

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

DECISION

Agenda Item No

meeting date: 26 AUGUST 2015  
title: APPROVAL OF AUDITED STATEMENT OF ACCOUNTS FOR 2014/15  
submitted by: DIRECTOR OF RESOURCES  
principal author: LAWSON ODDIE

1 PURPOSE

1.1 To seek Member approval of the Statement of Accounts for 2014/15, following completion of the audit.

1.2 Relevance to the Council's ambition and priorities

- Community Objectives – none identified
- Corporate Priorities – to continue to be a well-managed Council, providing efficient services based on customer need and meets the objective within this priority of maintaining critical financial management controls, ensuring the authority provides council tax payers with value for money
- Other Consideration – none identified

2 BACKGROUND

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

2.2 At your meeting on 24 June 2015 this committee was presented with the Statement of Accounts for 2014/15, **subject to audit**, and approved by the Director of Resources.

2.3 This preceded the period of audit of the accounts by our external auditors, which commenced this year on 29 June 2015 and is now completed.

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

3 AMENDMENTS TO DRAFT VERSION OF THE STATEMENT OF ACCOUNTS FOR 2014/15

3.1 We are very pleased that there have been no amendments required to the key statement of accounts. Only a few amendments have been required to the items of information contained in the notes to the accounts and also the removal of one of the accounting policies. These amendments have had no impact on the overall figures stated in the main statements.

3.2 The changes required and made have been:

- Removal of the Accounting Policy on '*Jointly Controlled Operations and Jointly Controlled Assets*'. As the council does not currently have any such operations or assets this is seen as surplus to requirements.
- Amendment to the signage on the sub-headings in Note 8 '*Property, Plant and Equipment*', in relation to the two rows that detail Impairment (Losses)/Reversals.

- Amendment to Note 12 'Financial Instruments'. Previously, guidance had been interpreted to only require inclusion of debtors and creditors where actual invoices had been received or raised. Following discussions with the external auditors it has been agreed to include all debtors and creditors – including those that are only estimated – on the basis that goods and services have been received as at 31 March and therefore a liability or asset exists.

#### 4 STATEMENT OF ACCOUNTS FOR 2014/15

- 4.1 The final statement of accounts for 2014/15 is attached to this report. Following receipt of the auditor's opinion, we will publish the accounts on our website prior to the deadline of 30 September 2015.
- 4.2 Once again, from the Council's perspective, the early audit of the accounts has progressed very smoothly and timely, and the deadline for the approval of the audited Statement of Accounts at this meeting has been met. We are very pleased to have met this deadline once again.

#### 5 ANNUAL GOVERNANCE STATEMENT 2014/15

- 5.1 The Annual Governance Statement was approved by this committee as its last meeting in June. It is now represented at Annex A for approval at this meeting and covers the period up to the approval of the Statement of Accounts by committee. There are no further changes since your last approval of the statement in June.

#### 6 RISK ASSESSMENT

- 6.1 The approval of this report may have the following implications:
  - Resources – none as a direct result of this report.
  - Technical, Environmental and Legal – The Code of Practice and all Financial Reporting Standards have been adhered to in the preparation of the Statement of Accounts
  - Political – none.
  - Reputation – Whilst there is no longer a requirement to present the Statement of Accounts in their draft stage to committee for approval, by doing so the Council demonstrated its commitment to best practice. The early completion of the audit and approval of the final audited Statement of Accounts at this meeting with minimal amendment can only be good for the Council's reputation.
  - Equality and Diversity – Public Notices have been placed in the local newspaper and also on the Council's website, in order to raise awareness of the impending audit.

#### 7 CONCLUSION

- 7.1 Due to a considerable amount of time and effort by our finance team the closure of the council's accounts for 2014/15 has proceeded well.
- 7.2 The early closedown and audit of the Statement of Accounts has been completed as planned, which is extremely pleasing.

8 RECOMMENDED THAT THE ACCOUNTS AND AUDIT COMMITTEE

8.1 Approve the audited Statement of Accounts for 2014/15.

8.2 Approve the audited Annual Governance Statement 2014/15

HEAD OF FINANCIAL SERVICES

DIRECTOR OF RESOURCES

AA21-15/LO/AC  
14 August 2015

BACKGROUND PAPERS

*Closedown Working Papers – Final Accounts 2014/15*

*Report to Accounts and Audit Committee 24 June 2015 - Draft Statement of Accounts 2014/15*

For further information please ask for Lawson Oddie, extension 4541

## Annual Governance Statement 2014/15

### 1. SCOPE OF RESPONSIBILITY

- 1.1 Ribble Valley Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.
- 1.3 The Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. A copy of the code is on our website at [www.ribblevalley.gov.uk](http://www.ribblevalley.gov.uk). This statement explains how the Council has complied with the code and also meets the requirements of Accounts and Audit (England) Regulations 2011, regulation 4(3), which requires all relevant bodies to prepare an annual governance statement.

### 2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

- 2.1. The governance framework comprises the systems and processes, culture and values by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.
- 2.2. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.
- 2.3. The governance framework has been in place at the Council for the year ended 31 March 2015 and up to the date of approval of the statement of accounts.

### 3. THE GOVERNANCE FRAMEWORK

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

- 3.1. The Council's vision, priorities and objectives are clearly set out in the approved Corporate Strategy document 2011 - 2015, which is available to view on the Council's website.
- 3.2. The Core Strategy 2008-28 sets out the long term vision for the Borough and the strategic policies that will deliver that vision, including the Development Management policies. The Core Strategy was adopted by the Council on 16 December 2014.

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

- 3.3. The Corporate Strategy is annually reviewed and reported to Policy and Finance Committee to ensure it continues to reflect changes to the Council's priorities that occur over time. The review took place and was approved in January 2015.

### **Translating the vision into objectives for the authority and its partnerships**

- 3.4. The Council has established a performance management and strategic planning framework for detailed planning, implementation and monitoring of the Corporate Strategy.
- 3.5. Mechanisms in place for the monitoring of performance include:
- Performance indicators are reported by Senior Officers to the relevant committees on a regular basis;
  - Improvement and Statutory Reviews (for example by the Benefits Inspectorate);
- 3.6. The Council uses a bespoke performance management software system to measure progress towards the achievement of individual performance targets and their combined effect on the accomplishment of corporate objectives.
- 3.7. Reports produced by the system demonstrate progress towards the achievement of performance indicators in terms of trends and percentage variances against target.
- 3.8. The Medium Term Financial Strategy outlines how we intend to use and raise the resources needed to deliver our services and priorities over the medium term.
- 3.9. The Council's Risk Register sets out the risks that we have to manage to help us achieve our objectives.

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

- 3.10. The Corporate Strategy Action Plan sets out underlying actions that have been established in order to support, and measure progress towards, the achievement of the Council's objectives detailed in the strategy.
- 3.11. A medium term financial strategy is set based upon regularly refreshed priorities.
- 3.12. It is ensured that the financial management of the Council is sound, by regular and timely reporting to budget holders, Management Team, Leaders and the Council as a whole. This includes both revenue and capital monitoring.

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

- 3.13. The functions of statutory officers are detailed in the constitution and the roles of the Committees are documented within the constitution.
- 3.14. The officer delegation scheme details specific chief officer responsibilities.

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

- 3.15. All policies are subject to internal review to ensure these are adequately maintained. The council keeps all staff aware of changes in policy and new legislation as necessary, by a variety of means, and where appropriate arranges training for all or key members of staff.
- 3.16. The standards of ethical behaviour expected from Members and Staff are defined in codes of conduct that are distributed as part of the induction process. These incorporate procedures for the disclosure of pecuniary interests and offers of gifts and hospitality.
- 3.17. Included in the Constitution are the terms of reference for Committees and a protocol for Member/ Officer Relations.
- 3.18. The procedures for the public to follow in order to register a complaint regarding the deliverance of the Council's services or a breach of the member's code of conduct are detailed on the Council's website.

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

- 3.19. The Constitution sets out how the Council operates, how decisions are made and the procedures followed to ensure that these are efficient, transparent and accountable to local people. The Council's Constitution and procedural notes/ manuals are reviewed periodically to ensure continued compliance with changing laws and regulations, and internal policies and procedures.
- 3.20. In compliance with the Freedom of Information Act 2000 procedures for requesting access to information are in place. The details are noted on the Council's website.

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

- 3.21. The Council has embedded a robust structure and system for identifying, evaluating and monitoring all significant business risks at both strategic and operational levels.
- 3.22. The Leadership Team receive monthly risk management updates and areas of high risk are reported promptly to Accounts and Audit Committee for scrutiny.
- 3.23. The Council has a risk management policy in place which is published on the Internet.

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

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

### **Ensuring effective management of change and transformation**

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

3.27. Training is offered to both Staff and Councillors to be able to deal with change effectively.

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

3.28. 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 an annual basis.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Whistle blowing and for receiving and investigating complaints from the public**

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

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

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

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

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



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

- 3.46. The Council is committed to informing, consulting and involving local people in decision-making.
- 3.47. The Council has adopted a Constitution, which sets out how the Council operates, how decisions are made and the procedures that are followed to ensure that these are efficient, transparent and accountable to local people. The Constitution is published on the Council's website.
- 3.48. Policy and decision-making is facilitated through a Committee System including Accounts and Audit Committee and Policy and Finance Committee. Committee meetings are open to the general public except where personal or confidential matters are being disclosed and Committee minutes and agendas are publicised on the Council's website.
- 3.49. A Citizens Panel was set up in 2004 to enable the Council and its partners to access the views of Ribble Valley people. The results are used to develop policies & strategies, inform decision-making and identify where service improvements may be required. The Ribble Valley Citizens Panel can form part of a wider East Lancashire Citizens Panel, which when used for combined surveys allows for comparisons with neighbouring authorities. Members are sent approximately 2 surveys a year (which can be either a Ribble Valley only survey or an East Lancashire wide survey depending on what information is required.).

