RIBBLE VALLEY BOROUGH COUNCIL

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Dear Councillor

The next meeting of the **ACCOUNTS & AUDIT COMMITTEE** is at **6.30pm on WEDNESDAY, 27 AUGUST 2014** in the **TOWN HALL, CHURCH STREET, CLITHEROE**.

I do hope you can be there.

Yours sincerely

CHIEF EXECUTIVE

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

AGENDA

Part 1 – items of business to be discussed in public

1. Apologies for absence.

✓ 2 Minutes of the meeting held on 25 June 2014 – copy enclosed.

3. Declarations of Interest (if any).

4. Public Participation (if any).

DECISION ITEMS

✓ 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 2013/14 – report of Director of Resources – copy enclosed.

INFORMATION ITEMS

✓ 9. Internal Audit Progress Report 2014/15 – report of Director of Resources – copy enclosed.

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

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

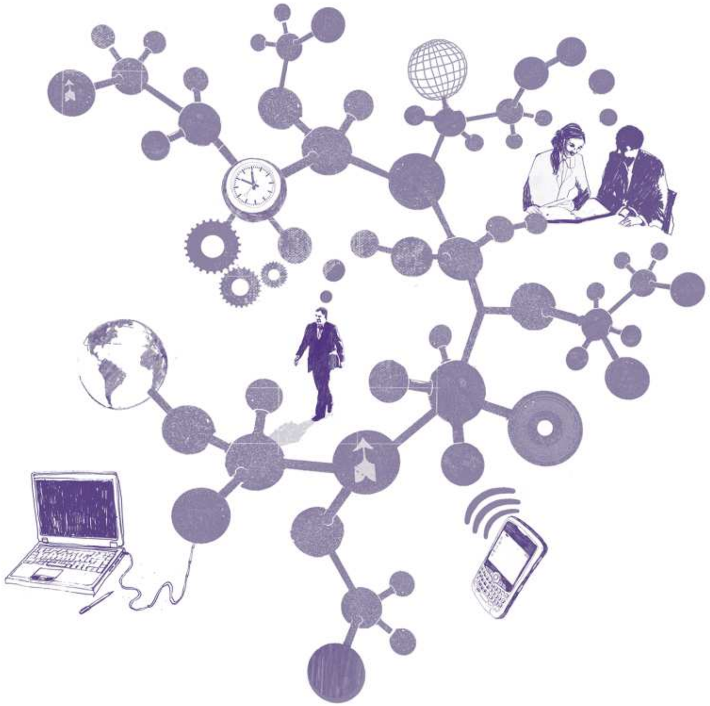
✓ 11. Review of Risks – report of Director of Resources

Agenda Item 5

The Audit Findings Report for Ribble Valley Borough Council

Year ended 31 March 2014

8 August 2014



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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 2014. 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 16 June 2014.

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

- completion of a limited amount of housing benefit detailed testing:
- obtaining and reviewing the final management letter of representation;
- updating our post balance sheet events review, to the date of signing the opinion; and
- completing our work on Whole of Government Accounts.

We received the 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 not identified any adjustments affecting the Council's reported financial position.

The draft financial statements recorded net expenditure of £6,713k; this is unchanged in the audited financial statements. We have identified a small number of adjustments to improve the presentation of, and disclosures in, the financial statements.

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

- the accounts were prepared to a good standard and were supported by good working papers;
- we identified few errors in the financial statements; and
- subject to the completion of our outstanding 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 detail is provided in 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 and Head of Financial Services.

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 Resources and her 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 2014

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 25 June 2014.

We also set out the adjustments to the financial statements arising 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 25 June 2014.

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.	**Improper revenue recognition** 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 • review of unusual significant transactions	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 journal 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 in response to the assessed risk	Assurance gained & issues arising
Operating expenses	Creditors understated or not recorded in the correct period	We have undertaken the following work: • 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 • tested key controls • substantive testing of a sample of operating expenses relating to 2013/14 to ensure they are correctly classified • substantive testing of creditors and accruals relating to 2013/14 to ensure they are correctly classified and included in the Council's accounts	Our audit work has not identified any significant issues in relation to the risk identified.
Employee remuneration	Employee remuneration accrual understated	We have undertaken the following work: • 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 • tested key controls • substantive testing of a sample of payroll costs to ensure they are correctly calculated, classified and included in the Council's accounts	Our audit work has not identified any significant issues in relation to the risk identified.

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 in response to the assessed risk	Assurance gained & issues arising
Welfare expenditure	Welfare benefit expenditure improperly computed	We have undertaken the following work: • documented our understanding of processes and key controls over the transaction cycle • undertaken walkthrough of the in year controls to assess the whether those controls are designed effectively • Completion of Module 3 (substantive testing) of a sample of housing benefit cases in the headline cell for eligibility and correct calculation of benefit.	Our work is still underway to complete the testing of benefit claims. We will provide an update on completion.
Property, plant & equipment	Revaluation measurement not correct (Changes to the CIPFA Code of Practice requirements around Property, Plant and Equipment (PPE) valuations from 2013/14 Onwards)	We have: • documented our understanding of processes and key controls over the transaction cycle • undertaken walkthrough of the in year controls to assess the whether those controls are designed effectively • tested key controls to ensure they are operating in accordance with our understanding • undertaken substantive testing of capital expenditure in the year to ensure it is correctly treated and disclosed in the accounts • reviewed the Council's PPE valuation approach to confirm the valuation in the accounts is materially correct.	Our audit work has not identified any significant issues in relation to the risk identified.

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 in response to the assessed risk	Assurance gained & issues arising
Business rates	Changes to business rate (NNDR) accounting and provisions for business rate appeals	We have: • reviewed the Council's approach to NNDR accounting and confirmed the collection fund reflects the correct entries • Reconciled the accounting entries to the NNDR system • undertaken predictive analytcial review to ensure the transactions are consistent with our expectation • reviewed the Council's NNDR provision to ensure it is materially stated	Our audit work has not identified any significant issues in relation to the risk identified.

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 revenue recognition policies are set out in Accounting Policy 2 of the statement of 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 – Provision for NNDR appeals.	The Council's estimates and judgements are reasonable and are appropriately disclosed: • Policies and judgements are in line with the Code of Practice • Note 2 to the statements sets out the critical judgements used in applying accounting policies • Note 3 to the statements sets out the assumptions made about the future and other major sources of estimation uncertainty. This includes an assessment of the likely impact if the actual results differ from the assumptions. • Accounting policies in relation to areas of judgement and estimation are adequately disclosed	●

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

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
Judgements and estimates - PPE	• Page 60 of the accounts sets out the Council's programme of revaluations. This shows that a full revaluation of the Council's assets is undertaken once every 5 years. In the intervening years, the Council asks its valuer to undertake a desktop review and impairment assessment of asset values.	• We are satisfied that the carrying amount of Property, Plant and Equipment (based on these valuations) does not differ materially from the fair value at 31 March 2014. • However, the Council should clarify the instructions provided to the valuer to ensure that there is full consideration of any increases in the value of assets in the intervening years.	● (amber)
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 which we wish to bring to your attention	● (green)

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. We have agreed number of minor changes to correct typographical and rounding errors during the course of our work. These are not considered significant for the purpose of reporting to you. to bring to your attention

	Adjustment type	Value £'000	Account balance	Impact on the financial statements
1	Disclosure	96	Note 29	Note 29 shows grant income received from East Lancashire PCT of £96,168. This should be split between East Lancashire CCG (£27,192) and Lancashire County Council (£68,976) to reflect the restructuring of the NHS from 1 April 2013 and the changes to public health responsibilities. The note has been amended.
2	Disclosure	-	Note 29	The 2012/13 comparative figures for the Total Grants Received for Revenue purposes and the Total Credited to Services were incorrect. These have been amended.
5	Disclosure	1,778	Note 33	The total Post Employment Benefit Charged to the CIES in Note 33 was shown as £-1,762. However, this should be £-3,540. This was due to an error in the spreadsheet formula used to prepared the note only and did not impact on the values transferred to the CIES which were correctly stated.

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.

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 have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit.
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 • However, as part of the closedown process, the Council asks all members and relevant officers to confirm their interests and any related party transactions. Returns from a small number of members were not received in a timely way and one member did not submit the return at all, despite efforts from officers to obtain it. Although we are satisfied there are no material disclosures omitted as a result, the Council should strengthen the arrangements it has in place to ensure all members comply with the requirements to confirm related party matters.
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; and
- review regularly the adequacy and effectiveness of these arrangements.

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

- **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 considered the Council's arrangements to secure financial resilience against the following themes:

- Key financial performance indicators.
- Financial governance.
- Financial planning.
- Financial control.

Overall our work highlighted that the Council's current arrangements for achieving financial resilience are adequate, as follows:

- The Council's level of available reserves and contingencies provide adequate cover for known future financial risks.
- The Council was able to set a balanced revenue budget for 2013-14 and maintain actual spending within that budget set. The Council has also set a balanced budget for 2014-15.
- The Council maintained actual spending within its planned capital programme for 2013-14.
- 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.
- A risk register is in place and "red" risks are reported to the Accounts and Audit Committee. These include finance risks. However, there is scope to improve the reporting to members on the risks facing the Council by ensuring members regularly receive a summary "Corporate Risk Register" containing details of the highest level strategic risks for them to scrutinise and consider given the potential impact on the Council achieving its overall strategic objectives.

Further details are provided in the Financial Resilience report, issued with this AFR.

Value for Money

Challenging how the Council secures economy, efficiency and effectiveness
We have considered the Council's arrangements for challenging how it secures economy, efficiency and effectiveness against the following themes:
- Prioritising resources.
- Improving efficiency & productivity.

Overall our work highlighted that the Council has adequate arrangements in place to challenge how it secures economy, efficiency and effectiveness, as follows:
- The Council is relatively low spending. The "cost per head" for services provided compares well with its nearest statistical neighbours.
- Appropriate leadership is provided on prioritising resources and spending reductions. This process is led by the Budget Working Group, which is made up of senior management and members, and the Policy and Finance Committee.
- The Council has a good track record of implementing planned efficiencies in practice and maintaining actual expenditure within reduced budgets.
- Council officers and members review the effectiveness of services on a regular basis and do consider alternative ways of delivering activities where appropriate. However, quarterly performance monitoring to the Corporate Management Team did not take place as intended in 2013-14. This should be re-introduced to ensure there is a clear and holistic view of performance across all service areas.

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 has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2014.

Recommendations with regard to the corporate risk register and Corporate Management Team performance reporting are set down overleaf.

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:

Risk area and assurance obtained	Residual risk	Recommendation
Risk management and assurance framework - We are satisfied that the Council has robust risk management arrangements in place with a comprehensive departmental level risk register and red risks reported to the Accounts and Audit Committee.	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.	Council members should receive 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.
Service effectiveness – We are satisfied that officers and members review the effectiveness of services through regular service reports to committees, consideration of the perception survey conclusions and a yearly corporate performance report.	In previous years, performance monitoring to the Corporate Management Team was undertaken on a quarterly basis so that service effectiveness across all areas could be considered formally in-year. This did not take place in 2013-14.	Quarterly performance monitoring to the Corporate Management Team should be re-introduced.

Section 4: Fees, non audit services and independence

Fees, non audit services and independence

We confirm below our final fees charged for the Accounts audit and the indicative fees for the Grants certification audit. The Grants certification audit is not yet complete. We have not carried out any other services for the Council in 2013-14.

We have no independence issues to bring to the attention of the Council.

Fees

	Per Audit plan £	Actual fees £
Council Accounts audit	52,702	53,642
Grant certification (indicative fee at this stage)	14,080	14,080
Total audit fees	**66,782**	**67,722**

There is additional fee of £940 in respect of work on material business rates balances. This additional work was necessary as auditors are no longer required to carry out work to certify NNDR3 claims. The additional fee is 50% of the average fee previously charged for NNDR3 certifications for district councils and is subject to agreement by the Audit Commission.

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
Significant deficiency – risk of significant misstatement
Deficiency - risk of inconsequential misstatement

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	Strengthen the arrangements for obtaining disclosures in respect of related party matters from members.	Deficiency		
2	Council members should receive 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.	Deficiency		
3	Quarterly performance monitoring to the Corporate Management Team should be re-introduced.	Deficiency		

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 2014 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 the Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Ribble Valley Borough Council as at 31 March 2014 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 2013/14 and applicable law.

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.

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 October 2013, 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 2014.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2013, 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 2014.

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.

[Signature]

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

4 Hardman Square
Spinningfields
Manchester
M3 3EB

[**] September 2014

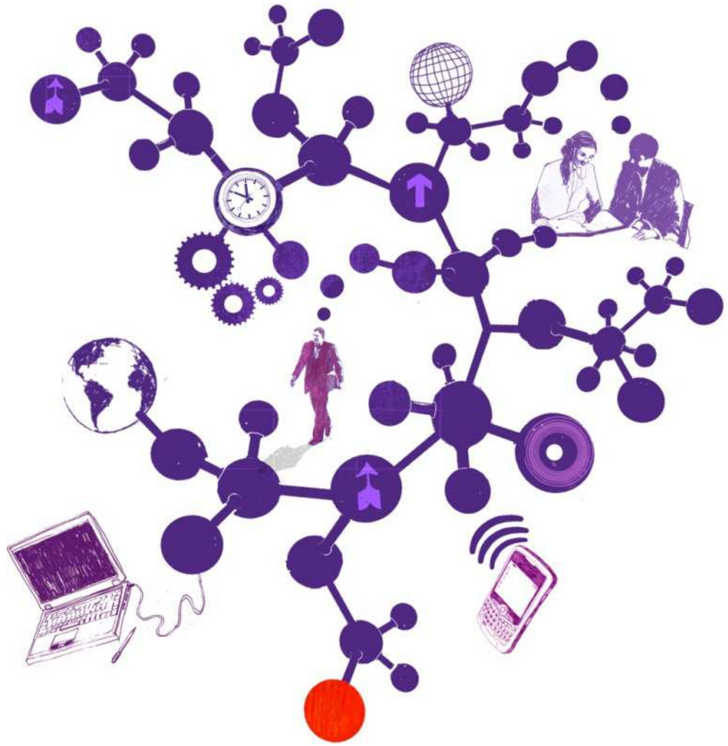
grant-thornton.co.uk

Agenda Item 6

Review of Financial Resilience Arrangements for Ribble Valley Borough Council

Year ended 31 March 2014

Report date 28 July 2014



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Contents

Introduction

Our approach

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.

We agreed to provide a report setting out the findings of this work.

Further detail on each of these areas is provided in the sections of the report that follow:

- The national and local context for local government finance is set out on page 4.
- The overall conclusions section on page 5 provides an overview of the arrangements reviewed.
- The detailed findings in each area assessed are set down on pages 6 to 13.

Overall conclusion

Our overall conclusion is that whilst the Council faced some risks and challenges for 2013-14 and beyond, its current arrangements for achieving financial resilience are adequate.

National and local context

What is this context?

Nationally

The 2010 Spending Review set the Coalition Government's financial settlement for the four years to 2014-15, and the 2013 Review then covered 2015-16. By the end of this period, central funding to local government will have reduced by 35%.

2013-14 is the third year of councils having to deliver efficiency savings in response to the 2010 Spending Review and, given the 2013 Review and the budget statement in 2014, this will need to continue for the foreseeable future. Delivering these efficiency savings and maintaining financial resilience is becoming increasingly difficult, even for top-performing councils. The challenges include:

- responding to welfare reform; and
- the drive towards more integrated health and social care.

Demand for many demography-driven council services is expected to rise, whereas demand for some income-earning services is falling.

To fulfil their statutory requirements, councils must continue to provide certain services. But the opposing trends in funding and demand will create a sizeable funding gap even if carefully managed. In short, the sector is working through its greatest financial challenge of recent times.

Locally

Ribble Valley is a local government district with borough status within the 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 boroughs.

Unemployment in the area is 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.

Like all local authorities, the Council has had to respond to the large reductions in its core funding from central government whilst maintaining services at a good level. In this context, it is important that the Council has sound arrangements in place to secure value for money.

Overall conclusions

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

Green	Adequate arrangements appear to be in place
Amber	Adequate arrangements, with areas for development
Red	Inadequate arrangements

Overview of arrangements

Risk area	Summary observations	High level risk assessment
Key Indicators of Financial Performance (pages 6 + 7)	• In 2013-14 the Council maintained expenditure within both the revenue budget and capital programme set. • The level of available reserves provides adequate cover for known future financial risks. • There is adequate cover for liabilities and borrowings. • The Council has a stable workforce. It has had historically low sickness absence levels. These did increase in 2013-14 due to a number of one-off long-term sickness cases. There are less such cases in 2014-15 so far.	Green
Strategic Financial Planning (pages 8 + 9)	• The Council put effective plans in place to cover its budget gap in 2013-14 and 2014-15. • The Council's revenue budget and capital programme are underpinned by a three year medium term financial plan (MTFP). The MTFP is based on sound planning assumptions and includes realistic scenario planning and a risk assessment for future years. • The Council uses the MTFP as a starting point for budget planning for future years.	Green
Financial Governance (pages 10 + 11)	• 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 (pages 12 + 13)	• The Council has a well established budget setting process and a good track record in managing budgets and achieving savings targets. In 2013-14 the Council maintained expenditure within both the revenue budget and capital programme set. • The Council has well established systems and procedures for producing reliable financial monitoring and forecasting information.	Green

Key Indicators of Financial Performance

Area of focus	Summary observations	RAG-Rating
Liquidity	• The Council has a prudent approach to liquidity. The working capital ratio is just below the average when compared to its nearest neighbours with a ratio in 2012-13 of 2.9 compared to an average of 3.9 for the group. In 2013-14 this ratio has increased to 3.1. This demonstrates a prudent but not overly cautious approach to working capital. The working capital ratio indicates if an authority has enough current assets, or resources, to cover its immediate liabilities. 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. • There has been no need to rely on short-term fixes to retain liquidity or cash holdings. • The Council has low levels of borrowings and investments, so has less exposure to interest rate fluctuations. Nevertheless, the Council does monitor interest rate fluctuations. • Collection rate levels for council tax and NNDR are good.	Green
Borrowing	• The Council is in a sound position with long term debt a proportionally small amount of tax revenues and assets. The Council's long term borrowing to tax ratio is below average when compared to its nearest neighbours, its ratio in 2012-13 being 0.05 compared to an average of 1.98. The Council's 2013-14 ratio is 0.04. The Council's long term borrowing to assets ratio is also below average when compared to its nearest neighbours, its ratio in 2012-13 being 0.02 compared to an average of 0.17. The Council's 2013-14 ratio is 0.01. • The decrease over recent years shows a prudent approach in reducing exposure to long term borrowing. • The Council met it's prudential indicator targets for 2013-14.	Green
Workforce	• The Council's sickness absence rate was 6.9 days per FTE in 2012-13. This compares favourably with the Local Government (8.8) and wider public sector averages (8.7). It is in-line with the private sector average of 7.2. However, in 2013-14 sickness absence has increased to 9.85 days per FTE. This is due to a number of one-off long-term sickness cases in 2013-14. These cases are now all resolved as a result of the Council's active management of cases and robust processes and controls for identifying the need for intervention. • There are fewer long-term cases in 2014/15 (to date) and the Council has a target to reduce sickness absence levels to the 2012-13 level by 2015-16. • Senior Council staff are experienced and knowledgeable in managing sickness absence.	Green

Key Indicators of Financial Performance

Area of focus	Summary observations	RAG-Rating
Performance against budgets (Revenue and Capital)	• The Council has a very good track record of meeting its budget and achieving savings. • In 2013-14 the Council achieved an overall under-spend of £258k against the revised revenue budget set, after allowing for transfers to and from earmarked reserves. This underspend arose across a number of service areas. • In 2013-14 the capital budget was underspent by £127k against the revised estimate. Some of this underspend has been re-profiled into 2014-15. • The Council did not have to use any short-term fixes to fund in-year expenditure.	Green
Reserves balances	• The Council maintains an appropriate level of usable reserves, comprising the General Fund balance and earmarked reserves, which are set aside for specific purposes. • The Council's useable reserves as a share of expenditure ratio in 2012-13 was 0.28, compared to its nearest neighbours average of 0.29. The Council's ratio in 2013-14 was 0.35. • CIPFA's guidance on the level of the General Fund balance is that the level should reflect the S151 officer's advice to the Council, which should be based on local circumstances. As at 31 March 2014 the Council had a General Fund balance of £2.1m. This is above the S151 officer's recommended minimum level of £700k.	Green

Strategic Financial Planning

<table>
<tr><th>Area of focus</th><th>Summary observations</th><th>RAG-Rating</th></tr>
<tr><td>Focus of the MTFP</td><td>

The Council's medium term financial plan (MTFP) for the period 2013-14 to 2015-16 was set in February 2013. A further MTFP for 2014-15 to 2016-17 was agreed in February 2014.
The MTFP produced for 2013-14 followed the major review of council services, carried out by Heads of Services and the Corporate Management Team (CMT) in Summer 2011 and subsequently approved by members. The review proposed recurrent savings of £635k, in addition to £108k recurrent savings achieved from a review of senior management in 2010-11. The savings were monitored closely throughout 2012-13 and were achieved.
The MTFP in place from 2013-14 builds on these service reviews by focusing on maintaining services at a good level, and ensuring the Council delivers its statutory responsibilities within the reducing central funding envelope.
The MTFP has a long-term focus. It includes realistic scenario planning and a risk assessment.

