

RIBBLE VALLEY BOROUGH COUNCIL

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Dear Councillor

The next meeting of the **ACCOUNTS & AUDIT COMMITTEE** is at **6.30pm on WEDNESDAY, 25 JUNE 2014** in the **TOWN HALL, CHURCH STREET, CLITHEROE.**

I do hope you can be there.

Yours sincerely

Value for Money training session at 5pm Sandwiches will be provided

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 2 April 2014 – copy enclosed.
3. Declarations of Interest (if any).
4. Public Participation (if any).

DECISION ITEMS

- ✓ 5. Local Code of Corporate Governance – report of Director of Resources – copy enclosed.
- ✓ 6. Annual Governance Statement – report of Director of Resources – copy enclosed.
- ✓ 7. Statement of Accounts 2013/2014 – report of Director of Resources – copy enclosed.

INFORMATION ITEMS

- ✓ 8. Internal Audit Annual Report 2013/14 – report of Director of Resources – copy enclosed.

- ✓ 9. Internal Audit Progress Report 2014/2015 – report of Director of Resources – copy enclosed.
- ✓ 10. Audit Plan – report of Grant Thornton – copy enclosed.
- ✓ 10a. Audit Progress Report and Emerging Issues – report of Grant Thornton – copy enclosed.
- ✓ 11. Planned Audit Fee 2014/2015 – report of Grant Thornton – copy enclosed.
- 12. Reports from Representatives on Outside Bodies (if any).

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

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

RIBBLE VALLEY BOROUGH COUNCIL REPORT TO ACCOUNTS & AUDIT COMMITTEE

Agenda Item No 5

meeting date: 25 JUNE 2014
title: LOCAL CODE OF CORPORATE GOVERNANCE
submitted by: DIRECTOR OF RESOURCES
principal author: SALMA FAROOQ

1 PURPOSE

1.1 To consider the revised Local Code of Corporate Governance.

1.2 Relevance to the Council's ambitions and priorities:

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

2 BACKGROUND

2.1 The Council has previously approved and adopted a Code of Corporate Governance, which was consistent at the time with the principles of the CIPFA/SOLACE Framework for Corporate Governance in Local Government: A Keystone for Community Governance.

2.2 This framework was revised in 2007 and replaced by the CIPFA SOLACE Framework Delivering Good Governance in Local Government. In December 2012 further revised guidance and an addendum were issued and the Council's local code of Corporate Governance has been further reviewed and updated in line with this revised guidance.

3 ISSUES

3.1 The code is a public statement that sets out the way the Council will meet its commitment to demonstrating that it has the necessary Corporate Governance arrangements in place to perform effectively. It represents a key component of the Council's governance arrangements. It applies to all Council members, Officers, Partners and Stakeholders in their dealings with the Council. The Council is not required to include the local code in the constitution and it is proposed that this revised code is published separately on the Council's website.

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

4 RISK ASSESSMENT

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

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

5 RECOMMENDED THAT COMMITTEE

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

SENIOR AUDITOR

DIRECTOR OF RESOURCES

AA11-14/SF/AC
13 June 2014

BACKGROUND PAPERS

None

For further information please ask for Salma Farooq.

Local Code of Corporate Governance

Corporate Governance is the system by which the Council directs and controls its functions and relates to the community. Ribble Valley Borough Council is committed to the highest standards of good governance.

The Council has developed and adopted a local code of corporate governance which reflects the key components as set out in the CIPFA/SOLACE Delivering Good Governance in Local Government Framework.

Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area

In carrying out its duties and responsibilities, the Council will:

- Exercise strategic leadership by developing and clearly communicating the authority's purpose and vision and its intended outcomes for citizens and service users.
- Ensure that users receive a high quality of service, whether directly, or in partnership, or by commissioning.
- Ensure that the authority makes best use of resources and that tax payers and service users receive excellent value for money.

Members and officers working together to achieve a common purpose with clearly defined functions and roles

The Council will monitor the implementation of its agreed policies and decisions and aim to achieve continuous improvement in the delivery of services by maintaining arrangements which:

- Ensure effective leadership throughout the authority and are clear about executive and non-executive functions and of the roles and responsibilities of the scrutiny function.
- Ensure that a constructive working relationship exists between authority members and officers and that the responsibilities of authority members and officers are carried out to a high standard.
- Ensure relationships between the authority its partners and the public are clear so that each knows what to expect of the other.

Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

The Council will put into place effective political and managerial structures and processes to govern its decision-making and the exercise of its authority, through:

- Ensuring authority members and officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance.
- Ensuring that organisational values are put into practice and are effective.

Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

The Council will establish and maintain a systematic strategy, framework and processes for managing risk, by:

- Being rigorous and transparent about how decisions are taken and listening and acting on the outcome of constructive scrutiny.
- Having good quality information, advice and support to ensure that services are delivered effectively and are what the community wants / needs.
- Ensuring that an effective risk management system is in place.
- Using their legal powers to the full benefit of the citizens and communities in their area.

Developing the capacity and capability of members and officers to be effective

The Council will:

- Make sure that members and officers have the skills, knowledge, experience and resources they need to perform well in their roles.
- Develop the capability of people with governance responsibilities and evaluating their performance, as individuals and as a group.
- Encourage new talent for membership of the authority so that best use can be made of individual skills and resources, balancing continuity and renewal.

Engaging with local people and other stakeholders to ensure robust public accountability

The Council will:

- Exercise leadership through a robust scrutiny function which effectively engages local people and all local institutional stakeholders, including partnerships, and develops constructive accountability relationships.
- Take an active and planned approach to dialogue with and accountability to the public to ensure effective and appropriate service delivery whether directly by the authority, in partnership, or by commissioning.
- Make best use of human resources by taking an active and planned approach to meet responsibility to staff.

Ribble Valley Borough Council will deliver these outcomes through:

- Reviewing on annual basis, its Governance arrangements to ensure compliance with this Code, the delivery of Good Governance within the Local Government Framework and current good practice. The purpose of the review will be to provide assurance that governance arrangements are adequate and operating effectively or to identify action which is planned to ensure effective governance in the future.
- Reporting bi-annually to members and management team the corporate governance arrangements in place.
- Annually assessing the 'Role of the Chief Financial Officer' and the 'Role of the Head of Internal audit', using guidance published by CIPFA.
- Producing an Annual Governance Statement documenting the extent to which the local code has been adhered to and the actions required where adherence has not been achieved.

Key Elements of Local Code of Corporate Governance

- Standing Orders relating to meetings of the Council
- The Member/Officer Protocol
- Constitution of the Council
- Corporate Strategy
- Sustainable Community Strategy
- Budgetary Procedures
- Scheme of Delegation
- Access to Information Procedure Rules
- Financial Regulations
- Contract Regulations
- Code of Conduct for Members and Standards Committee
- Code of Conduct for Employees
- Medium Term Financial Strategy
- Anti-Fraud Policy
- Whistleblowing Policy
- Complaints Procedure
- Disciplinary Procedure
- Corporate Health and Safety Policy
- Risk Management Statement
- Risk Management Policy
- Risk Management Working Group
- Internal Audit Charter
- Internal Audit Plan
- Internal Audit Report
- External Audit Annual Plan
- External Audit Reports
- External Audit Annual Letter to Members
- Annual Financial Reports (Budget and Final Accounts)
- Performance Management System
- Performance Management Reporting (Performance Indicators)
- Citizen's Panel
- Feedb@ck Online
- Register of Interests
- Annual Governance Statement
- Principles of Corporate Governance Framework (Review Document)
- Crime Reduction Strategy
- Partnership Protocols
- Business Continuity Plans

Devised: August 2005
Reviewed & amended: September 2007
Reviewed & amended: April 2009
Reviewed & amended: July 2014

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

DECISION

Agenda Item No 6

meeting date: 25 JUNE 2014
title: ANNUAL GOVERNANCE STATEMENT
submitted by: DIRECTOR OF RESOURCES
principal author: SALMA FAROOQ

1 PURPOSE

1.1 To approve the Annual Governance Statement 2013/14.

1.2 Relevance to the Council's ambitions and priorities:

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

2 BACKGROUND

2.1 CIPFA/SOLACE issued their revised governance framework 'Delivering Good Governance in Local Government' in June 2007 which incorporated the requirement to produce an Annual Governance Statement.

3 ISSUES

3.1 Under the Accounts and Audit (England) Regulations 2011 the Council is required to ensure that its financial management is adequate and effective, and that the Council has a sound system of internal control which facilitates the effective exercise of the council's functions and which includes arrangements for the management of risk.

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

3.3 The Annual Governance Statement for 2013/14 is attached at Annex 1 and has been developed based upon the requirements and guidance received from CIPFA. There are no significant governance issues to report

4 RISK ASSESSMENT

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

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

5 RECOMMENDED THAT COMMITTEE

- 5.1 Approve the attached Annual Governance Statement 2013/14, which is attached at Annex 1.

SENIOR AUDITOR

DIRECTOR OF RESOURCES

AA12-14/SF/AC
13 June 2014

BACKGROUND PAPERS

None

For further information please ask for Salma Farooq.

Annual Governance Statement 2013/14

Scope of Responsibility

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.

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.

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.

The purpose of the governance framework

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.

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.

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.

The Governance Framework

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

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

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

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

Mechanisms in place for the monitoring of performance include:

- Quarterly monitoring of performance indicators by the leadership team;
- Improvement and Statutory Reviews (for example by the Benefits Inspectorate); and

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

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

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

The 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

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.

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

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

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

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

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.

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.

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

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

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.

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

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

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

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

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.

The Council participate in the National fraud Initiative.

Ensuring effective management of change and transformation

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

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)

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.

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

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)

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.

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

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

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

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

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'.

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

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

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.

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.

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

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.

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

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.

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

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

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.

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.

The Council has in place a community consultation and engagement website in collaboration with four other east Lancashire local authorities, LCC and East Lancashire PCT. 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

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.

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.

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.

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

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.

Review of Effectiveness

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

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

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;

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

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

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

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

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

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

Internal Audit

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. 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

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.

Audit Commission – 'Protecting the Public Purse'

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

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.

No issues were highlighted as a result of this review.

National Audit Office – 'Fact Sheet: Governance Statements: Good Practice Observations from our Audits' 2012

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.

No issues were highlighted as a result of this review.

Grant Thornton's - Working in Tandem 2014

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.

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.

Grant Thornton's - 2016 Tipping Point

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.

Significant Governance Issues

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

RIBBLE VALLEY BOROUGH COUNCIL REPORT TO ACCOUNTS AND AUDIT COMMITTEE

Agenda Item No 7

meeting date: 25 JUNE 2014
title: STATEMENT OF ACCOUNTS FOR 2013/14
submitted by: DIRECTOR OF RESOURCES
principal author: LAWSON ODDIE

1 PURPOSE

1.1 To formally approve the Statement of Accounts for 2013/14 (subject to audit).

1.2 Relevance to the Council's ambitions and priorities:

- Community Objectives – none identified
- Corporate Priorities – the maintenance of critical financial management and controls is a key objective of the corporate priority to be a well-managed Council providing efficient services based on identified customer needs.
- Other Considerations – none identified

2 BACKGROUND

2.1 The Accounts and Audit Regulations 2011 require Members to approve the statutory accounts by 30 September following the financial year end. However, it has been agreed by committee that the Statement of Accounts be brought to this committee cycle for members to approve the draft Statement of Accounts (Subject to Audit) as this was seen as good practice.

2.2 The Director of Resources retains responsibility for the preparation of the Statement of Accounts and must certify that they are a true and fair view of the financial position of the Council.

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

3 STATEMENT OF ACCOUNTS FOR 2013/14

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

- 3.2 Members will be taken through the full statement of accounts for 2013/14 at the meeting. Obviously the accounts are very detailed and do contain a considerable amount of technical information. It is crucial however that members consider the important aspects of the various statements and therefore attached at Annex 1 is 'A Guide to Local Authority Accounts', which is a document produced by Grant Thornton to assist members. The highlights of the 2013/14 accounts are set out below.
- 3.3 Whilst the Statement of Accounts sets out the accounting statements according to the Code of Practice and the Service Reporting Code of Practice, we have shown below a comparison of the actual expenditure with the budget in our management reporting format (i.e. by service committees). This information will also be reported to individual service committees in the next cycle giving full details for individual over/underspends.

General Fund Outturn Performance:

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
Amount to be (added to)/ taken from General Fund Balances	146	176	-101	-359	-505	-258

Final Position Compared to the Revised Estimate

- 3.4 During the 2013/14 financial year there are many variances that occur when we carry out our budget monitoring. The main variations affecting our final position compared with the **revised estimate** can be summarised as:

Variation	£'000	£'000
<u>Expenditure Variations</u>		
Direct Employee Costs	-71	
Staff Training Costs	-29	
New Burdens Grant - Benefits (not all spent)	-30	
Energy, Utilities and Telecomms	-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	
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 VARIATIONS		-418
<u>Income Variations</u>		
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	

Variation	£'000	£'000
TOTAL INCOME VARIATIONS		-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

General Fund Balances

- 3.5 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. However, this has to be balanced against meeting the council's spending priorities and also very importantly setting a low council tax.

