
Equity investments	7.0%	7.0%
Government Bonds	3.1%	2.8%
Other Bonds	4.1%	3.9%
Property	6.0%	5.7%
Cash/Liquidity	0.5%	0.5%
Other	7.0%	7.0%
Mortality Assumptions		
Longevity at 65 for current pensioners:		
Men	21.7 years	22.1 years
Women	24.3 years	24.8 years
Longevity at 65 for future pensioners:		
Men	23.1 years	23.9 years
Women	25.9 years	26.7 years
Rate of CPI Inflation	2.50%	2.40%
Rate of increase in salaries	4.50%	4.40%
Rate of increase in pensions	2.50%	2.40%
Rate for discounting scheme liabilities	4.90%	4.20%
Take-up of option to convert annual pension into retirement lump sum	50%	50%

The expected rate of return on plan assets is based on market expectations, at the beginning of the period, for investment returns over the entire life of the related obligation. The assumption used is the average of the following assumptions appropriate to the individual asset classes weighted by the proportion of the assets in the particular asset class.

The assumed investment return on government bonds is the yield on 20-year fixed interest gilts at the relevant date. As at 31 March 2013 this yield was 2.8% p.a.

The expected investment return on corporate bonds is based on market yields at the relevant date, less a reduction to reflect a risk of default in the corporate bond yield. This means that the expected return on corporate bond investments is lower than the discount rate used in the calculations. As at 31 March 2013 we have taken the expected return as 3.9% p.a., which implies a reduction for the risk of default of 0.3% p.a. when compared with the corporate bond yield/discount rate appropriate to the ‘mature’ deviation profile for example.

It is generally accepted that the yield on equity investments will contain an ‘equity risk premium’ in addition to the yield on Government bonds, which are perceived as the ‘least-risk’ investment class, in order to compensate investors for the additional risk of holding this type of investment. Historical excess equity returns over more than 100 years have been approximately 4% p.a. on average. However, the level of equity risk premium can vary from time to time dependant on market levels and expectations for future returns. The scheme’s actuary, Mercer Limited, have taken the overall expected return on equities as at 31 March 2013 as 7% p.a., implying an equity risk premium on equities of 4.2% p.a. over and above the gilt yield of 2.8% p.a.

Assumed returns on property are based on the expected long term returns on cash investments, plus a risk premium to allow for expected out-performance of property over cash, and an adjustment for the impact of the expected volatility of the returns.

The actual return on scheme assets in the year was £4.447m (£0.480m return in 2011/12)

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

Local Government Pension Scheme	31 March 2012 %	31 March 2013 %
Equity investments	58.0	62.0
Government Bonds	5.0	7.9
Other Bonds	15.0	17.2
Property	10.0	9.3
Cash/Liquidity	5.0	3.5
Other	7.0	0.1
Total	**100.0**	**100.0**

History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2012/13 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March.

Local Government Pension Scheme	2008/2009 %	2009/2010 %	2010/2011 %	2011/2012 %	2012/2013 %
Experience gains/losses on assets	34.3	20.3	2.6	4.9	8.3
Experience gains/losses on liabilities	0.0	0.0	7.4	0.0	0.0

34 CONTINGENT LIABILITIES

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.

Property Searches

Ribble Valley Borough Council is a defendant in proceedings brought by a group of Property Search Companies for refunds of fees paid to the Council to access land charges data. In the current litigation the Council faces a claim of £45,510 plus interest and costs. A second group of Property Search Companies are also seeking to claim refunds although no proceedings have yet been issued. The Council has been informed that the value of those claims at present is £46,170 plus interest and costs. The second group of Property Search Companies have also intimated that they may bring a claim against all English and Welsh local authorities for alleged anti-competitive behaviour. It is not clear what the value of any such claim would be as against the Council. It is possible that additional claimants may come forward to submit claims for refunds, but none have been intimated at present.