</td><td>Green</td></tr>
<tr><td>Adequacy of planning assumptions</td><td>

The Council has set out its expected expenditure and revenue for the years 2014-15 to 2016-17 in the February 2014 MTFP. It also includes a number of sensible assumptions including:

Anticipated external funding for 2014-15 and, where known, the levels this will be at going forward
A council tax increase of 2.5% from 2016-17 onwards.
Income levels from fees and charges and the localisation of business rates.
Assumes use of General Fund balances of £150,000 p.a. from 2014-15 onwards. This will still leave the level of General Fund balances well above the S151 officer's recommended minimum level of £700,000 by March 2017.

Gong forward there is a focus on making good use of funding sources such as New Homes Bonus and on controlling expenditure in-year. The intention is to set aside funds as earmarked reserves to meet future cost pressures. This was a successful strategy in covering the yearly budget gap for both 2013-14 and 2014-15 and maintaining Council service provision at a good level.
There remains significant uncertainty about the financial position for 2015-16 onwards. The MTFP sets out the indicative budget gap of £576k for 2015-16 and £957k for 2016-17. As yet, it does not set out plans to meet the budget gaps, but provides the basis for the Council's work as part of the annual budget planning process. The Budget Working Group (BWG) will assess options for closing the 2015-16 budget gap between July and November 2014. Options will include assessing current budgets and use of New Homes Bonus funding.

</td><td>Green</td></tr>
</table>

Strategic Financial Planning

Area of focus	Summary observations	RAG-Rating
Scope of the MTFP and links to Annual Planning	• The MTFP reflects the Council's Strategy and the vision, core values and priorities within that. • It covers the full scope of the Council's service provision, including both revenue and capital plans. • There is a clear link to the annual budget setting process which, once complete, then informs the next review of the MTFP.	Green
Review processes	• Monitoring of progress against the MTFP is undertaken through the year by the Budget Working Group. • The MTFP is formally reviewed and updated during each year's budget planning round. • A formal report reviewing the MTFP at the six month stage is normally presented to Policy and Finance Committee in September.	Green
Responsiveness of the plan	• The Council reviewed and updated the MTFP during the 2014-15 financial planning cycle. • Future years funding will be reviewed during the lifetime of the plan and this process has already commenced for 2015-16. • The Council will need to ensure the plan remains responsive, especially given the scale of the budget gap in 2015-16 and 2016-17. 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

Area of focus	Summary observations	RAG-Rating
Understanding of the financial environment	• Senior officers understand the financial management challenges facing the Council and are taking appropriate action to secure a stable financial position for the medium to long-term. • The leadership team has considered key factors as part of the budget and MTFP planning, such as the need to deliver the Council's statutory requirements, key income sources and how they will change over time, and any legal issues. • Risk assessment and sensitivity analysis are a key part of the MTFP, yearly budgets and in-year monitoring.	Green
Executive & 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. • Members of the Policy and Finance Committee are appropriately engaged and challenging of officers. • The Accounts and Audit Committee provides a robust challenge to officers in relation to the financial matters within its remit. • The Council makes good use of its website to communicate financial issues to stakeholders. The MTFP, yearly budgets and in-year budget monitoring reports are available on the website. The explanatory foreword to the Statement of Accounts clearly sets out the position from the last year and the challenges going forward for the Council.	Green
Overview for controls over key cost categories	• Senior officers and councillors have an overview of the key cost areas of the Council and the yearly and longer term financial pressures facing the Council. The MTFP and yearly budgets are developed by the Budget Working Group, which includes senior officers and councillors. Regular monitoring reports are reported to all Committees. • Actual expenditure has been kept within the budget set for the Council in 2012-13 and 2013-14.	Green

Financial Governance

Area of focus	Summary observations	RAG-Rating
Budget reporting (Revenue & Capital)	• Revenue and capital monitoring reports are presented to service committees and Policy and Finance Committee throughout the year. • 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. • 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. • In 2013-14 the Council achieved a revenue under-spend of £258k against the revised budget set, after allowing for transfers to and from earmarked reserves. This underspend was spread across a number of areas, but was significantly higher than expected at revised budget stage. The Director of Resources is now using the level of underspend to inform and challenge the base budgets set for some areas to support the identification of the savings needed for 2015-16 onwards, for example in refuse vehicle maintenance. The BWG has already put plans in place to further assess budget levels in some areas, as a possible option for covering the 2015-16 budget gap. • In 2013-14 the Capital budget was underspent by £127k against the revised estimate. Some of this underspend has been re-profiled into 2014-15.	Green
Adequacy of other committee reporting	• The MTFP and the yearly revenue and capital budgets are reported to the Policy and Finance Committee and the Full Council. This ensure that members are aware of the short and long-term financial position, plans to meet the Council's statutory requirements and any risks. • The Policy and Finance Committee receives a wide range of financial information in order to give a rounded view of Council finances including revenue and capital budget monitoring reports, Treasury Management reports, Revenues and Benefits reports, and economic development updates. • Individual committees also receive budget and capital monitoring reports in respect of their services. • The reports to members are comprehensive and clearly set out.	Green

Financial Control

Area of focus	Summary observations	RAG-Rating
Budget setting & monitoring – (revenue & capital)	• The Council has a well established budget setting process that encourages ownership by budget holders. • The Budget Working Group (BWG), including senior officers and councillors, makes recommendations to committees and the Full Council for the revenue and capital budgets. • The budget is informed by the MTFP, with minimal use of General Fund reserves, offset by planning to allocate funds to earmarked reserves to future-proof the Council against future funding cuts. Within the MTFP there is also some sensitivity analysis and consideration of the budget risks for the next 3 to 4 years. This ensures a longer-term focus on financial risk to avoid short-term budget fixes only. • The Council has a good track record in managing revenue and capital budgets and achieves its budgets each year. • The Policy and Finance Committee and each individual committee receive in-year revenue and capital monitoring reports in respect of their services. • The reports to members are comprehensive and clearly set out.	Green
Performance against savings plans	• The Council has a good record of delivering savings and balancing the budget. £635k of recurrent savings were achieved in 2012-13, following the major service review. In 2013-14 the Council made good use of funding sources such as New Homes Bonus and controlling expenditure in-year, to set aside funds into earmarked reserves where future cost pressures have been identified. • The Council did not use short-term fixes to fund in-year expenditure.	Green
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

Financial Control

Area of focus	Summary observations	RAG-Rating
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
Adequacy of Internal audit arrangements	• The Council has adequate arrangements in place. • The service is provided in house by a small team of dedicated audit staff. • Internal Audit receives good feedback from managers in the service areas they audit.	Green

External audit conclusions	• The key messages from the most recent Annual Audit Letter noted:
	  • An unqualified opinion on the Authority's 2012-13 financial statements was given.
	  • The Council had proper arrangements to secure economy, efficiency and effectiveness in its use of resources.
	• The Council responds well to any recommendations raised.
		Green

Assurance framework/risk management processes	• Within the MTFP, there is some sensitivity analysis and consideration of the risks in the MTFP for the next 3 to 4 years. This ensures a longer-term focus on financial risk to avoid short-term fixes only. • On a wider footing, 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 and CMT use their knowledge to review the risk register on a regular basis to ensure risks are being reviewed, managed and updated as appropriate. • 'Red' risks are reported at each Accounts and Audit Committee. • There is scope to improve the reporting to members on the risks facing the Council by ensuring members regularly receive a summary "Corporate Risk Register" containing details of the highest level strategic risks for them to scrutinise and consider given the potential impact on the Council achieving its overall strategic objectives.	Green

Appendix 1 – Benchmarking charts

About the charts

We have made use of the Audit Commission's Financial Ratios Analysis Tool to benchmark the Council against its statistical nearest neighbours for relevant KPIs up to and including 2012-13. This section of the report includes analysis of key indicators of financial performance, benchmarked where this data is available.

The indicators used are:

- Working capital ratio
- Long term borrowing to tax revenue
- Long term borrowing to long term assets
- Useable Reserves: Gross Revenue Expenditure

We have also made use of published material on rates of sickness absence.

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

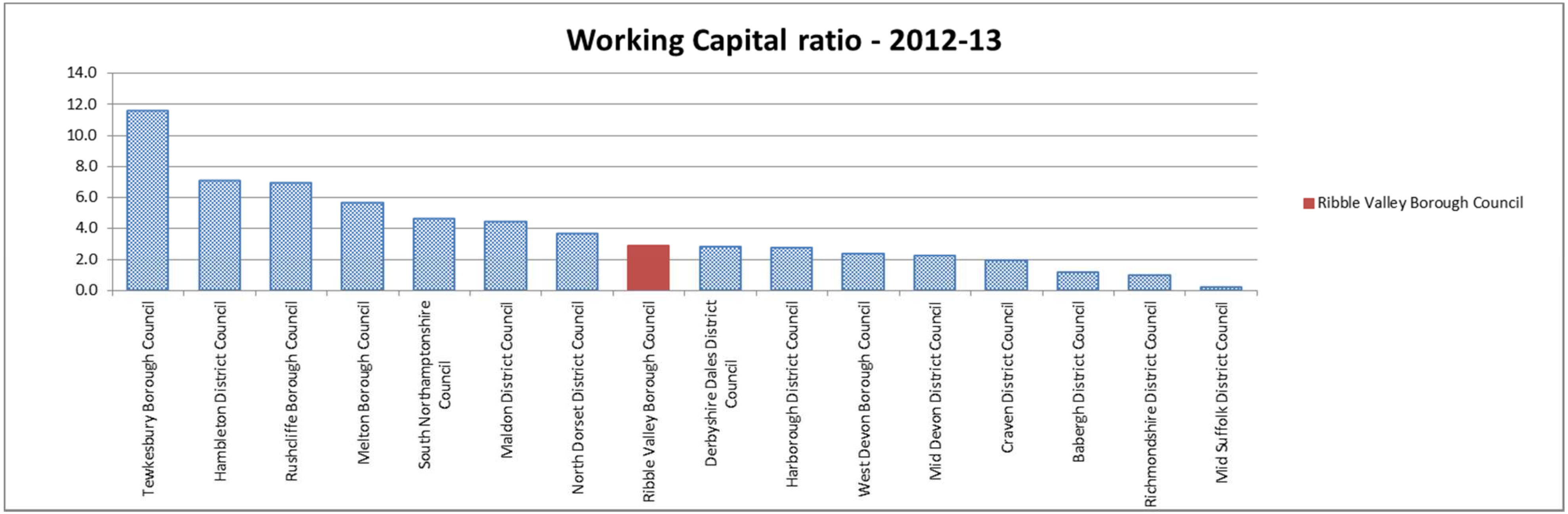
- Rushcliffe Borough Council
- Tewkesbury Borough Council
- Melton Borough Council
- Hambleton District Council
- Harborough District Council
- Maldon District Council
- South Northamptonshire Council
- Derbyshire Dales District Council
- Craven District Council
- West Devon District Council
- North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

Key Indicators of Financial Performance

Working Capital Ratio - 2012/2013

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.

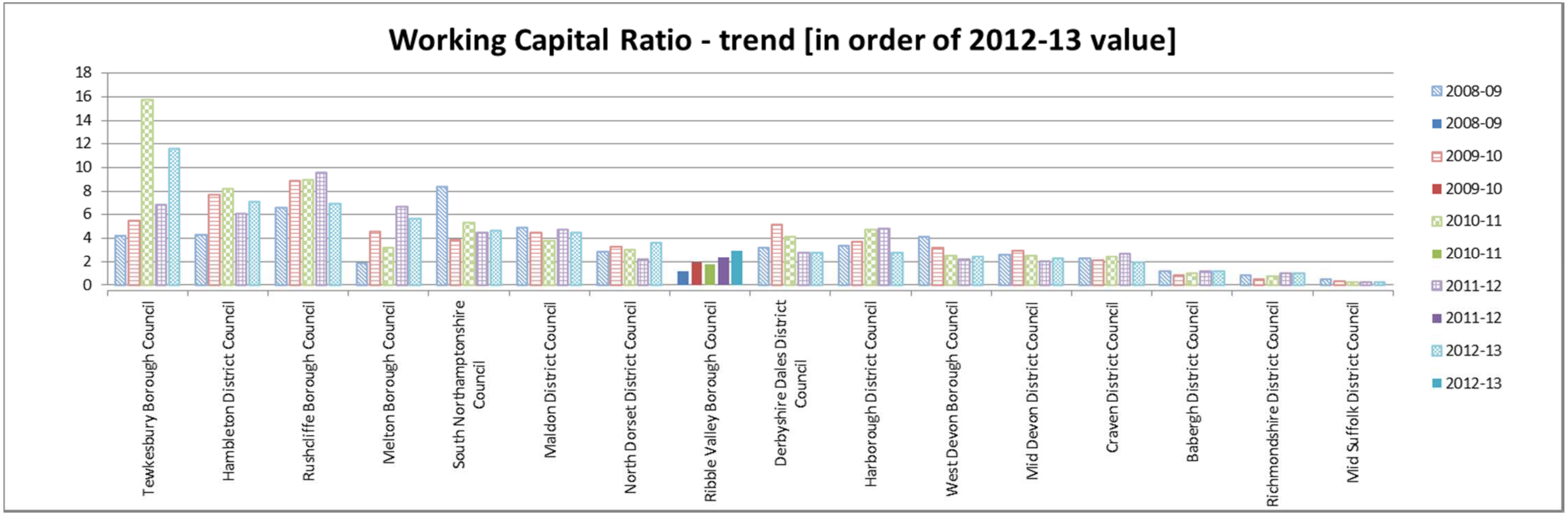
Findings The Council's working capital ratio is just below the average when compared to its nearest neighbours, its ratio in 2012-13 being 2.9 compared to an average of 3.9. This demonstrates a prudent but not overly cautious approach to working capital management.



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. The Council has seen an increase in the period 2008-09 to 2012-13.

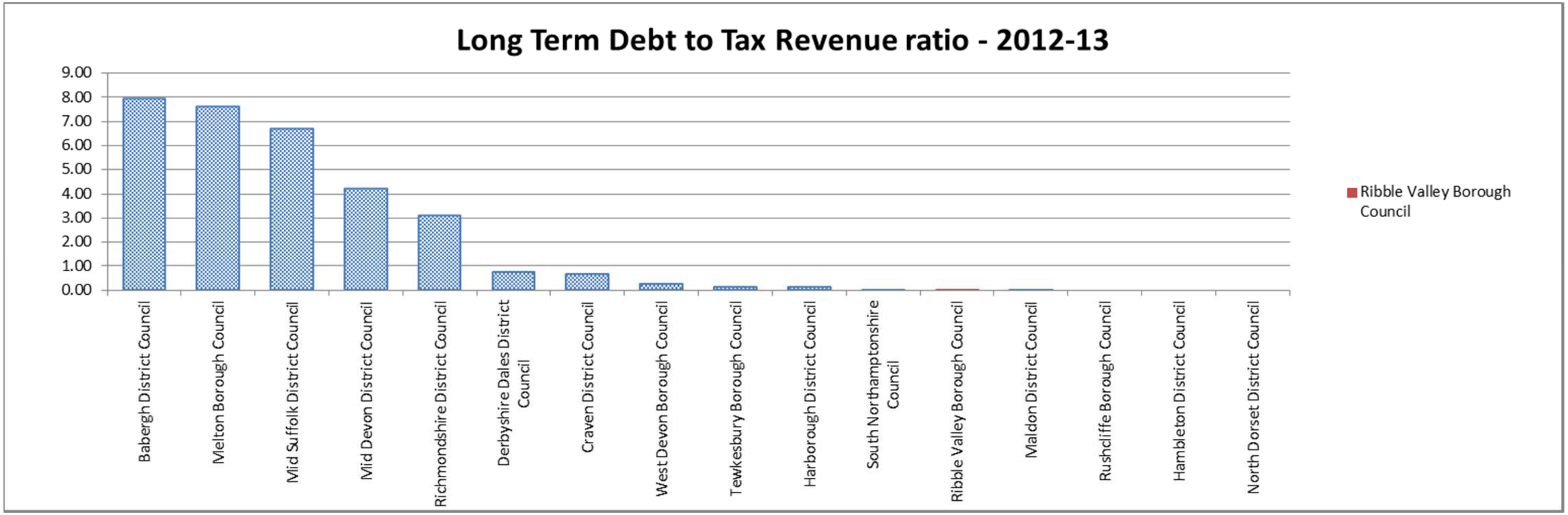


Key Indicators of Financial Performance

Long Term Debt to Tax Ratio - 2012/2013

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.

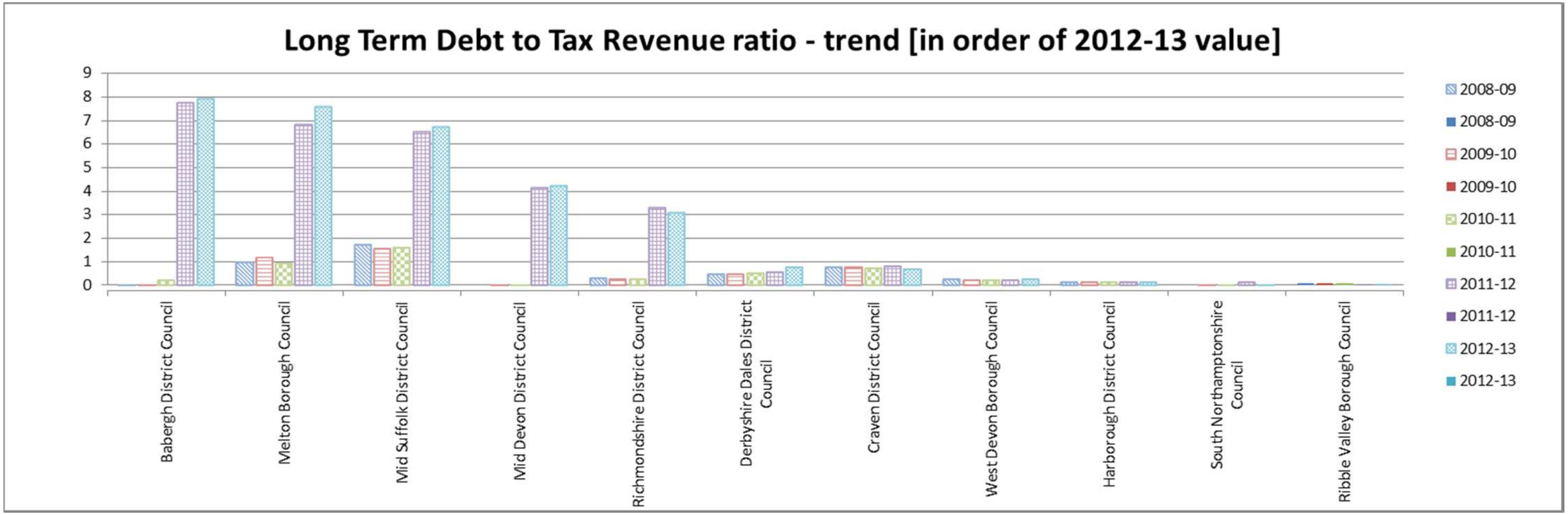
Findings The Council's long term borrowing (as a percentage of tax revenue) is 0.05 which is at the lower end of the comparator group.



Key Indicators of Financial Performance

Long Term Debt to Tax – Trend

Findings The Council's long term borrowing to tax ratio has decreased from 0.08 in 2008-09 to 0.05 in 2012-13. 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.

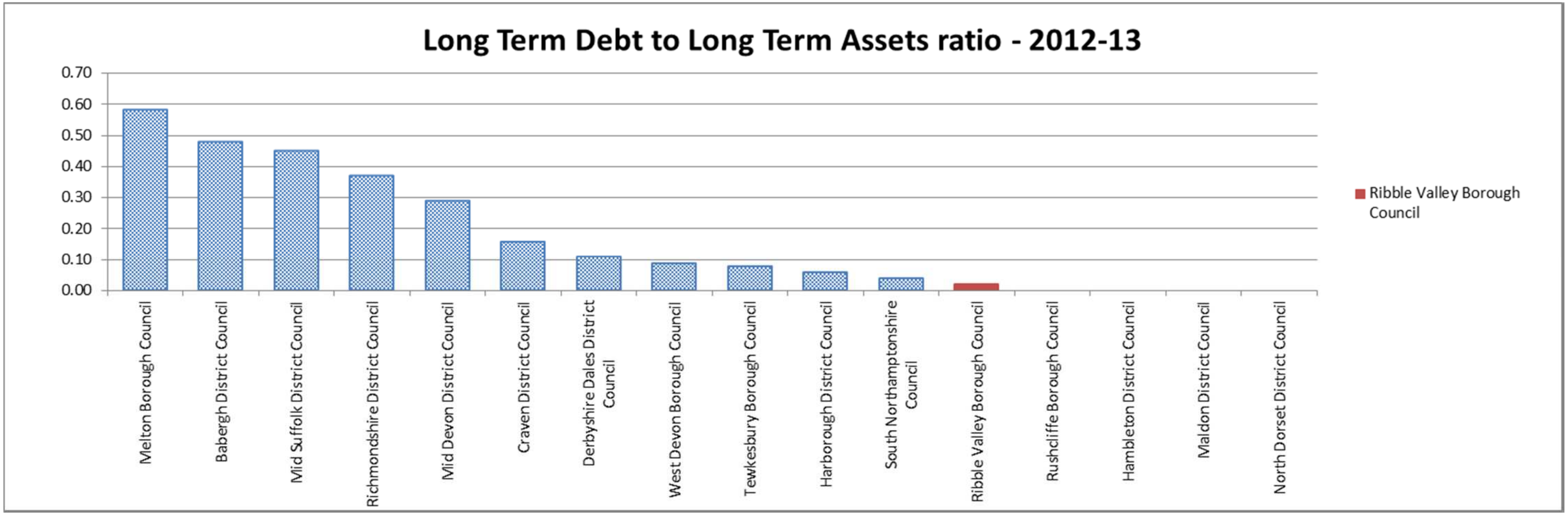


Key Indicators of Financial Performance

Long Term Debt to Long Term Assets - 2012/2013

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.