	£'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

Collection Fund

- 3.6 There have been some major changes to the collection fund in 2013/14, with business rates now accounted for on a similar basis as council tax following the localisation of business rates.
- 3.7 With regard to council tax, the Collection Fund has made an in year surplus of £195,000. This is added to the deficit brought forward of £216,000 brought forward from 2012/13. The resulting overall deficit of £21,000 is recovered pro-rata to the precepts from each authority.
- 3.8 On business rates, under the new accounting regime, the Collection Fund has made an in year loss of £192,000. This is due to the manner in which the government has compensated council's for its extension of Small Business Rates Relief. The government's compensation mechanism has been to provide a grant to the general fund, although the impact in year is on the Collection Fund. The impact on the Collection Fund will feed through to the general fund in the 2015/2016 financial year, through the distribution of the deficit.

Capital

- 3.9 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

3.10 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

3.11 The £1.372 million of capital schemes was funded from external grants and contributions, capital receipts and revenue contributions.

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

Balance Sheet

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

3.13 The main movements on the balance sheet between 2012/13 and 2013/14 are summarised below

- **Cash and Cash Equivalents** is higher at the 31 March 2014 due to a higher level of short term investments that were in place at year end (£3.1m) compared to 31 March 2013 (£2.5m).
- **Net Pensions Liability** has decreased by £4.364m to £12m as at the 31 March 2014. The liabilities show the underlying commitments that the council has in the long run to pay retirement benefits. However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy. The deficit will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.
- **General fund Balance** has increased by £359,000 as previously detailed. This is due to the underspends experienced during the year.
- **Earmarked General Fund Reserves** have increased due to the importance of healthy reserves in light of the growing uncertainty around future government support towards the council. The Council continues to review the level of its earmarked reserves in order to meet its future financial pressures and also a healthy level of general fund balances in light of these future uncertainties.
- **Capital Grants Unapplied** has decreased by £307,000 due to the use in the 2013/14 financial year of capital grants received in 2012/13. This is notably relating to the funding for larger green bins and new vehicles received from the government under the

weekly waste collection retention capital scheme and other grant funding relating to housing capital grants.

- 3.14 As at the 31 March 2014 the level of general fund balances will be £2.058m and the level of earmarked reserves will be £4.641m. Whilst substantial, they must be viewed in the context of the continuing fall in central government financial support for local government coupled within uncertainty about future government financing of local government in the medium to longer term.
- 3.15 The council has always worked to minimise the impacts of reduced government funding and is working to minimise the impact of the provisional level of government funding for 2014/15 where we will see a further reduction of 15.3%.
- 3.16 Indications from a number of sources show that looking at forward funding for the period 2015/16 onwards we could see sustained falls in local government funding from the government, particularly due to some government departments being protected. The Institute for Fiscal Studies has expressed the view that government spending cuts will continue until 2020.

4 NEXT STEPS

- 4.1 Our external auditors are due to commence their final accounts audit on 30 June 2014. Public notice has been given of the audit, informing local electors of their rights to inspect the accounts and ask questions of the auditor and/or make any objections relating to the accounts.
- 4.2 Following the completion of the audit, the auditors will report back to this Committee at its meeting on **27 August 2014**. At the same time details of any amendments to the draft statements agreed with the auditors will be reported, and the final audited Statement of Accounts will be presented for approval.

5 RISK ASSESSMENT

- 5.1 The approval of this report may have the following implications:
- Resources – none as a direct result of this report.
 - Technical, Environmental and Legal – The Code of Practice and all Financial Reporting Standards have been adhered to in the preparation of the Statement of Accounts
 - Political – none.
 - Reputation – There is no longer a requirement to present the Statement of Accounts in their draft stage to committee for approval, however by doing so the Council is demonstrating its commitment to best practice.
 - Equality and Diversity – Public Notices have been placed in the local newspaper and also on the Council's website, in order to raise awareness of the impending audit.

6 CONCLUSION

- 6.1 The final outturn of a **surplus of £359,000** means that we have **added £258,000** more to general fund balances than was estimated when we prepared the Revised Estimates.
- 6.2 Whilst the level of general balances and earmarked reserves may appear high there is a great level of uncertainty around the level of future local government funding which looks set to continue for a number of years to come.

7 RECOMMENDED THAT COMMITTEE

7.1 Approve the draft (subject to audit) Statement of Accounts for 2013/14.

HEAD OF FINANCIAL SERVICES

DIRECTOR OF RESOURCES

AA15-14/LO/AC
17 June 2014

For further information please ask for Lawson Oddie extension 4541



Grant Thornton

An instinct for growth™

A guide to local authority accounts

March 2014



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Introduction

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

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

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

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

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

Mary Archer
British scientist



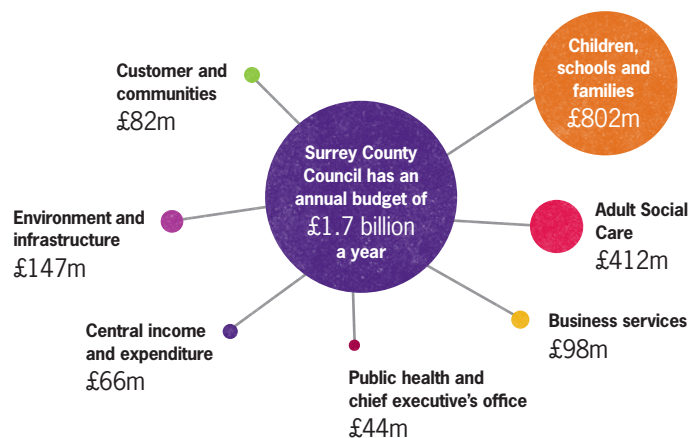
Explanatory foreword

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

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

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

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



Challenge questions

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

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



Annual governance statement

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

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

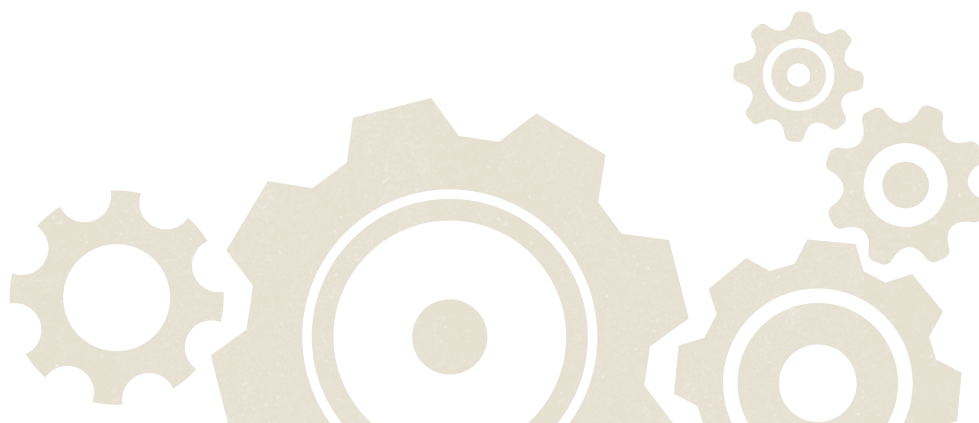
The AGS should be consistent with:

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

Challenge questions

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

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



Movement in reserves statement

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



Usable reserves

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

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

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

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

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

Unusable reserves

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

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

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

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

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

Challenge questions

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

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



Comprehensive income and expenditure statement

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

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

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

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



Five broad sections within the CIES

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

Challenge questions

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



Balance sheet

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

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

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

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

Provisions	Represent future liabilities of the authority, but there is uncertainty about how much the authority owes or when it will have to pay.
-------------------	--

Reserves	These are usable and unusable reserves.
-----------------	---

Challenge questions

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

Other statements

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

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

Challenge questions

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



Additional disclosures

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

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

Accounting policies Set out the accounting rules the authority has followed in compiling its financial statements, for example that land and buildings are shown at valuation rather than at cost. They are largely specified by International Financial Reporting Standards and the Local Authority Code of Practice. Authorities have limited discretion to amend them, but should:

- provide additional information where needed
- remove accounting policies that are not relevant or apply to immaterial amounts.

Critical judgments Show the key areas where officers have made judgements about the application of accounting policies. For example:

- classification of leases and public finance initiative (PFI) schemes
- identification of provisions
- impairment of assets.

The aim is to highlight key areas of the accounts where others may have made different judgments about the accounting treatment.

Estimates The authority may need to use estimates to value assets, liabilities and transactions. The major sources of estimation uncertainty should be disclosed if there is a significant risk the estimate will need to be materially adjusted next year.

Property, plant and equipment Details about assets acquired and disposed of during the year, whether they have been revalued, the impact of any changes in value and the amount of depreciation charged.

Leases and PFI schemes Set out how much will be paid annually to leasing companies and how much will be paid in total over the lifetime of the agreement.

Employee remuneration Details of the pay of the most senior officers, all officers' remuneration, disclosed in bands, and the cost of any redundancies. Other notes show the annual cost and cumulative liabilities of pensions.

Contingent liabilities Details of possible costs that the authority may need to meet, but has not charged to the CIES because it thinks that it will probably be able to avoid them. The most common contingent liability is for legal claims.

Challenge questions

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

And finally...

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

About the financial statements

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

About the process

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

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



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



About us

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

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

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

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

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

councils, district councils, city councils, unitary councils and metropolitan authorities, as well as fire and police authorities.

This depth of experience ensures that our solutions are grounded in reality and draw on best practice. Through proactive, client-focused relationships our teams deliver solutions in a distinctive and personal way, not pre-packaged products and services.

Our approach combines a deep knowledge of local government, supported by an understanding of wider public sector issues, drawn from working with associated delivery bodies, relevant central government departments and with private-sector organisations working in the sector.

We take an active role in influencing and interpreting policy developments affecting local government and responding to government consultation documents and their agencies. We regularly produce sector-related thought leadership reports, typically based on national studies, and client briefings on key issues. We also run seminars and events to share our thinking on local government and, more importantly, understand the challenges and issues facing our clients.

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Statement of Accounts

[Subject to Audit]

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


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Clitheroe, Lancashire, BB7 2RA

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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.*

Explanatory Foreword

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.

Explanatory Foreword

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%.

Explanatory Foreword

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
<i>Expenditure Variations</i>	
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

Explanatory Foreword

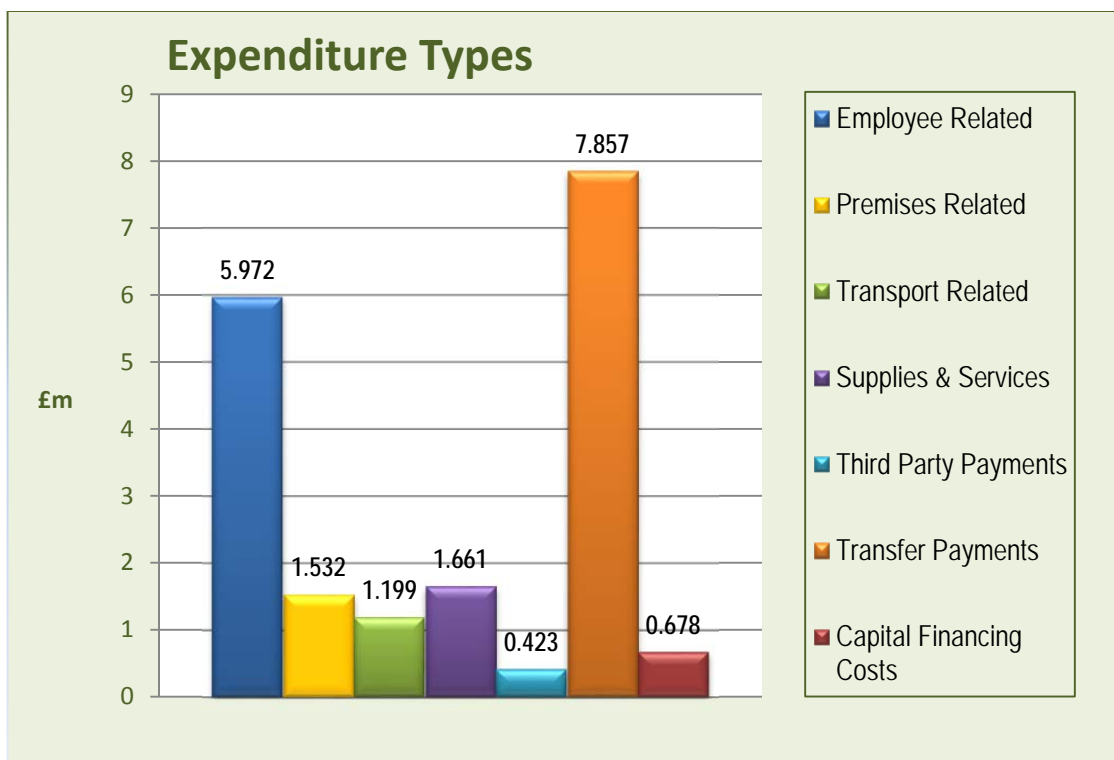
Variation	£'000
Management of Museum	-26
Statutory Notices	-12
Payment of Grants	-79
Subscriptions	-15
Council Tax benefit overpayments (net)	-17
Payment of Benefits	173
Total Expenditure Variances	-418
<i><u>Income Variations</u></i>	
Government Subsidy towards Benefits	-124
Grant towards Discretionary 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