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

- 3.50. Policy and Finance Committee approved the Council's medium term financial strategy (2014 - 2017) in February 2014. 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 bi-annually.
- 3.51. Budget setting, control and reporting requirements are set out in the Council's Financial Regulations, which have full regard to internal and external regulations and relevant codes of practice.
- 3.52. Capital and Revenue budgets are monitored closely and reports on budget allocations and expenditures are submitted to the leadership team each month and to relevant Committees each quarter. Budget Working Group minutes are reported to Policy and Finance Committee periodically.
- 3.53. Heads of Departments are accountable for the service delivery and performance is reported to the relevant committees.
- 3.54. Senior Officers attend regular meetings with other local authorities in the neighbouring areas to ensure good working practice.
- 3.55. Relevant officers attend regular partnership meetings, i.e. Community Safety Partnership, Lancashire Enterprise Zone Partnership, etc. to ensure objectives are being met efficiently and effectively.

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

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

**4. REVIEW OF EFFECTIVENESS**

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

**Corporate Management Team**

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

**Corporate Level Review**

4.3. The Corporate Management Team consisting of the following officers during 2014/15 oversees the compilation of the Annual Governance Statement.

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

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

**Directorate Level Review**

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

**Monitoring Officer**

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

## **Accounts and Audit Committee**

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

## **Internal Audit**

- 4.8. Internal Audit is responsible for monitoring the quality and effectiveness of the system of governance and internal control. A risk-based Internal Audit Plan is produced each financial year. The reporting process for Internal Audit requires a report of each audit to be submitted to the relevant Directorate. The report includes recommendations for improvements that are included within an Action Plan and require agreement or rejection by Heads of Service. The process includes follow-up reviews of agreed recommendations to ensure that they are acted upon.
- 4.9. The Internal Audit Annual Report contains an opinion on the overall levels of internal control (a view based on the relative significance of the systems reviewed during the year, in the context of the totality of the control environment).

## **External Audit**

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

## **5. AUDIT COMMISSION: PROTECTING THE PUBLIC PURSE**

- 5.1. A checklist issued by the Audit Commission entitled 'Protecting the Public Purse' was completed during the year.
- 5.2. Authorities were encouraged to use the checklist to ensure that they have sound governance and counter-fraud arrangements in place and that they are working as intended.
- 5.3. No issues were highlighted as a result of this review.

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

- 6.1. A fact sheet issued by the National Audit Office entitled 'Governance Statements: Good Practice Observations from our Audits' 2012-2013 was completed during the year. Authorities were encouraged to answer the 'challenge questions' to support better governance.
- 6.2. No issues were highlighted as a result of this review.

## **7. GRANT THORNTON LOCAL GOVERNMENT GOVERNANCE REVIEWS: WORKING IN TANDEM 2014 AND 2015 ALL ABOARD**

- 7.1. Grant Thornton carries out annual reviews to encourage organisations to improve their performance by learning from their peers, both within their own sector and beyond.

7.2. The reviews focussed on governance of the organisation, governance in working with others, governance of stakeholder relationships, risk leadership and public communications. These areas were examined and no issues were highlighted as a result of this review.

8. GRANT THORNTON DOCUMENT: 2016 TIPPING POINT

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

9. LOCAL GOVERNMENT TRANSPARENCY CODE 2015

9.1. This document sets out the minimum data that local authorities should be publishing, the frequency it should be published and how it should be published. It also sets out details of data that the Government recommends local authorities to publish. There were no significant issues to raise in this area.

10. SIGNIFICANT GOVERNANCE ISSUES

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

**Signed:**

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Leader of the Council

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Chief Executive

**On behalf of Ribble Valley Borough Council**



# Statement of Accounts

[Audited]


2014/2015

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

 Ribble Valley Borough Council, Head of Financial Services, Church Walk,  
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## Independent Auditors' Report to Members

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# Explanatory Foreword

## 1 INTRODUCTION

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The Council's statement of accounts for the year ended 31 March 2015 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 2014/15 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

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**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 2014/15  
(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:

- Further clarification around property, plant and equipment accounting – namely frequency of valuations and accounting for componentisation and impairments.
- Accounting for business rates in the second year of 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 | Revised Estimate | Actual       | Original Estimate Compared to Actual | Revised Estimate Compared to Actual |
|--|-------------------|------------------|--------------|--------------------------------------|-------------------------------------|
|  | £'000             | £'000            | £'000        | £'000                                | £'000                               |
| Community Services                                       | 3,480             | 3,418            | 3,181        | -299                                 | -237                                |
| Policy & Finance   | 1,870             | 1,957            | 1,774        | -96                                  | -183                                |
| Planning & Development                                   | 578               | 547              | 504          | -74                                  | -43                                 |
| Health & Housing   | 833               | 801              | 666          | -167                                 | -135                                |
| <b>Committee Expenditure</b>                             | <b>6,761</b>      | <b>6,723</b>     | <b>6,125</b> | <b>-636</b>                          | <b>-598</b>                         |
| Interest Payable   | 13                | 13               | 13           | 0                                    | 0                                   |
| Parish Precepts  | 360               | 360              | 360          | 0                                    | 0                                   |
| Interest Received  | -29               | -26              | -29          | 0                                    | -3                                  |
| <b>Net Operating Expenditure</b>                         | <b>7,105</b>      | <b>7,070</b>     | <b>6,469</b> | <b>-636</b>                          | <b>-601</b>                         |
| Precept from Collection Fund (including parish precepts) | -3,369            | -3,369           | -3,369       | 0                                    | 0                                   |
| Localisation of Council Tax Support - Parish Payment     | 17                | 17               | 17           | 0                                    | 0                                   |
| Rural Areas Delivery Grant - Additional Funding          | 0                 | -3               | -3           | -3                                   | 0                                   |
| New Homes Bonus  | -595              | -595             | -595         | 0                                    | 0                                   |
| New Homes Bonus - Returned Funding                       | 0                 | -4               | -4           | -4                                   | 0                                   |
| Council Tax Freeze Concession                            | -32               | -32              | -32          | 0                                    | 0                                   |
| Revenue Support Grant                                    | -1,398            | -1,398           | -1,398       | 0                                    | 0                                   |
| Business Rates Baseline Funding                          | -1,206            | -1,206           | -1,206       | 0                                    | 0                                   |
| Retained Rates Income                                    | -139              | -139             | -139         | 0                                    | 0                                   |
| Business Rates Levy                                      | 372               | 366              | 332          | -40                                  | -34                                 |
| S31 Grant  | -605              | -560             | -528         | 77                                   | 32                                  |
| Collection Fund Surplus - Business Rates                 | -15               | -30              | -30          | -15                                  | 0                                   |
| <b>Deficit/(Surplus) for year</b>                        | <b>135</b>        | <b>117</b>       | <b>-486</b>  | <b>-621</b>                          | <b>-603</b>                         |
| Depreciation   | -725              | -740             | -740         | -15                                  | 0                                   |
| Minimum Revenue Provision                                | 136               | 136              | 136          | 0                                    | 0                                   |
| Net Transfer to/from earmarked reserves                  | 603               | 326              | 1,045        | 442                                  | 719                                 |
| <b>Deficit/(Surplus) for year</b>                        | <b>149</b>        | <b>-161</b>      | <b>-45</b>   | <b>-194</b>                          | <b>116</b>                          |

**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       |
|--|-------------|
| Net Decrease in Service Committee Costs                          | -38         |
| Decrease in Interest Received                                    | 3           |
| Rural Areas Delivery Grant - Additional Funding                  | -3          |
| New Homes Bonus Returned Funding                                 | -4          |
| Decrease in Forecast Business Rates Levy                         | -6          |
| Decrease S31 Grants Receivable                                   | 45          |
| Increase in Forecast Business Rates Collection Fund Surplus      | -15         |
| Increase in amount removed for Depreciation                      | -15         |
| Decrease in amount set aside in Earmarked Reserves               | -277        |
| <b>Net increase in amount to take from balances for the year</b> | <b>-310</b> |

**Financial Performance and Outlook**

The council has continued to operate its services within the approved budgets and without any reduction in the service areas provided to residents. This against a backdrop of greatly reduced central government funding for local government.

Stringent 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.

Whilst a lower level of resources has been set aside in our general fund balances at the end of the 2014/15 financial year than anticipated at the time of preparing the revised estimate, this is largely as a consequence of increased levels set aside in earmarked reserves.

As a direct result of historically reducing levels of resources to support the council's capital programme, particularly a marked reduction or cessation in the availability of external grant funding, the council has looked to the future operation of a repairs and renewals basis of financing parts of the capital programme. In order to enable this, the council has set aside resources to pump prime repairs and renewals reserves for the key service areas of ICT Infrastructure (£100,000) and also Vehicles and Plant (£300,000).

We have also continued to review the level and need for each of our other earmarked reserves in order to better prepare ourselves for known pressures that the council is likely to experience in the short to medium term.

## Explanatory Foreword

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The 2014/15 financial year saw the second year of the operation of Business Rates Retention. The changes introduced in 2013/14 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%.