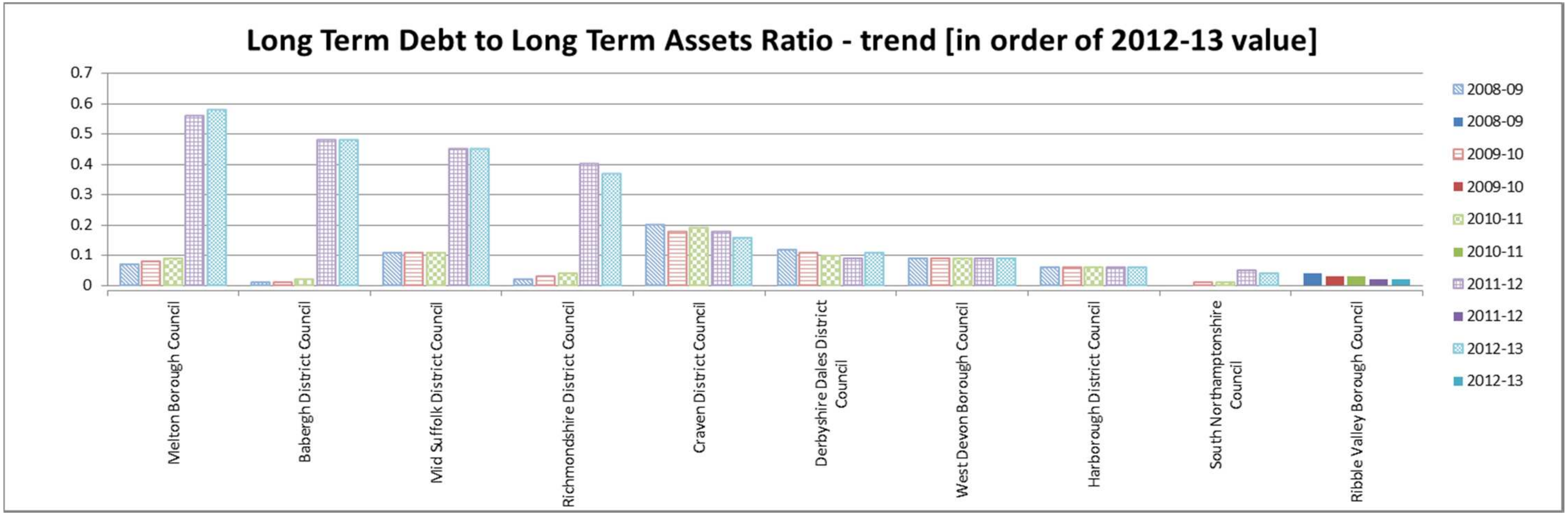
Findings The Council's long term borrowing to assets ratio is 0.02.



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 0.04 in 2008-09 to 0.02 in 2012-13. There is no clear overall trend across the benchmarked group as around half the councils have increased their ratio and half decreased.

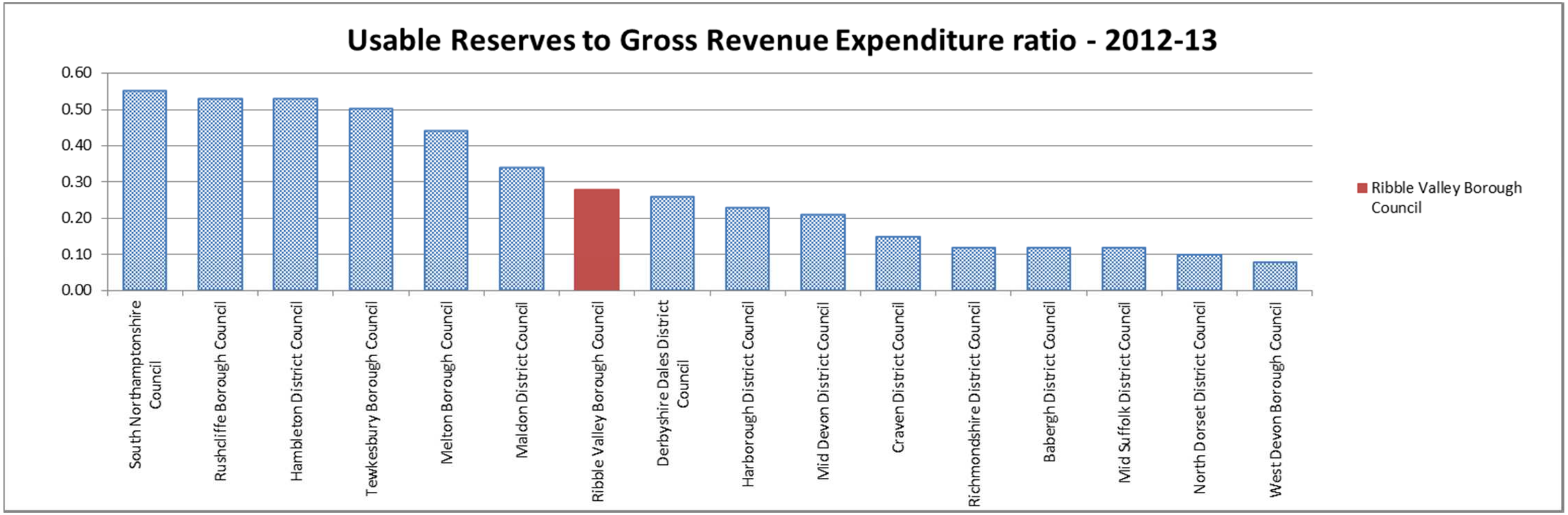


Key Indicators of Financial Performance

Usable Reserves to Gross Revenue Expenditure - 2012/2013

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 0.28. This is around the average ratio of the benchmarked group (0.29).



Key Indicators of Financial Performance

Usable Reserves to Gross Revenue Expenditure – Trend

Findings Between 2009-10 and 2012-13 the Council increased the value of its useable reserves as a share of expenditure from 0.18 to 0.28. There is no clear trend in the nearest neighbours with some authorities increasing their reserves (as a share of expenditure) and others decreasing their reserve levels.

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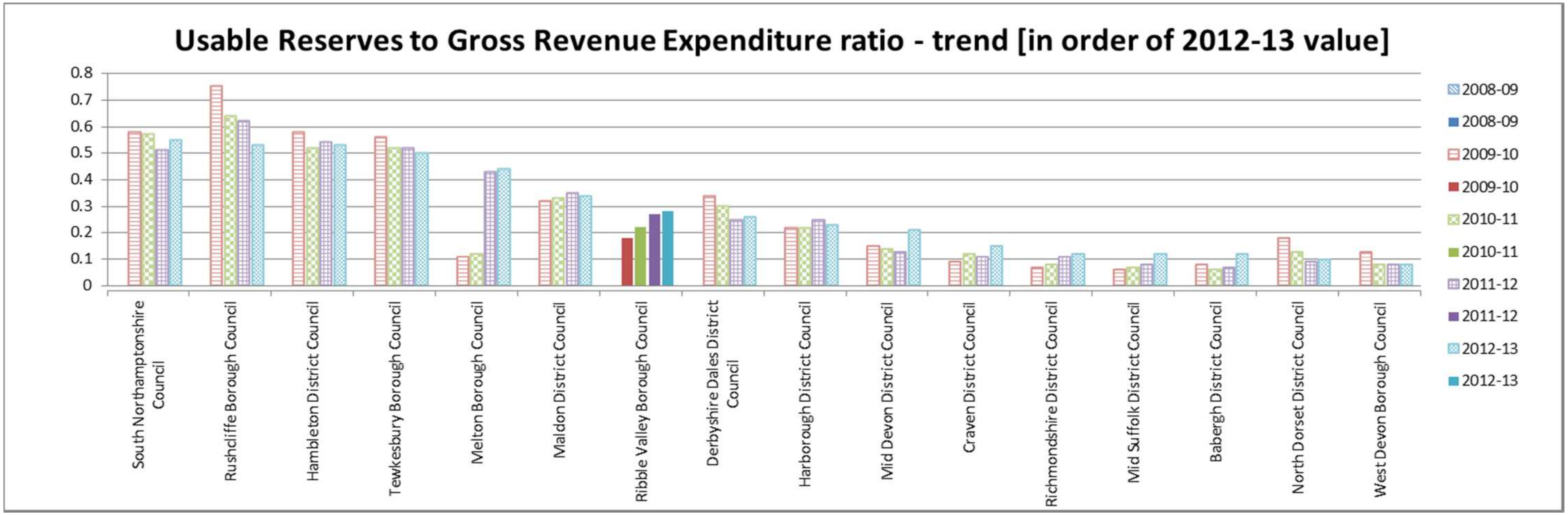
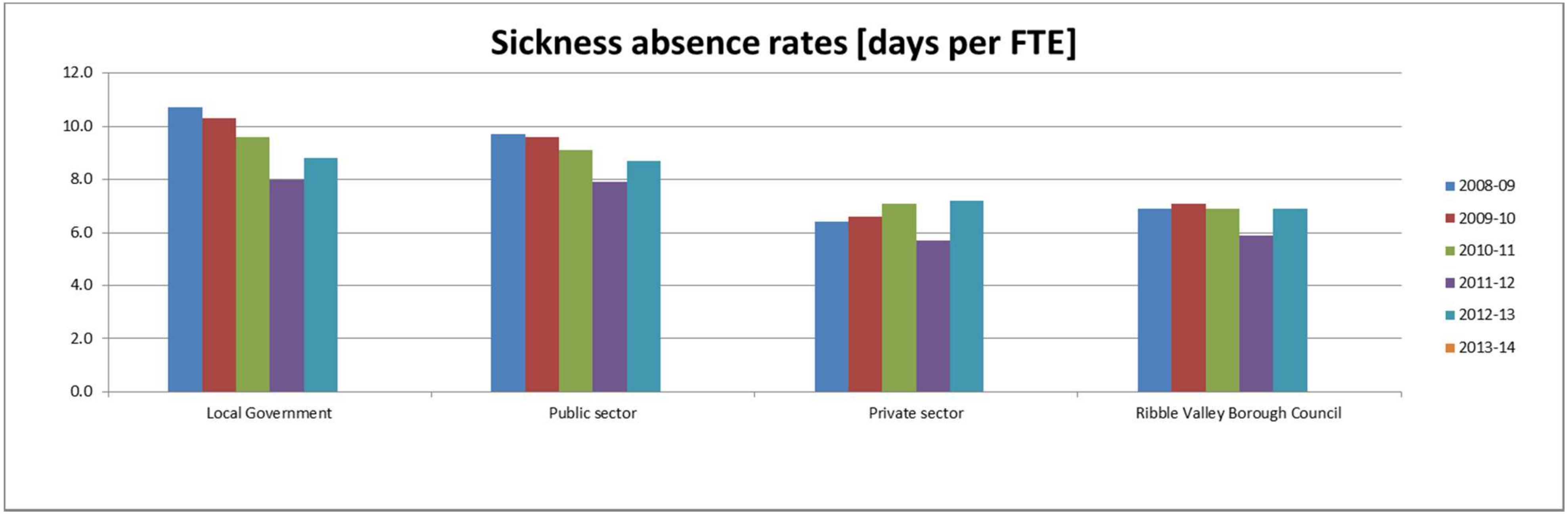


Key Indicators of Financial Performance

Sickness absence

Finding The Council's sickness absence rate was 6.9 days per FTE in 2012/13. The Council's sickness absence figures compare well against figures for the public sector (8.7 in 2012-13) and local government (8.8 in 2012-13) and are in line with the private sector (7.2 in 2012-13). The absence rate has been consistent between 2008-09.

It should be noted that the 2013-14 sickness absence rate has increased to 9.85 days per FTE. This is due to a number of one-off long-term sickness cases in 2013-14, which had not been the case in previous years. These cases are now all resolved. In addition, the Council did operate the same processes and controls for dealing with sickness absence in 2013-14 as in previous years. There are less long-term cases in 2014/15 so far and the Council has set a target to reduce sickness absence levels to the 2012-13 level by 2015/16.



DECISION

RIBBLE VALLEY BOROUGH COUNCIL
REPORT TO ACCOUNTS AND AUDIT COMMITTEE

Agenda Item No 7

meeting date: 27 AUGUST 2014
title: LETTER OF REPRESENTATION
submitted by: DIRECTOR OF RESOURCES
principal author: JANE PEARSON

1 PURPOSE

1.1 To approve the Letter of Representation for 2013/14 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 2013/14.

3 2013/14 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 2013/14.

Jane Pearson

DIRECTOR OF RESOURCES

AA19-14/JP/AC
15 August 2014

BACKGROUND PAPERS

For further information please ask for Jane Pearson

RIBBLE VALLEY BOROUGH COUNCIL

Please ask for: Mrs J Pearson
Our ref: JP17-14/AC
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 2014

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 2014 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with International Financial Reporting Standards.

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 The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance.

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

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

vi We are satisfied that the material judgements used 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.

vii Except as stated in the financial statements:

a. there are no unrecorded liabilities, actual or contingent
b. none of the assets of the Council has been assigned, pledged or mortgaged
c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

viii 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

ix 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.

x All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

xi Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

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

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

xiv We believe that the Council's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

Information Provided

xv We have provided you with:

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.

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

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

xviii We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

xix We have disclosed to you all 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.

xx 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.

xxi We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

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

xxiii We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

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

Approval

The approval of this letter of representation was minuted by the Council's Accounts and Audit Committee at its meeting on 27 August 2014.

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

DECISION

RIBBLE VALLEY BOROUGH COUNCIL
REPORT TO ACCOUNTS AND AUDIT COMMITTEE

Agenda Item No

meeting date: 27 AUGUST 2014
title: APPROVAL OF AUDITED STATEMENT OF ACCOUNTS FOR 2013/14
submitted by: DIRECTOR OF RESOURCES
principal author: LAWSON ODDIE

1 PURPOSE

1.1 To seek Member approval of the Statement of Accounts for 2013/14, 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 25 June 2014 this committee approved the Statement of Accounts for 2013/14, **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 2014 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 2013/14

3.1 The clearance meeting with Grant Thornton was held on 6 August 2014. 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 change made related to the pensions note 33 on page 91. Within this table the **Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Account** for 2013/14 had omitted the amounts on the preceding line of **experience gain.** However, the amounts presented within the Comprehensive Income and Expenditure Statement itself were correct.

3.4 A further change was made for some revenue grant income that was disclosed in note 29. The note referred to an amount being received from East Lancashire PCT, however this should have been split between East Lancashire CCG and Lancashire County Council.

4 AMENDMENTS TO ANNUAL GOVERNANCE STATEMENT 2013/14

4.1 Following the recent audit a number of small changes have also been made to the Annual Governance Statement. The audited statement, with amendments, is shown at Annex 1, and requires member approval.

5 STATEMENT OF ACCOUNTS FOR 2013/14

5.1 The final statement of accounts for 2013/14 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 2014. A summary version of the accounts will also be prepared and published on our website.

5.2 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.

6 RISK ASSESSMENT

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

- Resources – none as a direct result of this report.
- Technical, Environmental and Legal – The Code of Practice and all Financial Reporting Standards have been adhered to in the preparation of the Statement of 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.

7 CONCLUSION

7.1 Due to a considerable amount of time and effort by our finance team the closure of the council's accounts for 2013/14 has proceeded well.

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

8 RECOMMENDED THAT THE ACCOUNTS AND AUDIT COMMITTEE

8.1 Approve the audited Statement of Accounts for 2013/14.

8.2 Approve the audited Annual Governance Statement 2013/14

HEAD OF FINANCIAL SERVICES DIRECTOR OF RESOURCES

AA20-14/LO/AC
15 August 2014

BACKGROUND PAPERS
Closedown Working Papers – Final Accounts 2013/14
Report to Accounts and Audit Committee 25 June 2014 - Draft Statement of Accounts 2013/14

For further information please ask for Lawson Oddie, extension 4541

Ribble Valley Borough Council

Annual Governance Statement 2013/14

1 SCOPE OF RESPONSIBILITY

1.1 Ribble Valley Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

1.2 In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

1.3 The Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code is on our website at www.ribblevalley.gov.uk. This statement explains how the Council has complied with the code and also meets the requirements of Accounts and Audit (England) Regulations 2011, regulation 4(3), which requires all relevant bodies to prepare an annual governance statement.

2 THE PURPOSE OF THE GOVERNANCE FRAMEWORK

2.1 The governance framework comprises the systems and processes, culture and values by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

2.3 The governance framework has been in place at the Council for the year ended 31 March 2014 and up to the date of approval of the annual report and statement of accounts.

3 THE GOVERNANCE FRAMEWORK

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

3.1 The Council's vision, priorities and objectives are clearly set out in the approved Corporate Strategy document 2011 - 2015, which is available to view on the Council's website.

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

3.2 The Corporate Strategy was reviewed in 2012/13; consideration of reviewing the strategy is undertaken by the Council Leader. A review takes place if it is felt that the objectives have changed or new objectives need to be added. These objectives are derived from and have regard for partnerships and government priorities.

Translating the vision into objectives for the authority and its partnerships

3.3 The Council has established a performance management and strategic planning framework for detailed planning, implementation and monitoring of the Corporate Strategy.

3.4 Mechanisms in place for the monitoring of performance include:

- ~~Quarterly monitoring of performance indicators by the leadership team~~ Performance indicators are reported by Senior Officers to the relevant committees on a regular basis;
- Improvement and Statutory Reviews (for example by the Benefits Inspectorate); and

3.5 The Council uses a bespoke performance management software system to measure progress towards the achievement of individual performance targets and their combined effect on the accomplishment of corporate objectives.

3.6 Reports produced by the system demonstrate progress towards the achievement of performance indicators in terms of trends and percentage variances against target.

3.7 The Medium Term Financial Strategy outlines how we intend to use and raise the resources needed to deliver our services and priorities over the medium term.

3.8 The Council's Risk Register sets out the risks that we have to manage to help us achieve our objectives.

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

3.9 The Corporate Strategy Action Plan sets out underlying actions that have been established in order to support, and measure progress towards, the achievement of the Council's objectives detailed in the strategy.

3.10 A medium term financial strategy is set based upon regularly refreshed priorities.

3.11 It is ensured that the financial management of the Council is sound, by regular and timely reporting to budget holders, Management Team, Leaders and the Council as a whole. This includes both revenue and capital monitoring.

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

3.12 The functions of statutory officers are detailed in the constitution and the roles of the Committees are documented within the constitution.

3.13 The officer delegation scheme details specific chief officer responsibilities.

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

3.14 All policies are subject to internal review to ensure these are adequately maintained. The council keeps all staff aware of changes in policy and new legislation as necessary, by a variety of means, and where appropriate arranges training for all or key members of staff.

3.15 The standards of ethical behaviour expected from Members and Staff are defined in codes of conduct that are distributed as part of the induction process. These incorporate procedures for the disclosure of pecuniary interests and offers of gifts and hospitality.

3.16 Included in the Constitution are the terms of reference for Committees and a protocol for Member/ Officer Relations.

3.17 The procedures for the public to follow in order to register a complaint regarding the deliverance of the Council's services or a breach of the member's code of conduct are detailed on the Council's website.

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

3.18 The Constitution sets out how the Council operates, how decisions are made and the procedures followed to ensure that these are efficient, transparent and accountable to local people. The Council's Constitution and procedural notes/ manuals are reviewed periodically to ensure continued compliance with changing laws and regulations, and internal policies and procedures.

3.19 In compliance with the Freedom of Information Act 2000 procedures for requesting access to information are in place. The details are noted on the Council's website.

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

3.20 The Council has embedded a robust structure and system for identifying, evaluating and monitoring all significant business risks at both strategic and operational levels.

3.21 The Leadership Team receive monthly risk management updates and areas of high risk are reported promptly to Accounts and Audit Committee for scrutiny.