Recycling Credits

Ribble Valley Borough Council receives recycling credits from Lancashire County Council for recyclate material that is collected as part of the waste collection service that the council provides to residents. There is currently a disagreement on the level of credits that are payable to the council for waste paper and card in the 2012/13 financial year. Of the total invoiced by Ribble Valley Borough Council for 2012/13, an amount of £30,590 remains outstanding. Ribble Valley Borough Council continues to pursue this outstanding debt.

35 CONTINGENT ASSETS

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. Ribble Valley's share of total reclaimable VAT is likely to be in the region of £4.4m over 15 years with the first payment having been received for the financial year 2008/09.

Receipts from Former Council House Sales

We have agreed to share any proceeds of former Council House Sales if they are subsequently sold by Ribble Valley Homes Ltd. The arrangement for sharing council house sales receipts lasts for 10 years from 1 April 2008 and the amount received will depend on the number of sales each year.

Trade Waste Service VAT Reclaim

The Council engaged the services of consultants to pursue a potential VAT claim for trade waste services. The claim remains outstanding at the 31 March 2013 and is currently being considered by HM Revenue and Customs. If successful this challenge could potentially lead to reimbursement of around £132,000 of VAT plus additional interest. It is anticipated a decision will be made within the 2013/14 financial year.

36 NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

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

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

The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash. The Council has adopted CIPFA's *Treasury Management in the Public Services: Code of Practice* and has set treasury management indicators to control key financial instrument risks.

Overall Procedures for Managing Risk

Overall these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the Code of Practice;
- by approving annually in advance prudential indicators for the following three years limiting:
    - The Council's overall borrowing;
    - Its maximum and minimum exposures to fixed and variable rates;
    - Its maximum and minimum exposures to the maturity structure of its debt;
    - Its maximum annual exposures to investments maturing beyond a year.
- by approving a Treasury Management Strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance;

The Prudential Indicators are required to be reported and approved at or before the Council's annual Council Tax setting budget in early March. These items are reported with the annual Treasury Management Strategy, which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported quarterly to 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.

This Council's treasury portfolio is not of a significant size to provide significant treasury risk.

Credit risk

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

The risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria as detailed in the Council's treasury management practices. The Council maintains strict credit criteria for investment counterparties and monitors activity against these criteria. As a result of this high credit criteria there has been no experience of defaults.

The credit criteria in respect of financial assets held by the council are detailed as below:

- Investments to Building Societies limited to top 8 based on total assets
- Institutions must have a short term Fitch IBCA rating of F2 or above
- Institutions are UK based

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 it's 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 2013 can be analysed by age as shown in the table below. Note 14 to the accounts shows a total provision for the impairment of debts of £142,804 of which £13,238 relates to sundry debts (£115,891 including impairment for total Housing Benefit recovery impairment). The balance is in respect of this Council's share of the Council Tax 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 2013 that this was likely.

The following analysis summarises the council's potential maximum exposure to credit risk on other financial assets, based on experience of default and uncollectability over the last five financial years, adjusted to reflect current market conditions. Shown in the table is a provision for 'bad and doubtful debts' which the council is confident is more than adequate to cover for future losses due to default.

	Amount at 31 March 2013 £ A	Historical experience of default % B	Historical experience adjusted for market conditions at 31 March 2013 % C	Estimated maximum exposure to default and uncollectability at 31 March 2013 £ (A x C)	Estimated maximum exposure at 31 March 2012 £
Deposits with banks and building societies	2,515,000	0.00%	0.00%	0	0
Customers (Sundry Debt including overpaid Housing Benefits)	416,604	2.18%	27.82%	115,891	115,916

The council expects settlement terms from debtors of no greater than 14 days. On this basis £287,000 of the sundry debtor balance at 31 March 2013 is past its due date for payment; 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 - 31 March 2013	£'000
Less than 30 days	71
30 days to 59 days	50
60 days to 89 days	7
90 days to 119 days	4
120 days +	199
	331

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 and the Public Works Loans Board. 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 2012 £'000	31 March 2013 £'000
Less than one year	71	71
Between 1 and 2 years	71	53
Between 2 and 5 years	124	94
Between 5 and 10 years	65	52
More than 10 years	105	95
	436	**365**

Market Risk

Interest Rate Risk

The Council has limited exposure to interest rate movements on its borrowings and investments, particularly as its long term borrowing is on fixed rates.