Explanatory Foreword

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**:

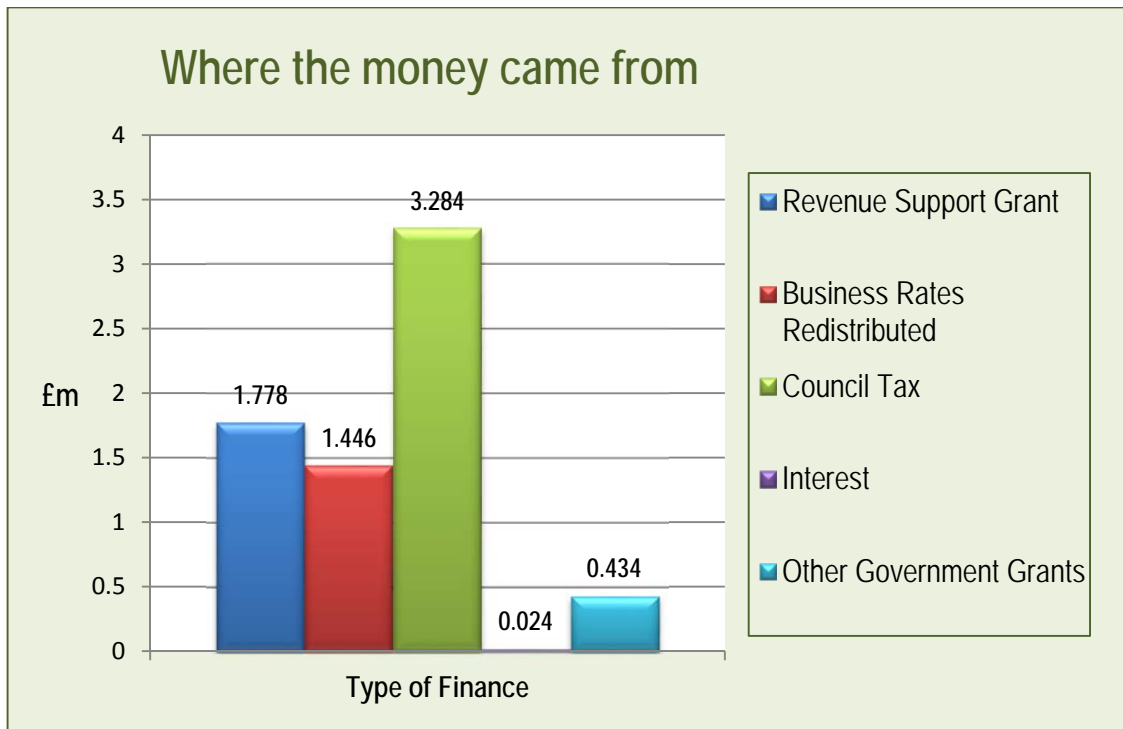
Type	£'000
Employee Related	5,972
Premises Related	1,532
Transport Related	1,199
Supplies & Services	1,661
Third Party Payments	423
Transfer Payments	7,857
Capital Financing Costs	678
Total Expenditure	19,322



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

Explanatory Foreword

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:

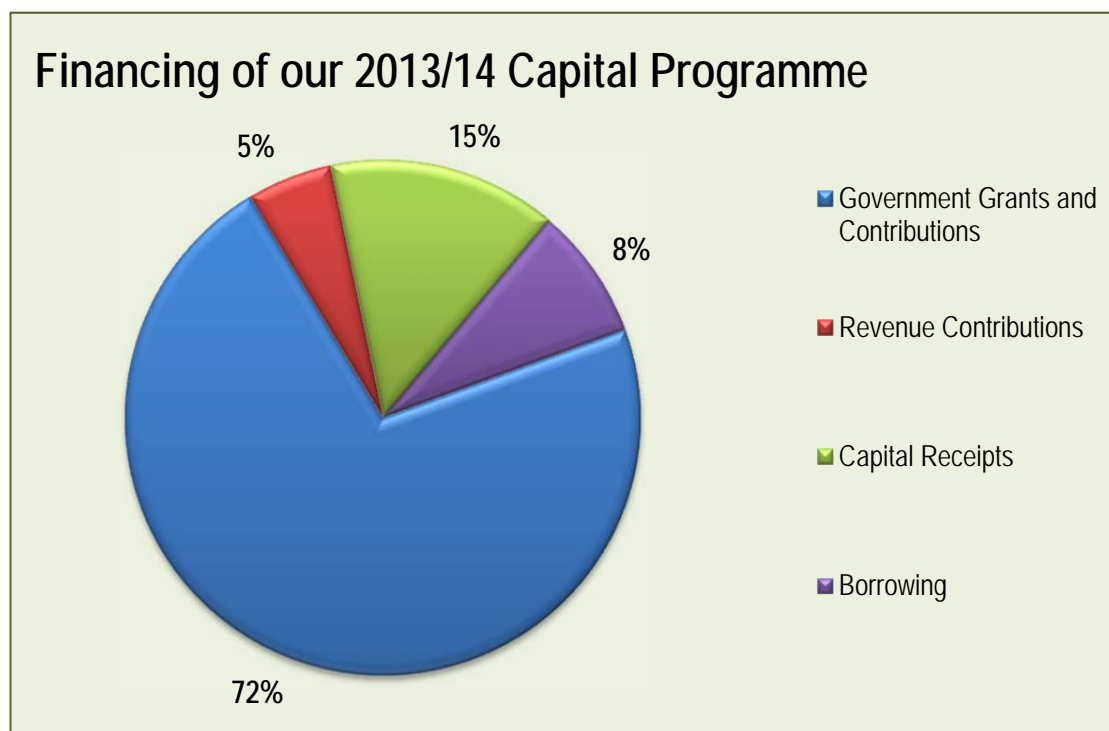
- Replacement of two refuse vehicles and the purchase of larger green bins
- Installation of infrastructure at Clitheroe Cemetery
- Renovation and Disabled Facilities Grants

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

Explanatory Foreword

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 25 June 2014.

Signed by:

Cllr John Hill
Chairman of Accounts and Audit Committee

25 June 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.

Statement of Accounting Policies

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.

Statement of Accounting Policies

- 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.

Statement of Accounting Policies

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.

Statement of Accounting Policies

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.

Statement of Accounting Policies

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.

Statement of Accounting Policies

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

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

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

Impairments

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

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

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

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

Statement of Accounting Policies

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.

Statement of Accounting Policies

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	
	£	£	£	£
	TOTAL USABLE RESERVES		TOTAL UNUSABLE RESERVES	
	Capital Receipts Reserve		Accumulated Absences Account	
	Capital Grants Unapplied		Pensions Reserve	
	Earmarked General Fund Reserves		Deferred Capital Receipts Reserve	
	General Fund Balance		Revaluation Reserve	
			Collection Fund Adjustment Account	
			Capital Adjustment Account	
Balance at 31 March 2013	1,699,748	4,646,790	335,751	0
Movement in Reserves During 2013/14				
Surplus or (deficit) on the provision of Services	-1,703	0	0	0
Other Comprehensive Income and Expenditure	0	0	0	0
Total Comprehensive Income and Expenditure	-1,703	0	0	-1,703
Adjustments between Accounting Basis and Funding Basis Under Regulations (NOTE 6)	806,165	0	-289,593	28,959
Net Increase/ Decrease before Transfers to Earmarked Reserves	804,462	0	-289,593	28,959
Transfers to/from Earmarked Reserves (NOTE 7)	-445,808	445,808	0	0
Increase/Decrease in Year	358,654	445,808	-289,593	28,959
Balance at 31 March 2014	2,058,402	5,092,598	46,158	28,959
Carried Forward (NOTES 19 and 20)	498,153	7,724,270	-61,491	498,153

Movement in Reserves Statement

	Usable Reserves			Unusable Reserves							TOTAL COUNCIL 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 £
Movements in 2012/13 RESTATED													
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	17,763	0	0	-2,316,000	0	-2,298,237	-2,298,237
Total Comprehensive Income and Expenditure	-165,010	0	0	0	-165,010	0	17,763	0	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	-63,777	-1,342	-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	-46,014	-1,342	-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	-46,014	-1,342	-1,342	-3,025,000	25,155	-3,103,774	-2,463,247
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
Carried Forward (NOTES 19 and 20)													

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				Note
Gross Expenditure £	Gross Income £	Net Expenditure £	Gross Expenditure £	Gross Income £	Net Expenditure £		
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

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
	<i>Long Term Assets</i>		
	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	
	<i>Current Assets</i>		
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	
	<i>Current Liabilities</i>		
-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	
	<i>Long Term Liabilities</i>		
-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	
	<i>Usable Reserves</i>		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	
	<i>Unusable Reserves</i>		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	

Notes to the Core Financial Statements

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	102,361	21
-756,809	Net Cash Flows from Operating Activities	-761,955	21
-83,761	Investing Activities	374,670	22
149,898	Financing Activities	-113,301	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.

Notes to the Core Financial Statements

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.	<p>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:</p> <ul style="list-style-type: none"> • <i>+0.1% p.a. discount rate as at 31 March 2014:</i> deficit would be £11.2m • <i>+0.1% p.a. inflation as at 31 March 2014:</i> deficit would be £12.829m • <i>+0.1% p.a. pay growth as at 31 March 2014:</i> deficit would be £12.196m • <i>1 year addition to members' life expectancy as at 31 March 2014:</i> deficit would be £12.911m

Notes to the Core Financial Statements

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.

Notes to the Core Financial Statements

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			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				
<i><u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</u></i>				
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
<i><u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Account</u></i>				
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			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 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				
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</i>				
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
<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Account</i>				
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			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 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 2014 £	Transfers In 2013/14 £	Transfers Out 2013/14 £	Balance at 31 March 2014 £
<u>Local Recreation Grants Fund</u> <i>Used to fund recreation grants</i>	23,651	3,010		26,661		-6,115	20,546
<u>Elections Fund</u> <i>Used to fund borough elections held once every four years</i>	19,552	20,507		40,059	20,880	-4,633	56,306
<u>Audit Reserve Fund</u> <i>Used for computer audit</i>	12,335			12,335			12,335
<u>Building Control Fund</u> <i>Available to equalise net expenditure over a three year period</i>	-86,310		-33,111	-119,421	15,962		-103,459
<u>Rural Development Reserve</u> <i>Used to fund consultation work on rural housing</i>	1,631			1,631		-1,631	0
<u>Capital</u> <i>Used to fund the capital programme</i>	324,096	78,345	-3,083	399,358	356,396	-101,835	653,919
<u>Insurance</u> <i>Available to meet any costs following demise of Municipal Mutual Insurance Company</i>	20,000		-3,252	16,748			16,748
<u>Christmas Lights/RV in Bloom</u> <i>Available to fund contributions towards Christmas Lights and Ribble Valley in Bloom</i>	3,266		-1,980	1,286		-100	1,186
<u>Community Enhancement</u> <i>Used to fund grants to local organisations</i>	2,881	8,538		11,419			11,419
<u>New Community Enhancement Schemes</u> <i>Additional reserve for funding grants to local organisations</i>	6,809		-6,809	0			0
<u>Rent Deposit Reserve</u> <i>Set aside for homeless rent deposits</i>	7,837			7,837		-7,837	0
<u>Revenue Contributions (RCCO) Unapplied</u> <i>Used to fund capital expenditure</i>	10,605		-10,605	0			0
<u>Parish Schemes</u> <i>Used to fund Parish improvement schemes</i>	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 2014 £	Transfers In 2013/14 £	Transfers Out 2013/14 £	Balance at 31 March 2014 £
<u>Local Development Framework</u>							
<i>To finance Local Development Framework costs</i>	3,829		-3,829	0			0
<u>LALPAC Licensing System</u>							
<i>To fund costs of LALPAC licensing system</i>	1,424			1,424		-1,424	0
<u>IT Equipment</u>							
<i>To fund future software and hardware upgrades</i>	90,540		-42,147	48,393	37,470	-15,960	69,903
<u>Conservation Reserve</u>							
<i>To fund conservation schemes completed after the financial year end</i>	6,210			6,210			6,210
<u>Concessionary Travel</u>							
<i>To fund the transfer of the administration of the scheme to upper tier local authorities</i>	40,026			40,026			40,026
<u>Fleming VAT Claim</u>							
<i>VAT recovered from 'Fleming' claim challenge to HMRC</i>	239,926			239,926			239,926
<u>Repairs and Maintenance</u>							
<i>To fund emergency repairs and maintenance items, including legionella and asbestos abatement</i>	33,299		-4,000	29,299			29,299
<u>Post LSVT</u>							
<i>To fund any costs post LSVT which may arise, such as pension fund liabilities</i>	438,150		-36,513	401,637		-36,512	365,125
<u>Market Town Enhancement</u>							
<i>To fund grants under Market Towns Enhancement Scheme</i>	6,643			6,643	1,729		8,372
<u>Performance Reward Grant</u>							
<i>Performance Reward Grant received and yet to be distributed to successful schemes</i>	428,048		-54,216	373,832		-70,958	302,874
<u>Refuse Collection</u>							
<i>To fund refuse collection costs of bin replacements and other cost pressures</i>	18,000			18,000	75,323		93,323
<u>Restructuring Reserve</u>							
<i>To fund costs resulting from restructuring reviews</i>	227,541			227,541			227,541