3.22 The Council has a risk management policy in place which is published on the Internet.

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

3.23 The Council has an Anti-Fraud and Corruption Policy on the Council's intranet. The Council's anti-money laundering policy recognises its obligation to establish formalised internal procedures to prevent its services in the use of money laundering. The policy was reviewed by Policy & Finance Committee at their meeting in June 2012.

3.24 The Council participate in the National fraud Initiative.

Ensuring effective management of change and transformation

3.25 The Medium Term Financial Strategy is a 3 year strategy; however this is reviewed annually to reflect any changes.

3.26 Training is provided to both Staff and Councillors to be able to deal with change effectively.

Ensuring the authority's financial management arrangements conform with the governance requirements of the CIPFA Statement on The Role of the Chief Financial Officer in Local Government (2010)

3.27 The Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government. This is reviewed on annual basis.

3.28 The Council has designated the Director of Resources as chief finance officer under Section 151 of the Local Government Act 1972.

3.29 The management structure of the Council ensures that the Chief Financial Officer reports directly to the Chief Executive and is a member of the leadership team with direct responsibility for the Council's financial activities. The leadership team meets on a weekly basis to discuss matters of strategic and operational importance to the Council.

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

3.30 The Council's internal audit arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit in public service organisations. This is reviewed on annual basis.

3.31 The Council has delegated responsibility for maintaining an adequate internal audit function to the Head of Financial Services.

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

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

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

3.33 The Chief Executive is designated as the Head of Paid Service and fulfils the responsibilities of the role.

3.34 The roles and functions of the head of paid service, monitoring officer and chief financial officer are set out in the Constitution. The arrangements in place for the discharge of functions by specific officers under delegation are set out in the Officer Delegation Scheme.

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

3.35 The Council maintains a sound Internal Audit function that operates to the standards set out in the 'CIPFA Code of Practice for Internal Audit in Local Government in the UK'.

3.36 The Accounts and Audit Committee operates to an agreed terms of reference which defines its core functions, roles and responsibilities. The terms of reference is contained within the Constitution**.**

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

3.37 The Council aims to ensure compliance with established policies, procedures, laws and regulations through a variety of mechanisms, including:

- Monitoring Officer
- Section 151 Officer
- Internal Audit
- External Audit
- Performance Management System
- Risk Register
- Member and Officer training and development

3.38 A structured approach to financial and contract management is set out in Financial Regulations and Contract Procedure Rules. These provide guidance on managing our finances, ensuring compliance with legislation and value for money is considered in all purchasing activities.

3.39 Internal Audit report four times annually to the Accounts and Audit Committee and are a prime source of assurance to the Council regarding its financial management (including the adequacy of its financial systems, budgetary control and the efficient and effective use of resources). Internal Audit also provides assurance in the areas of governance, risk management and compliance.

3.40 The Council has an objective and professional relationship with its external auditors and statutory inspectors.

Whistle blowing and for receiving and investigating complaints from the public

3.41 The Council is committed to the highest possible standards of openness, integrity and accountability. In line with this commitment the Council has adopted a whistle-blowing policy to encourage employees and others with serious concerns to come forward in confidence.

3.42 There is a clear complaints procedure on the Council's website.

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

3.43 Key policies and procedure documents are distributed to Members and Officers during the induction process. Up to date electronic copies are available to view on the Council's internal website.

3.44 Officer training needs are identified during performance appraisals. There is a thorough Members training and development plan in operation that reflects the requirements of a modern Councillor.

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

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

3.46 The Council has adopted a Constitution, which sets out how the Council operates, how decisions are made and the procedures that are followed to ensure that these are efficient, transparent and accountable to local people. The Constitution is published on the Council's website.

3.47 Policy and decision-making is facilitated through a Committee System including Accounts and Audit Committee and Policy and Finance Committee. Committee meetings are open to the general public except where personal or confidential matters are being disclosed and Committee minutes and agendas are publicised on the Council's website.

3.48 The Council has in place a community consultation and engagement website in collaboration with four other east Lancashire local authorities, LCC and East Lancashire CCG. The objective of the website, which can be accessed at www.feedbackonline.org.uk is to provide local information and opportunities that will help to improve the quality of life, and develop understanding and awareness of public sector services and activities. The website includes an electronic petition facility in accordance with the Local Democracy, Economic Development and Construction Act 2009.

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

3.49 Policy and Finance Committee approved the Council's medium term financial strategy (2013 - 2016) in February 2013. This strategy helps to ensure that financial resources available to the Council are sufficient to support the delivery of priorities, and to plan sustainable services and budgets. The financial strategy includes a budget forecast that is reviewed annually.

3.50 Budget setting, control and reporting requirements are set out in the Council's Financial Regulations, which have full regard to internal and external regulations and relevant codes of practice.

3.51 Capital and Revenue budgets are monitored closely and reports on budget allocations and expenditures are submitted to the leadership team each month and to relevant Committees each quarter. Budget working group minutes are reported to Policy and Finance Committee periodically.

3.52 Heads of Departments are accountable for the service delivery and performance is reported to the relevant committees.

3.53 Senior Officers attend regular meetings with other local authorities in the neighbouring areas to ensure good working practice.

3.54 Relevant officers attend regular partnership meetings, i.e. Community Safety Partnership, Lancashire Enterprise Zone Partnership, etc. to ensure objectives are being met efficiently and effectively.

Incorporating good governance arrangements in respect of partnerships and other joint working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the authority's overall governance arrangements

3.55 The Council has adopted a 'Request to Enter into a Partnership Arrangement' form. The purpose of the form is to ensure that consistent information is obtained for all future partnerships that the Council enters into. The lead officer for the partnership is also required to confirm that the Council's financial regulations and contract procedure rules will be adhered to.

4 REVIEW OF EFFECTIVENESS

4.1 Ribble Valley Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the Heads of Service within the authority who have responsibility for the development and maintenance of the governance environment, the head of internal audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

Corporate Management Team

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

Corporate Level Review

4.3 The Corporate Management Team consisting of the following officers during 2013/14 oversees the compilation of the Annual Governance Statement.

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

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

Directorate Level Review

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

Monitoring Officer

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

Scrutiny Committee

4.7 There have been governance changes under the Localism Act around Code of Conduct and the Standards Committee since May 2013. As the Council is a 4th option Authority, it is not essential to have an Overview and Scrutiny Committee and thus the Council no longer has one.

Accounts and Audit Committee

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

Standards Committee

4.9 The Council's Standards Committee become part of the Accounts and Audit Committee in April 2012.

Internal Audit

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

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

External Audit

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

5 AUDIT COMMISSION: PROTECTING THE PUBLIC PURSE

5.1 A checklist issued by the Audit Commission entitled 'Protecting the Public Purse' was completed during the year.

5.2 Authorities were encouraged to use the checklist to ensure that they have sound governance and counter-fraud arrangements in place and that they are working as intended.

5.3 No issues were highlighted as a result of this review.

6 NATIONAL AUDIT OFFICE FACT SHEET: GOVERNANCE STATEMENTS GOOD PRACTICE OBSERVATIONS

6.1 A fact sheet issued by the National Audit Office entitled ‘Governance Statements: Good Practice Observations from our Audits’ 2012-2013 was completed during the year. Authorities were encouraged to answer the ‘challenge questions’ to support better governance.

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

7 GRANT THORNTON DOCUMENT: WORKING IN TANDEN 2014

7.1 Grant Thornton carried out this annual review to encourage organisations improve their performance by learning from their peers, both within their own sector and beyond.

7.2 There was a focus on three areas; risk leadership, partnerships and public communications. These areas were examined and no issues were highlighted as a result of this review.

8 GRANT THORNTON DOCUMENT: 2016 TIPPING POINT

8.1 The report examined the resilience of local government to the financial, economic, demographic, policy and other challenges that the sector faces. The Financial Governance checklist was completed and no issues were highlighted.

9 SIGNIFICANT GOVERNANCE ISSUES

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

Signed:

Leader of the Council	Chief Executive

On behalf of Ribble Valley Borough Council

Statement of Accounts

[Audited]

2013/2014

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 2014 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 2013/14 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 Business Rates*

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

Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 (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).

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

- Amendments to the accounts on Employee Benefits under IAS19;
- Clarifications on the recognition and measurement provisions in relation to accounting for property, plant and equipment; and
- Substantial changes on accounting for business rates under the localisation of business rates in England.

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	Restated Original Estimate	Revised Estimate	Actual	Original Estimate Compared to Actual	Revised Estimate Compared to Actual
	£'000	£'000	£'000	£'000	£'000	£'000
Community Services	3,317	3,362	3,345	3,014	-303	-331
Policy & Finance	1,740	1,750	1,805	1,764	24	-41
Planning & Development	555	715	900	741	186	-159
Health & Housing	800	798	729	601	-199	-128
Committee Expenditure	**6,412**	**6,625**	**6,779**	**6,120**	**-292**	**-659**
Interest Payable	16	16	16	16	0	0
Parish Precepts	347	347	347	347	0	0
Interest Received	-29	-29	-30	-24	5	6
Net Operating Expenditure	**6,746**	**6,959**	**7,112**	**6,459**	**-287**	**-653**
Precept from Collection Fund (including parish precepts)	-3,309	-3,309	-3,309	-3,309	0	0
Deficit on Collection Fund	25	25	25	25	0	0
Localisation of Council Tax Support - Parish Payment	23	23	23	23	0	0
Efficiency Support for Services in Rural Areas	-10	-10	-10	-10	0	0
Localisation of Council Tax Support - Transitional Grant	-6	-6	-6	-6	0	0
New Homes Bonus	-378	-378	-378	-378	0	0
Council Tax Freeze Concession	-32	-32	-31	-31	1	0
Revenue Support Grant	-1,778	-1,778	-1,778	-1,778	0	0
Revenue Support Grant - Redistributed	0	0	0	-9	-9	-9
Business Rates	-1,230	-1,230	-1,230	-1,278	-48	-48
S31 Grant - Business Rates less Levy	0	0	-169	-169	-169	0
Deficit/(Surplus) for year	**51**	**264**	**249**	**-461**	**-512**	**-710**
Depreciation	-685	-685	-678	-678	7	0
Minimum Revenue Provision	145	145	137	137	-8	0
Net Transfer to/from earmarked reserves	635	452	191	643	8	452
Deficit/(Surplus) for year	**146**	**176**	**-101**	**-359**	**-505**	**-258**

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
Section 31 Grant - Business Rates less Levy	-169
Decrease in Depreciation	7
Decrease in Minimum Revenue Provision	-8
Decrease in amount set aside in Earmarked Reserves	-444
Net increase in Service Committee Costs	367
Net increase in amount to take from balances for the year	**-247**

Financial Performance and Outlook

The council's final outturn against budget demonstrates the continued achievement of the savings that were brought in as part of the council's full service reviews that were undertaken in 2011/12, with some areas achieving further savings. It is reassuring that the savings remain as sustainable, whilst it also highlights that there is potential for further savings to be achieved in future years, helping our financial position in 2015/16 and onwards.

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 £359,000 to our general balances rather than our revised estimate of adding £101,000 to 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.

As part of the fiscal deficit reduction plan, central government planned at the 2010 spending review to reduce funding for local authorities by 26 per cent (£7.6 billion) in real terms, between April 2011 and March 2015. In December the Government announced the Local Government Finance Settlement for 2014/15 and also a provisional settlement for 2015/16, which indicated continued reductions in funding, past March 2015.

Significant changes were made to how local authorities were funded from 1 April 2013 with the introduction of Business Rates Retention. These changes also added much volatility to the level of funding that council's receive, but with a 'safety net' position which the government would protect us to. There is potential for the council to receive increased funding for its activities should the borough experience economic growth and an increase in the level of business rates payable. Any such rates growth would be retainable by the council at a level of 50%.

The council has the potential to experience an impairment of its 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 continued 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 these continued uncertainties.

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. There is the potential that interest rates will increase by the end of the 2014 calendar year.

During 2013/14 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:

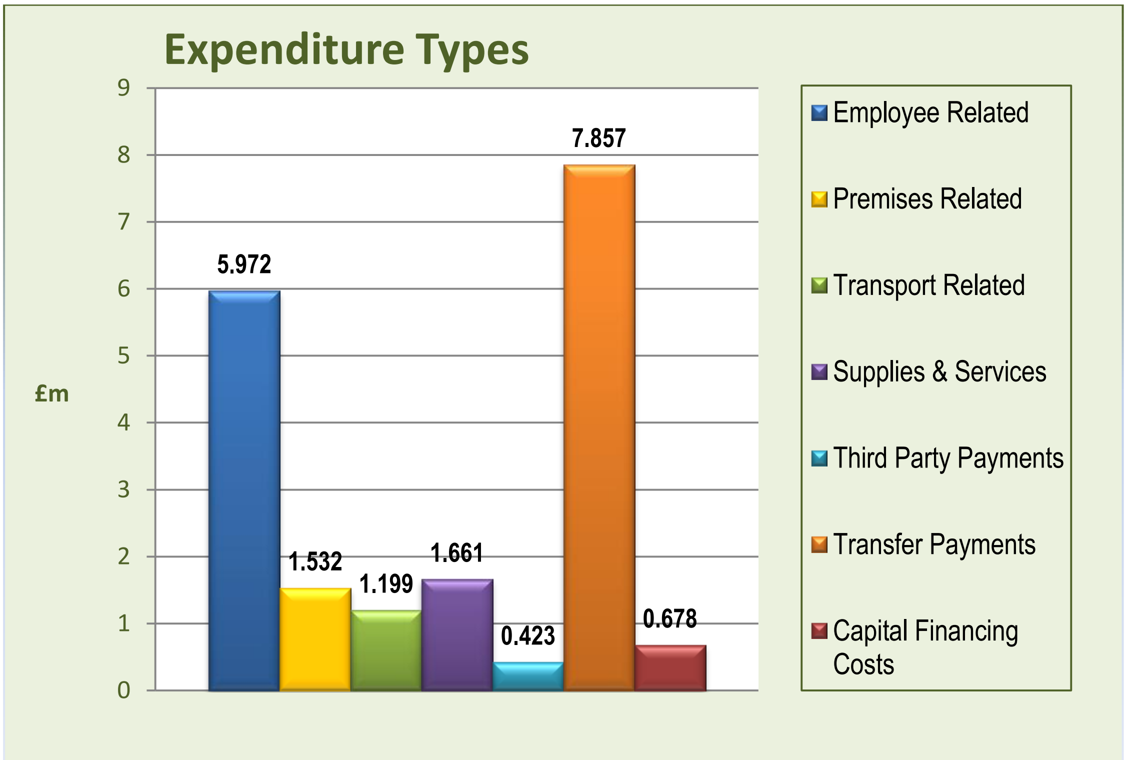
Variation	£'000
Expenditure Variations	
Direct Employee Costs	-71
Staff Training Costs	-29
New Burdens Grant - Benefits	-30
Energy, Utilities and Telecommunications	-10
Vehicle Repairs and Maintenance	-58
Staff Vehicles and Mileage	-17
Rent of Buildings and Ground Rents	-30
Members, Meetings and Mayoral	-10
Legal Fees	32
Equipment and Materials	-31
ICT Hardware and Software	-18
Books and Publications	-12
Publicity and Promotions	-21
Printing and Stationery	-13
Planning Consultants	-43
Core Strategy	-81

Variation	£'000
Management of Museum	-26
Statutory Notices	-12
Payment of Grants	-79
Subscriptions	-15
Council Tax benefit overpayments (net)	-17
Payment of Benefits	173
Total Expenditure Variances	**-418**
Income Variations	
Government Subsidy towards Benefits	-124
Grant towards Discretionary Benefit Payments	-51
Ribblesdale Pool	-15
Replacement Bins	-13
Children's Trust Grant	-10
Planning Fee Income	19
Search Fees	-11
Recycling Credits	-41
Release of Section 106 Monies	-35
VAT Shelter Income	66
Total Income Variances	**-215**
Other Variations	-26
Increase in S31 Grant Amount	-17
Reduced Levy Payment due	-30
RSG Redistributed	-9
Decreased Interest	5
Extra Transfers to Earmarked Reserves	452
Increase in amount to add to balances	**-258**

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:***

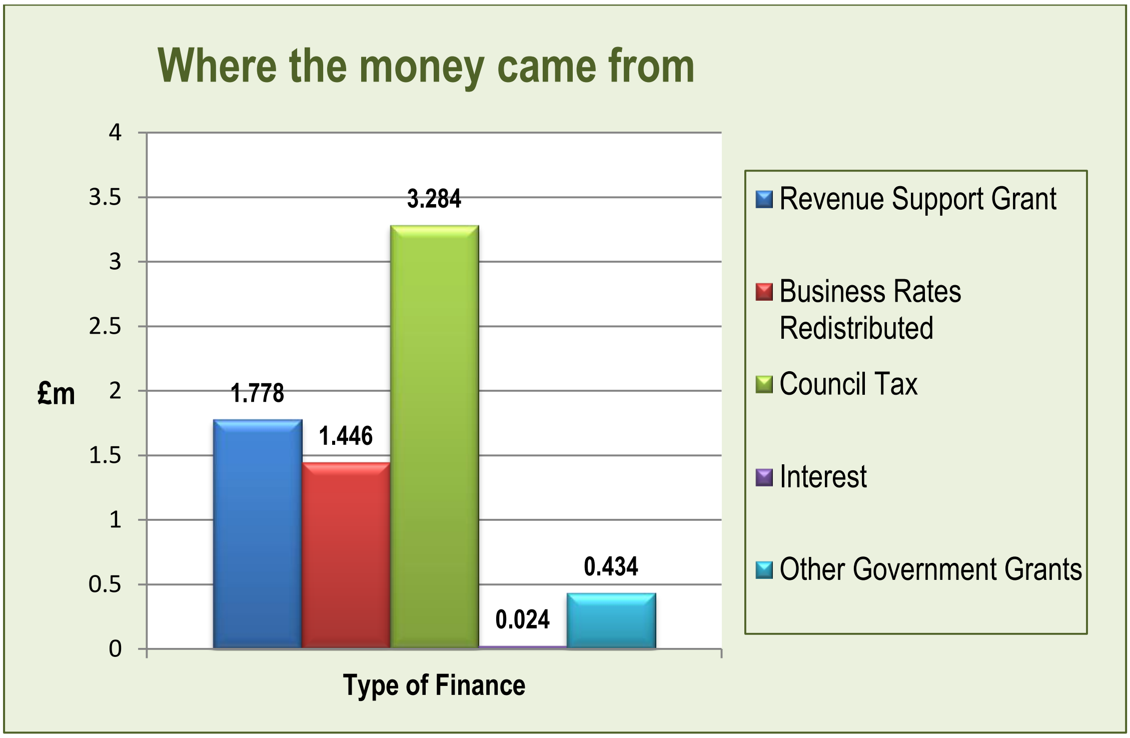
Type	£'000
Employee Related	5,972
Premises Related	1,532
Transport Related	1,199
Supplies & Services	1,661
Third Party Payments	423
Transfer Payments	7,857
Capital Financing Costs	678
Total Expenditure	**19,322**



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 £6.120m. 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 £6.966m. We financed 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 £146,000 from general fund balances to help finance the 2013/14 spending plans. However, this was revised later in the year to adding £101,000 to general fund balances. The final position shows that the council has added £359,000 to general fund balances.

	£'000
General Fund Balances: Brought forward at 1 April 2013	1,699
Surplus in 2013/14 added to General Fund Balances	359
General Fund Balances: Carried forward at 31 March 2014	2,058

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 2014 decreased to £12.007m (31 March 2013 £16.371m).

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

Financial Assumptions examine a number of areas in respect of the benefit obligation:

- **Duration:** taking in to account the duration of the liabilities of the council. This is done by subdividing council's in to one of seven profile groups, based on the age profile of their employees. This then presents a typical duration for liabilities. The profile group that this council falls in to is 'Very Mature', with an estimated duration of liabilities of 18 years
- **Discount Rate:** In accordance with the accounting standard, the rate used to discount post-employment benefit obligations should be based on the yields of AA-rated corporate bonds of currency and term appropriate to the currency and term of the Scheme's liabilities.
- **Price Inflation:** The expected rate of inflation over the long term is an important building block for the salary growth and pensions increase assumptions. The determination of a suitable rate of inflation is complicated in the UK because the Bank of England uses a measure of inflation for its inflation targets, the 'consumer price index' (CPI), which differs from the measure used for index-linked bonds, the 'index of retail price' (RPI)

The change to accounting for pensions under International Accounting Standard 19 (IAS19) rather than the previous basis under Financial Report Standard 17 (FRS17) means that there have been several instances of restating the financial statements for the 2012/13 comparator year, as this was previously produced under FRS17.

The main requirements of FRS17 and IAS19 are similar to one another. Both standards use the 'projected unit method' of valuing liabilities, have very similar methodologies for determining the actuarial assumptions to be used, and the same method of valuing assets (in particular quoted assets are taken at 'bid values'). Some of the main accounting figures produced by the two standards are therefore the same. The main difference is the treatment of the investment returns in the Pension Cost. There are also some minor technical differences in relation to the treatment of interest on the service cost and expenses. IAS19 also requires a few extra figures in relation to the breakdown of plan assets and the effects of change in assumptions on the liabilities.