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in Other Comprehensive Income and Expenditure.

The aim of the prudential indicators is to contain the activity of the treasury function within certain limits thereby reducing the risk or likelihood of an adverse movement in interest rates or borrowing decisions that could impact negatively on the Council's overall financial position. These new indicators, which were approved as part of the annual budget in March 2012, are as follows:

Limits in Interest Rate Exposure	2012/2013 Upper	2013/14 Upper	2014/15 Upper
Maximum Principal Sums Borrowed >364 Days	£5.900m	£5.547m	£5.639m
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 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 £40,000. 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.

37 HERITAGE ASSETS: FIVE-YEAR SUMMARY OF TRANSACTIONS

There have been no acquisitions, donations, disposals or impairments for any of the Council's heritage assets in the current, or previous four, financial years.

Collection Fund

The Collection Fund 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.

	2011/2012 £'000	2012/2013 £'000
Income		
Council Tax	30,721	30,854
Transfers From General Fund - Council Tax Benefits	2,302	2,240
Business Rates	12,473	13,059
Share of Estimated Deficit:		
- Lancashire County Council	106	68
- Ribble Valley Borough Council	15	10
- Lancashire Police Authority	14	9
- Lancashire Combined Fire Authority	6	4
	45,637	**46,244**
Expenditure		
Precepts and Demands:		
- Lancashire County Council	24,786	24,864
- Ribble Valley Borough Council	3,519	3,528
- Lancashire Police Authority	3,271	3,363
- Lancashire Combined Fire Authority	1,423	1,428
Business Rates - Payment to National Pool	12,388	12,974
- Costs of Collection	85	85
Provision for Bad/Doubtful Debts	49	52
	45,521	**46,294**
(Deficit)/Surplus for the Year	**116**	**-50**
Deficit Brought Forward	-281	-165
Deficit Carried Forward	**-165**	**-215**

1 STATUTORY POSITION

These accounts represent the transactions of the collection fund for which there is a statutory requirement contained in the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992) to establish and maintain a separate fund for the collection and distribution of amounts due in respect of council tax and national non-domestic rates. Collection fund balances are consolidated in the balance sheet.

2 INCOME FROM BUSINESS RATES

Under the arrangements for the administration of uniform business rates, the Council collects non-domestic rates for its area that are based on local rateable values multiplied by a uniform rate. The total amount, less certain reliefs and other deductions, is paid to a central pool (the NNDR pool) managed by central government, which in turn pays back to authorities their share of the pool based on a standard amount per head of the local adult population. Under these arrangements the amounts included in these accounts can be analysed as follows:

	2011/2012 £	2012/2013 £
Gross Rates	15,608,095	16,699,576
Less Allowances and Other Adjustments	-3,134,970	-3,640,226
Income Collectable From Business Ratepayers	**12,473,125**	**13,059,350**
Less Cost of Collection	-85,061	-85,289
Net Payment to National Pool	**12,388,064**	**12,974,061**

The total non-domestic rateable value at 31 March 2013 was £37,167,635 compared to £36,924,018 at 31 March 2012 based on the 2010 listing.

The national non-domestic multiplier (rate in the pound) for the year 2012/13 was 45.8 pence compared to 43.3 pence in the year 2011/12.

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.