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 2014 £	Transfers In 2013/14 £	Transfers Out 2013/14 £	Balance at 31 March 2014 £
<u>VAT Shelter Reserve</u> <i>Funds received from the post LSVT VAT Shelter arrangements, partly used to contribute towards the future financing of the capital programme</i>	1,427,224	385,503	-314,293	1,498,434	223,386	-210,379	1,511,441
<u>Revaluation of Assets Reserve</u> <i>To contribute towards the revaluation of the Council's assets every five years.</i>	4,000	2,000		6,000	2,000	0	8,000
<u>Clean Air Reserve</u> <i>To fund clean air survey work</i>	4,121		-480	3,641		-480	3,161
<u>Equipment Reserve</u> <i>To fund essential and urgent equipment requirements</i>	33,000	10,170		43,170	47,166	-6,240	84,096
<u>Forest of Bowland Reserve</u> <i>To fund access improvement schemes within the Ribble Valley section of the Forest of Bowland</i>	34,646			34,646		-5,000	29,646
<u>Invest to Save Fund</u> <i>To fund future invest to save projects</i>	264,298	78,082	-92,380	250,000			250,000
<u>Land Charges Reserve</u> <i>To fund any potential restitution claims for personal search fees</i>	34,356			34,356	11,000	-34,356	11,000
<u>Pendle Hill User Reserve</u> <i>To fund improvement schemes on Pendle Hill</i>	17,771	191	-4,450	13,512	3,191		16,703
<u>Planning Reserve</u> <i>To fund any future potential planning issues</i>	150,000	231,000	-71,929	309,071		-131,051	178,020
<u>Promotional Activities Reserve</u> <i>To fund planned publicity and promotional activities</i>	1,950		-1,950	0	12,110		12,110
<u>Crime Reduction Partnership Reserve</u> <i>To fund cost of crime reduction initiatives</i>	26,489	2,986		29,475	475		29,950
<u>Housing Benefit Reserve</u> <i>To help meet the challenges facing the service in the coming years</i>	100,000			100,000			100,000
<u>Wellbeing and Health Equality</u> <i>To fund expenditure on Wellbeing and Health</i>	47,428			47,428			47,428
<u>Exercise Referral Reserve</u> <i>To fund potential residual staffing costs</i>	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 2014 £	Transfers In 2013/14 £	Transfers Out 2013/14 £	Balance at 31 March 2014 £
Clitheroe Cemetery Reserve <i>To finance any future liabilities from the cemetery extension</i>	3,640			3,640			3,640
New Homes Bonus Reserve <i>To help finance future economic development capital schemes</i>	2,046	119,645		121,691	317,727	-100,000	339,418
Core Strategy Reserve <i>To fund the production of the Core Strategy</i>	87,412	103,829	-31,144	160,097	2,340	-79,337	83,100
Emergency Planning Reserve <i>To fund the production of District Emergency and Business Continuity Plans</i>	2,520		-1,250	1,270		-1,270	0
CCTV Reserve <i>To fund purchase of additional CCTV Equipment</i>	1,000			1,000		-1,000	0
Housing Related Grants Reserve <i>Residual grant received, to be committed to future grant schemes</i>	44,470		-14,539	29,931	23,488	-27,217	26,202
Business Rates Volatility Reserve <i>To provide some protection against business rates volatilities</i>	0	135,904		135,904	76,800		212,704
Community Right to Bid/Challenge <i>To fund any future costs under the Community Right to Bid and Community Right to Challenge Regulations</i>	0	13,420		13,420	16,402		29,822
Voluntary Organisation Grant Reserve <i>To fund schemes carried out by the Voluntary Sector</i>	0	3,720		3,720		-3,720	0
Grant Funded Sports Development <i>To finance future Sports Development grant funded expenditure</i>	0	6,283		6,283	1,500	-6,283	1,500
Human Resource Development <i>To provide for staff training commitments</i>	0	3,100		3,100	27,500	-3,100	27,500
Whalley Moor Reserve <i>Grant received towards work at Whalley Moor Woodland</i>	0			0	4,970		4,970

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 2014 £	Transfers In 2013/14 £	Transfers Out 2013/14 £	Balance at 31 March 2014 £
<u>Inspire III Reserve</u>							
<i>Grant received from DEFRA which will be used to fund future Inspire III work</i>	0			0	7,131		7,131
<u>Individual Electoral Registration Reserve</u>							
<i>Grant received for the implementation of Individual Electoral Registration which will be used to fund this work</i>	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

Notes to the Core Financial Statements

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
<u>Cost or Valuation</u>						
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
<u>Accumulated Depreciation and Impairments</u>						
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
<u>Net Book Value</u>						
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

Notes to the Core Financial Statements

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
<i>Cost or Valuation</i>						
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
<i>Accumulated Depreciation and Impairments</i>						
At 1 April 2012	-406	-1,085	-13	-6	-7	-1,517
Derecognition - Disposal	0	64	0	0	0	64
Depreciation written out to the Surplus/Deficit on the Provision of Services	-185	-450	-6	-2	-4	-647
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	-210	0	0	0	0	-210
Asset Reclassification to/from Held for Sale	0	0	0	0	5	5
At 31 March 2013	-801	-1,471	-19	-8	-6	-2,305
Net Book Value						
at 31 March 2012	10,473	2,022	222	1,525	166	14,408
at 31 March 2013	10,201	2,000	220	1,552	74	14,047

Notes to the Core Financial Statements

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.

Notes to the Core Financial Statements

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
<i>Cost or Valuation</i>					
At 1 April 2012	0	750	57	0	807
At 31 March 2013	0	750	57	0	807
<i>Cost or Valuation</i>					
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 £	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	35,574	36,194
Net Gain/(Loss)	-63,211	-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

Notes to the Core Financial Statements

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
<i>Balance at start of year:</i>		
Gross carrying amount	56	149
Accumulated amortisation	-15	-23
Net carrying amount at start of year	41	126
<i>Movement in year:</i>		
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:

	<u>Long-Term</u>		<u>Current</u>	
	31 March 2013 £	31 March 2014 £	31 March 2013 £	31 March 2014 £
<u>Investments</u>				
Loans and receivables	0	0	2,757,193	3,257,779
Total Investments	0	0	2,757,193	3,257,779
<u>Debtors</u>				
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
<u>Borrowings</u>				
Financial liabilities at amortised cost	-293,701	-240,450	-71,108	-53,250
Total Borrowings	-293,701	-240,450	-71,108	-53,250
<u>Creditors</u>				
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.

Notes to the Core Financial Statements

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

	<u>General Stores</u>		<u>Tourism Stocks</u>		<u>Other Stocks</u>		<u>Totals</u>	
	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

Notes to the Core Financial Statements

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

Notes to the Core Financial Statements

Earmarked General Fund Reserves

Unlike the general fund balance, the council's Earmarked General fund Reserves have been set aside for a specific purpose. The Council has a variety of earmarked reserves 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	4,646,790
1,207,080	1,302,246
-733,689	-856,438
4,646,790	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	335,751
298,293	296
-21,561	-289,889
335,751	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	0
119,811	103,260
-312,782	-74,301
0	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
	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

Notes to the Core Financial Statements

Deferred Capital Receipts Account

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

2011/2012 £	2012/2013 £
3,035	1,693
Balance at 1 April	
-1,342	-1,201
Transfer to the Capital Receipts Reserve upon receipt of cash	
1,693	492
Balance at 31 March	

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

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 £		2013/14 £
-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	102,059
118,804		102,059

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	-102,359
-1,065,479	Other receipts from investing activities	-894,817
-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	71,108
78,790	Other payments for financing activities	-184,409
149,898	Net cash flows from financing activities	-113,301

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

Notes to the Core Financial Statements

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

Notes to the Core Financial Statements

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	2013/2014
		£	£
Clitheroe Market			
<i>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.</i>	Turnover	-112,760	-111,938
	Expenditure	65,601	70,382
	Surplus	-47,159	-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

Notes to the Core Financial Statements

27 OFFICERS' EMOLUMENTS

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

Remuneration Disclosure (excluding Pension Contributions)

Post Holder Information	Salary	Benefits in Kind	Total Remuneration excluding Pension Contributions	Salary	Benefits in Kind	Total Remuneration excluding Pension Contributions
	2012/2013 £	2012/2013 £	2012/2013 £	2013/2014 £	2013/2014 £	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%

Notes to the Core Financial Statements

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	Pension	Total	Total	Pension	Total
	Remuneration	Contributions	Remuneration	Remuneration	Contributions	Remuneration
	excluding		including	excluding		including
	Pension		Pension	Pension		Pension
	Contributions		Contributions	Contributions		Contributions
	2012/2013	2012/2013	2012/2013	2013/2014	2013/2014	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)*

Notes to the Core Financial Statements

The Council's employees receiving more than £50,000 **remuneration** for the year (excluding employer's pension contributions) were paid the following amounts. This table includes those officers listed in the previous tables, which showed officers where their **salary element** was more than £50,000:

	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	16,000
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	62,692

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 £
<i>Credited to Taxation and Non Specific Grant Income</i>		
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
<i>Credited to Services</i>		
<i>Grants Received for Capital Purposes</i>		
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

Notes to the Core Financial Statements

	2012/2013 £	2013/2014 £
<i><u>Grants Received for Revenue Purposes</u></i>		
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	-96,168
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	-11,042,674	-8,208,088
Total Credited to Services	-11,637,821	-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.

Notes to the Core Financial Statements

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 £
<i>Opening Capital Financing Requirement</i>	3,897,490	3,757,264
<u>Capital Investment</u>		
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
<u>Sources of Finance:</u>		
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
<u>Explanation of Movements in Year</u>		
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

Notes to the Core Financial Statements

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
<i>Comprehensive Income and Expenditure Statement</i>		
Cost of Services		
- <i>current service costs</i>	846	1,087
Other Operating Expenditure		
- <i>administration expenses</i>	17	17
Financing and Investment Income and Expenditure		
- <i>net interest expense</i>	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		
- <i>return on plan assets (excluding the amount included in the net interest expenses)</i>	-3,028	216
- <i>actuarial gain and losses arising on changes in demographic assumptions</i>	482	222
- <i>actuarial gains and losses arising on changes in financial assumptions</i>	4,862	-3,974
- <i>experience gain</i>	0	-1,778
Total Post employment Benefit Charged to the Comprehensive Income and Expenditure Account	3,814	-1,762
<i>Movement in Reserves Statement</i>		
- <i>reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code</i>	-1,498	-1,774
<i>Actual amount charged against the General Fund Balance for pensions in the year:</i>		
- <i>employers' contributions payable to the scheme</i>	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).

Notes to the Core Financial Statements

Pensions Assets and Liabilities Recognised in the Balance Sheet

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

Local Government Pension Scheme	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
<i>Cash</i>			
- Cash and Cash Equivalents	N	1,174	598
Subtotal Cash		1,174	598
<i>Equity Instruments by Industry Type</i>			
- 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
<i>Bonds</i>			
- 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
<i>Property</i>			
- 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
<i>Alternatives</i>			
- 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

Notes to the Core Financial Statements

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 based 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 while 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	2010/2011	2011/2012	2012/2013	2013/2014
	£'000	£'000	£'000	£'000	£'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.

Notes to the Core Financial Statements

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.

Notes to the Core Financial Statements

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 recycle 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.

Notes to the Core Financial Statements

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 its counterparties in relation to deposits.

The Council does not generally allow credit for its sundry debtors. The sundry debtors outstanding which are past their due date for payment at 31 March 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.

Notes to the Core Financial Statements

	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%

Notes to the Core Financial Statements

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
<i>Changes in plan assets during the period to 31 March 2013</i>			
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
<i>Components of pension cost for period to 31 March 2013</i>			
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
<i>Comprehensive Income and Expenditure Statement</i>		
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
<i>Movement in Reserves Statement</i>		
- 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
<i>Actual amount charged against the General Fund Balance for pensions in the year:</i>		
- employers' contributions payable to the scheme	789	789

Notes to the Core Financial Statements

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.

STATEMENT OF ACCOUNTS 2013/14

Collection Fund

2012/2013 Total £'000		2013/14 Council Tax £'000	2013/14 Business Rates £'000	2013/14 Total £'000	Notes
<i>Income</i>					
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	
<i>Expenditure</i>					
Precepts and Demands:					
24,864	- Lancashire County Council	22,866		22,866	3
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	
<i>Allocated to</i>					
	- Central Government		-96	-96	6
-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.