There are some minor differences in terminology between the two standards. For example FRS17 refers to the 'Statement of Recognised Gains and Losses' whereas the corresponding wording under IAS19 is the 'Statement of Other Comprehensive Income'.

The impact of the restatements is shown at note 37.

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.

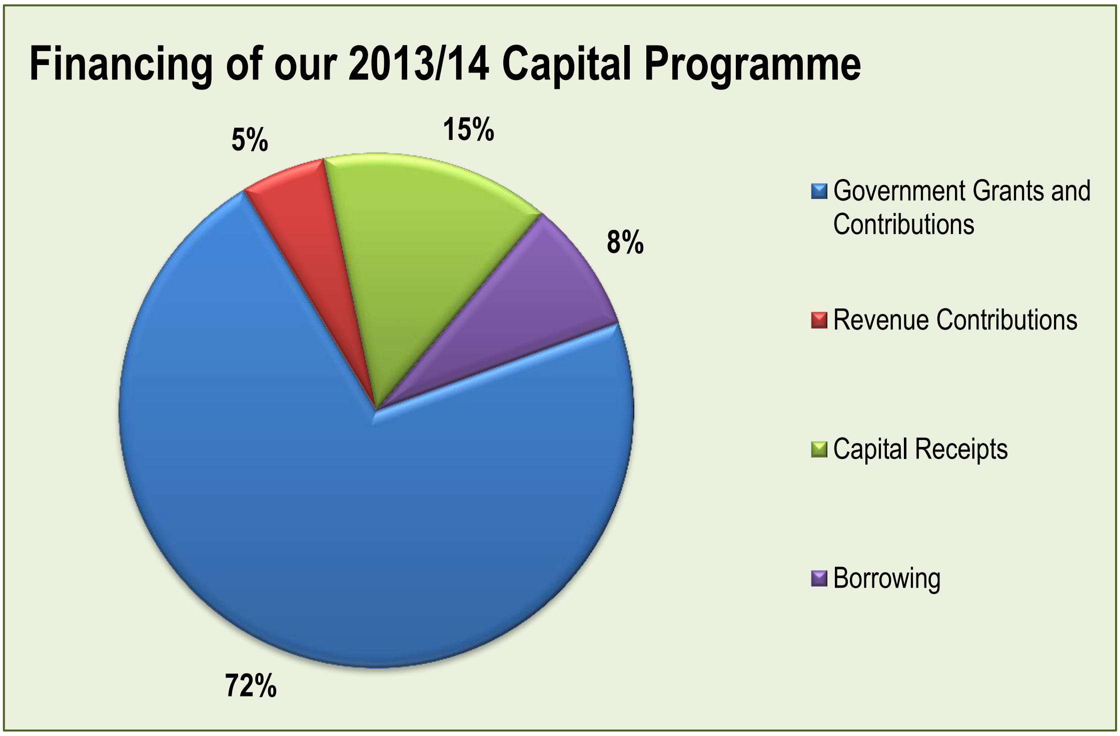
During the year the Council spent over £1.372 million on capital schemes. The main areas of expenditure included:

- Replacement of two refuse vehicles and the purchase of larger green bins
- Installation of infrastructure at Clitheroe Cemetery
- 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
- Public Services Network (PSN) Compliance
- Cemetery Extension Retention
- Renovation and Disabled Facilities Grants

How the Capital Programme was Financed	£'000
Government grants and contributions	987
Capital Receipts	73
Revenue contributions	198
Borrowing	114
	1,372



The Council used internal borrowing to finance the Clitheroe Cemetery Infrastructure scheme. We did not need to undertake any external borrowing in year; 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 2014 was £0.294m. 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 2014.

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 27 August 2014.

Signed by:

Cllr John Hill
Chairman of Accounts and Audit Committee

27 August 2014

Statement of Accounting Policies

1 GENERAL PRINCIPLES

The Statement of Accounts summarises the Council's transactions for the 2013/14 financial year and its position at the year-end of 31 March 2014. 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 2013/14* and the *Service Reporting Code of Practice 2013/14*, 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 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.

5 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 amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance MRP, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

6 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 entitlements 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 in exchange for those benefits 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 at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

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

Post-Employment Benefits

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

The Local Government Pension Scheme

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

- The liabilities of the Lancashire County Pension Fund attributable to Ribble Valley Borough Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 4.3% (4.4% 31 March 2013) 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 the following components:
- **Service cost comprising:**
    - Current Service Cost – the increase in liabilities as a result of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
    - Past Service Cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
    - Net Interest on the Net Defined Benefit Liability (Asset) – i.e. net interest expense for the Council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

- **Remeasurements comprising:**
  - The Return of Plan Assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
  - Actuarial Gains and Losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- **Contributions:**
  - Contributions paid to the Lancashire County Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement 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.

7 EVENTS AFTER THE REPORTING PERIOD

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.

8 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 into two types:

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

Loans and Receivables

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

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

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

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

Available-for-sale Assets

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

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

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted market prices – 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).

9 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.

10 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-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

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

11 HERITAGE ASSETS

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 18* 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 18* on Property, Plant and Equipment in this summary of significant accounting policies)

12 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.

13 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.

14 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.

15 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.

16 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 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.

17 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 2013/14* (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 SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

18 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 £	31 March 2013 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, generally in excess of £10,000, are categorised as capital receipts and are credited to the Capital Receipts Reserve. 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.

19 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.

20 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.

21 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.

22 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.

23 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 2013/14	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 2013	**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 During 2013/14													
Surplus or (deficit) on the provision of Services	-1,703	0	0	0	**-1,703**	0	0	0	0	0	0	**0**	**-1,703**
Other Comprehensive Income and Expenditure	0	0	0	0	**0**	0	0	53,400	0	5,314,000	0	**5,367,400**	**5,367,400**
Total Comprehensive Income and Expenditure	**-1,703**	**0**	**0**	**0**	**-1,703**	**0**	**0**	**53,400**	**0**	**5,314,000**	**0**	**5,367,400**	**5,365,697**
Adjustments between Accounting Basis and Funding Basis Under Regulations **(NOTE 6)**	806,165	0	-289,593	28,959	**545,531**	547,855	-56,084	-84,721	-1,201	-950,000	-1,380	**-545,531**	**0**
Net Increase/ Decrease before Transfers to Earmarked Reserves	**804,462**	**0**	**-289,593**	**28,959**	**543,828**	**547,855**	**-56,084**	**-31,321**	**-1,201**	**4,364,000**	**-1,380**	**4,821,869**	**5,365,697**
Transfers to/from Earmarked Reserves **(NOTE 7)**	-445,808	445,808	0	0	**0**	0	0	0	0	0	0	**0**	**0**
Increase/Decrease in Year	**358,654**	**445,808**	**-289,593**	**28,959**	**543,828**	**547,855**	**-56,084**	**-31,321**	**-1,201**	**4,364,000**	**-1,380**	**4,821,869**	**5,365,697**
Balance at 31 March 2014 Carried Forward (NOTES 19 and 20)	**2,058,402**	**5,092,598**	**46,158**	**28,959**	**7,226,117**	**8,498,529**	**-78,999**	**4,146,946**	**492**	**-12,007,324**	**-61,491**	**498,153**	**7,724,270**

Movement in Reserves Statement

Movements in 2012/13 RESTATED	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**
Movement in Reserves During 2012/13													
Surplus or (deficit) on the provision of Services	-165,010	0	0	0	**-165,010**	0	0	0	0	0	0	**0**	**-165,010**
Other Comprehensive Income and Expenditure	0	0	0	0	**0**	0	0	17,763	0	-2,316,000	0	**-2,298,237**	**-2,298,237**
Total Comprehensive Income and Expenditure	**-165,010**	**0**	**0**	**0**	**-165,010**	**0**	**0**	**17,763**	**0**	**-2,316,000**	**0**	**-2,298,237**	**-2,463,247**
Adjustments between Accounting Basis and Funding Basis Under Regulations **(NOTE 6)**	721,776	0	276,732	-192,971	**805,537**	-51,233	-5,340	-63,777	-1,342	-709,000	25,155	**-805,537**	**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**

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

2012/13 RESTATED				2013/14			
Gross Expenditure £	Gross Income £	Net Expenditure £		Gross Expenditure £	Gross Income £	Net Expenditure £	Note
3,413,406	-2,745,232	668,174	Central Services to the Public	1,240,396	-608,610	631,786	
2,610,629	-1,322,719	1,287,910	Cultural and Related Services	2,643,046	-1,334,631	1,308,415	
3,302,633	-939,938	2,362,695	Environmental and Regulatory Services	3,344,909	-1,017,882	2,327,027	4
1,536,047	-1,083,234	452,813	Planning Services	1,628,502	-793,902	834,600	
1,308,144	-1,325,308	-17,164	Highways and Transport Services	1,378,591	-1,378,840	-249	
8,133,915	-7,686,092	447,823	Other Housing Services	8,278,696	-7,768,917	509,779	
38,500	-22,731	15,769	Adult Social Care	34,135	-19,524	14,611	
1,740,087	-803,635	936,452	Corporate and Democratic Core	1,584,918	-617,605	967,313	4
122,308	0	122,308	Non Distributed Costs	119,683	0	119,683	
22,205,669	**-15,928,889**	**6,276,780**	**Cost of Services**	**20,252,876**	**-13,539,911**	**6,712,965**	**24/29**
			Other Operating Expenditure				
		371,815	Payment of Precepts to Parishes			347,110	
		17,000	Pensions Administration Expenses			17,000	
		0	Payment of Localisation of Council Tax Support Grant to Parishes			23,000	
		-58,469	Gains/Losses on the Disposal of Non-Current Assets			8,088	
		1,007	Payment of Housing Capital Receipts to Government Pool			901	
			Financing and Investment Income and Expenditure				
		19,790	Interest Payable on Debt			16,463	12
		-26,835	Investment Interest Income			-24,000	12
		635,000	Net interest on the net defined benefit liability (asset)			670,000	33
		-63,200	(Gain)/Loss on Investment Property			-289,169	10
		-47,069	(Gain)/Loss on Trading Accounts			-41,556	25
			Taxation and Non-Specific Grant Income				
		-3,513,072	Council Tax			-3,305,194	
		-2,846,507	Non Domestic Rates Income and Expenditure			-1,369,652	29
		-55,179	Revenue Support Grant (RSG)			-1,778,483	29
		-287,500	Capital Grants and Contributions			-551,514	29
		-258,551	Other Non-Specific Grants			-434,256	29
		165,010	**(Surplus) or Deficit on Provision of Services**			**1,703**	
		-17,763	(Surplus) or Deficit on Revaluation of Property, Plant and Equipment Assets			-53,400	
		2,316,000	Actuarial (Gains)/Losses on Pensions Assets/Liabilities			-5,314,000	33
		2,298,237	**Other Comprehensive Income and Expenditure**			**-5,367,400**	
		2,463,247	**Total Comprehensive Income and Expenditure**			**-5,365,697**	

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 2013 £		31 March 2014 £	Note
	Long Term Assets		
	Property, Plant and Equipment		8
10,200,738	*- Other Land and Buildings*	10,017,859	
1,999,907	*- Vehicles, Plant, Furniture and Equipment*	2,344,172	
220,491	*- Infrastructure Assets*	328,114	
1,552,130	*- Community Assets*	1,581,523	
74,214	*- Surplus Assets (Not for Sale)*	54,066	
14,047,480	**Total Property, Plant and Equipment**	**14,325,734**	
806,600	Heritage Assets	860,000	9/38
819,772	Investment Properties	1,044,772	10
125,602	Intangible Assets	110,834	11
352,748	Long Term Debtors	330,938	12
16,152,202	**Total Long Term Assets**	**16,672,278**	
	Current Assets		
86,750	Assets Held for Sale	38,600	16
79,939	Inventories	89,546	13
1,452,543	Short Term Debtors	1,509,152	3/14/34/36
2,757,193	Cash and Cash Equivalents	3,257,779	15/36
4,376,425	**Total Current Assets**	**4,895,077**	
	Current Liabilities		
-78,608	Short Term Borrowing	-60,750	
-1,426,421	Short Term Creditors	-1,387,361	17
0	Provisions	-147,200	18
-1,505,029	**Total Current Liabilities**	**-1,595,311**	
	Long Term Liabilities		
-293,701	Long Term Borrowing	-240,450	12
	Other Long Term Liabilities		
-16,371,324	*- Net Pensions Liability*	-12,007,324	33
-16,665,025	**Total Long Term Liabilities**	**-12,247,774**	
2,358,573	**Net Assets**	**7,724,270**	
	Usable Reserves		19
1,699,748	General Fund Balance	2,058,402	
4,646,790	Earmarked General Fund Reserves	5,092,598	7
335,751	Capital Grants Unapplied	28,959	
0	Usable Capital Receipts Reserve	46,158	
6,682,289	**Total Usable Reserves**	**7,226,117**	
	Unusable Reserves		20
7,950,674	Capital Adjustment Account	8,498,529	
-22,915	Collection Fund Adjustment Account	-78,999	
4,178,267	Revaluation Reserve	4,146,946	
1,693	Deferred Capital Receipts Account	492	
-16,371,324	Pension Reserve	-12,007,324	33
-60,111	Accumulated Absences Account	-61,491	
-4,323,716	**Total Unusable Reserves**	**498,153**	
2,358,573	**Total Reserves**	**7,724,270**	

Cash Flow Statement

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

The Statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the receipts of services provided by the Council.

Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

2012/13 RESTATED £		2013/14 £	Note
165,010	Net (Surplus) or Deficit on the Provision of Services	1,703	
-1,040,623	Adjustments to Net Surplus or Deficit on the Provision of Services for Non-Cash Movements	-866,019	**21**
118,804	Adjustments for Items Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities	102,360	**21**
-756,809	**Net Cash Flows from Operating Activities**	***-761,956***	**21**
-83,761	Investing Activities	374,670	**22**
149,898	Financing Activities	-113,300	**23**
-690,672	**Net Increase or decrease in Cash and Cash Equivalents**	***-500,586***	
2,066,521	Cash and Cash Equivalents 1 April	2,757,193	
2,757,193	**Cash and Cash Equivalents 31 March**	**3,257,779**	**15**

Notes to the Core Financial Statements

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

The Code of Practice on Local Council Accounting in the United Kingdom 2014/15 (the Code) has introduced several changes in accounting policies which will be required from 1 April 2014. If these had been adopted for the financial year 2013/14 there would be no material changes as detailed below.

A number of new and revised standards have been issued addressing the accounting for consolidation, involvements in joint arrangements and disclosure of involvements in other entities. These include:

- **IFRS 10 Consolidated Financial Statements:** This standard introduces a new definition of control, which is used to determine which entities are consolidated for the purposes of group accounts. The Council does not have subsidiaries or associates.
- **IFRS 11 Joint Arrangements:** This standard addresses the accounting for a 'joint arrangement', which is defined as a contractual arrangement over which two or more parties have joint control. These are classified as either a joint venture or a joint operation. In addition proportionate consolidation can no longer be used for jointly controlled entities. The Council has no joint venture arrangements.
- **IFRS 12 Disclosures of Involvement with Other Entities:** This is a consolidated disclosure standard requiring a range of disclosures about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated 'structured entities'. The Council has no such arrangements.
- **IAS 27 Separate Financial Statements and IAS 28 Investments in Associates and Joint Ventures:** These statements have been amended to conform with the changes in IFRS 10, IFRS 11 and IFRS 12. Given that there would be no changes in the financial statements required for this council, due to the changes to IFRS 10, IFRS 11 and IFRS 12, there is therefore also no impact as a result of changes in IAS 27 and IAS 28.
- **IAS 32 Financial Instruments Presentation:** The Code references to amended application guidance when offsetting a financial asset and a financial liability. This council would not be affected by the changes made.
- **IAS 1 Presentation of the Financial Statements:** The change clarifies the disclosure requirements in respect of comparative information of the preceding period. The Statement of Accounts fully discloses comparative information for the preceding period therefore these changes will not have a material impact on the Statement of Accounts.

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 not 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 2014 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 2014 was £12.007m. The following sensitivity analysis is provided by Mercer Limited: • ***+0.1% p.a. discount rate as at 31 March 2014:*** deficit would be £11.2m • ***+0.1% p.a. inflation as at 31 March 2014:*** deficit would be £12.829m • ***+0.1% p.a. pay growth as at 31 March 2014:*** deficit would be £12.196m • ***1 year addition to members' life expectancy as at 31 March 2014:*** deficit would be £12.911m

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Arrears	At 31 March 2014, the Council had a balance of sundry debtors of £495,966 (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
Business Rates Appeals Provision	At the 31 March the Council made a provision on the Collection Fund of £368,000 in relation to the liability for any successful appeals lodged with the Valuation Office. The level of this provision which relates to this council is £147,200 as shown on the Balance Sheet. The impact from successful appeals can potentially be significant in its impact on the finances that the council retains under the localisation of business rates. The council also has an earmarked reserve to further protect itself from the volatilities around business rates and retained income.	If anticipated appeals were to be 10% higher than those allowed for in the provision, the increase would equate to £36,800 in total or a £14,720 share for this council.

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 2013/14 financial year the Council received £223,387 from Ribble Valley Homes Ltd under these arrangements (£385,503 in 2012/13)

Waste Collection

During the year the council received total grant of £528,000 (total received over the 2012/13 and 2013/14 financial years is £750,000) for the Weekly Collection Support Scheme. The grant was used in 2013/14 to fund the capital scheme for new vehicles and larger green waste bins.

Recycling Credits

During the year the council received recycling credits totalling £397,000 (£378,000 in 2012/13) from Lancashire County Council. This supports the council's recycling activities as part of the refuse collection service.

5 EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was authorised for issue on the 25 June 2014. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2014, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. The Statement of Accounts was approved by the Accounts and Audit Committee on 25 June 2014.

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.

Movements in 2013/14	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 Adjustment Account				
Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement				
Charges for depreciation and impairment of non-current assets	651,176			-651,176
Revaluation losses on Property Plant and Equipment (Charged to surplus or Deficit on Provision of Services)	40,720			-40,720
Movements in the Market Value of Investment Properties	-225,000			225,000
Amortisation of Intangible Assets	26,743			-26,743
Capital Grants and Contributions Applied	-697,018			697,018
Revenue Expenditure Funded from Capital Under Statute	351,124			-351,124
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	86,747			-86,747
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Account				
Statutory Provision for the Financing of Capital investment	-136,834			136,834
Capital expenditure charged against General Fund Balances	-197,503			197,503
Adjustments primarily involving the Capital Grants Unapplied Account				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-296	296		
Application of grants to capital financing transferred to the Capital Adjustment Account		-289,889		289,889

Notes to the Core Financial Statements

Movements in 2013/14	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	-102,059		102,059	
Use of the Capital Receipts Reserve to finance new capital expenditure			-73,400	73,400
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	901		-901	
Transfer from deferred capital receipts reserve upon receipt of cash			1,201	-1,201
Adjustments primarily involving the Pensions Reserve				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	1,774,000			-1,774,000
Employer's pensions contributions and direct payments to pensioners payable in the year	-824,000			824,000
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	56,084			-56,084
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	1,380			-1,380
Total Adjustments	**806,165**	**-289,593**	**28,959**	**-545,531**

Restated Movements in 2012/13	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	647,989			-647,989
Revaluation losses on Property Plant and Equipment (Charged to surplus or Deficit on Provision of Services)	228,686			-228,686
Movements in the Market Value of Investment Properties	0			0
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

Notes to the Core Financial Statements

Restated Movements in 2012/13	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	-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	1,498,000			-1,498,000
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	**721,776**	**276,732**	**-192,971**	**-805,537**

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 2013/14.