Likewise, 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.

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 2015 calendar year.

Based on assumptions about the future of central government funding for local government, the council is forecasting the need for substantial savings to its revenue budget. The early closedown of the accounts allows us to be better prepared in understanding how we may meet these future saving needs, and allows us to give a considered approach to bridging the spending gap.

During 2014/15 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 |
|---|-------|
| <b><u>Expenditure Variations</u></b>  |       |
| Direct Employee Costs   | -46   |
| Staff Training Costs  | -21   |
| Energy and Utilities  | -24   |
| Postage and Telecommunications  | -11   |
| Rent of Buildings and Ground Rents  | -9    |
| Vehicle Repairs and Maintenance   | -62   |
| Vehicle Fuel  | -22   |
| Staff Vehicles and Mileage  | -16   |
| Grant Supported Spend on Localisation of Council Tax Support and Housing Benefits | -55   |
| Printing, Stationery, Books and Photocopying                                      | -22   |
| Software and ICT Consumables  | -10   |



## Explanatory Foreword

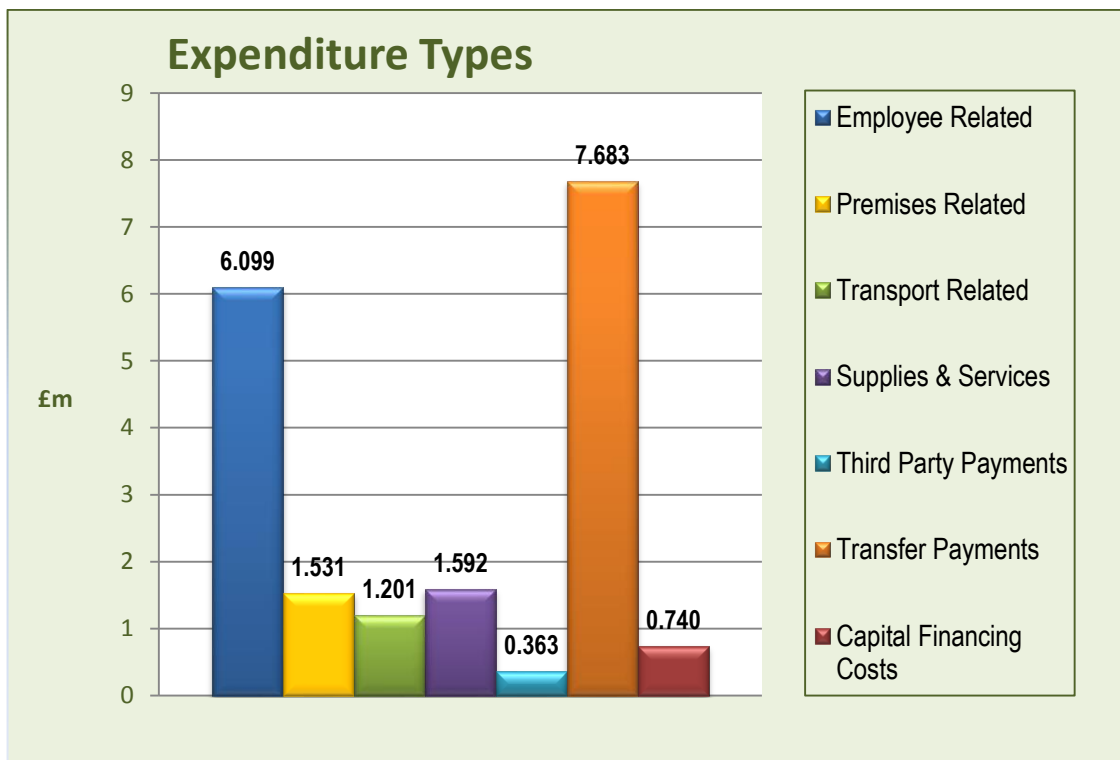
| Variation   | £'000       |
|---|-------------|
| Subscriptions   | -18         |
| Planning and Core Strategy Consultants                                    | -16         |
| Publicity and Promotions  | -36         |
| Payment of Benefits   | -183        |
| Payment of Grants   | -81         |
| <b>Total Expenditure Variances</b>  | <b>-632</b> |
| <b><u>Income Variations</u></b>   |             |
| Rent Rebate Grant   | -12         |
| Children's Trust Grant  | 15          |
| Recycling Credits   | -44         |
| VAT Shelter   | -45         |
| Sale of Equipment and Materials   | -19         |
| New Burden NNDR Administration Grant                                      | -11         |
| Government Subsidy towards Benefits                                       | 184         |
| Ribblesdale Pool  | -11         |
| Car Park Fines  | 12          |
| <b>Total Income Variances</b>   | <b>69</b>   |
| Other Variations  | -35         |
| <b>Net Variation on Committee Expenditure</b>                             | <b>-598</b> |
| Increased Interest Received   | -3          |
| <b>Variation on Net Operating Expenditure</b>                             | <b>-601</b> |
| Reduced Business Rates Levy Payable                                       | -34         |
| Reduced S31 Grant Income  | 32          |
| <b>Variation on Deficit/(Surplus) for Year</b>                            | <b>-603</b> |
| Extra Transfers to Earmarked Reserves                                     | 719         |
| <b>Increase in amount to add to balances compared to Revised Estimate</b> | <b>116</b>  |

## 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         | 6,099         |
| Premises Related         | 1,531         |
| Transport Related        | 1,201         |
| Supplies & Services      | 1,592         |
| Third Party Payments     | 363           |
| Transfer Payments        | 7,683         |
| Capital Financing Costs  | 740           |
| <b>Total Expenditure</b> | <b>19,209</b> |



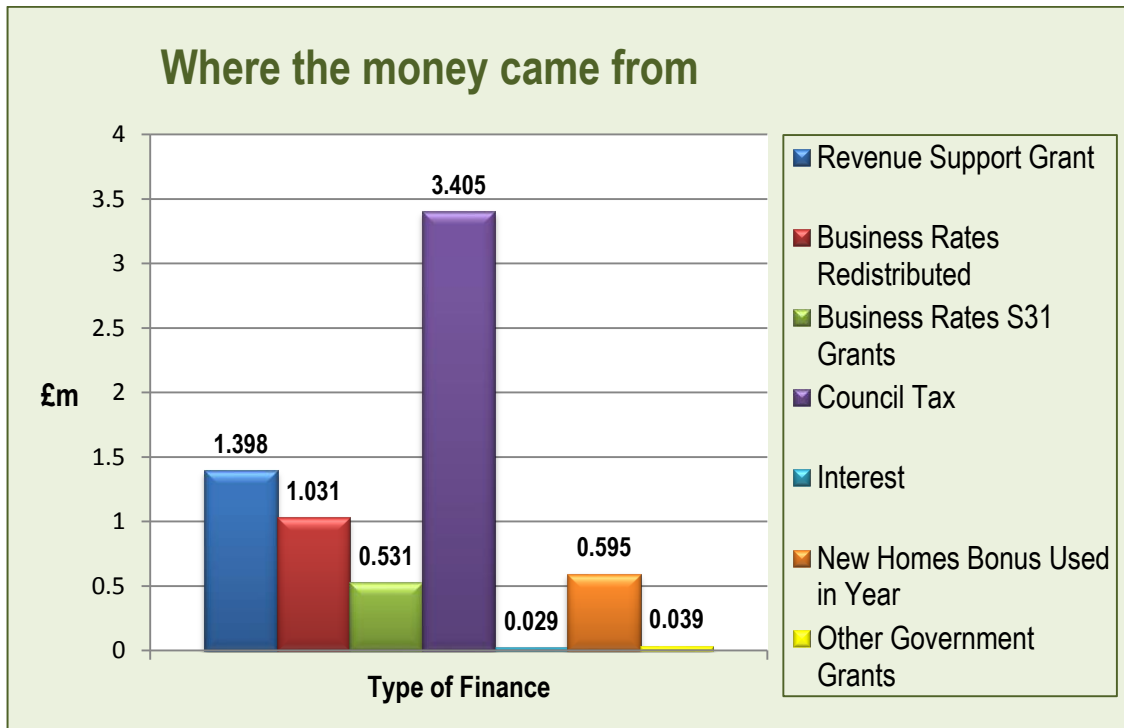
You can see that the two biggest types of expenditure are our employee costs and transfer payments. Transfer payments are payments such as housing benefits which we make on behalf of the Government.

## Explanatory Foreword

### How our general fund budget is financed

As shown earlier our total net expenditure for committees is £6.124m. 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.

Within the year we received funding from a number of sources, some of which has been set aside in earmarked reserves as mentioned above. The following resources totalling £7.028m were received within the 2014/15 financial year.



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 £149,000 from general fund balances to help finance the 2014/15 spending plans. However, this was revised later in the year to adding £161,000 to general fund balances. The final position shows that the council has added £45,000 to general fund balances.

|   | £'000 |
|---|-------|
| General Fund Balances: Brought forward at 1 April 2014  | 2,058 |
| Surplus in 2014/15 added to General Fund Balances       | 45    |
| General Fund Balances: Carried forward at 31 March 2015 | 2,103 |

## Explanatory Foreword

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### 3 PENSIONS

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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 2015 increased to £17.123m (31 March 2014 £12.008m).