3 COUNCIL TAX BASE

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

The Council set a band D council tax of £1,462.57 which was calculated by dividing the aggregate of the Council's expenditure to be met from the council tax and the Lancashire County Council, Lancashire Police Authority 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	7	6.50	3.6
A	6/9	3,332	2,830.00	1,886.7
B	7/9	4,631	4,117.75	3,202.7
C	8/9	4,704	4,246.75	3,774.9
D	1	4,317	3,992.50	3,992.5
E	11/9	3,179	2,993.25	3,658.4
F	13/9	2,001	1,902.25	2,747.7
G	15/9	1,820	1,741.00	2,901.7
H	18/9	182	176.00	352.0
	Totals	**24,173**	**22,006.00**	**22,520.20**
			Adjustments	-86.20
			Council Tax Base	**22,434**

4 BAND D COUNCIL TAX

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

	2011/2012 £	2012/2013 £
Lancashire County Council Precept	24,785,998	24,863,629
Lancashire Police Authority Precept	3,271,167	3,363,453
Lancashire Combined Fire Authority Precept	1,423,469	1,427,924
Ribble Valley Borough Council Demand (excluding Parishes)	3,146,391	3,156,239
Total to be Met From Council Tax	**32,627,025**	**32,811,245**
Divided by Council Tax Base (Band D Equivalent Dwellings)	22,364	22,434
Band D Council Tax (Average excluding Parishes)	**£1,458.91**	**£1,462.57**

5 PROVISION FOR LOSSES

An analysis of the collection fund bad debt provision is set out below:

	Council Tax £	NNDR £	Total £
Opening Balance	210,000	250,000	**460,000**
Write Offs in Year	-12,119	-227,774	**-239,893**
Increase to Provision	52,119	227,774	**279,893**
Closing Balance	**250,000**	**250,000**	**500,000**

6 PRECEPTS AND DEMANDS ON THE COLLECTION FUND

From 1 April 2009, 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.

2011/2012 Precept £'000	2011/2012 Share of 31 March Deficit £'000	2011/2012 Total £'000		2012/2013 Precept £'000	2012/2013 Share of 31 March Deficit £'000	2012/2013 Total £'000
24,786	124	**24,910**	Lancashire County Council	24,864	162	**25,026**
3,271	17	**3,288**	Lancashire Police Authority	3,363	22	**3,385**
1,423	7	**1,430**	Lancashire Combined Fire Authority	1,428	9	**1,437**
3,147	17	**3,164**	Ribble Valley Borough Council	3,156	23	**3,179**

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

Balances

The total level of funds the council has accumulated over the years, available to support revenue expenditure within the year (also known as reserves)

Capital Expenditure

Expenditure on the acquisition of a fixed asset or expenditure which adds to and not merely maintains the value of an existing fixed asset.

Capital Financing Costs

The annual cost of borrowing (principal repayments and interest charges), leasing charges and other costs of funding capital expenditure.

Capital Receipt

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

Carrying Amount

The amount at which an asset is recognised in the balance sheet after deducting accumulated depreciation and accumulated impairment losses.

Collection Fund

A separate account held by billing authorities in to which council tax and national non-domestic rates (NNDR) are paid.

Community Assets

Assets that the council intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal. Examples of community assets are parks and historical buildings.

Consistency

The principle that the accounting treatment of like items within an accounting period and from one period to the next is the same.

Contingent Asset

A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the local authority's control.

Contingent Liability

A contingent liability is either:

I. a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the council's control, or

II. a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.

Corporate and Democratic Core

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

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.

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.

Going Concern

The concept that the authority will remain in operational existence for the foreseeable future, in particular that the revenue accounts and Balance Sheet assume no intention to curtail significantly the scale of operations.

Government Grants

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

Impairment

A reduction in the value of a fixed asset to a value below its carrying amount on the Balance Sheet.

Infrastructure Assets

Fixed assets that are inalienable, expenditure on which is recoverable only by continued use of the asset created. Examples of infrastructure assets are highways and footpaths.

Intangible Asset

This is a non-physical fixed asset. Intangible fixed assets include patents, brands, etc.

Interest Cost (Pensions)

For a defined benefit scheme, the expected increase during the period in the present value of the scheme liabilities because the benefits are one period closer to settlement.

Inventories

The amount of unused or unconsumed stocks held in expectation of future use. When use will not arise until a later period, it is appropriate to carry forward the amount to be matched to the use or consumption when it arises.