General Fund	Balance at 31 March 2012 £	Transfers In 2012/13 £	Transfers Out 2012/13 £	Balance at 31 March 2013 £	Transfers In 2013/14 £	Transfers Out 2013/14 £	Balance at 31 March 2014 £
Local Recreation Grants Fund *Used to fund recreation grants*	**23,651**	3,010		**26,661**		-6,115	**20,546**
Elections Fund *Used to fund borough elections held once every four years*	**19,552**	20,507		**40,059**	20,880	-4,633	**56,306**
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*	**-86,310**		-33,111	**-119,421**	15,962		**-103,459**
Rural Development Reserve *Used to fund consultation work on rural housing*	**1,631**			**1,631**		-1,631	**0**
Capital *Used to fund the capital programme*	**324,096**	78,345	-3,083	**399,358**	356,396	-101,835	**653,919**
Insurance *Available to meet any costs following demise of Municipal Mutual Insurance Company*	**20,000**		-3,252	**16,748**			**16,748**
Christmas Lights/RV in Bloom *Available to fund contributions towards Christmas Lights and Ribble Valley in Bloom*	**3,266**		-1,980	**1,286**		-100	**1,186**
Community Enhancement *Used to fund grants to local organisations*	**2,881**	8,538		**11,419**			**11,419**
New Community Enhancement Schemes *Additional reserve for funding grants to local organisations*	**6,809**		-6,809	**0**			**0**
Rent Deposit Reserve *Set aside for homeless rent deposits*	**7,837**			**7,837**		-7,837	**0**
Revenue Contributions (RCCO) Unapplied *Used to fund capital expenditure*	**10,605**		-10,605	**0**			**0**
Parish Schemes *Used to fund Parish improvement schemes*	**1,729**		-1,729	**0**			**0**

Notes to the Core Financial Statements

General Fund	Balance at 31 March 2012 £	Transfers In 2012/13 £	Transfers Out 2012/13 £	Balance at 31 March 2013 £	Transfers In 2013/14 £	Transfers Out 2013/14 £	Balance at 31 March 2014 £
Local Development Framework *To finance Local Development Framework costs*	**3,829**		-3,829	**0**			**0**
LALPAC Licensing System *To fund costs of LALPAC licensing system*	**1,424**			**1,424**		-1,424	**0**
IT Equipment *To fund future software and hardware upgrades*	**90,540**		-42,147	**48,393**	37,470	-15,960	**69,903**
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**
Repairs and Maintenance *To fund emergency repairs and maintenance items, including legionella and asbestos abatement*	**33,299**		-4,000	**29,299**			**29,299**
Post LSVT *To fund any costs post LSVT which may arise, such as pension fund liabilities*	**438,150**		-36,513	**401,637**		-36,512	**365,125**
Market Town Enhancement *To fund grants under Market Towns Enhancement Scheme*	**6,643**			**6,643**	1,729		**8,372**
Performance Reward Grant *Performance Reward Grant received and yet to be distributed to successful schemes*	**428,048**		-54,216	**373,832**		-70,958	**302,874**
Refuse Collection *To fund refuse collection costs of bin replacements and other cost pressures*	**18,000**			**18,000**	75,323		**93,323**
Restructuring Reserve *To fund costs resulting from restructuring reviews*	**227,541**			**227,541**			**227,541**

General Fund	Balance at 31 March 2012 £	Transfers In 2012/13 £	Transfers Out 2012/13 £	Balance at 31 March 2013 £	Transfers In 2013/14 £	Transfers Out 2013/14 £	Balance at 31 March 2014 £
VAT Shelter Reserve *Funds received from the post LSVT VAT Shelter arrangements, partly used to contribute towards the future financing of the capital programme*	**1,427,224**	385,503	-314,293	**1,498,434**	223,386	-210,379	**1,511,441**
Revaluation of Assets Reserve *To contribute towards the revaluation of the Council's assets every five years.*	**4,000**	2,000		**6,000**	2,000	0	**8,000**
Clean Air Reserve *To fund clean air survey work*	**4,121**		-480	**3,641**		-480	**3,161**
Equipment Reserve *To fund essential and urgent equipment requirements*	**33,000**	10,170		**43,170**	47,166	-6,240	**84,096**
Forest of Bowland Reserve *To fund access improvement schemes within the Ribble Valley section of the Forest of Bowland*	**34,646**			**34,646**		-5,000	**29,646**
Invest to Save Fund *To fund future invest to save projects*	**264,298**	78,082	-92,380	**250,000**			**250,000**
Land Charges Reserve *To fund any potential restitution claims for personal search fees*	**34,356**			**34,356**	11,000	-34,356	**11,000**
Pendle Hill User Reserve *To fund improvement schemes on Pendle Hill*	**17,771**	191	-4,450	**13,512**	3,191		**16,703**
Planning Reserve *To fund any future potential planning issues*	**150,000**	231,000	-71,929	**309,071**		-131,051	**178,020**
Promotional Activities Reserve *To fund planned publicity and promotional activities*	**1,950**		-1,950	**0**	12,110		**12,110**
Crime Reduction Partnership Reserve *To fund cost of crime reduction initiatives*	**26,489**	2,986		**29,475**	475		**29,950**
Housing Benefit Reserve *To help meet the challenges facing the service in the coming years*	**100,000**			**100,000**			**100,000**
Wellbeing and Health Equality *To fund expenditure on Wellbeing and Health*	**47,428**			**47,428**			**47,428**
Exercise Referral Reserve *To fund potential residual staffing costs*	**5,310**	847		**6,157**	276		**6,433**

Notes to the Core Financial Statements

General Fund	Balance at 31 March 2012 £	Transfers In 2012/13 £	Transfers Out 2012/13 £	Balance at 31 March 2013 £	Transfers In 2013/14 £	Transfers Out 2013/14 £	Balance at 31 March 2014 £
Clitheroe Cemetery Reserve *To finance any future liabilities from the cemetery extension*	**3,640**			**3,640**			**3,640**
New Homes Bonus Reserve *To help finance future economic development capital schemes*	**2,046**	119,645		**121,691**	317,727	-100,000	**339,418**
Core Strategy Reserve *To fund the production of the Core Strategy*	**87,412**	103,829	-31,144	**160,097**	2,340	-79,337	**83,100**
Emergency Planning Reserve *To fund the production of District Emergency and Business Continuity Plans*	**2,520**		-1,250	**1,270**		-1,270	**0**
CCTV Reserve *To fund purchase of additional CCTV Equipment*	**1,000**			**1,000**		-1,000	**0**
Housing Related Grants Reserve *Residual grant received, to be committed to future grant schemes*	**44,470**		-14,539	**29,931**	23,488	-27,217	**26,202**
Business Rates Volatility Reserve *To provide some protection against business rates volatilities*	**0**	135,904		**135,904**	76,800		**212,704**
Community Right to Bid/Challenge *To fund any future costs under the Community Right to Bid and Community Right to Challenge Regulations*	**0**	13,420		**13,420**	16,402		**29,822**
Voluntary Organisation Grant Reserve *To fund schemes carried out by the Voluntary Sector*	**0**	3,720		**3,720**		-3,720	**0**
Grant Funded Sports Development *To finance future Sports Development grant funded expenditure*	**0**	6,283		**6,283**	1,500	-6,283	**1,500**
Human Resource Development *To provide for staff training commitments*	**0**	3,100		**3,100**	27,500	-3,100	**27,500**
Whalley Moor Reserve *Grant received towards work at Whalley Moor Woodland*	**0**			**0**	4,970		**4,970**

General Fund	Balance at 31 March 2012 £	Transfers In 2012/13 £	Transfers Out 2012/13 £	Balance at 31 March 2013 £	Transfers In 2013/14 £	Transfers Out 2013/14 £	Balance at 31 March 2014 £
Inspire III Reserve *Grant received from DEFRA which will be used to fund future Inspire III work*	**0**			**0**	7,131		**7,131**
Individual Electoral Registration Reserve *Grant received for the implementation of Individual Electoral Registration which will be used to fund this work*	**0**			**0**	17,024		**17,024**
	4,173,399	**1,207,080**	**-733,689**	**4,646,790**	**1,302,246**	**-856,438**	**5,092,598**

8 PROPERTY, PLANT AND EQUIPMENT

Movements in 2013/14	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 2013	11,002	3,471	239	1,560	80	**16,352**
Additions	0	862	114	32	0	**1,008**
Derecognition - Disposal	0	-146	0	0	0	**-146**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0	0	0	0	-19	**-19**
Assets reclassified (to)/from Held for Sale	0	0	0	0	-1	**-1**
At 31 March 2014	**11,002**	**4,187**	**353**	**1,592**	**60**	**17,194**
Accumulated Depreciation and Impairments						
At 1 April 2013	-801	-1,471	-19	-8	-6	**-2,305**
Derecognition - Disposal	0	85	0	0	0	**85**
Depreciation Charge	-183	-457	-6	-3	-2	**-651**
Depreciation written out to the Revaluation Reserve	0	0	0	0	2	**2**
At 31 March 2014	**-984**	**-1,843**	**-25**	**-11**	**-6**	**-2,869**
Net Book Value						
at 31 March 2013	**10,201**	**2,000**	**220**	**1,552**	**74**	**14,047**
at 31 March 2014	**10,018**	**2,344**	**328**	**1,581**	**54**	**14,325**

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**

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 2014 and 31 March 2013, the Council had no major capital commitments.

Effects of Changes in Estimates

In 2013/14 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 2014 the year on year valuations did not indicate any significant decline in the Fair Value of the assets. The Council Offices, Church Walk, Clitheroe, was reduced in value from £1.55m to £1.35m in the District Valuer's report dated April 2013. In his opinion no further impairment has occurred with regard to this or other assets since 1 April 2013.

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 2012	0	750	57	0	**807**
At 31 March 2013	**0**	**750**	**57**	**0**	**807**
Cost or Valuation					
At 1 April 2013	0	750	57	0	**807**
Revaluations	0	53	0	0	**53**
At 31 March 2014	**0**	**803**	**57**	**0**	**860**

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. This value has been reviewed by Lancashire Museum Services prior to the latest insurance renewal.

Civic Regalia

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

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 and Disposals of Heritage Assets

There have been no additions to or disposals of the council's Heritage Assets in the 2013/14 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.

	2012/13 RESTATED £	2013/14 £
Rental income from investment property	-98,785	-100,363
Movement in Market Value of Investment Properties	0	-225,000
Direct operating expenses arising from investment property	35,585	36,194
Net Gain/(Loss)	**-63,200**	**-289,169**

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.

	2012/13 £'000	2013/14 £'000
Balance at the start of the year	**868**	**820**
Additions		
- Subsequent Expenditure	12	
Disposals	-60	
Net gains/losses from fair value adjustments		225
Balance at end of the year	**820**	**1,045**

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. 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, whilst expenditure 2013/14 related to software in the planning service.

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	2012/13 £'000	2013/14 £'000
Balance at start of year:		
Gross carrying amount	56	149
Accumulated amortisation	-15	-23
Net carrying amount at start of year	**41**	**126**
Movement in year:		
Expenditure in Year	93	12
Written Off to Revenue in year	-8	-27
Balance at 31 March	**126**	**111**

12 FINANCIAL INSTRUMENTS

Categories of Financial Instruments

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

	Long-Term		Current	
	31 March 2013 £	31 March 2014 £	31 March 2013 £	31 March 2014 £
Investments				
Loans and receivables	0	0	2,757,193	3,257,779
Total Investments	**0**	**0**	**2,757,193**	**3,257,779**
Debtors				
Loans and receivables	352,748	330,938	0	0
Financial assets carried at contract amount	0	0	317,341	368,559
Total Debtors	**352,748**	**330,938**	**317,341**	**368,559**
Borrowings				
Financial liabilities at amortised cost	-293,701	-240,450	-71,108	-53,250
Total Borrowings	**-293,701**	**-240,450**	**-71,108**	**-53,250**
Creditors				
Financial liabilities carried at contract amount	0	0	-181,823	-67,959
Total Creditors	**0**	**0**	**-181,823**	**-67,959**

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

	2012/2013		2013/2014	
	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables
	£	£	£	£
Interest expenses	19,790	5,686	16,463	7,154
Interest Income	0	-32,521	0	-31,154
Total	**19,790**	**-26,835**	**16,463**	**-24,000**

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 2013 and 31 March 2014 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 2013		31 March 2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£	£	£	£
Financial Liabilities	364,808	436,580	293,701	335,210

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 2013		31 March 2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£	£	£	£
Long-term debtors	352,748	352,748	330,938	330,938

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	
	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13	2013/14
	£	£	£	£	£	£	£	£
Balance outstanding at start of year	**62,995**	**65,167**	**3,001**	**2,889**	**13,544**	**11,882**	**79,540**	**79,938**
Purchases	231,320	266,354	9,488	6,333	32,663	35,750	**273,471**	**308,437**
Recognised as an expense in the year	-228,995	-256,135	-8,394	-6,348	-34,299	-34,924	**-271,688**	**-297,407**
Written Off balances	-153	105	-1,206	-24	-26	-1,503	**-1,385**	**-1,422**
Balance outstanding at year-end	**65,167**	**75,491**	**2,889**	**2,850**	**11,882**	**11,205**	**79,938**	**89,546**

14 DEBTORS

	31 March 2013	31 March 2014
	£	£
Central government bodies	24,641	77,231
Central government bodies - Net of Impairment	**24,641**	**77,231**
Other local authorities	333,254	183,950
Other local authorities - Net of Impairment	**333,254**	**183,950**
NHS Bodies	5,001	5,549
NHS Bodies - Net of Impairment	**5,001**	**5,549**
Public corporations and trading funds	0	8,013
Public corporations and trading funds - Net of Impairment	**0**	**8,013**
Other entities and individuals		
- House Purchase and Improvement Loans	1,341	492
- Sundry Debtors	1,015,350	1,069,949
- Business Rates	0	240,783
- Council Tax	78,885	85,287
- Prepayments	136,875	114,656
- Impairment	-142,804	-276,758
Other entities and individuals - Net of Impairments	**1,089,647**	**1,234,409**
Total	**1,452,543**	**1,509,152**

15 CASH AND CASH EQUIVALENTS

	31 March 2013 £	31 March 2014 £
Cash held by the Council	11,104	6,593
Bank current accounts	231,089	201,186
Short Term Investments	2,515,000	3,050,000
Subtotal	**2,757,193**	**3,257,779**

16 ASSETS HELD FOR SALE

	Current	
	2012/13 £	2013/14 £
Balance outstanding at start of year	**0**	**86,750**
Assets newly classified as held for sale:		
- Other assets /liabilities in disposal group	93,500	1,000
Revaluation losses	-4,807	-23,400
Revaluaton gains	22,571	0
Impairment losses	-18,879	0
Assets sold	0	-25,750
Other Movements	-5,635	0
Balance outstanding at year-end	**86,750**	**38,600**

17 CREDITORS

	31 March 2013 £	31 March 2014 £
Central government bodies	327,599	490,253
Other local authorities	263,052	40,710
NHS Bodies	198	609
Public corporations and trading funds	34,756	18,547
Other entities and individuals		
Sundry Creditors	475,603	555,842
Business Rates	0	36,617
Council Tax	46,107	51,611
Commuted Sums	162,240	112,550
Refundable Deposits	8,913	9,813
Receipts in Advance	107,953	70,809
Total	**1,426,421**	**1,387,361**

18 PROVISIONS

The only provision, which is shown in the table below, relates to amounts set aside to meet potential future liabilities from appeals due to the introduction of the business rates retention scheme.

Business Rates Appeals Provision	2012/13 £	2013/14 £
Balance at 1 April	**0**	**0**
Additional provisions made in the year	0	147,200
Balance at 31 March	**0**	**147,200**

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 2013 £		31 March 2014 £
1,699,748	General Fund Balance	2,058,402
4,646,790	Earmarked General Fund Reserves	5,092,598
335,751	Capital Grants Unapplied	28,959
0	Usable Capital Receipts Reserve	46,158
6,682,289	**Total Usable Reserves**	**7,226,117**

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.

2012/2013 £		2013/2014 £
1,616,373	**Opening General Fund balance**	**1,699,748**
83,375	Net amount added to (taken from) General Fund balance	358,654
1,699,748	**Closing General Fund balance**	**2,058,402**

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

2012/2013 £		2013/2014 £
4,173,399	**Opening Earmarked General Fund Reserves**	**4,646,790**
1,207,080	Amounts added to Earmarked General Fund Reserves	1,302,246
-733,689	Amounts taken from Earmarked General Fund Reserves	-856,438
4,646,790	**Closing Earmarked General Fund Reserves**	**5,092,598**

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.

2012/2013 £		2013/2014 £
59,019	**Opening Capital Grants Unapplied**	**335,751**
298,293	Amounts added to Capital Grants Unapplied	296
-21,561	Amounts taken from Capital Grants Unapplied	-289,889
335,751	**Closing Capital Grants Unapplied**	**46,158**

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.

2012/2013 £		2013/2014 £
192,971	**Opening Usable Capital Receipts Reserve**	**0**
119,811	Amounts added to the Usable Capital Receipts Reserve	103,260
-312,782	Amounts taken from the Usable Capital Receipts Reserve	-74,301
0	**Closing Usable Capital Receipts Reserve**	**28,959**

20 UNUSABLE RESERVES

31 March 2013 £		31 March 2014 £
7,950,674	Capital Adjustment Account	8,498,529
-22,915	Collection Fund Adjustment Account	-78,999
4,178,267	Revaluation Reserve	4,146,946
1,693	Deferred Capital Receipts Account	492
-16,371,324	Pension Reserve	-12,007,324
-60,111	Accumulated Absences Account	-61,491
-4,323,716	**Total Unusable Reserves**	**498,153**

Capital Adjustment Account

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

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

Note 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

2012/2013 £		2013/2014 £	£
8,001,907	**Balance at 1 April**		**7,950,674**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive income and Expenditure statement		
-647,989	- Charges for depreciation and impairment of non-current assets	-651,176	
-228,686	- Revaluation losses on Property, Plant and Equipment	-40,720	
-8,113	- Amortisation of intangible assets	-26,743	
-410,970	- Revenue expenditure funded from capital under statute	-351,124	
-60,000	- Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-65,697	
-1,355,758			**-1,135,460**
63,777	Adjusting amounts written out of the Revaluation Reserve		63,671
6,709,926	**Net written out amount of the cost of non-current assets consumed in the year**		**6,878,885**
	Capital financing applied in the year		
311,775	- Use of the Capital Receipts Reserve to finance new capital expenditure	73,400	
296,854	- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	697,018	
21,561	- Application of grants to capital financing from the Capital Grants Unapplied Account	289,889	
140,226	- Statutory provision for the financing of capital investment charged against the General Fund	136,834	
470,332	- Capital expenditure charged against the General Fund balance	197,503	
1,240,748			**1,394,644**
0	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		225,000
7,950,674	**Balance at 31 March**		**8,498,529**

Collection Fund Adjustment Account

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

2012/2013 £		2013/2014 £
-17,575	**Balance at 1 April**	**-22,915**
-5,340	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	20,716
0	Amount by which business rates income credited to the Comprehensive Income and Expenditure Statement is different from business rates income calculated for the year in accordance with statutory requirements	-76,800
-22,915	**Balance at 31 March**	**-78,999**

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.

2012/2013 £		2013/2014	£
4,224,281	**Balance at 1 April**		**4,178,267**
22,571	Upward revaluation of assets	53,400	
-4,808	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	0	
17,763	**Surplus or Deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services**		**53,400**
-63,777	Difference between fair value depreciation and historical cost depreciation	-63,671	
0	Accumulated gains on assets sold or scrapped	-21,050	
-63,777	**Amount written off to the Capital Adjustment Account**		**-84,721**
4,178,267	**Balance at 31 March**		**4,146,946**

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.

2012/2013 £		2013/2014 £
3,035	**Balance at 1 April**	**1,693**
-1,342	Transfer to the Capital Receipts Reserve upon receipt of cash	-1,201
1,693	**Balance at 31 March**	**492**

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.

2012/2013 £		2013/2014 £
-13,346,324	**Balance at 1 April**	**-16,371,324**
-2,564,000	Remeasurements of the net defined benefit liability/(asset)	5,314,000
-1,250,000	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	-1,774,000
789,000	Employer's pensions contributions and direct payments to pensioners payable in the year	824,000
-16,371,324	**Balance at 31 March**	**-12,007,324**

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.

2012/2013 £		2013/2014 £
-85,266	**Balance at 1 April**	**-60,111**
85,266	Settlement or cancellation of accrual made at the end of the preceding year	60,111
-60,111	Amounts accrued at the year end of the current year	-61,491
25,155	**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**	**-1,380**
-60,111	**Balance at 31 March**	**-61,491**

21 CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

2012/2013 £		2013/2014 £
-26,835	Interest received	-24,000
19,790	Interest paid	16,463

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

2012/2013 £		2013/2014 £
118,804	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	102,360
118,804		**102,360**

Notes to the Core Financial Statements

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

2012/2013 RESTATED £		2013/2014 £
-647,989	Depreciation	-651,176
-228,686	Impairment and downward valuations	-40,720
0	Movements in market value of investment properties	225,000
-8,113	Amortisation	-26,743
-21,383	Increase/decrease in creditors	40,440
-45,515	Increase/decrease in debtors	219,208
399	Increase/decrease in inventories	9,607
0	Increase/decrease in provisions	-147,200
-709,000	Movement in pension liability	-950,000
-60,000	Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	-86,747
679,664	Other non-cash items charged to the net surplus or deficit on the provision of services	542,312
-1,040,623		**-866,019**

22 CASH FLOW STATEMENT – INVESTING ACTIVITIES

2012/2013 £		2013/2014 £
1,100,522	Purchase of property, plant and equipment, investment property and intangible assets	1,371,846
-118,804	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-102,360
-1,065,479	Other receipts from investing activities	-894,816
-83,761	**Net cash flows from investing activities**	**374,670**

23 CASH FLOW STATEMENT – FINANCING ACTIVITIES

2012/2013 £		2013/2014 £
71,108	Repayments of short- and long-term borrowing	71,109
78,790	Other payments for financing activities	-184,409
149,898	**Net cash flows from financing activities**	**-113,300**

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 pension 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 2013/2014	Community Services Committee £	Health and Housing Committee £	Planning and Development Committee £	Policy and Finance Committee £	Total £
Fees, charges and other service income	-4,953,485	-362,735	-752,541	-4,933,545	**-11,002,306**
Government Grants	-7,131	-7,849,705	0	-88,534	**-7,945,370**
Total Income	**-4,960,616**	**-8,212,440**	**-752,541**	**-5,022,079**	**-18,947,676**
Employee related expenditure	2,991,970	7,315	4,710	2,967,931	**5,971,926**
Other service expenses	3,051,575	7,838,634	332,316	1,481,379	**12,703,904**
Support Services recharges	1,358,343	957,292	1,151,154	2,247,355	**5,714,144**
Depreciation	573,246	9,876	5,149	89,648	**677,919**
Total Expenditure	**7,975,134**	**8,813,117**	**1,493,329**	**6,786,313**	**25,067,893**
Net Expenditure	**3,014,518**	**600,677**	**740,788**	**1,764,234**	**6,120,217**

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**

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.