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 (at later of 31 March 2013 and admission date)
- **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)

## 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 £381,000 on capital schemes. The main areas of expenditure included:

- Renovation and Disabled Facilities Grants
- Play Area Improvements
- Castle Field Toilets Refurbishment

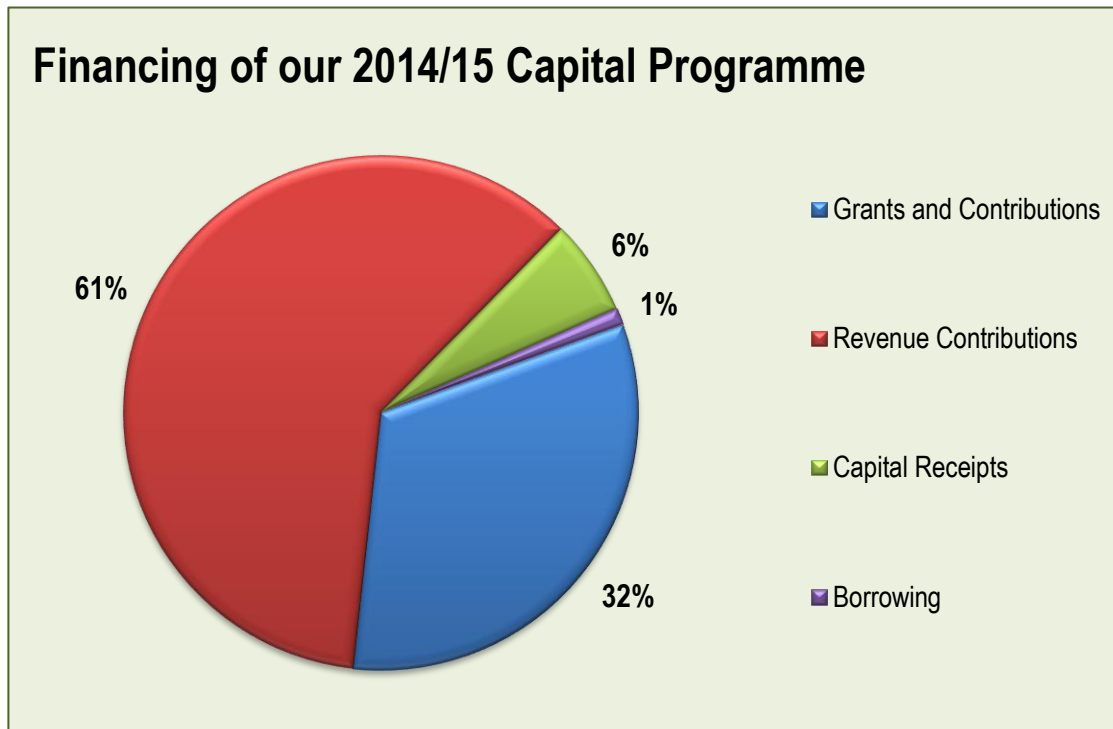
At the end of the financial year work on some schemes was still underway. This can be carried forward into the new financial year and is known as slippage. These schemes were:

- Cemetery Extension Retention
- Renovation and Disabled Facilities Grants

| How the Capital Programme was Financed | £'000      |
|--|------------|
| Grants and contributions               | 123        |
| Capital Receipts                       | 23         |
| Revenue contributions                  | 231        |
| Borrowing                              | 4          |
|  | <b>381</b> |

**Explanatory Foreword**

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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 2015 was £0.240m. 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**

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The authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Resources.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

## **The Director of Resources' Responsibilities**

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The Director of Resources is responsible for the preparation of the authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC *Code of Practice on Local Authority Accounting in the United Kingdom* (the Code).

In preparing this Statement of Accounts the Director of Resources has:

- Selected suitable accounting policies and then applied them consistently.
- Made judgements and estimates that were reasonable and prudent.
- Complied with the local authority Code

The Director of Resources has also:

- Kept proper accounting records which were up to date
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

I hereby certify that the Statement of Accounts gives a true and fair view of the financial position of the authority at the reporting date and its income and expenditure for the year ended 31 March 2015.

Jane L Pearson  
Director of Resources CPFA  
26 August 2015

**Approval of the Statement of Accounts**

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## Approval of the Statement of Accounts

I confirm that these accounts, including the Comprehensive Income and Expenditure Statement on page 41 and the Balance Sheet on page 43, were approved by the Accounts and Audit Committee at its meeting held on 26 August 2015.

Signed by:

Cllr Ken Hind  
Chairman of Accounts and Audit Committee

26 August 2015



# Statement of Accounting Policies

## 1 GENERAL PRINCIPLES

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The Statement of Accounts summarises the Council's transactions for the 2014/15 financial year and its position at the year-end of 31 March 2015. 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 2014/15* and the *Service Reporting Code of Practice 2014/15*, 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

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – 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

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### 3 CASH AND CASH EQUIVALENTS

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

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

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

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

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

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

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

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

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

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

**6 EMPLOYEE BENEFITS**

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**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.

## Statement of Accounting Policies

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### 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 3.2% (4.4% 31 March 2014) 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.

**Statement of Accounting Policies**

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- **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**

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Events after the Balance sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of event can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.

## Statement of Accounting Policies

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- 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

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### Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

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.

**Statement of Accounting Policies**

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**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

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### 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**

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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**

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Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- The Council will comply with the conditions attached to the payments, and
- The grants or contributions will be received

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income and Expenditure (non-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

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

## Statement of Accounting Policies

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### 11 HERITAGE ASSETS

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

Heritage Assets are

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

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

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

#### **The Castle Keep at Clitheroe**

- Built in 1186 by Robert de Lacy, the Norman Keep of Clitheroe Castle is said to be one of the smallest Keeps in England. The Council considers that obtaining a valuation for the Keep would involve a disproportionate cost in comparison to the benefits to the users of the Council's financial statements. Therefore the Council does not recognise this heritage asset on the balance sheet.
- 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.

**Statement of Accounting Policies**

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- 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

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### 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 17* 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 17* on Property, Plant and Equipment in this summary of significant accounting policies)

## 12 INTANGIBLE ASSETS

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

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

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

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

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.

**Statement of Accounting Policies**

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**13 INVENTORIES AND LONG TERM CONTRACTS**

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Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned at cost price 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**

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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 LEASES**

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

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

## Statement of Accounting Policies

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### 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).

**Statement of Accounting Policies**

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**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

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### 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.

## 16 OVERHEADS AND SUPPORT SERVICES

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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 2014/15* (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.

## 17 PROPERTY, PLANT AND EQUIPMENT

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

### *Recognition*

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



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**Statement of Accounting Policies**

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**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

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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 2015                            |  |
|--|--|--|
|  | Revalued Amount<br>in Balance Sheet<br>£ | Equivalent<br>Carrying Amount<br>Under Cost Model<br>£ |
| Other Land and Buildings                     | 11,028,600                               | 6,475,314  |
| Vehicles, Plant, Furniture and Equipment     | 1,874,620                                | 1,874,620  |
| Infrastructure Assets                        | 322,877                                  | 322,877  |
| Community Assets                             | 1,578,643                                | 1,564,281  |
| Surplus Assets (Not for Sale)                | 117,000                                  | 101,821  |
| <b>Total</b>                                 | <b>14,921,740</b>                        | <b>10,338,913</b>                                      |

### Impairments

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

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

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

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

## 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     |

The useful economic life used for an asset in the calculation of depreciation will only differ from the above table where an updated asset life is provided at the time of any revaluation of council assets. Such updated asset lives would be used for future depreciation calculations.

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

### **Disposals and Non-current Assets Held for Sale**

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

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

## Statement of Accounting Policies

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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.

### ***Componentisation***

Where the council holds an asset with a value of £500,000 or above, any significant element of that asset would be treated as a separate component for the purposes of asset recognition, measurement, impairment, depreciation or disposal. A 'significant element' is any element of an asset with a value of 10% or above of the overall asset value.

## **18 PRIVATE FINANCE INITIATIVE (PFI) AND SIMILAR CONTRACTS**

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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.

## **19 PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

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### **Provisions**

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

**Statement of Accounting Policies**

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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.

**20 RESERVES**

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

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

## Statement of Accounting Policies

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### 21 REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUE

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Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

### 22 VAT

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VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