Investment Properties

Property (land or a building, or part of a building or both) held solely to earn rentals or for capital appreciation or both, rather than for:

I. use in the production or supply of goods or services or for administrative purposes, or
II. sale in the ordinary course of operations.

Long-term Contracts

A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or a combination of assets or services which together constitute a single project), where the time taken to substantially complete the contract is such that the contract activity falls into different accounting periods.

Net Book Value

The amount at which fixed assets are included in the Balance Sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

Net Current Replacement Cost

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

Net Debt

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

Net Realisable Value

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

Non Current Assets

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

Operating Lease

A lease under which the ownership of the asset remains with the lessor; for practical purposes it is equivalent to contract hiring.

Past Service Cost

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

Precepts

The amount which local authorities which cannot levy a council tax directly on the public (i.e. County Council, Fire Authority, Police Authority or Parish Council) requires to be collected on its behalf.

Prepayment

The payment of a debt obligation before it is due

Provision

A liability of uncertain timing or amount

Remuneration

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

Reserves

Amounts set aside in the accounts for the purpose of meeting particular future expenditure. A distinction is drawn between reserves and provisions, which are set up to meet known liabilities.

Residual Value

The net realisable value of an asset at the end of its useful life. Residual values are based on prices prevailing at the date of the acquisition (or revaluation) of the asset and do not take account of expected future price changes.

Retirement Benefits

All forms of consideration given by an employer in exchange for services rendered by employees that are payable after the completion of employment.

Revenue Expenditure

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

Revenue Expenditure Funded from Capital Under Statue

Expenditure of a capital nature but for which there is no tangible asset, for example renovation grants.

Revenue Support Grant

The main grant paid by central government to a local authority towards the costs of its services.

Scheme Liabilities

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

Tangible Fixed Assets

Tangible assets that yield benefits to the local authority and the services it provides for a period of more than one year.

Useful Life

The period over which the local authority will derive benefits from the use of a fixed asset.

Abbreviations used within the Statement of Accounts

CIPFA	Chartered Institute of Public Finance and Accountancy
FRS	Financial Reporting Standard
GAAP	Generally Accepted Accounting Principles
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
LAAP	Local Authority Accounting Panel
LASAAC	Local Authority Accounts Advisory Committee
NNDR	National Non-Domestic Rates
PWLB	Public Works Loan Board
RSL	Registered Social Landlord
SeRCOP	Service Reporting Code of Practice
SOLACE	Society of Local Authority Chief Executives
SORP	Statement of Recommended Practice

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INFORMATION

RIBBLE VALLEY BOROUGH COUNCIL
REPORT TO ACCOUNTS AND AUDIT COMMITTEE

Agenda Item No

meeting date: 28 AUGUST 2013
title: INTERNAL AUDIT PROGRESS REPORT 2013/14
submitted by: DIRECTOR OF RESOURCES
principal author: MICK AINSCOW

1 PURPOSE

1.1 To report to Committee internal audit work progress to date for 2013/14.

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 2013/14 is attached as Annex 1 alongside progress to date. In summary resources for the year have been allocated as follows:

Audit Area	2013/14 Planned Days
Fundamental (Main) Systems	270
Other Systems	55
Probity and Regularity	150
On-going checks	30
Risk Management, Performance Indicators	65
Non-Audit Duties (Insurance)	30
College	40
Contingencies/unplanned work	30
	670

2.4 The position with regards to audit work carried out as at the end of July 2013 is included within Annex 1 and shows completed audits, audits in progress and continuous activity.

3 ISSUES

3.1 During the year we aim to review all of the Council's main fundamental systems. The majority of this work will be carried out later in the year, in order that there are sufficient current year transactions to test to provide the necessary level of assurance.

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 Insurance services fall under the remit of the internal audit team. In May/June a tendering exercise was carried out for the procurement of our insurance cover. A considerable amount of work was involved in providing the information required by prospective tenderers, and the opportunity was also taken to review our existing levels of cover. Following the exercise, Zurich Municipal were appointed as our insurers on a five year long term agreement. This procurement exercise inevitably impacts on the audit plan.