	2012/2013 £	2013/2014 £
Net Expenditure in the Committee Analysis	**5,802,656**	**6,120,217**
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	343,855	262,023
Cost of Services, Gain/Loss on Trading Accounts and Gain/Loss on Investment Properties in Comprehensive Income and Expenditure Statement	**6,146,511**	**6,382,240**

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.

2013/2014	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	-11,002,306	0	**-11,002,306**	0	**-11,002,306**
Interest and investment income	0	0	**0**	-24,000	**-24,000**
Income from council tax	0	0	**0**	-3,305,194	**-3,305,194**
Retained income from business rates	0	0	**0**	-1,369,652	**-1,369,652**
Capital Grants and Contributions	0	-145,800	**-145,800**	-551,514	**-697,314**
Government grants and contributions	-7,945,370	0	**-7,945,370**	-2,212,739	**-10,158,109**
Total Income	**-18,947,676**	**-145,800**	**-19,093,476**	**-7,463,099**	**-26,556,575**
Employee related expenditure	5,971,926	264,379	**6,236,305**	670,000	**6,906,305**
Other service expenses	12,703,904	0	**12,703,904**	0	**12,703,904**
Support Service recharges	5,714,144	0	**5,714,144**	0	**5,714,144**
Depreciation, amortisation and impairment	677,919	368,444	**1,046,363**	-225,000	**821,363**
Interest payments	0	0	**0**	16,463	**16,463**
Precepts and levies	0	0	**0**	370,110	**370,110**
Pensions Administration Costs	0	0	**0**	17,000	**17,000**
Payments to Housing Capital Receipts Pool	0	0	**0**	901	**901**
Gain or loss on disposal of Non-Current assets	0	0	**0**	8,088	**8,088**
Total Expenditure	**25,067,893**	**632,823**	**25,700,716**	**857,562**	**26,558,278**
Surplus or Deficit on the Provision of Services	**6,120,217**	**487,023**	**6,607,240**	**-6,605,537**	**1,703**

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**

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:

		2012/2013 RESTATED £	2013/2014 £
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	-112,760	-111,938
	Expenditure	65,691	70,382
	Surplus	**-47,069**	**-41,556**

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.

	2012/2013 £	2013/2014 £
Basic Allowance	113,760	115,334
Special Responsibility Allowances	78,463	84,371
Expenses	5,952	6,096
	198,175	**205,801**

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 2012/2013 £	Benefits in Kind 2012/2013 £	Total Remuneration excluding Pension Contributions 2012/2013 £	Salary 2013/2014 £	Benefits in Kind 2013/2014 £	Total Remuneration excluding Pension Contributions 2013/2014 £
Chief Executive*	94,828	7,054	**101,882**	97,346	8,511	**105,857**
Director of Community Services	76,524	7,116	**83,640**	77,292	7,597	**84,889**
Director of Resources	74,904	7,962	**82,866**	77,292	8,257	**85,549**
	246,256	**22,132**	**268,388**	**251,930**	**24,365**	**276,295**

*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. (2013/14 £2,081 and 2012/13 £2,500)*

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. (2013/14 £2,081 and 2012/13 £2,500).

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 2012/2013	Salary Banding 2013/2014	Employee Contribution Rate
£0 - £13,500	£0 - £13,700	5.5%
> £13,500 - £15,800	> £13,700 - £16,100	5.8%
> £15,800 - £20,400	> £16,100 - £20,800	5.9%
> £20,400 - £34,000	> £20,800 - £34,700	6.5%
> £34,000 - £45,500	> £34,700 - £46,500	6.8%
> £45,500 - £85,300	> £46,500 - £87,100	7.2%
> £85,300	> £87,100	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 2012/2013 and 2013/2014 were:

Elements of Contribution Rate	2012/2013	2013/2014
Common Rate	12.5%	12.5%
Ribble Valley Adjustment amount	4.1%	4.6%
Total Contribution Rate	**16.6%**	**17.1%**

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 2012/2013 £	Pension Contributions 2012/2013 £	Total Remuneration including Pension Contributions 2012/2013 £	Total Remuneration excluding Pension Contributions 2013/2014 £	Pension Contributions 2013/2014 £	Total Remuneration including Pension Contributions 2013/2014 £
Chief Executive*	101,882	11,541	**113,423**	105,857	12,168	**118,025**
Director of Community Services	83,640	9,566	**93,206**	84,889	9,662	**94,551**
Director of Resources	82,866	9,363	**92,229**	85,549	9,662	**95,211**
	268,388	**30,470**	**298,858**	**276,295**	**31,492**	**307,787**

*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. (2013/14 £2,081 and 2012/13 £2,500)*

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:

	2012/2013	2013/2014
£50,000 - £54,999	3	2
£55,000 - £59,999		1
£60,000 - £64,999		
£65,000 - £69,999		
£70,000 - £74,999		
£75,000 - £79,999		
£80,000 - £84,999	2	1
£85,000 - £89,999		1
£90,000 - £94,999		
£95,000 - £99,999		
£100,000 - £104,999	*1	
£105,000 - £109,999		*1

*Please note that the officer marked * includes Acting Returning Officers Fees, which fluctuate from year to year depending on the elections called. (2013/14 £2,081 and 2012/13 £2,500).*

There were no compulsory redundancies or exit packages made in 2013/2014 or 2012/2013.

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:

	2012/2013 £	2013/2014 £
Fees Payable to Grant Thornton UK LLP with regard to external audit services carried out by the appointed auditor for the year	52,702	52,702
Fees payable to Grant Thornton UK LLP for the certification of grant claims and returns for the year.	10,550	14,080
Rebate on Fees Payable to the Audit Commission with regard to external audit services carried out by the appointed auditor for the previous year	-4,700	-6,010
Total	**58,552**	**60,772**

29 GRANT INCOME

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2013/14 and 2012/13:

	2012/2013 £	2013/2014 £
Credited to Taxation and Non Specific Grant Income		
National Non Domestic Rates	-2,846,507	-1,446,453
Revenue Support Grant	-55,179	-1,778,483
Revenue Support Grant - Redistributed	0	-9,377
New Homes Bonus	-179,645	-367,698
New Homes Bonus Adjustment Grant	0	-10,029
Council Tax Freeze Grant	-78,906	-31,472
Efficiency Support for Services in Rural Areas	0	-9,901
Localisation of Council Tax support - Transitional Grant	0	-5,779
Total Credited to Taxation and Non Specific Grant Income	**-3,160,237**	**-3,659,192**
Credited to Services		
Grants Received for Capital Purposes		
Disabled Facilities Grant	-155,564	-113,717
Flood Protection Grant	-111,210	0
DCLG Weekly Collection Support Scheme	-222,000	-528,000
Community Spaces	-37,134	0
DCLG - New Burdens Grant - Localising Support for Council Tax	-62,500	0
Other Capital Grants and Contributions	-6,739	-55,597
Total Grants Received for Capital Purposes	**-595,147**	**-697,314**

	2012/2013 £	2013/2014 £
Grants Received for Revenue Purposes		
DEFRA Flood Grant	-2,154	0
NNDR Administration	-85,289	-85,946
Small Business Rate Relief	-2,500	0
Lancashire Drug and Alcohol Action	-10,000	0
Lancashire Children's Trust	-30,000	-35,000
LAA and LSP Crime Reduction	-20,222	0
Lancashire Highways Partnership	-61,900	-67,522
East Lancashire Primary Care Trust	-91,168	0
East Lancashire CCG	0	-27,192
Lancashire County Council	0	-68,976
Arts Council	-9,000	-1,000
School Sports Partnership	-3,000	0
Lancashire Sport Partnership	-3,500	0
Council Tax Benefit subsidy	-2,259,619	0
Rent Allowance Subsidy	-7,386,178	-7,512,438
Council Tax and Housing Benefit Administration	-251,912	-264,784
DoH - Warm Homes Grant	-51,839	0
DCLG Homelessness Grant	-50,000	-2,000
DCLG - Right to Bid Grant	-4,873	-7,855
DCLG - Right to Challenge Grant	-8,547	-8,547
DCLG New Burden Local Housing Allowance Grant	-16,497	0
DCLG - New Burdens Grant - Localising Support for Council Tax	-21,500	-27,897
Ribble Valley Community Safety Partnership	0	-10,000
Big Lottery Fund	0	-4,970
DEFRA - Inspire Annex III	0	-7,131
Affordable Warmth Public Health Grant	0	-36,000
DCLG Prevention of Rough Sleeping	0	-1,000
DWP LA Data Sharing IT Costs	0	-15,235
DWP Housing Benefits New Burden Grant	0	-6,100
Individual Electoral Registration Grant	0	-10,611
DCLG Neighbourhood Planning	0	-5,000
DCLG Transparency Code	0	-2,588
Other Grants	-8,590	-296
Total Grants Received for Revenue Purposes	**-10,378,288**	**-8,208,088**
Total Credited to Services	**-10,973,435**	**-8,905,402**

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 on reporting for resources allocation decisions.

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 £4,482 of business transactions between the Council and businesses where 4 members had declared an interest; however the relevant members had no commissioning role in the transactions. With regard to the award of grants, £21,032 was awarded in the year to bodies in which 4 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 £22,160 of business transactions between the Council and businesses where 5 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, £1,765 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 107) to:

- Lancashire County Council
- Police and Crime Commissioner (PCC) for Lancashire
- 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.

	2012/2013 £	2013/2014 £
Opening Capital Financing Requirement	**3,897,490**	**3,757,264**
Capital Investment		
Property, Plant and Equipment	596,402	1,008,747
Intangible Assets	93,150	11,975
Revenue Expenditure Funded from Capital Under Statute	410,970	351,124
Sources of Finance:		
Capital Receipts	-311,775	-73,400
Government Grants and Other Contributions	-318,415	-986,907
Sums set aside from revenue:		
- Revenue Contributions	-470,332	-197,503
- Minimum Revenue Provision	-140,226	-136,834
Closing Capital Financing Requirement	**3,757,264**	**3,734,466**
Explanation of Movements in Year		
Increase/(Decrease) in Underlying Need to Borrow (Unsupported by Government Financial Assistance)	-140,226	-22,798
Increase/(Decrease) in Capital Financing Requirement	**-140,226**	**-22,798**

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:

	2012/2013 £	2013/2014 £
Not later than one year	66,358	56,921
Later than one year and not later than five years	55,326	83,435
Later than five years	441,464	435,152
	563,148	**575,508**

The expenditure charged to the Cost of Services in the Comprehensive Income and Expenditure Statement in relation to the above leases was £69,642 (£76,604 in 2012/13).

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:

	2012/2013 £	2013/2014 £
Not later than one year	-44,042	-51,956
Later than one year and not later than five years	-143,850	-165,097
Later than five years	-195,133	-231,746
	-383,025	**-448,799**

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 2013/14 income included under the Cost of Services in the Comprehensive Income and Expenditure Statement in relation to the above leases was £51,956. (£37,516 in 2012/13).

33 DEFINED BENEFIT PENSION SCHEMES

Participation in Pension Scheme

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

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

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

The latest actuarial valuation of the Fund was carried out at 31 March 2013, and at that date showed a funding level of 78% (assets of £5.0bn against accrued liabilities of about £6.4bn). The weighted average duration of the liabilities of the Fund as a whole is 18 years, measured on the IAS19 actuarial assumptions. The duration of the liabilities for the individual employers which participate in the scheme can be significantly different from this, reflecting the profile of its employees and former employees.

Transactions relating to Post-employment Benefits

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

	Local Government Pension Scheme	
	2012/2013 £'000	2013/2014 £'000
Comprehensive Income and Expenditure Statement		
Cost of Services		
- current service costs	846	1,087
Other Operating Expenditure		
- administration expenses	17	17
Financing and Investment Income and Expenditure		
- net interest expense	635	670
Total Post employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**1,498**	**1,774**
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
Remeasurement of the net defined benefit liability comprising		
- return on plan assets (excluding the amount included in the net interest expenses)	-3,028	216
- actuarial gain and losses arising on changes in demographic assumptions	482	222
- actuarial gains and losses arising on changes in financial assumptions	4,862	-3,974
- experience gain	0	-1,778
Total Post employment Benefit Charged to the Comprehensive Income and Expenditure Account	**3,814**	**-3,540**
Movement in Reserves Statement		
- reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	-1,498	-1,774
Actual amount charged against the General Fund Balance for pensions in the year:		
- employers' contributions payable to the scheme	**789**	**824**

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2014 is a gain of £5,314,000 (31 March 2013 restated loss of £2,316,000).

Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the council's obligation in respect of defined benefit plans is as follows:

Local Government Pension Scheme	2012/2013 £'000	2013/2014 £'000
Present value of the defined benefit obligation	49,987	46,474
Fair value of plan assets	-33,615	-34,466
Net liability arising from defined benefit obligation	**16,372**	**12,008**

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

Local Government Pension Scheme	2012/2013 £'000	2013/2014 £'000
Opening fair value of scheme assets	**29,462**	**33,615**
Interest Income	1,436	1,405
Remeasurements gain/(loss):		
- the return on plan assets, excluding the amount included in the net interest	3,028	-216
Administration Expenses	-17	-17
Contributions from employer	789	824
Contributions from employees into the scheme	274	274
Benefits paid	-1,357	-1,419
Closing fair value of scheme assets	**33,615**	**34,466**

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

Local Government Pension Scheme	2012/2013 £'000	2013/2014 £'000
Opening balance at 1 April	**42,809**	**49,987**
Current service cost	846	1,087
Interest Cost	2,071	2,075
Contributions from scheme participants	274	274
Remeasurement (gains) and losses:		
- Experience (gain)/loss	0	-1,778
- Actuarial (gains)/losses arising from changes in demographic assumptions	482	222
- Actuarial (gains)/losses arising from changes in financial assumptions	4,862	-3,974
Benefits paid	-1,357	-1,419
Closing balance at 31 March	**49,987**	**46,474**

Local Government Pension Scheme Assets Comprised:

Local Government Pension Scheme Fair value of scheme assets	Quoted Y/N	31 March 2013 £'000	31 March 2014 £'000
Cash			
- Cash and Cash Equivalents	N	1,174	598
Subtotal Cash		**1,174**	**598**
Equity Instruments by Industry Type	Y		
- Consumer discretionary	Y	1,643	1,919
- Consumer staples	Y	2,456	2,516
- Energy	Y	360	701
- Financials	Y	1,662	2,541
- Healthcare	Y	1,315	1,554
- Industrials	Y	1,555	2,099
- Information technology	Y	1,820	2,287
- Materials	Y	409	643
- Miscellaneous/Unclassified total	Y	0	94
- Telecommunication services	Y	357	382
- Utilities	Y	260	314
Subtotal Equities		**11,837**	**15,050**
Bonds	Y		
- UK corporate	Y	1,523	1,349
- Overseas corporate	Y	2,190	1,824
- UK fixed gilts	Y	1,995	258
- UK index linked	Y	1,116	798
Subtotal Bonds		**6,824**	**4,229**
Property			
- Offices	N	848	628
- Offices/warehouse	N	66	68
- Industrial/warehouse	N	606	665
- Workshop/garage	N	28	28
- Shops	N	661	636
- Retail warehouse	N	484	495
- Shopping centre	N	161	165
- Multi let commercial building	N	90	133
Subtotal Property		**2,944**	**2,818**
Alternatives			
- UK private equity	N	816	866
- Overseas private equity	N	734	946
- Infrastructure	N	1,045	1,875
- Credit funds	N	2,788	4,892
- Emerging markets ETF	N	1,463	0
- Indirect property funds	N	51	173
- UK pooled equity funds	N	1,123	10
- Overseas pooled equity funds	N	2,816	3,009
Subtotal Alternatives		**10,836**	**11,771**
Total		**33,615**	**34,466**

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc.

The Local Government Pension Scheme has been estimated by Mercer Limited, an independent firm of actuaries, estimates for the fund being base on the latest full valuation of the scheme as at 31 March 2013.

The significant assumptions used by the actuary have been:

Local Government Pension Scheme	2012/2013	2013/2014
Mortality Assumptions		
Longevity at 65 for current pensioners:		
Men	22.1 years	22.8 years
Women	24.8 years	25.3 years
Longevity at 65 for future pensioners:		
Men	23.9 years	25.0 years
Women	26.7 years	27.7 years
Rate of CPI Inflation	2.40%	2.40%
Rate of increase in salaries	4.40%	3.90%
Rate of increase in pensions	2.40%	2.40%
Rate for discounting scheme liabilities	4.20%	4.40%

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes wile all other assumptions remain constant.

The assumptions in longevity, for example, assume that life expectancy increases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Local Government Pension Scheme Impact on the Defined Benefit Obligation in the Scheme	Increase in Assumption £'000
Longevity (1 year increase in life expectancy)	903
Rate of inflation (+0.1% per annum)	821
Rate of increase in salaries (+0.1% per annum)	188
Rate of discounting scheme liabilities (+0.1% per annum)	-808

Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 18 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2016.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Service Act 2013. Under the Act, the Local Government Pension Scheme in England and Wales and the other main public service schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The council anticipated to pay £887,000 expected contributions to the scheme in 2014/15.

The weighted average duration of the defined benefit obligation for scheme members is 18 years (15 years 2012/13).

Scheme History

Local Government Pension Scheme	2009/2010 £'000	2010/2011 £'000	2011/2012 £'000	2012/2013 £'000	2013/2014 £'000
Present Value of Liabilities	-42,812	-39,687	-42,809	-49,987	-46,474
Fair Value of Assets	27,210	29,461	29,462	33,615	34,466
Surplus/(Deficit) in the scheme	**-15,602**	**-10,226**	**-13,347**	**-16,372**	**-12,008**

The liabilities show the underlying commitments that the council has in the long run to pay post-employment (retirement) benefits. The total liability of £12.008m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy.

Governance and Risk Management

The liability associated with the council's pension arrangements is material to the council, as is the cash funding required. Details, including the relevant provisions for governance and risk management, are set out below.

- **Nature of the Fund:** The Fund targets a pension paid throughout life. The amount of pension depends on how long employees are active members of the scheme and their salary when they leave the scheme (a 'final salary' scheme) for service up to 31 March 2014 and on revalued average salary (a 'career average' scheme) for service after 1 April 2014 onwards.

- **Governance:** Management of the Fund is vested in Lancashire County Council as Administering Authority of the Fund. Lancashire County Council has appointed a Pensions Fund Committee (comprised of a mixture of County Councillors and representatives from other employers) to manage the Fund. The Committee is assisted by an investment panel which advises the Committee on its investment strategy and risk management provisions.

- **Funding the Liabilities:** Regulations governing the Fund require the actuarial valuations to be carried out every three years. Contributions for each employer are set having regard to their individual circumstances. The Regulations require the contributions to be set with a view to targeting the Fund's solvency, and the detailed provisions are set out in the Fund's Funding Strategy Statement. The most recent valuation was carried out as at 31 March 2013, which showed a shortfall of assets against liabilities of £1.38 billion as at that date, equivalent to a funding level of 78%. The fund's employers are paying additional contributions over a period of 19 years in order to meet the shortfall. The weighted average duration of the authority's defined obligation is 18 years, measured on the actuarial assumptions used for IAS19 purposes.

- **Risks and Investment Strategy:** The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities (i.e. promised benefits payable to members). The aim of investment risk management is to balance the minimisation of the risk of an overall reduction in the value of the Fund with maximising the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and keep credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flow.

- **Market Risk:** Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. To mitigate market risk, the Fund and its investment advisors undertake appropriate monitoring of market conditions and benchmarking analysis.

- **Other Price Risk:** Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market process (other than those arising from interest rate risk or foreign exchange risk). The Fund's investment managers mitigate this price risk through diversification. The selection of securities and other financial instruments is monitored by the Fund to ensure it is within limits specified in the fund investment strategy.

- **Interest Rate Risk:** The Fund invests in financial assets from the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risks that the fair value of future cash flow of a financial instrument will fluctuate because of changes in market interest rates. The Fund's interest rate risk is routinely monitored by the Investment Panel and its investment advisors.

- **Currency Risk:** Currency risk represents the risk that the fair value cash flow of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund's currency rate risk is routinely monitored by the Fund and its investment advisors in accordance with the Fund's risk management strategy.

- **Credit Risk:** Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur financial loss. Credit risk is minimised by ensuring that counterparties meet the Fund's credit criteria. The Fund has also set limits as to the maximum percentage of the deposits placed with any class of financial institution.