## 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 2014/15   | Usable Reserves           |                                      |                               |                               | Unusable Reserves               |  |                          |  |                       |                                   |                              | TOTAL COUNCIL RESERVES |
|--|---------------------------|--------------------------------------|-------------------------------|-------------------------------|---------------------------------|--|--------------------------|--|-----------------------|-----------------------------------|------------------------------|------------------------|
|  | General Fund Balance<br>£ | Earmarked General Fund Reserves<br>£ | Capital Grants Unapplied<br>£ | Capital Receipts Reserve<br>£ | Capital Adjustment Account<br>£ | Collection Fund Adjustment<br>Account<br>£ | Revaluation Reserve<br>£ | Deferred Capital Receipts Reserve<br>£ | Pensions Reserve<br>£ | Accumulated Absences Account<br>£ | TOTAL UNUSABLE RESERVES<br>£ | £                      |
| Balance at 31 March 2014   | 2,058,402                 | 5,092,598                            | 46,158                        | 28,959                        | 8,498,529                       | -78,999                                    | 4,146,946                | 492                                    | -12,007,324           | -61,491                           | 498,153                      | 7,724,270              |
| <u>Movement in Reserves</u><br><u>During 2014/15</u>                                       |                           |                                      |                               |                               |                                 |  |                          |  |                       |                                   |                              |                        |
| Surplus or (deficit) on the<br>provision of Services                                       | -104,620                  | 0                                    | 0                             | 0                             | 0                               | 0  | 0                        | 0                                      | 0                     | 0                                 | 0                            | -104,620               |
| Other Comprehensive Income<br>and Expenditure  | 0                         | 0                                    | 0                             | 0                             | 0                               | 0  | 1,399,581                | 0                                      | -4,525,000            | 0                                 | -3,125,419                   | -3,125,419             |
| <b>Total Comprehensive<br/>Income and Expenditure</b>                                      | <b>-104,620</b>           | <b>0</b>                             | <b>0</b>                      | <b>0</b>                      | <b>0</b>                        | <b>0</b>                                   | <b>1,399,581</b>         | <b>0</b>                               | <b>-4,525,000</b>     | <b>0</b>                          | <b>-3,125,419</b>            | <b>-3,230,039</b>      |
| Adjustments between<br>Accounting Basis and Funding<br>Basis Under Regulations<br>(NOTE 6) | 998,201                   | 0                                    | -32,336                       | 429,280                       | -759,275                        | 23,866                                     | -71,308                  | -314                                   | -590,000              | 1,886                             | -1,395,145                   | 0                      |
| <b>Net Increase/ Decrease<br/>before Transfers to<br/>Earmarked Reserves</b>               | <b>893,581</b>            | <b>0</b>                             | <b>-32,336</b>                | <b>429,280</b>                | <b>-759,275</b>                 | <b>23,866</b>                              | <b>1,328,273</b>         | <b>-314</b>                            | <b>-5,115,000</b>     | <b>1,886</b>                      | <b>-4,520,564</b>            | <b>-3,230,039</b>      |
| Transfers to/from Earmarked<br>Reserves (NOTE 7)   | -848,869                  | 848,869                              | 0                             | 0                             | 0                               | 0  | 0                        | 0                                      | 0                     | 0                                 | 0                            | 0                      |
| <b>Increase/Decrease in Year</b>   | <b>44,712</b>             | <b>848,869</b>                       | <b>-32,336</b>                | <b>429,280</b>                | <b>-759,275</b>                 | <b>23,866</b>                              | <b>1,328,273</b>         | <b>-314</b>                            | <b>-5,115,000</b>     | <b>1,886</b>                      | <b>-4,520,564</b>            | <b>-3,230,039</b>      |
| Balance at 31 March 2015<br>Carried Forward (NOTES 19<br>and 20)                           | 2,103,114                 | 5,941,467                            | 13,822                        | 458,239                       | 7,739,254                       | -55,133                                    | 5,475,219                | 178                                    | -17,122,324           | -59,605                           | -4,022,411                   | 4,494,231              |



Movement in Reserves Statement

| Movements in 2013/14  | Usable Reserves           |                                      |                               |                               | Unusable Reserves          |                                 |   |                          |  |                       |                                   |                              |                             |
|---|---------------------------|--------------------------------------|-------------------------------|-------------------------------|----------------------------|---------------------------------|---|--------------------------|--|-----------------------|-----------------------------------|------------------------------|-----------------------------|
|   | General Fund Balance<br>£ | Earmarked General Fund Reserves<br>£ | Capital Grants Unapplied<br>£ | Capital Receipts Reserve<br>£ | TOTAL USABLE RESERVES<br>£ | Capital Adjustment Account<br>£ | Collection Fund Adjustment Account<br>£ | Revaluation Reserve<br>£ | Deferred Capital Receipts Reserve<br>£ | Pensions Reserve<br>£ | Accumulated Absences Account<br>£ | TOTAL UNUSABLE RESERVES<br>£ | TOTAL COUNCIL RESERVES<br>£ |
| 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                   |
| <u>Movement in Reserves During 2013/14</u>  |                           |                                      |                               |                               |                            |                                 |   |                          |  |                       |                                   |                              |                             |
| Surplus or (deficit) on the provision of Services                                 | -1,703                    | 0                                    | 0                             | 0                             | -1,703                     | 0                               | 0                                       | 0                        | 0                                      | 0                     | 0                                 | 0                            | -1,703                      |
| Other Comprehensive Income and Expenditure  | 0                         | 0                                    | 0                             | 0                             | 0                          | 0                               | 0                                       | 53,400                   | 0                                      | 5,314,000             | 0                                 | 5,367,400                    | 5,367,400                   |
| <b>Total Comprehensive Income and Expenditure</b>                                 | <b>-1,703</b>             | <b>0</b>                             | <b>0</b>                      | <b>0</b>                      | <b>-1,703</b>              | <b>0</b>                        | <b>0</b>                                | <b>53,400</b>            | <b>0</b>                               | <b>5,314,000</b>      | <b>0</b>                          | <b>5,367,400</b>             | <b>5,365,697</b>            |
| Adjustments between Accounting Basis and Funding Basis Under Regulations (NOTE 6) | 806,165                   | 0                                    | -289,593                      | 28,959                        | 545,531                    | 547,855                         | -56,084                                 | -84,721                  | -1,201                                 | -950,000              | -1,380                            | -545,531                     | 0                           |
| <b>Net Increase/ Decrease before Transfers to Earmarked Reserves</b>              | <b>804,462</b>            | <b>0</b>                             | <b>-289,593</b>               | <b>28,959</b>                 | <b>543,828</b>             | <b>547,855</b>                  | <b>-56,084</b>                          | <b>-31,321</b>           | <b>-1,201</b>                          | <b>4,364,000</b>      | <b>-1,380</b>                     | <b>4,821,869</b>             | <b>5,365,697</b>            |
| Transfers to/from Earmarked Reserves (NOTE 7)                                     | -445,808                  | 445,808                              | 0                             | 0                             | 0                          | 0                               | 0                                       | 0                        | 0                                      | 0                     | 0                                 | 0                            | 0                           |
| <b>Increase/Decrease in Year</b>  | <b>358,654</b>            | <b>445,808</b>                       | <b>-289,593</b>               | <b>28,959</b>                 | <b>543,828</b>             | <b>547,855</b>                  | <b>-56,084</b>                          | <b>-31,321</b>           | <b>-1,201</b>                          | <b>4,364,000</b>      | <b>-1,380</b>                     | <b>4,821,869</b>             | <b>5,365,697</b>            |
| Balance at 31 March 2014  | 2,058,402                 | 5,092,598                            | 46,158                        | 28,959                        | 7,226,117                  | 8,498,529                       | -78,999                                 | 4,146,946                | 492                                    | -12,007,324           | -61,491                           | 498,153                      | 7,724,270                   |
| Carried Forward (NOTES 19 and 20)   |                           |                                      |                               |                               |                            |                                 |   |                          |  |                       |                                   |                              |                             |

**Comprehensive Income and Expenditure Statement**

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# Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted 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

| 2013/14                |                    |                      | 2014/15  |                   |                      | Note             |              |
|------------------------|--------------------|----------------------|--|-------------------|----------------------|------------------|--------------|
| Gross Expenditure<br>£ | Gross Income<br>£  | Net Expenditure<br>£ | Gross Expenditure<br>£                                 | Gross Income<br>£ | Net Expenditure<br>£ |                  |              |
| 1,240,396              | -608,610           | 631,786              | Central Services to the Public                         | 1,268,349         | -579,276             | 689,073          |              |
| 2,643,046              | -1,334,631         | 1,308,415            | Cultural and Related Services                          | 2,725,743         | -1,300,872           | 1,424,871        |              |
| 3,344,909              | -1,017,882         | 2,327,027            | Environmental and Regulatory Services                  | 3,535,298         | -1,171,288           | 2,364,010        | 4            |
| 1,628,502              | -793,902           | 834,600              | Planning Services                                      | 1,401,780         | -813,590             | 588,190          |              |
| 1,378,591              | -1,378,840         | -249                 | Highways and Transport Services                        | 1,422,391         | -1,286,134           | 136,257          |              |
| 8,278,696              | -7,768,917         | 509,779              | Other Housing Services                                 | 7,991,355         | -7,636,604           | 354,751          |              |
| 34,135                 | -19,524            | 14,611               | Adult Social Care                                      | 15,321            | -8,327               | 6,994            |              |
| 1,584,918              | -617,605           | 967,313              | Corporate and Democratic Core                          | 1,527,560         | -570,766             | 956,794          | 4            |
| 119,683                | 0                  | 119,683              | Non Distributed Costs                                  | 116,718           | 0                    | 116,718          |              |
| <b>20,252,876</b>      | <b>-13,539,911</b> | <b>6,712,965</b>     | <b>Cost of Services</b>                                | <b>20,004,515</b> | <b>-13,366,857</b>   | <b>6,637,658</b> | <b>24/29</b> |
|                        |                    |                      | <b>Other Operating Expenditure</b>                     |                   |                      |                  |              |
|                        |                    |                      | 347,110  |                   |                      | 359,632          |              |
|                        |                    |                      | 17,000   |                   |                      | 19,000           |              |
|                        |                    |                      | 23,000   |                   |                      | 17,034           |              |
|                        |                    |                      | 8,088  |                   |                      | -227,104         |              |
|                        |                    |                      | 901  |                   |                      | 235              |              |
|                        |                    |                      | <b>Financing and Investment Income and Expenditure</b> |                   |                      |                  |              |
|                        |                    |                      | 16,463   |                   |                      | 13,199           | 12           |
|                        |                    |                      | -24,000  |                   |                      | -28,943          | 12           |
|                        |                    |                      | 670,000  |                   |                      | 508,000          | 33           |
|                        |                    |                      | -289,169   |                   |                      | -100,186         | 10           |
|                        |                    |                      | -41,556  |                   |                      | -41,332          | 25           |
|                        |                    |                      | <b>Taxation and Non-Specific Grant Income</b>          |                   |                      |                  |              |
|                        |                    |                      | -3,305,194   |                   |                      | -3,405,320       |              |
|                        |                    |                      | -1,369,652   |                   |                      | -1,031,320       |              |
|                        |                    |                      | -1,778,483   |                   |                      | -1,397,544       | 29           |
|                        |                    |                      | -551,514   |                   |                      | -4,874           | 29           |
|                        |                    |                      | 0  |                   |                      | -52,000          | 29           |
|                        |                    |                      | -434,256   |                   |                      | -1,161,515       | 29           |
|                        |                    |                      | <b>1,703</b>   |                   |                      | <b>104,620</b>   |              |
|                        |                    |                      | -53,400  |                   |                      | -1,399,581       |              |
|                        |                    |                      | -5,314,000   |                   |                      | 4,525,000        | 33           |
|                        |                    |                      | <b>-5,367,400</b>                                      |                   |                      | <b>3,125,419</b> |              |
|                        |                    |                      | <b>-5,365,697</b>                                      |                   |                      | <b>3,230,039</b> |              |

**Balance Sheet**

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# Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council.