3.4 At present we use an assurance system for all audits carried out. Each completed audit report contains a conclusion which gives a level of assurance opinion as follows:

Level 1	Full	✓✓✓	The Council can place full reliance on the levels of control in operation
Level 2	Substantial	✓✓	The Council can place substantial reliance on the levels of control in operation
Level 3	Reasonable	✓	Generally sound systems of control. Some minor weaknesses in control which need to be addressed
Level 4	Limited	⚠	Only limited reliance can be placed on the arrangements/ controls in operation. Significant control issues need to be resolved.
Level 5	Minimal	⚠⚠	System of control is weak, exposing the operation to the risk of significant error or unauthorised activity

4 REPORTS CARRIED OUT AND ASSURANCE OPINIONS

4.1 This report covers audit work and reports issued since the last report to Committee on 26 June 2013. The table below sets out the assurance opinions issued from these audits:

Date of Report	Assurance Opinion	Report Details
15.07.13	Substantial ✓✓	Members Allowances – examination into the payment of allowances to Members. Checked mileage claims submitted June '11 to December '12 and verified against minutes/attendance register. Vast majority were correct with just two minor overpayments.

Date of Report	Assurance Opinion	Report Details
16.08.13	Substantial ✔✔	Licensing – testing carried out on all types of licences issued by the Council – transactions in 2012/13 examined. Minor recommendations only arising - the various systems were operating well.

5 QUALITY MONITORING

5.1 Customer feedback questionnaires are issued following the completion of the majority of audit work carried out. These questionnaires ask for the auditees view on the work that has been undertaken. No questionnaires have been returned since the last meeting and any outstanding ones are currently being pursued from the officers concerned.

6 CONCLUSION

6.1 Progress to date with the 2013/14 audit plan is satisfactory.

PRINCIPAL AUDITOR DIRECTOR OF RESOURCES

AA15-13/MA/AC
16 August 2013

BACKGROUND PAPERS: None

For further information please ask for Mick Ainscow, extension 4540.

2013/14 Planned Days	Audit	Actual days to 31/07/13	Status as at 31/07/13
Fundamental (Main) Systems			
45	Main Accounting	12	
25	Creditors	0	Not started
25	Sundry Debtors	0	Not started
30	Payroll and HR	11	
45	Council Tax	16	
45	Housing Benefits	14	
30	NNDR	0	Not started
20	Cash Receipting	4	
265		**57**	
Other Systems Work			
20	VAT	1	
5	Stores	0	Not started
10	Treasury Management	2	Hazard Identification
20	Procurement	0	Not started
55		**3**	
Probity and Regularity			
10	Asset Mgmt/Register	0	Not started
10	HR and Recruitment	0	Not started
10	Insurance	0	Not started
10	Licences	14	
10	Business Continuity Mgmt	0	Not started
5	Car Parking	9	
10	VIC/Platform Gallery	8	
10	Trade Refuse	0	Not started
10	Recycling	0	Not started
10	Partnership Arrangements	0	Not started
10	Grants received	8	
10	Grants paid	8	
10	Sustainability	0	Not started
10	Section 106 Agreements	0	Not started
5	Ribblesdale Pool	2	
5	Building Regulations	0	Not started
5	Planning Applications	0	Not started
150		**49**	
Continuous Activity/Ongoing Checks			
10	Cash Collections Procedures	4	
5	Fees and Charges	7	

2013/14 Planned Days	Audit	Actual days to 31/07/13	Status as at 31/07/13
12	Income Monitoring	5	∞
27		**16**	
25	Contingencies/unplanned work	12	∞
25		**12**	
40	Risk Management	8	∞
20	Corporate Governance	20	∞
5	Performance Indicators	3	∞
65		**31**	
30	Insurance	30	∞
30		**30**	
38	Training	16	∞
38		**16**	
0	Vacant post	14	
0		**14**	
	Available audit days to 31/3/2014	442	
655		**670**	

Key:

 In Progress

∞ Continuous Activity

 Completed