- **Liquidity risks:** Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund therefore takes steps to ensure that there are adequate cash resources to meet its commitments, and the Fund has immediate access to its cash holdings.

- **Other risks:** Actions taken by the government, or changes to European legislation, could result in stronger local funding standards, which could materially affect the authority's cash flow. There is a risk that changes in the assumptions (e.g. life expectancy, price inflation, discount rate) could increase the defined benefit obligation and/or the liabilities for actuarial valuation purposes. Other assumptions used to value the defined benefit obligation are also uncertain, although their effect is less material. The sensitivity analysis above indicates the change in the defined benefit obligation for changes in the key assumptions.

- **Amendments, curtailments and settlements:** The provisions of the Fund were amended with effect from 1 April 2014. As explained above for service up to 31 March 2013 benefits were based on salaries when members leave the scheme, whereas for service after that date benefits are based on career average salary. Further details of the changes are available from the Fund's administering authority.

    - Curtailments shown in the accounting figures relate to the cost of providing retirement benefits for members who retire early, to the extent that provision has not already been made for the relevant defined benefit obligations.

    - Settlements shown in the accounting figures relate to the admission of new employers into the Fund, and who take on part of the authority's assets and liabilities as a result of employing members who have accrued benefits with the authority.

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 £45,507 plus interest and costs. The parties have reached agreement on these claims, the terms of which are confidential.

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 £32,583 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 and 2013/14, an amount of £62,580 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 2014/15 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 2014 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 £276,758 of which £13,475 relates to sundry debts (£102,113 including impairment for total Housing Benefit recovery impairment). The balance is in respect of this Council's share of the Council Tax and Business Rates impairment of debts.

The council's maximum exposure to credit risk in relation to its investments in banks and building societies at the 31 March was nil, based on past and current experience. A risk of irrecoverability applies to all of the council's deposits, but there was no evidence at the 31 March 2014 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 2014	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2014	Estimated maximum exposure to default and uncollectability at 31 March 2014	Estimated maximum exposure at 31 March 2013
	£ A	% B	% C	£ (A x C)	£
Deposits with banks and building societies	3,050,000	0.00%	0.00%	0	0
Customers (Sundry Debt including overpaid Housing Benefits)	495,966	1.72%	23.31%	115,588	115,891

The council expects settlement terms from debtors of no greater than 14 days. On this basis £299,539 of the sundry debtor balance at 31 March 2014 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 2014	£'000
Less than 30 days	99
30 days to 59 days	35
60 days to 89 days	7
90 days to 119 days	3
120 days +	382
	526

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 2013 £'000	31 March 2014 £'000
Less than one year	71	53
Between 1 and 2 years	53	35
Between 2 and 5 years	94	69
Between 5 and 10 years	52	52
More than 10 years	95	85
	365	**294**

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 2013, are as follows:

Limits in Interest Rate Exposure	2013/14 Upper	2014/15 Upper	2015/16 Upper
Maximum Principal Sums Borrowed >364 Days	5,031	4,936	4,482
Limits on Fixed Interest Rates	100%	100%	100%
Limits on Variable Interest Rates	20%	20%	20%

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

If all lending interest rates had been 1% higher with all other variables held constant the financial effect would impact on the interest receivable on variable rate investments by approximately £51,000. 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 PRIOR PERIOD ADJUSTMENTS, CHANGES IN ACCOUNTING POLICIES AND ESTIMATES AND ERRORS

IAS19 Change to Accounting Standard

There have been several significant changes in relation to the international accounting standard IAS19 Employee Benefits. This has resulted in changes to accounting treatment for financial years starting on or after 1 January 2013. There is no impact on the Balance Sheet; however, the main changes are as follows:

	Previous 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**

	Previous 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**

Local Government Pension Scheme	Previous Disclosure £'000	Revised IAS19 Disclosure £'000
Comprehensive Income and Expenditure Statement		
Cost of Services		
- current service costs	826	846
Other Operating Expenditure		
- administration expenses	0	17
Financing and Investment Income and Expenditure		
- net interest expense	424	635
Total Post employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**1,250**	**1,498**
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
- Actuarial (Gains)/Losses on Pension Assets/Liabilities	2,564	2,316
Total Post employment Benefit Charged to the Comprehensive Income and Expenditure Account	**3,814**	**3,814**
Movement in Reserves Statement		
- reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	-1,250	-1,498
Actual amount charged against the General Fund Balance for pensions in the year:		
- employers' contributions payable to the scheme	**789**	**789**

38 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 of billing authorities to maintain a separate Collection Fund. The statement shows the transactions of the billing authority in relation to the collection from taxpayers of Council Tax and National Non-Domestic Rates (NNDR) and its distribution to local government bodies and the Government.

The Council has a statutory requirement to operate a Collection Fund as a separate account to the General Fund. The purpose of the Collection Fund therefore, is to isolate the income and expenditure relating to Council Tax and National Non-Domestic Business Rates. The administrative costs associated with the collection process are charged to the General Fund.

Collection Fund surpluses declared by the billing authority in relation to Council Tax are apportioned to the relevant precepting bodies in the subsequent financial year. Deficits likewise are proportionately charged to the relevant precepting bodies in the following year. For Ribble Valley Borough Council, the Council Tax precepting bodies are Lancashire County Council, Police and Crime Commissioner (PCC) for Lancashire and Lancashire Combined Fire Authority.

In 2013/14, the local government finance regime was revised with the introduction of the retained business rates scheme. The main aim of the scheme is to give Councils a greater incentive to grow businesses in the Borough. It does, however, also increase the financial risk due to non-collection and the volatility of the NNDR tax base.

The scheme allows the Council to retain a proportion of the total NNDR received. The Ribble Valley Borough Council share is 40% with the remainder paid to precepting bodies. For Ribble Valley Borough Council the NNDR precepting bodies are Central Government (50% share), Lancashire County Council (9% share) and Lancashire Combined Fire Authority (1% share).

NNDR surpluses declared by the billing authority in relation to the Collection Fund are apportioned to the relevant precepting bodies in the subsequent financial year in their respective proportions. Deficits likewise are proportionately charged to the relevant precepting bodies in the following year.

The national code of practice followed by Local Authorities in England stipulates that a Collection Fund Income and Expenditure account is included in the Council's accounts. The Collection Fund balance sheet meanwhile is incorporated into the Council's consolidated balance sheet.

Collection Fund

2012/2013 Total £'000		2013/14 Council Tax £'000	2013/14 Business Rates £'000	2013/14 Total £'000	Notes
	Income				
30,854	Income from Council Tax Payers	30,806		30,806	
2,240	Transfers From General Fund - Council Tax Benefits	26		26	
13,059	Income from Business Ratepayers		14,022	14,022	1
	Share of Estimated Deficit:				
68	- Lancashire County Council	173		173	
10	- Ribble Valley Borough Council	24		24	
9	- Police and Crime Commissioner (PCC) for Lancashire	23		23	
4	- Lancashire Combined Fire Authority	10		10	
46,244		**31,062**	**14,022**	**45,084**	
	Expenditure				
	Precepts and Demands:				3
24,864	- Lancashire County Council	22,866		22,866	
3,528	- Ribble Valley Borough Council	3,309		3,309	
3,363	- Police and Crime Commissioner (PCC) for Lancashire	3,219		3,219	
1,428	- Lancashire Combined Fire Authority	1,340		1,340	
	Business Rates				
12,974	- National Pool			0	
	- Central Government		6,801	6,801	
	- Lancashire County Council		1,224	1,224	
	- Ribble Valley Borough Council		5,441	5,441	
	- Lancashire Combined Fire Authority		136	136	
85	- Costs of Collection		86	86	
	Transfers to General Fund - Council Tax Benefits	95		95	
52	Provision for Bad/Doubtful Debts	38	143	181	4
	Enterprise Zone		3	3	
	Transitional Protection Payments		12	12	
0	Provision for Appeals		368	368	5
46,294		**30,867**	**14,214**	**45,081**	
-50	**(Deficit)/Surplus for the Year**	**195**	**-192**	**3**	
-165	Deficit Brought Forward	-215	0	-215	
-215	**Deficit Carried Forward**	**-20**	**-192**	**-212**	
	Allocated to				6
	- Central Government		-96	-96	
-161	- Lancashire County Council	-15	-17	-32	
-23	- Ribble Valley Borough Council	-2	-77	-79	
-22	- Police and Crime Commissioner (PCC) for Lancashire	-2		-2	
-9	- Lancashire Combined Fire Authority	-1	-2	-3	
-215		**-20**	**-192**	**-212**	

1 INCOME FROM BUSINESS RATES

The Council collects National Non-Domestic Rates (NNDR) for its area based on local rateable values provided by the Valuation Office Agency (VOA) multiplied by a uniform business rate set nationally by Central Government. In previous financial years the total amount due, less certain allowances, was paid to a central pool (the NNDR pool) administered by Central Government, which, in turn, paid to Local Authorities their share of the pool, such shares being based on a standard amount per head of the local adult population.

In 2013/14, the administration of NNDR changed following the introduction of a business rates retention scheme which aims to give Councils a greater incentive to grow businesses but also increases the financial risk due to volatility and non-collection of rates. Instead of paying NNDR to the central pool, local authorities retain a proportion of the total collectable rates due. In the case of Ribble Valley Borough Council the local share is 40%. The remainder is distributed to preceptors and for Ribble Valley Borough Council the NNDR precepting bodies are Central Government (50% share), Lancashire County Council (9% share) and Lancashire Combined Fire Authority (1% share).

The business rates shares payable for 2013/14 were estimated before the start of the financial year as £6.8m to Central Government, £1.224m to Lancashire County Council, £0.136m to Lancashire Combined Fire Authority and £5.441m to Ribble Valley Borough Council. These sums have been paid in 2013/14 and charged to the collection fund in year.

When the scheme was introduced, Central Government set a baseline level for each authority identifying the expected level of retained business rates and a top up or tariff amount to ensure that all authorities receive their baseline amount. Tariffs due from authorities payable to Central Government are used to finance the top ups to those authorities who do not achieve their targeted baseline funding. In this respect Ribble Valley Borough Council pays a tariff of £4.163m from the general fund.

The total income from business rate payers collected in 2013/14 was £14.022m (£13.059m in 2012/13).

In addition to the top up and tariff calculations, a ‘safety net’ figure is calculated at 92.5% of baseline amount which ensures that authorities are protected to this level of Business Rates income. For Ribble Valley Borough Council the value of the safety net figure is £1.094m.

The comparison of business rate income to the safety net uses the total income collected from business rate payers and adjusts for losses in collection, losses on appeal, transitional protection payments, the cost of collection and the revision to Small Business Rate Relief (announced in the Autumn Statement 2012) not allowed for when the safety net was set. The Council does not qualify for a safety net payment for 2013/14.

In addition to the local management of business rates, authorities are expected to finance appeals made in respect of rateable values as defined by VOA and hence business rates outstanding as at 31 March 2014. As such, authorities are required to make a provision for these amounts. Appeals are charged and provided for in proportion of the precepting shares. The total provision charged to the collection fund for 2013/14 has been calculated at £0.368m

The total non-domestic rateable value at 31 March 2014 was £37,457,239 compared to £37,167,635 at 31 March 2013 based on the 2010 listing.

The national non-domestic multiplier (rate in the pound) for the year 2013/14 was 47.1 pence compared to 45.8 pence in the year 2012/13.

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

2 COUNCIL TAX BASE

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

The Council set a band D council tax of £1,443.39 which was calculated by dividing the aggregate of the Council's expenditure to be met from the council tax and the Lancashire County Council, Police and Crime Commissioner (PCC) for Lancashire and Lancashire Combined Fire Authority precept by the council tax base. The council tax base is the number of band D equivalent properties in the Council's area and it represents the amount of income that would be raised from a council tax levy of £1.00 at band D level. The council tax base has been calculated as follows:

Band	Ratio to Band D	Total No of Properties	Total Equivalent No After Discounts	Band D Equivalents
A (entitled to disabled relief)	5/9	9	8.50	4.7
A	6/9	3,346	2,815.50	1,877.0
B	7/9	4,682	4,127.75	3,210.5
C	8/9	4,697	4,201.25	3,734.4
D	1	4,339	4,003.25	4,003.3
E	11/9	3,201	2,989.00	3,653.2
F	13/9	2,001	1,895.75	2,738.3
G	15/9	1,832	1,747.00	2,911.7
H	18/9	190	182.75	365.5
	Totals	**24,297**	**21,970.75**	**22,498.60**
			Adjustments	-1,445.60
			Council Tax Base	**21,053**

3 BAND D COUNCIL TAX

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

	2012/2013 £	2013/2014 £
Lancashire County Council Precept	24,863,629	22,866,370
Police and Crime Commissioner (PCC) for Lancashire Precept	3,363,453	3,219,436
Lancashire Combined Fire Authority Precept	1,427,924	1,340,023
Ribble Valley Borough Council Demand (excluding Parishes)	3,156,239	2,961,947
Total to be Met From Council Tax	**32,811,245**	**30,387,776**
Divided by Council Tax Base (Band D Equivalent Dwellings)	22,434	21,053
Band D Council Tax (Average excluding Parishes)	**£1,462.57**	**£1,443.39**

4 PROVISION FOR LOSSES

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

	Council Tax £	NNDR £	Total £
Opening Balance	250,000	250,000	**500,000**
Write Offs in Year	-12,590	-62,584	**-75,174**
Increase to Provision	37,590	142,584	**180,174**
Closing Balance	**275,000**	**330,000**	**605,000**

5 PROVISION FOR BUSINESS RATE APPEALS

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

	2012/13 £	2013/14 £
Balance at 1 April	**0**	**0**
Additional provisions made in the year	0	368,000
Balance at 31 March	**0**	**368,000**

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.

2012/2013			2013/2014	
Precept £'000	Share of 31 March Deficit £'000		Precept £'000	Share of 31 March Deficit £'000
24,864	162	Lancashire County Council	22,866	15
3,363	22	Police and Crime Commissioner (PCC) for Lancashire	3,219	2
1,428	9	Lancashire Combined Fire Authority	1,340	1
3,528	23	Ribble Valley Borough Council	3,309	2
33,183	**216**	Total	**30,734**	**20**

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.

Glossary of Terms

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

Glossary of Terms

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INFORMATION

RIBBLE VALLEY BOROUGH COUNCIL
REPORT TO ACCOUNTS AND AUDIT COMMITTEE

Agenda Item No ~~9~~

meeting date: 27 AUGUST 2014
title: INTERNAL AUDIT PROGRESS REPORT 2014/15
submitted by: DIRECTOR OF RESOURCES
principal author: MICK AINSCOW

1 PURPOSE

1.1 To report to Committee internal audit work progress to date for 2014/15.

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 2014/15 is attached as Annex 1 alongside progress to date. In summary resources for the year have been allocated as follows:

Audit Area	2014/15 Planned Days
Fundamental (Main) Systems	250
Other Systems	50
Probity and Regularity	203
On-going checks	22
Risk Management, Performance Indicators	53
Non-Audit Duties (Insurance)	30
College	40
Contingencies/unplanned work	25
	673

2.4 The position with regards to audit work carried out as at the end of July 2014 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. Reviews have so far taken place in relation to payroll, creditors and sundry debtors systems, and testing is currently ongoing on the housing benefit systems.

3.2 In addition to our systems work we will continue to carry out a series of on-going checks to prevent/detect fraud and corruption.

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

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

4 REPORTS CARRIED OUT AND ASSURANCE OPINIONS

4.1 This report covers audit work and reports issued since the last report to Committee on 25 June 2014. The table below sets out the assurance opinions issued from these audits:

Date of Report	Assurance Opinion	Report Details
06.06.14	Full ✔✔✔	Car Insurances and Driving Licences – verifying that all staff using their own cars on official council business were appropriately insured i.e. for business use. Driving licences also checked for all staff – including lease car users. Correct and up to date documents provided by all staff.
18.06.14	Substantial ✔✔	Sundry Debtors Systems and Processes – control systems in place are effective. Minor recommendations made in relation to certification and also ensuring debtors full name and address are provided in all cases.
28.07.14	Full ✔✔✔	Planning Application Fees – verifying that fees are charged in accordance with approved rates, are promptly received, and that planning system is updated correctly with all payments. No matters arising.

Date of Report	Assurance Opinion	Report Details
30.07.14	Substantial	Car Allowances – checked all mileage claims submitted by staff for the period April 2013 to March 2014 to ensure correct authorization, accuracy, correct rates paid, etc. Minor recommendations regarding employees submitting claims on a more regular basis.
30.07.14	Substantial	Creditors Systems and Processes – No significant areas of concern identified. Levels of control effective and only minor recommendations arising.
31.07.14	Substantial	Platform Gallery/VIC – Follow up audit carried out after the 2013/14 audit resulted in 11 recommendations and no reliance able to be placed on the arrangements/controls in operation. Significant progress has been made with the Action Plan agreed by management in the last few months and we can now place substantial reliance on the controls in place. Only minor recommendations made relating to what is to be done with obsolete stock.

5 QUALITY MONITORING

5.1 Customer feedback questionnaires are issued following the completion of the majority of audit work carried out. These questionnaires ask for the auditees view on the work that has been undertaken. Summary results are shown at Annex 2 for the latest returned questionnaires, and it is pleasing to note that all show an average score above our target level of 4.

6 RECOMMENDATION

6.1 Progress to date with the 2014/15 audit plan is satisfactory.

PRINCIPAL AUDITOR DIRECTOR OF RESOURCES

AA18-14/MA/AC
5 August 2014

BACKGROUND PAPERS: None

For further information please ask for Mick Ainscow .

Annex 1

2014/15 Planned Days	Audit	Actual days to 31/07/14	Status as at 31/07/14
Fundamental (Main) Systems			
25	Main Accounting	2	⚠
30	Creditors	22	✓
30	Sundry Debtors	24	✓
30	Payroll and HR	28	✓
45	Council Tax	0	Not Started
35	Housing Benefits	33	⚠
35	NNDR	0	Not Started
20	Cash Receipting	0	Not Started
250		**109**	
Other Systems Work			
20	VAT	0	Not Started
10	Treasury Management	0	Not Started
20	Procurement	7	⚠
50		**7**	
Probity and Regularity			
5	Car Allowances	6	✓
10	Asset Mgmt/Register	0	Not Started
5	Members Allowances	4	✓
20	HR and Recruitment/Staff Expenses	0	Not Started
10	Insurance	2	⚠
5	Land Charges	0	Not Started
5	Fees and Charges	4	⚠
5	Clitheroe Cemetery	0	Not Started
10	Business Continuity Mgmt	0	Not Started
8	Car Parking	0	Not Started
15	VIC/Platform Gallery	16	✓
10	Trade Refuse	0	Not Started
10	Recycling	0	Not Started
5	Ribblesdale Pool	0	Not Started
10	Data Protection	0	Not Started
10	Partnership Arrangements	0	Not Started
10	Grants received	0	Not Started
10	Grants paid	0	Not Started
10	Flexitime System	8	⚠
10	Sustainability	0	Not Started
10	Section 106 Agreements	0	Not Started
5	Building Regulations	6	⚠
5	Planning Applications	7	✓
203		**53**	

2014/15 Planned Days	Audit	Actual days to 31/07/14	Status as at 31/07/14
Continuous Activity/Ongoing Checks			
10	Cash Collections Procedures	0	∞
12	Income Monitoring	2	∞
22		**2**	
25	Contingencies/unplanned work	6	∞
25		**6**	
30	Risk Management	3	∞
18	Corporate Governance	18	∞
5	Performance Indicators	1	∞
53		**22**	
30	Insurance	14	∞
30		**14**	
40	Training	11	∞
40		**11**	
	Available audit days to 31/3/2015	**449**	
673		**673**	

Key:

 In Progress

∞ Continuous Activity

✓ Completed

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

Annex 2

Question	Audit Carried Out						
	Payroll Systems and Procedures	Members Allowances	Stores- Salthill Depot	Sundry Debtors Systems and Processes	Car Allowances	Creditors Systems and Processes	Planning Application Fees
1. Sufficient notice given to arrange the visit	5	5	5	5	5	5	5
2. Briefing sheet sent prior to audit commencing and any comments/requests were taken into account	4	4	5	4	5	4	4
3. Auditors understanding of your systems and current issues	5	4	5	4	4	4	4
4. Audit carried out efficiently with minimum disruption	5	5	5	5	5	4	4
5. Level of consultation during audit	5	4	5	4	4	4	4
6. Audit carried out professionally and objectively	5	5	5	5	4	5	5
7. Draft report addressed the key issues and was soundly based	5	4	5	5	5	4	4
8. Opportunity to comment on findings	5	4	5	5	5	4	5
9. Final report in terms of clarity and conciseness	5	4	5	5	5	4	5
10. Prompt issue of final report	5	4	5	4	4	4	5
11. Recommendations will improve control and/or performance	5	5	5	5	4	4	4
12. Audit was constructive and added value overall	4	4	5	5	4	4	5
Average	**4.8**	**4.3**	**5**	**4.7**	**4.5**	**4.2**	**4.5**