Reserves are reported in two categories:

- **Usable Reserves** are those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt).
- **Unusable Reserves** are those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

## Balance Sheet

| 31 March 2014                |  | 31 March 2015      | Note       |
|------------------------------|--|--------------------|------------|
| £                            |  | £                  |            |
| <b>Long Term Assets</b>      |  |                    |            |
|                              | Property, Plant and Equipment              |                    | 8          |
| 10,017,859                   | - Other Land and Buildings                 | 11,028,600         |            |
| 2,344,172                    | - Vehicles, Plant, Furniture and Equipment | 1,874,620          |            |
| 328,114                      | - Infrastructure Assets                    | 322,878            |            |
| 1,581,523                    | - Community Assets                         | 1,578,643          |            |
| 54,066                       | - Surplus Assets (Not for Sale)            | 117,000            |            |
| <b>14,325,734</b>            | <b>Total Property, Plant and Equipment</b> | <b>14,921,741</b>  |            |
| 860,000                      | Heritage Assets                            | 892,392            | 9/37       |
| 1,044,772                    | Investment Properties                      | 918,100            | 10         |
| 110,834                      | Intangible Assets                          | 81,696             | 11         |
| 330,938                      | Long Term Debtors                          | 318,579            | 12         |
| <b>16,672,278</b>            | <b>Total Long Term Assets</b>              | <b>17,132,508</b>  |            |
| <b>Current Assets</b>        |  |                    |            |
| 0                            | Financial Asset Held for Sale              | 10,000             |            |
| 38,600                       | Assets Held for Sale                       | 3,250              | 16         |
| 89,546                       | Inventories                                | 67,391             | 13         |
| 1,509,152                    | Short Term Debtors                         | 1,240,345          | 3/14/34/36 |
| 3,257,779                    | Cash and Cash Equivalents                  | 5,428,723          | 15/36      |
| <b>4,895,077</b>             | <b>Total Current Assets</b>                | <b>6,749,709</b>   |            |
| <b>Current Liabilities</b>   |  |                    |            |
| -60,750                      | Short Term Borrowing                       | -42,893            |            |
| -1,387,361                   | Short Term Creditors                       | -1,830,832         | 17         |
| -147,200                     | Provisions                                 | -186,880           | 18         |
| <b>-1,595,311</b>            | <b>Total Current Liabilities</b>           | <b>-2,060,605</b>  |            |
| <b>Long Term Liabilities</b> |  |                    |            |
| -240,450                     | Long Term Borrowing                        | -205,057           | 12         |
| -12,007,324                  | Net Pensions Liability                     | -17,122,324        | 33         |
| <b>-12,247,774</b>           | <b>Total Long Term Liabilities</b>         | <b>-17,327,381</b> |            |
| <b>7,724,270</b>             | <b>Net Assets</b>                          | <b>4,494,231</b>   |            |
| <b>Usable Reserves</b>       |  |                    |            |
| 2,058,402                    | General Fund Balance                       | 2,103,114          | 19         |
| 5,092,598                    | Earmarked General Fund Reserves            | 5,941,467          | 7          |
| 28,959                       | Usable Capital Receipts Reserve            | 458,239            |            |
| 46,158                       | Capital Grants Unapplied                   | 13,822             |            |
| <b>7,226,117</b>             | <b>Total Usable Reserves</b>               | <b>8,516,642</b>   |            |
| <b>Unusable Reserves</b>     |  |                    |            |
| 8,498,529                    | Capital Adjustment Account                 | 7,739,254          |            |
| -78,999                      | Collection Fund Adjustment Account         | -55,133            |            |
| 4,146,946                    | Revaluation Reserve                        | 5,475,219          |            |
| 492                          | Deferred Capital Receipts Account          | 178                |            |
| -12,007,324                  | Pension Reserve                            | -17,122,324        | 33         |
| -61,491                      | Accumulated Absences Account               | -59,605            |            |
| <b>498,153</b>               | <b>Total Unusable Reserves</b>             | <b>-4,022,411</b>  |            |
| <b>7,724,270</b>             | <b>Total Reserves</b>                      | <b>4,494,231</b>   |            |

## Cash Flow Statement

# Cash Flow Statement

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

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

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

| 2013/14<br>£     |   | 2014/15<br>£      | Note      |
|------------------|---|-------------------|-----------|
| 1,703            | Net (Surplus) or Deficit on the Provision of Services   | 104,620           |           |
| -866,019         | Adjustments to Net Surplus or Deficit on the Provision of Services for Non-Cash Movements   | -2,042,143        | 21        |
| 102,360          | Adjustments for Items Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities | 452,670           | 21        |
| <b>-761,956</b>  | <b>Net Cash Flows from Operating Activities</b>   | <b>-1,484,853</b> | <b>21</b> |
| 374,670          | Investing Activities  | -382,844          | 22        |
| -113,300         | Financing Activities  | -303,247          | 23        |
| <b>-500,586</b>  | <b>Net Increase or decrease in Cash and Cash Equivalents</b>  | <b>-2,170,944</b> |           |
| 2,757,193        | Cash and Cash Equivalents 1 April   | 3,257,779         |           |
| <b>3,257,779</b> | <b>Cash and Cash Equivalents 31 March</b>   | <b>5,428,723</b>  | <b>15</b> |

# Notes to the Core Financial Statements

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

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The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2015/16 Code:

- **IFRS 13 Fair Value Measurement:** This standard provides a consistent definition of fair value and enhanced disclosure requirements. It is designed to apply to assets and liabilities covered by those IFRS standards that currently permit or require measurement at fair value (with some exceptions). The adoption of this standard will require surplus assets (assets that are not being used to deliver services, but which do not meet the criteria to be classified as either investment properties or non-current assets held for sale) to be revalued to market value rather than value in existing use as at present. Operational property, plant and equipment assets are outside the scope of IFRS 13. Overall this standard is not expected to have a material impact on the Statement of Accounts, due to the low value of surplus assets held by the Council.
- **IFRIC 21 Levies:** This standard provides guidance on levies imposed by government in the financial statements of entities paying the levy. The IFRIC specifies the obligating event as the activity that triggers the timing of the payment of the levy. The amount payable may be based on information relating to a period before the obligation to pay arises or the levy is payable only if a threshold is reached, or both. This standard will not have a material impact on the Statement of Accounts.
- **Annual Improvements to IFRSs (2011 – 2013 Cycle):** These improvements are minor, principally providing clarification in areas such as investment property and joint ventures. This will not have a material impact on the Statement of Accounts.

The Code requires implementation from 1 April 2015 and there is therefore no impact on the 2014/15 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 2015 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

| Item                      | Uncertainties  | Effect if Actual Results Differ from Assumptions   |
|---------------------------|--|--|
| <b>Pensions Liability</b> | Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. | <p>Mercer Limited are the actuaries for the Lancashire County Pension Fund. The Pension Fund Deficit for Ribble Valley at 31 March 2015 was £17.123m. The following sensitivity analysis is provided by Mercer Limited:</p> <ul style="list-style-type: none"> <li>• <b>+0.1% p.a. discount rate as at 31 March 2015:</b> deficit would be £16.158m</li> <li>• <b>+0.1% p.a. inflation as at 31 March 2015:</b> deficit would be £18.106m</li> <li>• <b>+0.1% p.a. pay growth as at 31 March 2015:</b> deficit would be £17.348m</li> <li>• <b>1 year addition to members' life expectancy as at 31 March 2015:</b> deficit would be £18.204m</li> </ul> |



## Notes to the Core Financial Statements

| Item                                    | Uncertainties  | Effect if Actual Results Differ from Assumptions   |
|---|--|--|
| <b>Arrears</b>                          | At 31 March 2015, the Council had a balance of sundry debtors of £649,364 (including overpaid housing benefits). A review of significant balances suggested that an impairment of doubtful debts of £140,206 (including overpaid housing benefits) was appropriate. However, the level of such an allowance may fluctuate in adequacy.   | If collection rates were to deteriorate, a 10% increase in the impairment would equate to £14,020  |
| <b>Business Rates Appeals Provision</b> | At the 31 March the Council made a provision on the Collection Fund of £467,200 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 £186,880 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 £46,720 in total or a £18,688 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 2014/15 financial year the Council received £184,611 from Ribble Valley Homes Ltd under these arrangements (£223,387 in 2013/14)

##### Waste Collection

During the 2013/14 financial year the council received total grant of £528,000 (total received over the 2012/13 and 2013/14 financial years was £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. No further grant was received in 2014/15.