Collection Fund

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

Collection Fund

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	Share of 31 March Deficit		Precept	Share of 31 March Deficit
£'000	£'000		£'000	£'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.

Glossary of Terms

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 Statute

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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RIBBLE VALLEY BOROUGH COUNCIL REPORT TO ACCOUNTS AND AUDIT COMMITTEE

meeting date: 25 JUNE 2014
 title: INTERNAL AUDIT ANNUAL REPORT 2013/14
 submitted by: DIRECTOR OF RESOURCES
 principal author: MICK AINSCOW

1 PURPOSE

1.1 To submit to Committee the internal audit report for 2013/14.

1.2 Relevance to the Council's ambitions and priorities:

- Corporate priorities - the Council seeks to maintain critical financial management and controls, and provide efficient and effective services.
- Other considerations – the Council has a statutory duty to maintain an adequate and effective system of internal.

2 BACKGROUND

2.1 Internal audit ensure that sound internal controls are inherent in all the Council's systems. All services are identified into auditable areas and then subjected to a risk assessment process looking at factors such as financial value and audit experience. A risk score is then calculated for each area.

2.2 An operational audit plan is then produced to prioritise resource allocation based on the risk score, with all high risk areas being covered annually.

2.3 The approved Internal Audit Plan for 2013/14 was based on the provision of 670 days of Internal audit work. The detailed outturn position at 31 March 2014 is attached at Annex 1 with a summary of the final position for the year being set out in the following table.






Area of Work	Resources (Audit days)		
	Planned	Actual	Variance
Fundamental (Main) Systems	265	200	-65
Other systems work	55	36	-19
Probity and Regularity	150	185	+35
On-going checks	27	27	0
Risk Management PI's	65	80	+15
Non-audit duties (insurance)	30	58	+28
Contingencies/Unplanned work	25	25	0
Training	38	44	+6
Vacant post	15	15	0
	670	670	-

2.4 In respect of the variances in the table above, a great deal of additional time had to be spent carrying out the audit at the Platform Gallery and Visitor Information Centre. New stock control and stocktaking procedures are now in place and an Action Plan has been agreed with management aimed at improving the overall operation. A considerable amount of additional time was also spent in May/June 2013 in carrying out a tendering exercise for the procurement of our insurance cover. These areas of additional work have inevitably impacted on other areas, mainly in respect of work on the Council's main systems. Work is currently in progress however on a number of these systems.

2.5 All new audit reports produced during the year have been taken into account in informing the assurance opinion given later in this report. In addition there were a number of audits in progress as at 31 March which will culminate in an audit report, and the testing which had been carried out has also been used in informing the opinion.

3 ISSUES

3.1 In all cases, completed audits have resulted in the production of a report and action plan. Each audit report contains a conclusion which gives a level of assurance opinion as follows:

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

3.2 The table at Annex 2 sets out the assurance opinions issued in respect of all audits carried out since 1 April 2013.

3.3 In providing an overall level of assurance of 'substantial' I have taken into account the results of all individual audit assignments and any follow up reviews. The following table summarises the assurance opinions from Annex 2.

Assurance Level	Number of Audits
Full	6
Substantial	9
Reasonable	0
Limited	0
Minimal	1

3.4 Assurance levels on the Council's key financial systems are consistently good with all completed audits having resulted in either 'full' or 'substantial' assurance levels. With regards to the systems audits in progress at 31 March I am confident in issuing a 'substantial' assurance level, based on the testing already carried out.

3.5 Work carried out on risk management, council policies, etc. are key elements of the Council's governance arrangements and the main messages arising from this work have been incorporated in the corporate governance review and Annual Governance Statement.

3.6 In the majority of audit work undertaken during the year we did not identify any significant control weaknesses. However, the unplanned audit investigation carried out at the depot did

raise serious concerns regarding adherence to council policies, procedures and Financial Regulations. Whilst the issues arising did not impact on the Council's Annual Governance Statement, they have been highlighted in the Corporate Governance Review to Management Team, which has recently been carried out.

4 QUALITY MONITORING

- 4.1 Customer satisfaction with internal audit work is judged through auditee's responses to a customer feedback questionnaire sent out following the completion of the majority of audit assignments. The questionnaire seeks views, expressed as scores on a range from 1 to 5, on 12 aspects of the audit, covering communication, consultation, conduct and reporting. Summary results from questionnaires returned over the last 12 months are shown at Annex 3.
- 4.2 The summary shows the average scores obtained from 4 returned surveys. Against a target level of 4 for all aspects of the audit, the vast majority of questionnaires returned a higher average score.

5 CONCLUSION

- 5.1 Internal audit have reviewed the effectiveness of the Council's systems of internal control for 2013/14 having regard to appropriate assurances obtained from other internal sources. The opinion based on this work, is that the Council's systems of internal control are generally sound and effective.

PRINCIPAL AUDITOR
















DIRECTOR OF RESOURCES


AA10-14/MA/AC
9 June 2014

BACKGROUND PAPERS: None

For further information please ask for Mick Ainscow.

Internal Audit Progress against 2013/14 – Final Outturn

2013/14 Planned Days	Audit	Actual days to 31/03/14	Status as at 31/03/14
<i>Fundamental (Main) Systems</i>			
45	Main Accounting	20	
25	Creditors	15	
25	Sundry Debtors	20	
30	Payroll and Human Resources	29	
45	Council Tax	50	
45	Housing Benefits	25	
30	NNDR	33	
20	Cash Receipting	8	Hazards identified
265		200	
<i>Other Systems Work</i>			
20	VAT	8	Hazards identified
5	Stores	9	
10	Treasury Management	11	
20	Procurement	8	Hazards identified
55		36	
<i>Probity and Regularity</i>			
10	Asset Management/Register	3	Hazards identified
10	HR and Recruitment	5	Hazards identified
10	Insurance	16	
10	Licences	16	
10	Business Continuity Management	3	Hazards identified
5	Car Parking	28	
10	VIC/Platform Gallery	62	
10	Trade Refuse	4	Hazards identified
10	Recycling	4	Hazards identified
10	Partnership Arrangements	2	Hazards identified
10	Grants received	14	
10	Grants paid	14	
10	Sustainability	4	Hazards identified
10	Section 106 Agreements	3	Hazards identified

2013/14 Planned Days	Audit	Actual days to 31/03/14	Status as at 31/03/14
5	Ribblesdale Pool	7	✓
5	Building Regulations	0	Not started
5	Planning Applications	0	Not started
150		185	
<i>Continuous Activity/Ongoing Checks</i>			
10	Cash Collection Procedures	6	
5	Fees and Charges	9	✓
12	Income Monitoring	12	∞
		27	
25	Contingencies	25	∞
40	Risk Management	47	∞
20	Corporate Governance	25	∞
5	Performance Indicators	8	∞
		80	
30	Insurance	58	∞
38	Training	44	
15	Vacant post	15	
670		670	

Key:



Completed



In progress



Continuous Activity

Hazards identified

Initial work undertaken to identify key controls and the hazards which may affect the system operation.

Not started

No work has been undertaken during the year on these audits.

Internal Audit – Assurance Opinion Results 2013/4

Audit	Assurance Level
Housing Benefit Tenancy Verification	Full ✓✓✓
Council Tax SPD checks	Full ✓✓✓
Licensing	Substantial ✓✓
Fees and Charges	Full ✓✓✓
Ribblesdale Pool	Substantial ✓✓
Car Insurances/Driving Licences	Substantial ✓✓
Treasury Management	Full ✓✓✓
Petty Cash	Substantial ✓✓
Car Parking	Substantial ✓✓
Grants Paid/Received	Substantial ✓✓
Council Tax System	Full ✓✓✓
Clitheroe Market	Full ✓✓✓
Platform Gallery and Visitor Information Centre	Minimal ⚠⚠
NDR System	Substantial ✓✓
Salthill Depot Stores	Substantial ✓✓
Members' Allowances	Substantial ✓✓

Annex 3

Question	Audit Carried Out								
	Members Allowances	Ribblesdale Pool	Licensing	Treasury Management	Platform Gallery and Visitor Info Centre	Clitheroe Market	Pay and Display Car Parking	NNDR System	Council Tax System
1. Sufficient notice given to arrange the visit	4	5	3	4	5	5	4	5	5
2. Briefing sheet sent prior to audit commencing and any comments/requests were taken into account	4	5	4	4	5	5	5	5	5
4. Audit carried out efficiently with minimum disruption	3	4	4	4	4	5	4	5	5
5. Level of consultation during audit	3	4	5	5	3	5	5	5	5
6. Audit carried out professionally and objectively	4	4	4	5	5	5	5	5	5
7. Draft report addressed the key issues and was soundly based	4	4	4	4	4	5	4	5	5
8. Opportunity to comment on findings	4	5	5	5	5	5	4	5	5
9. Final report in terms of clarity and conciseness	4	5	5	5	4	5	5	5	5
10. Prompt issue of final report	3	5	4	4	5	5	5	5	5
11. Recommendations will improve control and/or performance	3	4	3	3	5	5	4	3	5
12. Audit was constructive and added value overall	3	4	5	3	4	5	4	5	5
Average	3.6	4.5	4.3	4.2	4.5	5	4.4	4.8	5

RIBBLE VALLEY BOROUGH COUNCIL

REPORT TO ACCOUNTS AND AUDIT COMMITTEE

Agenda Item No 9

meeting date: 25 JUNE 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 May 2014 is included within Annex 1 and shows completed audits, audits in progress and continuous activity.

3 ISSUES

- 3.1 During the first couple of months of this year we have spent time completing testing on the payroll, creditors and sundry debtors systems. Testing on all systems has shown the level of control to be sound and effective.
- 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 2 April 2014. The table below sets out the assurance opinions issued from these audits:

Date of Report	Assurance Opinion	Report Details
28.03.14	Substantial 	Salthill Depot Stores – all areas of operation examined. Good controls in place throughout the operation. Minor recommendations made regarding disposal of obsolete stock and maintenance of an office inventory.
02.05.14	Substantial 	Members Allowances – examination into the payment of allowances to Members. Checked claims submitted April 2013 to March 2014 and verified against minutes/ attendance register. Vast majority correct with 2 minor overpayments.
30.05.14	Full 	Payroll Systems and Procedures – system controls were sound and working effectively, reflecting an excellent standard of work from the staff involved in the operation.

5 QUALITY MONITORING

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

6 RECOMMENDATION

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

PRINCIPAL AUDITOR









DIRECTOR OF RESOURCES

AA9-14/MA/AC
9 June 2014

BACKGROUND PAPERS: None

For further information please ask for Mick Ainscow .

Annex 1

2014/15 Planned Days	Audit	Actual days to 31/05/14	Status as at 31/05/14
<i>Fundamental (Main) Systems</i>			
25	Main Accounting	2	
30	Creditors	4	
30	Sundry Debtors	9	
30	Payroll and HR	8	✓
45	Council Tax	0	Not started
35	Housing Benefits	11	
35	NNDR	0	Not started
20	Cash Receipting	0	Not started
250		34	
<i>Other Systems Work</i>			
20	VAT	0	Not started
10	Treasury Management	0	Not started
20	Procurement	0	Not started
50		0	
<i>Probity and Regularity</i>			
5	Car Allowances	6	
5	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	0	Not started
5	Clitheroe Cemetery	0	Not started
10	Business Continuity Mgmt	0	Not started
8	Car Parking	0	Not started
15	VIC/Platform Gallery	7	
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	2	
10	Sustainability	0	Not started
10	Section 106 Agreements	0	Not started
5	Building Regulations	2	
5	Planning Applications	1	
150		24	

2014/15 Planned Days	Audit	Actual days to 31/05/14	Status as at 31/05/14
<i>Continuous Activity/Ongoing Checks</i>			
10	Cash Collections Procedures	0	∞
12	Income Monitoring	2	∞
		2	
25	Contingencies/unplanned work	6	∞
30	Risk Management	2	∞
18	Corporate Governance	18	∞
5	Performance Indicators	0	∞
		20	
30	Insurance	8	∞
40	Training	5	∞
	Available audit days to 31/3/2015	574	
673		673	

Key:



In Progress



Continuous Activity



Completed

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



The Audit Plan for Ribble Valley Borough Council

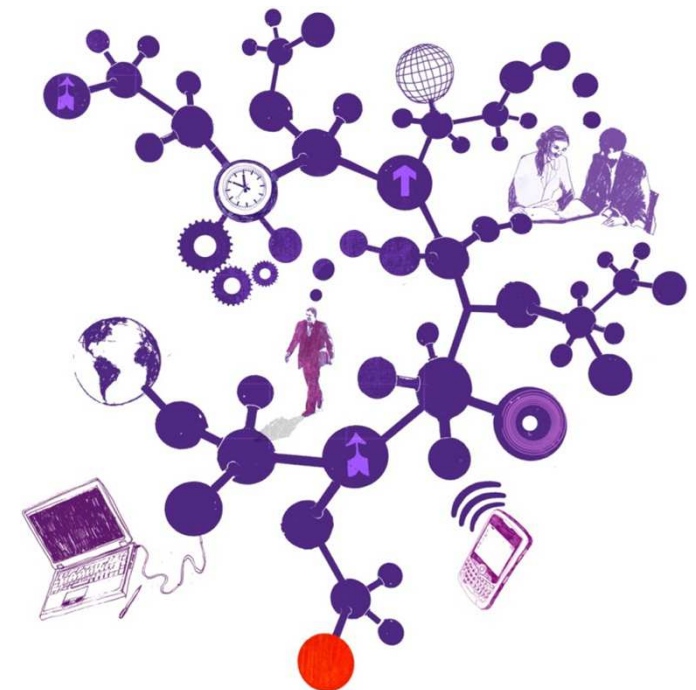
Year ended 31 March 2014

16 June 2014

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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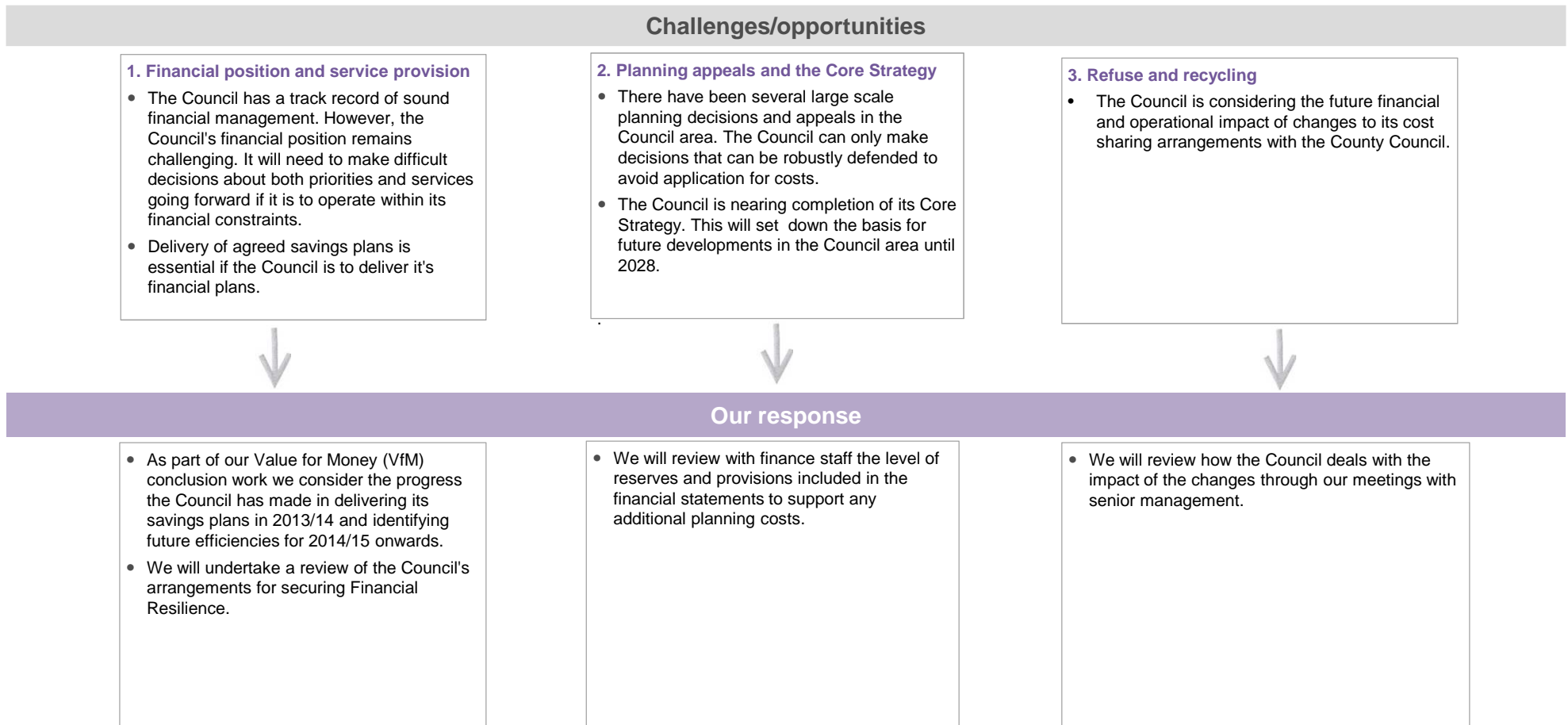
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Understanding your business

In planning our audit we need to understand the challenges and opportunities the Council is facing. We set out a summary of our understanding below.



Developments relevant to your business and the audit

In planning our audit we also consider the impact of key developments in the sector and take account of national audit requirements as set out in the Code of Audit Practice ('the code') and associated guidance.

Developments and other requirements

1. Financial reporting changes

- CIPFA has issued some clarification guidance to the Code of Practice requirements around Property, Plant and Equipment (PPE) valuations.
- There are significant changes to NNDR accounting and provisions for business rates appeals in 2013/14.

2. Legislation

- Local Government Finance settlement.
- Welfare Reform Act 2012.

3. Corporate governance

- Annual Governance Statement (AGS) and the explanatory foreword to the accounts.

4. Pensions

- The impact of 2013/14 changes to the Local Government Pension Scheme (LGPS).

5. Other requirements

- The Council is required to submit a Whole of Government Accounts (WGA) pack on which we provide an audit opinion.
- The Council completes grant claims and returns on which audit certification is required.

Our response

- We will work with finance staff and the valuer to review the Council's PPE valuation approach and check whether the PPE valuation in the accounts is materially correct.
- We will work with finance staff to review the changes to NNDR accounting and the impact on the collection fund. We will also review the provision for business rates appeals included in the accounts to ensure it is in line with accounting standards.

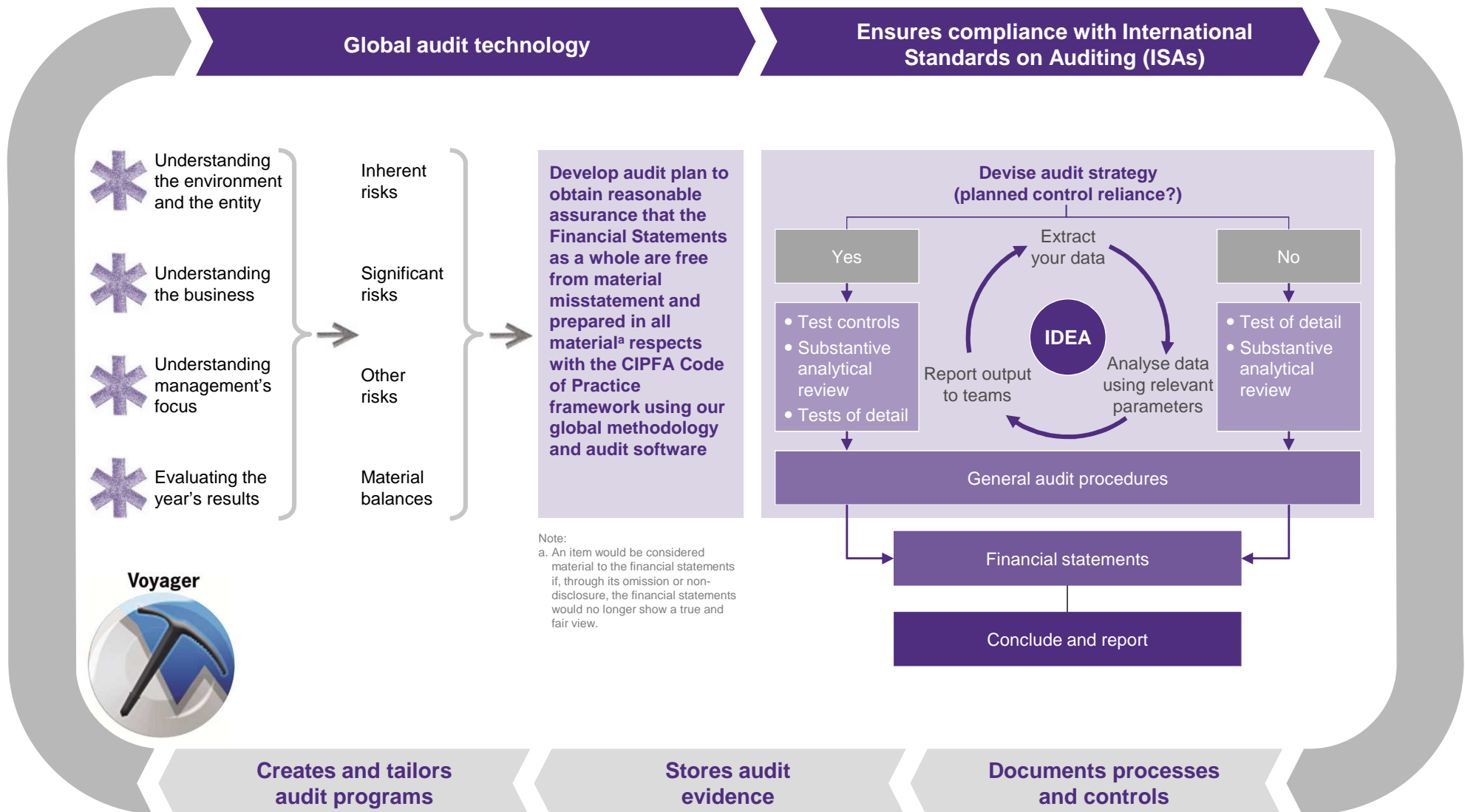
- We will discuss the impact of the legislative changes with the Council through our regular meetings with senior management.

- We will review the arrangements the Council has in place for the production of its AGS.
- We will review the AGS and the explanatory foreword in the Council's accounts to consider whether they are consistent with our knowledge.

- We will review how the Council dealt with the impact of the 2013/14 changes through our meetings with senior management.

- We will carry out work on the WGA pack in accordance with requirements.
- We will certify grant claims and returns in accordance with Audit Commission requirements.

Our audit approach



Significant risks identified

'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 outline the significant risks of material misstatement which we have identified. There are two presumed significant risks which are applicable to all audits under auditing standards (International Standards on Auditing – ISAs), which are listed below:

Significant risk	Description	Substantive audit procedures
The revenue cycle includes fraudulent transactions	Under ISA 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.	Work completed to date: <ul style="list-style-type: none">• Initial review of revenue recognition policies. Further work planned: <ul style="list-style-type: none">• Final review and testing of revenue recognition policies.• Performance of substantive testing on material revenue streams.
Management over-ride of controls	Under ISA 240 there is a presumption that the risk of management over-ride of controls is present in all entities.	Work completed to date: <ul style="list-style-type: none">• Preliminary review of accounting estimates, judgments and decisions made by management. Further work planned: <ul style="list-style-type: none">• Final review of accounting estimates, judgments and decisions made by management.• Testing of journal entries for the year.• Review of unusual significant transactions.

Other risks identified

The auditor should evaluate the design and determine the implementation of the entity's controls, including relevant control activities, over those risks for which, in the auditor's judgment, it is not possible or practicable to reduce the risks of material misstatement at the assertion level to an acceptably low level with audit evidence obtained only from substantive procedures (ISA 315).

In this section we outline the other risks of material misstatement which we have identified as a result of our planning.

Other risks	Description	Work completed to date	Further work planned
Operating expenses	Creditors understated or not recorded in the correct period	We have performed a walkthrough to gain assurance that the in-year controls were operating in accordance with our documented understanding. No issues were identified as a result of this work.	During our final accounts audit we will perform substantive testing to gain assurance that: <ul style="list-style-type: none"> operating expenses relating to 2013/14 are correctly classified and included in the Council's accounts; and creditors and accruals relating to 2013/14 are correctly classified and included in the Council's accounts.
Employee remuneration	Employee remuneration accrual understated	We have performed a walkthrough to gain assurance that the in-year controls were operating in accordance with our documented understanding. We have tested an initial sample of payroll costs to gain assurance that employees have been remunerated at the correct rates during 2013/14. No issues were identified as a result of this work.	During our final accounts audit we will perform substantive testing to gain assurance that employee remuneration relating to 2013/14 is correctly classified and included in the Council's accounts.
Welfare Expenditure	Welfare benefit expenditure improperly computed	We have performed a walkthrough to gain assurance that the in-year controls were operating in accordance with our documented understanding. No issues were identified as a result of this work.	During our final accounts audit we will carry out substantive testing of the housing benefits claim form via use of workbooks and testing of the entries in the accounts.