##### Recycling Credits

During the year the council received recycling credits totalling £440,660 (£397,000 in 2013/14) from Lancashire County Council. This supports the council's recycling activities as part of the refuse collection service.

## Notes to the Core Financial Statements

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### 5 EVENTS AFTER THE BALANCE SHEET DATE

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The Statement of Accounts was authorised for issue on the 24 June 2015. 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 2015, 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 2015.

### 6 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

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

#### General Fund Balance

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

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

#### Capital Receipts Reserve

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

#### Capital Grants Unapplied

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

## Notes to the Core Financial Statements

| Movements in 2014/15   | Usable Reserves           |                               |                               | Movement in Unusable Reserves<br>£ |
|--|---------------------------|-------------------------------|-------------------------------|------------------------------------|
|  | General Fund Balance<br>£ | Capital grants Unapplied<br>£ | Capital Receipts Reserve<br>£ |                                    |
| <b>Adjustments between Accounting Basis and Funding Basis Under Regulations</b>  |                           |                               |                               |                                    |
| <b>Adjustments primarily involving the Capital Adjustment Account</b>  |                           |                               |                               |                                    |
| <u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</u>   |                           |                               |                               |                                    |
| Charges for depreciation and impairment of non-current assets  | 710,408                   |                               |                               | -710,408                           |
| Revaluation losses on Property Plant and Equipment (Charged to surplus or Deficit on Provision of Services)  | 190,590                   |                               |                               | -190,590                           |
| Movements in the Market Value of Investment Properties   | -38,327                   |                               |                               | 38,327                             |
| Amortisation of Intangible Assets  | 29,138                    |                               |                               | -29,138                            |
| Capital Grants and Contributions Applied   | -122,536                  |                               |                               | 122,536                            |
| Income in Relation to Donated Assets   | -52,000                   |                               |                               | 52,000                             |
| Revenue Expenditure Funded from Capital Under Statute  | 277,857                   |                               |                               | -277,857                           |
| 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 | 225,487                   |                               |                               | -225,487                           |
| <u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Account</u>  |                           |                               |                               |                                    |
| Statutory Provision for the Financing of Capital investment  | -135,859                  |                               |                               | 135,859                            |
| Capital expenditure charged against General Fund Balances  | -230,785                  |                               |                               | 230,785                            |
| <b>Adjustments primarily involving the Capital Grants Unapplied Account</b>  |                           |                               |                               |                                    |
| Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement  | 32,336                    | -32,336                       |                               |                                    |
| Application of grants to capital financing transferred to the Capital Adjustment Account   |                           |                               | 0                             | 0                                  |

## Notes to the Core Financial Statements

| Movements in 2014/15  | Usable Reserves           |                               |                               | Movement in Unusable Reserves<br>£ |
|---|---------------------------|-------------------------------|-------------------------------|------------------------------------|
|   | General Fund Balance<br>£ | Capital grants Unapplied<br>£ | Capital Receipts Reserve<br>£ |                                    |
| <b>Adjustments between Accounting Basis and Funding Basis Under Regulations</b>   |                           |                               |                               |                                    |
| <b>Adjustments primarily involving the Capital Receipts Reserve</b>   |                           |                               |                               |                                    |
| Transfer of Cash Sale Proceeds Credited as Part of the Gain/Loss on Disposal to the Comprehensive Income and Expenditure Statement  | -452,591                  |                               | 452,591                       |                                    |
| Use of the Capital Receipts Reserve to finance new capital expenditure  |                           |                               | -23,390                       | 23,390                             |
| Contribution from the Capital Receipts Reserve towards administrative cost of Non-Current asset disposals   | 0                         |                               |                               |                                    |
| Contribution from the Capital receipts Reserve to finance the payments to the Government Capital receipts pool  | 235                       |                               | -235                          |                                    |
| Transfer from deferred capital receipts reserve upon receipt of cash  |                           |                               | 314                           | -314                               |
| <b>Adjustments primarily involving the Pensions Reserve</b>   |                           |                               |                               |                                    |
| Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement   | 1,521,000                 |                               |                               | -1,521,000                         |
| Employer's pensions contributions and direct payments to pensioners payable in the year   | -931,000                  |                               |                               | 931,000                            |
| <b>Adjustments primarily involving the Collection Fund Adjustment Account</b>   |                           |                               |                               |                                    |
| Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income collected for the year in accordance with statutory requirements                 | -23,866                   |                               |                               | 23,866                             |
| <b>Adjustments primarily involving the Accumulated Absences Account</b>   |                           |                               |                               |                                    |
| Amount by which officer remuneration charged to the Comprehensive Income and Expenditure statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | -1,886                    |                               |                               | 1,886                              |
| <b>Total Adjustments</b>  | <b>998,201</b>            | <b>-32,336</b>                | <b>429,280</b>                | <b>-1,395,145</b>                  |

## Notes to the Core Financial Statements

| Movements in 2013/14   | Usable Reserves           |                               |                               | Movement in Unusable Reserves<br>£ |
|--|---------------------------|-------------------------------|-------------------------------|------------------------------------|
|  | General Fund Balance<br>£ | Capital grants Unapplied<br>£ | Capital Receipts Reserve<br>£ |                                    |
| <b>Adjustments between Accounting Basis and Funding Basis Under Regulations</b>  |                           |                               |                               |                                    |
| <b>Adjustments primarily involving the Capital Adjustment Account</b>  |                           |                               |                               |                                    |
| <u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</u>   |                           |                               |                               |                                    |
| 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                            |
| Income in Relation to Donated Assets   | 0                         |                               |                               | 0                                  |
| 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                            |
| <u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Account</u>  |                           |                               |                               |                                    |
| Statutory Provision for the Financing of Capital investment  | -136,834                  |                               |                               | 136,834                            |
| Capital expenditure charged against General Fund Balances  | -197,503                  |                               |                               | 197,503                            |
| <b>Adjustments primarily involving the Capital Grants Unapplied Account</b>  |                           |                               |                               |                                    |
| 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<br>£ |
|---|---------------------------|-------------------------------|-------------------------------|------------------------------------|
|   | General Fund Balance<br>£ | Capital grants Unapplied<br>£ | Capital Receipts Reserve<br>£ |                                    |
| <b>Adjustments between Accounting Basis and Funding Basis Under Regulations</b>   |                           |                               |                               |                                    |
| <b>Adjustments primarily involving the Capital Receipts Reserve</b>   |                           |                               |                               |                                    |
| Transfer of Cash Sale Proceeds Credited as Part of the Gain/Loss on Disposal to the Comprehensive Income and Expenditure Statement  | -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                             |
| <b>Adjustments primarily involving the Pensions Reserve</b>   |                           |                               |                               |                                    |
| Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement   | 1,774,000                 |                               |                               | -1,774,000                         |
| Employer's pensions contributions and direct payments to pensioners payable in the year   | -824,000                  |                               |                               | 824,000                            |
| <b>Adjustments primarily involving the Collection Fund Adjustment Account</b>   |                           |                               |                               |                                    |
| Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income collected for the year in accordance with statutory requirements                 | 56,084                    |                               |                               | -56,084                            |
| <b>Adjustments primarily involving the Accumulated Absences Account</b>   |                           |                               |                               |                                    |
| Amount by which officer remuneration charged to the Comprehensive Income and Expenditure statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | 1,380                     |                               |                               | -1,380                             |
| <b>Total Adjustments</b>  | <b>806,165</b>            | <b>-289,593</b>               | <b>28,959</b>                 | <b>-545,531</b>                    |