Other risks identified (continued)

Other risks	Description	Work completed to date	Further work planned
Property, Plant & Equipment	<p>Revaluation measurement not correct</p> <p>Changes to the CIPFA Code of Practice requirements around Property, Plant and Equipment (PPE) valuations from 2013/14 onwards</p>	<p>As the revaluation controls apply to year end, we will complete this during our final accounts audit visit.</p> <p>We have discussed the changes with Council officers and have gained an understanding of how the Council is planning to ensure the PPE valuation is materially correct.</p>	<p>During our final accounts audit we will:</p> <ul style="list-style-type: none"> • complete the revaluation controls walkthrough testing • carry out substantive testing of capital expenditure in the year and the accounting treatment for major capital projects; and • review the Council's PPE valuation approach to ensure the PPE valuation in the accounts is materially correct.
Business Rates	<p>Changes to NNDR accounting and provisions for business rates appeals</p>	<p>We have discussed the changes with Council officers and have gained an understanding of how the Council is addressing the requirements.</p>	<p>During our final accounts audit we will review the changes to NNDR accounting and the impact on the collection fund.</p> <p>We will review any provision or contingent liability for business rates appeals included in the accounts to ensure the estimate is in line with accounting standards.</p>

Results of interim audit work

The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised in the table below:

	Work performed	Conclusion
Internal audit	<p>We have reviewed internal audit's overall arrangements in accordance with auditing standards.</p> <p>We also reviewed internal audit's work on the Council's key financial systems to date.</p>	<p>Our work on internal audit has not identified any issues which we wish to bring to your attention.</p> <p>Our review of internal audit work has not identified any weaknesses which impact on our audit approach.</p>
Walkthrough testing	<p>We have completed walkthrough tests of controls operating in areas where we consider that there is a risk of material misstatement to the financial statements, as follows:</p> <ul style="list-style-type: none"> • Employee remuneration. • Operating expenses. • Property, Plant and Equipment. • Welfare benefits. <p>For Property, Plant and Equipment we have not been able to walkthrough some of the revaluation controls. This is because the exercise has yet to be carried out. We will cover this as part of the year end audit.</p>	<p>Our work has not identified any issues which we wish to bring to your attention. Internal controls have been implemented in accordance with our documented understanding.</p> <p>Our work has not identified any weaknesses which impact on our audit approach.</p>
Review of information technology controls	<p>Our information systems specialist performed a high level review of the general IT control environment, as part of the overall review of the internal controls system.</p>	<p>Our IT controls work has not identified any weaknesses which impact on our audit approach.</p> <p>Following this review there are a small number of recommendations to bring to your attention. These are noted in the Action Plan at Appendix A.</p>

Results of interim audit work (continued)

	Work performed	Conclusion
Journal entry controls	We will review the Council's journal entry policies and procedures as part of determining our journal entry testing strategy.	This will be completed at our final accounts audit visit.
Early substantive testing	<p>In order to reduce the workload for both the Council and ourselves at the final accounts audit visit, we carried out the following testing early:</p> <ul style="list-style-type: none">• We have tested an initial sample of payroll costs to gain assurance that employees have been remunerated at the correct rates during 2013/14.	<p>Our testing to date has not highlighted any issues which we wish to bring to your attention.</p> <p>We would like to record our thanks to the Council's staff for their help and support in this area of our interim visit.</p>

Value for Money

Value for money

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

Our VfM conclusion is based on the following criteria specified by the Audit Commission:

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

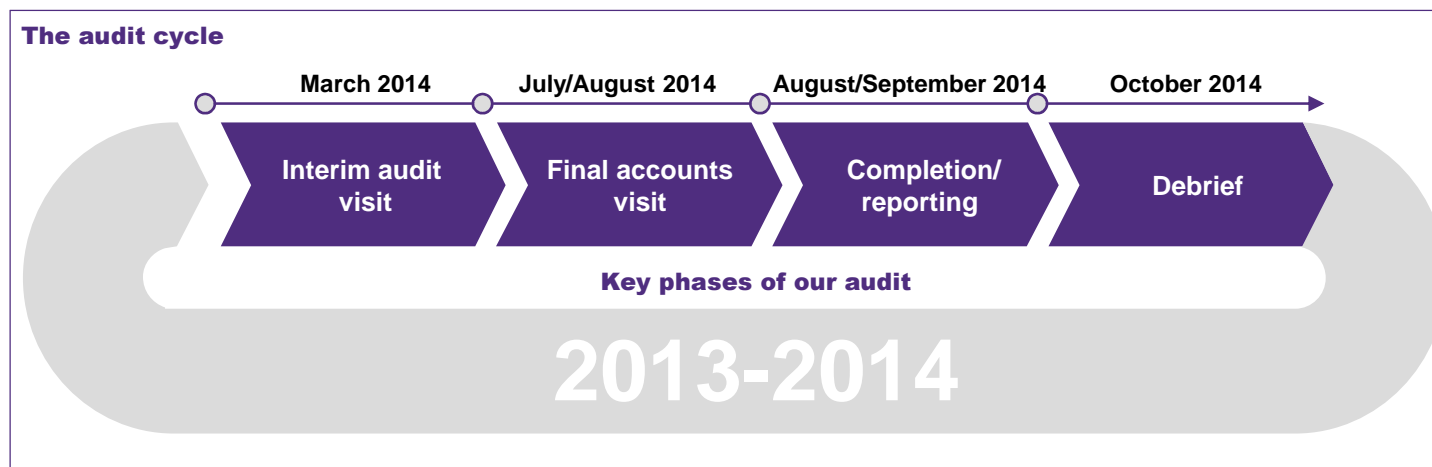
We will undertake a risk assessment to identify areas of risk to our VfM conclusion. We will then:

- update our knowledge of the Council's arrangements from last year; and
- consider the progress the Council has made in delivering its savings plans in 2013/14 and identifying future efficiencies for 2014/15 onwards.

We will continue to update our risk assessment until we issue our conclusion in September 2014.

The results of our VfM conclusion work and the key messages arising will be reported in our Audit Findings report and in the Annual Audit Letter.

Key dates



Date	Activity
February 2014	Planning
March 2014	Interim site visit
25 June 2014	Presentation of Audit Plan to the Accounts and Audit Committee
July/August 2014	Year end fieldwork
August 2014 (Date TBC)	Audit findings clearance meeting
27 August 2014	Report audit findings to those charged with governance (Accounts and Audit Committee)
By 30 September 2014	Sign financial statements opinion and VfM conclusion

Fees and independence

Fees

	£
Ribble Valley Borough Council audit	52,702
Grant certification (proposed indicative fee at this stage)	14,080
Total fees (excluding VAT)	66,782

Our fee assumptions include:

- Supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list.
- The scope of the audit, and the Council and its activities, have not changed significantly.
- The Council will make available management and accounting staff to help us locate information and to provide explanations.

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.

Full details of all fees charged for audit and non-audit services will be included in our Audit Findings report at the conclusion of the audit.

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

Communication of audit matters with those charged with governance

International Standards 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.

This document, The Audit Plan, outlines our audit strategy and plan to deliver the audit, while The Audit Findings Report will be issued prior to approval of the financial statements and will present key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via a report to the Council.

Respective responsibilities

This plan 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.		✓
Non compliance with laws and regulations.		✓
Expected modifications to the auditor's report, or emphasis of matter.		✓
Uncorrected misstatements.		✓
Significant matters arising in connection with related parties.		✓
Significant matters in relation to going concern.		✓

Appendices

Appendix A - Action plan

Priority

High - Significant effect on control system

Medium - Effect on control system

Low - Best practice

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	<p>Regular IT Security Policy reviews</p> <p>IT Management should ensure that there is a schedule of regular review implemented for IT Security policies and that adequate document control is included within the documents. Policies should be reviewed at planned intervals or when significant changes occur to ensure their continuing suitability, adequacy and effectiveness.</p>	Low	We will now review our policies on an annual basis (or shorter if required), with clear document controls in place to ensure that this can be verified.	Immediate - Head of Financial Services and ICT Manager
2	<p>Logical access controls</p> <p>Management should consider implementing a stronger password policy for the network and all applications as follows:</p> <ul style="list-style-type: none"> • passwords changed every 42 days • minimum password length 9 • password history enforced (password cannot be re-used in one year) • passwords have to be in place for a minimum of one day • complex passwords enforced whenever possible. 	Low	There are unfortunately restrictions on the controls that we can put in place in some areas due to the constraints of the systems themselves. We can confirm that all recommendations have been actioned, within system restrictions.	Immediate - Head of Financial Services, Head of Revenues and Benefits and ICT Manager

Action plan continued

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
3	<p>User access reviews</p> <p>We recommend that a schedule is implemented for regular reviews of user access rights for network and finance systems. Accounts which have not been used for a defined number of days should be automatically disabled, until a reset request comes through from the user.</p>	Low	User access reviews will be carried out on a more regular basis, together with details of any staff post changes being provided to ICT during the year, in order to action any changes as and when required. As a small authority this is an area that we feel confident is already managed, but this will be formalised.	Immediate - Head of Financial Services and ICT Manager
4	<p>Change Management</p> <p>Management should develop a policy and related procedures for the change management process which will define how the Council will deal with changes to all of the systems and software. The introduction of a more formal change management system – based on forms - is being actively considered by IT, after issues with the change management of Firewalls were made evident during the year. Management should look to ensure that this system is implemented in the year.</p>	Low	A more robust change management procedure will be put into place to ensure all changes are covered by the process. A change management process is already in place, however it is acknowledged that this needs to be improved upon.	September 2014 - Head of Financial Services and ICT Manager
5	<p>Backup duration</p> <p>IT to confirm with systems owners how often tape backups should be taken off site. Any additional costs associated with increasing the frequency of tape rotation off site needs to be agreed with management.</p>	Low	A more regular timetable of offsite backup tape storage will be put in place. This will be implemented once staffing levels in the section have returned to normal.	September 2014 - Head of Financial Services and ICT Manager



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Ribble Valley Borough Council

Audit progress report and emerging issues

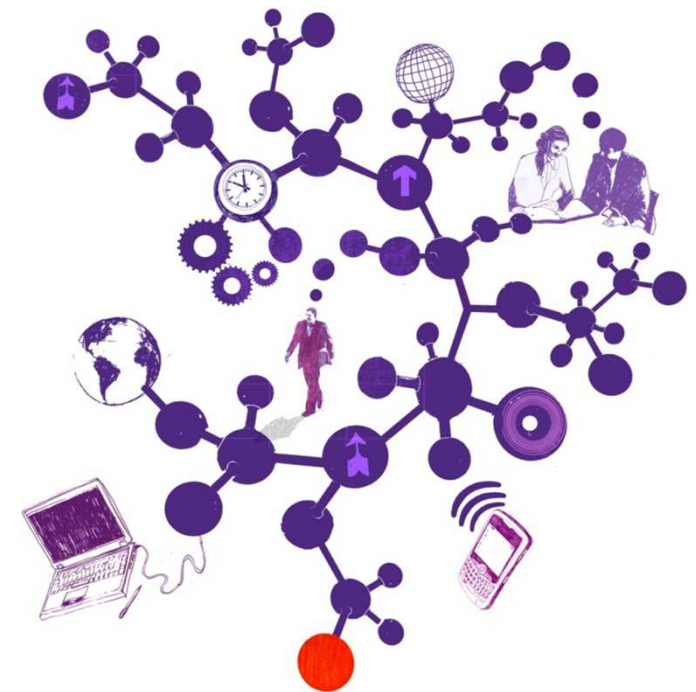
Year ended 31 March 2014

11 June 2014

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Introduction

This paper provides the Audit Committee with a report on progress in delivering our responsibilities as your external auditors. The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a District Council
- a number of challenge questions in respect of these emerging issues which the Committee may wish to consider (these are a tool to use, if helpful, rather than formal questions requiring responses for audit purposes).

Members of the Audit Committee can find further useful material on our website (www.grant-thornton.co.uk), where we have a section dedicated to our work in the public sector. Here you can download copies of our publications.

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead (Karen Murray) or Audit Manager (Andrew Cook).

Progress at 11 June 2014

Work	Planned date	Complete?	Comments
<p>2013-14 Interim accounts audit</p> <p>Our interim fieldwork visit includes:</p> <ul style="list-style-type: none"> • updating our review of the control environment • updating our understanding of financial systems • consideration of Internal Audit reports • early work on emerging accounting issues • early substantive testing. 	March/April 2014	Complete	The interim accounts audit is completed. The outcome from our interim audit forms the basis for the Audit Plan, which is presented separately on this Audit Committee agenda.
<p>2013-14 Accounts Audit Plan</p> <p>We are required to issue a detailed accounts audit plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Council's 2013-14 financial statements.</p>	June 2014	Complete	<p>The Audit Plan has been issued and is presented separately on this Audit Committee agenda.</p> <p>From the interim audit work undertaken, we have not identified any material weaknesses in internal controls which are likely to impact adversely on the financial statements or our planned audit approach.</p> <p>Emerging accounting issues for 2013/14 will require further work at the final accounts audit:</p> <ul style="list-style-type: none"> • New accounting rules for NNDR including accounting for business rate appeals; and • Property, plant and equipment in-year revaluations.

Progress at 11 June 2014 *cont.*

Work	Planned date	Complete?	Comments
<p>2013-14 Value for Money (VfM) conclusion The scope of our work to inform the 2013/14 VfM conclusion comprises:</p> <ul style="list-style-type: none"> • An initial risk assessment • review of your Annual Governance Statement • review of any relevant work of regulatory bodies, to consider whether there is any impact on our responsibilities • other local risk-based work as appropriate, or any work mandated by the Audit Commission. 	April to August 2014	On track	<p>Our risk assessment work is in progress.</p> <p>Our findings will be presented alongside our opinion on the Authority's financial statements.</p>
<p>2013-14 final accounts audit Including:</p> <ul style="list-style-type: none"> • audit of the 2013-14 financial statements • proposed opinion on the Council's accounts • proposed Value for Money conclusion. 	July-September 2014	On track	<p>We aim to carry out the detailed final accounts work in July and finalise the audit in August.</p> <p>The Audit Findings Report will be considered by the Audit Committee on 27 August.</p> <p>We aim to issue the opinion on the accounts and the Value for Money conclusion in September, after the Audit Committee have considered our Audit Findings Report.</p>

Progress at 11 June 2014 *cont.*

Work	Planned date	Complete?	Comments
2013-14 Annual Audit Letter On completion of the audit we will prepare an Annual Audit Letter to summarise our work.	October 2014	On track	Our Annual Audit Letter will summarise the findings from our 2013-14 accounts opinion and VfM conclusion work.
2013-14 Certification of claims and returns We will complete a programme of work to certify those of the Authority's 2013-14 grant claims and returns requiring auditor certification.	June to November 2014	On track	We will certify the Housing and Council Tax Benefit Subsidy claim in 2013-14.

Emerging issues and developments

Accounts – our top issues

Accounting and audit issues

Top issues for the 2013/14 closedown

Based on the queries we have received from practitioners and auditors, here is a list of the top issues to consider for the 2013/14 closedown.

1. Do your accounts tell the overall story of your authority's financial performance and financial position? Are they clear, concise and easy to follow? Is detailed information on the most important information easy to find? Have duplicated text, non-material notes and zero entries been removed?
2. Are your accounts internally consistent? In particular, does the movement in reserves statement agree to the detailed notes?
3. Is your programme of revaluations sufficiently up to date to ensure that the carrying value of property, plant and equipment does not differ materially from the fair value at 31 March 2014?
4. Have you accounted for provisions in accordance with IAS 37?
 - Have you considered provisions for business rates, equal pay and restoration and aftercare of landfill sites?
 - Are your provisions the best estimate of the liability (rather than a prudent estimate or an amount that is convenient for budget purposes)?
 - Is there a robust evidence based methodology to support the estimate?
 - Are there any instances in which a provision has not been made because a reliable estimate cannot be made? If so, is there robust evidence to support the judgement that a reliable estimate is not possible? Has a contingent liability been disclosed?
5. Have you addressed the new accounting requirements in 2013/14 for the presentation of IAS19 pension costs?

Challenge question

Have you addressed the closedown issues and assessed the potential impact for your financial statements?

Accounts – CIPFA bulletin

Accounting and audit issues

LAAP Bulletin 98: Closure of the 2013/14 accounts and related matters

In March, CIPFA's Local Authority Accounting Panel issued [LAAP Bulletin 98](#). The bulletin provides further guidance and clarification to complement CIPFA's 2013/14 Guidance Notes for Practitioners and focuses on those areas that are expected to be significant for most authorities. Topics include:

- non-domestic rates – provision for appeals against the rateable value of business properties
- component accounting; and
- accounting for pension interest costs in relation to current service cost and pension administration costs.

With regard to future accounting periods, the Bulletin also provides an update on issues affecting 2014/15 and on the measurement of transport infrastructure assets in 2016/17.

Challenge question

Have you reviewed the guidance and assessed the potential impact for your financial statements?

Not to be rubbished, £464 million potential savings

Local government guidance

Audit Commission VFM Profiles

Using data from the VFM Profile, <http://www.audit-commission.gov.uk/information-and-analysis/value-for-money-briefings-2/> the Audit Commission issued a briefing on 27 March 2014, concluding that up to £464 million could be saved overall, if councils spending the most brought down their spending to the average for their authority type and waste responsibilities.

The Audit Commission Chairman, Jeremy Newman said: "It's good news that local authorities have reduced their spending on household waste by £46 million over the past four years and have reduced levels of waste sent to landfill. Councils have achieved these important improvements by working with local people and exercising choice about what works best in their own circumstances."

In the context of considering the hierarchy of waste management options - preventing the creation of waste, preparing waste for re-use, recycling, recovery and disposal to landfill - the Audit Commission Chairman also said: "in 2012/13 local authorities spent a fifth of their total expenditure on the most desirable option for household waste management: minimisation and recycling. They spent the other four-fifths on the collection and disposal of waste – the least desirable options. Councils have the power to influence and encourage residents to do the right thing and they control the levels of spending on the range of waste management options available to them. Their choices ultimately affect how well the environment is protected and the quality of waste services residents receive".

Challenge questions

Has the Council used the Audit Commission briefing paper to consider how their:

- overall spending on household waste management has changed over time?
- spending is divided between waste minimisation, recycling or disposal of waste, and how this has changed over time?; and
- spending on different components of waste management compares with authorities that have similar or better performance?

Assessing the costs and benefits of local partnerships

Local government guidance

The government published its cost benefit analysis guidance for local partnerships on 2 April 2014.

Developed as part of the Greater Manchester 'whole place' Community Budget pilot, it was the first Treasury-approved assessment of the costs and benefits of joining-up and reforming public services in local areas.

The framework was developed by New Economy, the economic strategy unit of the Greater Manchester Combined Authority. John Holden, acting director of economic strategy at the agency, led the team that devised the methodology. He said: "this model provides a framework to start thinking about more holistic projects that deliver long-term outcomes but also produce short-term cashability [savings]"

The guidance sets out a standard process to determine the benefit of reforms, based on the unit cost of services, their impact and the savings that result. In providing Treasury backing for the cost benefit analysis framework – it has been included in Whitehall's Green Book for policy appraisal and evaluation – it has been added to the government's assessment process for the latest £320m round of the Transformation Challenge Award, which provides funding to councils to implement reforms.

Challenge question

Has the authority considered the applicability of the government's cost benefit analysis guidance in considering the cost-benefits of local service delivery options?

Understanding your accounts – member guidance

Grant Thornton

Guide to local authority accounts

Local authority audit committee members are not expected to be financial experts, but they are responsible for approving and issuing the authority's financial statements. However, local authority financial statements are complex and can be difficult to understand. We have prepared a guide for members to use as part of their review of the financial statements. It explains the key features of the primary statements and notes that make up a set of financial statements. It also includes key challenge questions to help members assess whether the financial statements show a true and fair view of their authority's financial performance and financial position.

The guide considers the:

- explanatory foreword – which should include an explanation of key events and their effect on the financial statements
- annual governance statement – providing a clear sense of the risks facing the authority and the controls in place to manage them
- movement in reserves statement – showing the authority's net worth and spending power
- comprehensive income and expenditure statement – reporting on the year's financial performance and whether operations resulted in surplus or deficit
- balance sheet – a 'snapshot' of the authority's financial position at 31st March; and
- other statements and additional disclosures.

Supporting this guide we have produced two further documents to support members in discharging their responsibilities:

- helping local authorities prepare clear and concise financial statements; and
- approving the minimum revenue provision.

Copies of these are available from your engagement lead and audit manager.

Challenge question

Have members referred to this guidance?

Working in tandem – Local Government Governance Review 2014

Grant Thornton

Local Government Governance Review

This report: <http://www.grant-thornton.co.uk/en/Publications/2014/Local-Government-Governance-Review-2014/> is our third annual review into local authority governance. It aims to assist managers and elected members of councils and fire and rescue authorities to assess the strength of their governance arrangements and to prepare for the challenges ahead.

Drawing on a detailed review of the 2012/13 annual governance statements and explanatory forewords of 150 English councils and fire and rescue authorities, as well as responses from 80 senior council officers and members, the report focuses on three particular aspects of governance:

- risk leadership: setting a tone from the top which encourages innovation as well as managing potential pitfalls
- partnerships and alternative delivery models: implementing governance arrangements for new service delivery models that achieve accountability without stifling innovation; and
- public communication: engaging with stakeholders to inform and assure them about service performance, financial affairs and governance arrangements.

Alongside the research findings, the report also highlights examples of good practice and poses a number of questions for management and members, to help them assess the strength of their current governance arrangements.

Challenge questions

- Has the Authority reviewed the case studies and assessed whether it is meeting good practice in these areas?
- Our report includes key questions for members to ask officers on risk management and alternative delivery models. Are these issues being considered and responded to?

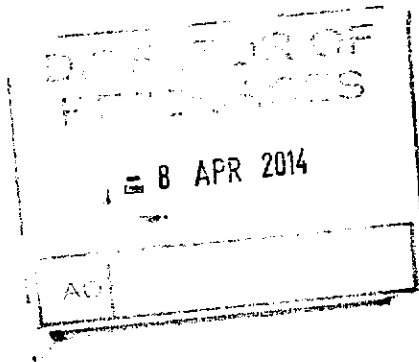


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7 April 2014

Dear Jane

Planned audit fee for 2014/15

The Audit Commission has set its proposed work programme and scales of fees for 2014/15. In this letter we set out details of the audit fee for the Council along with the scope and timing of our work and details of our team.

Scale fee

The Audit Commission defines the scale audit fee as “the fee required by auditors to carry out the work necessary to meet their statutory responsibilities in accordance with the Code of Audit Practice. It represents the best estimate of the fee required to complete an audit where the audited body has no significant audit risks and it has in place a sound control environment that ensures the auditor is provided with complete and materially accurate financial statements with supporting working papers within agreed timeframes.”

The Council's scale fee for 2014/15 has been set by the Audit Commission at £52,702, which compares with the audit fee of £52,702 for 2013/14.

Further details of the work programme and individual scale fees for all audited bodies are set out on the Audit Commission's website at: <http://www.audit-commission.gov.uk/audit-regime/audit-fees/201415-work-programme-and-scales-of-fees/individual-fees-for-local-government-bodies/>

The audit planning process for 2014/15, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated, if necessary.

Scope of the audit fee

The scale fee covers:

- our audit of your financial statements
- our work to reach a conclusion on the economy, efficiency and effectiveness in your use of resources (the value for money conclusion)
- our work on your whole of government accounts return.

Value for Money conclusion

Under the Audit Commission Act, we must be satisfied that the Council has adequate arrangements in place to secure economy, efficiency and effectiveness in its use of resources, focusing on the arrangements for:

- securing financial resilience; and
- prioritising resources within tighter budgets.

We undertake a risk assessment to identify any significant risks which we will need to address before reaching our value for money conclusion. We will assess the Council's financial resilience as part of our work on the VfM conclusion and a separate report of our findings will be provided.

Certification of grant claims and returns

The Council's indicative grant certification fee has been set by the Audit Commission at £8,920. Because this figure is indicative we will write again at a later date if the fee changes.

Billing schedule

Fees will be billed as follows:

Main Audit fee	£
September 2014	13,175.50
December 2014	13,175.50
March 2015	13,175.50
June 2015	13,175.50
Grant Certification (indicative)	
December 2015 (planned billing date)	8,920.00
Total	61,622.00

Outline audit timetable

We will undertake our audit planning and interim audit procedures between November 2014 and April 2015. Upon completion of this phase of our work we will issue a detailed audit plan setting out our interim audit findings and details of our final accounts audit approach. Our final accounts audit and work on the VfM conclusion will be completed by September 2015. Work on the whole of government accounts return will also be completed by September 2015.

Each phase of work is set out in the table overleaf.

Phase of work	Timing	Outputs	Comments
Audit planning and interim audit	November 2014 to April 2015	The Audit Plan	The plan summarises the findings of our audit planning and our approach to the audit of the Council's accounts and Vfm.
Final accounts audit	July to September 2015	Audit Findings Report (report to those charged with governance)	This report sets out the findings of our accounts audit and Vfm work for the consideration of those charged with governance.
Vfm conclusion	January to September 2015	Audit Findings Report (report to those charged with governance)	As above.
Whole of government accounts	September 2015	Opinion on the WGA return	This work will be completed alongside the final accounts audit.
Annual audit letter	October 2015	Annual Audit Letter to the Council	The letter will summarise the findings of all aspects of our 2014/15 work.
Grant certification	June to December 2015	Grant certification report	A report summarising the findings of our grant certification work.

Our team

The key members of the audit team for 2014/15 are:

	Name	Phone Number	E-mail
Engagement Lead	Karen Murray	0161 234 6364	karen.l.murray@uk.gt.com
Engagement Manager	Andrew Cook	0161 234 6388	andrew.cook@uk.gt.com
Audit Executive	Colin Smith	0161 234 6357	colin.p.smith@uk.gt.com

Additional work

The scale fee excludes any work requested by the Council that we may agree to undertake outside of our Code audit. Each additional piece of work will be separately agreed and a detailed project specification and fee agreed with the Council.

Quality assurance

We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively you may wish to contact Sarah Howard, our Head of Public Sector Assurance.

Yours sincerely

A handwritten signature in black ink that reads "Karen Murray". The signature is written in a cursive, slightly slanted style.

Karen Murray
For Grant Thornton UK LLP