## Notes to the Core Financial Statements

**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 2014/15.

| General Fund   | Balance at 31 March 2013<br>£ | Transfers In 2013/14<br>£ | Transfers Out 2013/14<br>£ | Balance at 31 March 2014<br>£ | Transfers In 2014/15<br>£ | Transfers Out 2014/15<br>£ | Balance at 31 March 2015<br>£ |
|--|-------------------------------|---------------------------|----------------------------|-------------------------------|---------------------------|----------------------------|-------------------------------|
| <b><u>Local Recreation Grants Fund</u></b><br><i>Used to fund recreation grants</i>  | 26,661                        |                           | -6,115                     | 20,546                        |                           | -7,860                     | 12,686                        |
| <b><u>Elections Fund</u></b><br><i>Used to fund borough elections held once every four years</i>   | 40,059                        | 20,880                    | -4,633                     | 56,306                        | 22,383                    |                            | 78,689                        |
| <b><u>Audit Reserve Fund</u></b><br><i>Used for computer audit</i>   | 12,335                        |                           |                            | 12,335                        |                           |                            | 12,335                        |
| <b><u>Building Control Fund</u></b><br><i>Available to equalise net expenditure over a three year period</i>                             | -119,421                      | 15,962                    |                            | -103,459                      | 453                       |                            | -103,006                      |
| <b><u>Rural Development Reserve</u></b><br><i>Used to fund consultation work on rural housing</i>  | 1,631                         |                           | -1,631                     | 0                             |                           |                            | 0                             |
| <b><u>Capital</u></b><br><i>Used to fund the capital programme</i>   | 399,358                       | 356,396                   | -101,835                   | 653,919                       | 215,825                   | -177,121                   | 692,623                       |
| <b><u>Insurance</u></b><br><i>Available to meet any costs following demise of Municipal Mutual Insurance Company</i>                     | 16,748                        |                           |                            | 16,748                        |                           |                            | 16,748                        |
| <b><u>Christmas Lights/RV in Bloom</u></b><br><i>Available to fund contributions towards Christmas Lights and Ribble Valley in Bloom</i> | 1,286                         |                           | -100                       | 1,186                         |                           |                            | 1,186                         |
| <b><u>Community Enhancement</u></b><br><i>Used to fund grants to local organisations</i>   | 11,419                        |                           |                            | 11,419                        |                           |                            | 11,419                        |
| <b><u>Rent Deposit Reserve</u></b><br><i>Set aside for homeless rent deposits</i>  | 7,837                         |                           | -7,837                     | 0                             |                           |                            | 0                             |
| <b><u>LALPAC Licensing System</u></b><br><i>To fund costs of LALPAC licensing system</i>   | 1,424                         |                           | -1,424                     | 0                             |                           |                            | 0                             |
| <b><u>ICT Repairs and Renewals</u></b><br><i>To fund future software and hardware upgrades</i>   | 48,393                        | 37,470                    | -15,960                    | 69,903                        | 100,000                   |                            | 169,903                       |
| <b><u>Conservation Reserve</u></b><br><i>To fund conservation schemes completed after the financial year end</i>                         | 6,210                         |                           |                            | 6,210                         |                           |                            | 6,210                         |

## Notes to the Core Financial Statements

| General Fund   | Balance at 31 March 2013<br>£ | Transfers In 2013/14<br>£ | Transfers Out 2013/14<br>£ | Balance at 31 March 2014<br>£ | Transfers In 2014/15<br>£ | Transfers Out 2014/15<br>£ | Balance at 31 March 2015<br>£ |
|--|-------------------------------|---------------------------|----------------------------|-------------------------------|---------------------------|----------------------------|-------------------------------|
| <b>Concessionary Travel</b><br><i>To fund the transfer of the administration of the scheme to upper tier local authorities</i>   | 40,026                        |                           |                            | 40,026                        |                           | -40,026                    | 0                             |
| <b>Fleming VAT Claim</b><br><i>VAT recovered from 'Fleming' claim challenge to HMRC</i>  | 239,926                       |                           |                            | 239,926                       | 13,027                    | -18,050                    | 234,903                       |
| <b>Repairs and Maintenance</b><br><i>To fund emergency repairs and maintenance items, including legionella and asbestos abatement</i>  | 29,299                        |                           |                            | 29,299                        | 5,000                     |                            | 34,299                        |
| <b>Post LSVT</b><br><i>To fund any costs post LSVT which may arise, such as pension fund liabilities</i>   | 401,637                       |                           | -36,512                    | 365,125                       |                           | -36,512                    | 328,613                       |
| <b>Market Town Enhancement</b><br><i>To fund grants under Market Towns Enhancement Scheme</i>  | 6,643                         | 1,729                     |                            | 8,372                         |                           |                            | 8,372                         |
| <b>Performance Reward Grant</b><br><i>Performance Reward Grant received and yet to be distributed to successful schemes</i>  | 373,832                       |                           | -70,958                    | 302,874                       |                           | -88,192                    | 214,682                       |
| <b>Refuse Collection</b><br><i>To fund refuse collection costs of bin replacements and other cost pressures</i>  | 18,000                        | 75,323                    |                            | 93,323                        | 58,266                    | -4,386                     | 147,203                       |
| <b>Restructuring Reserve</b><br><i>To fund costs resulting from restructuring reviews</i>  | 227,541                       |                           |                            | 227,541                       |                           |                            | 227,541                       |
| <b>VAT Shelter Reserve</b><br><i>Funds received from the post LSVT VAT Shelter arrangements, partly used to contribute towards the future financing of the capital programme</i> | 1,498,434                     | 223,386                   | -210,379                   | 1,511,441                     | 184,612                   | -86,000                    | 1,610,053                     |
| <b>Revaluation of Assets Reserve</b><br><i>To contribute towards the revaluation of the Council's assets every five years.</i>   | 6,000                         | 2,000                     | 0                          | 8,000                         | 2,000                     | -8,800                     | 1,200                         |
| <b>Clean Air Reserve</b><br><i>To fund clean air survey work</i>   | 3,641                         |                           | -480                       | 3,161                         |                           | -480                       | 2,681                         |
| <b>Equipment Reserve</b><br><i>To fund essential and urgent equipment requirements</i>   | 43,170                        | 47,166                    | -6,240                     | 84,096                        | 34,635                    | -25,171                    | 93,560                        |



## Notes to the Core Financial Statements

| General Fund  | Balance<br>at 31<br>March<br>2013<br>£ | Transfers<br>In<br>2013/14<br>£ | Transfers<br>Out<br>2013/14<br>£ | Balance<br>at 31<br>March<br>2014<br>£ | Transfers<br>In<br>2014/15<br>£ | Transfers<br>Out<br>2014/15<br>£ | Balance<br>at 31<br>March<br>2015<br>£ |
|---|--|---------------------------------|----------------------------------|--|---------------------------------|----------------------------------|--|
| <b>Forest of Bowland Reserve</b><br><i>To fund access improvement schemes within the Ribble Valley section of the Forest of Bowland</i> | 34,646                                 |                                 | -5,000                           | 29,646                                 |                                 |                                  | 29,646                                 |
| <b>Invest to Save Fund</b><br><i>To fund future invest to save projects</i>   | 250,000                                |                                 |                                  | 250,000                                |                                 |                                  | 250,000                                |
| <b>Land Charges Reserve</b><br><i>To fund any potential restitution claims for personal search fees</i>                                 | 34,356                                 | 11,000                          | -34,356                          | 11,000                                 |                                 | -6,526                           | 4,474                                  |
| <b>Pendle Hill User Reserve</b><br><i>To fund improvement schemes on Pendle Hill</i>  | 13,512                                 | 3,191                           |                                  | 16,703                                 | 191                             | -3,247                           | 13,647                                 |
| <b>Planning Reserve</b><br><i>To fund any future potential planning issues</i>  | 309,071                                |                                 | -131,051                         | 178,020                                | 55,110                          | -17,188                          | 215,942                                |
| <b>Promotional Activities Reserve</b><br><i>To fund planned publicity and promotional activities</i>                                    | 0                                      | 12,110                          |                                  | 12,110                                 | 9,260                           | -12,110                          | 9,260                                  |
| <b>Crime Reduction Partnership Reserve</b><br><i>To fund cost of crime reduction initiatives</i>  | 29,475                                 | 475                             |                                  | 29,950                                 | 11,770                          | -22,615                          | 19,105                                 |
| <b>Housing Benefit Reserve</b><br><i>To help meet the challenges facing the service in the coming years</i>                             | 100,000                                |                                 |                                  | 100,000                                |                                 |                                  | 100,000                                |
| <b>Wellbeing and Health Equality</b><br><i>To fund expenditure on Wellbeing and Health</i>  | 47,428                                 |                                 |                                  | 47,428                                 |                                 |                                  | 47,428                                 |
| <b>Exercise Referral Reserve</b><br><i>To fund potential residual staffing costs</i>  | 6,157                                  | 276                             |                                  | 6,433                                  | 13,750                          |                                  | 20,183                                 |
| <b>Clitheroe Cemetery Reserve</b><br><i>To finance any future liabilities from the cemetery extension</i>                               | 3,640                                  |                                 |                                  | 3,640                                  |                                 |                                  | 3,640                                  |
| <b>New Homes Bonus Reserve</b><br><i>To help finance future economic development capital schemes</i>                                    | 121,691                                | 317,727                         | -100,000                         | 339,418                                | 261,026                         | -95,029                          | 505,415                                |
| <b>Core Strategy Reserve</b><br><i>To fund the production of the Core Strategy</i>  | 160,097                                | 2,340                           | -79,337                          | 83,100                                 |                                 | -60,647                          | 22,453                                 |
| <b>Emergency Planning Reserve</b><br><i>To fund the production of District Emergency and Business Continuity Plans</i>                  | 1,270                                  |                                 | -1,270                           | 0                                      |                                 |                                  | 0                                      |

## Notes to the Core Financial Statements

| General Fund   | Balance at 31 March 2013<br>£ | Transfers In 2013/14<br>£ | Transfers Out 2013/14<br>£ | Balance at 31 March 2014<br>£ | Transfers In 2014/15<br>£ | Transfers Out 2014/15<br>£ | Balance at 31 March 2015<br>£ |
|--|-------------------------------|---------------------------|----------------------------|-------------------------------|---------------------------|----------------------------|-------------------------------|
| <b><u>CCTV Reserve</u></b>   |                               |                           |                            |                               |                           |                            |                               |
| <i>To fund purchase of additional CCTV Equipment</i>   | 1,000                         |                           | -1,000                     | 0                             |                           |                            | 0                             |
| <b><u>Housing Related Grants Reserve</u></b>   |                               |                           |                            |                               |                           |                            |                               |
| <i>Residual grant received, to be committed to future grant schemes</i>  | 29,931                        | 23,488                    | -27,217                    | 26,202                        | 20,876                    | -20,598                    | 26,480                        |
| <b><u>Business Rates Volatility Reserve</u></b>  |                               |                           |                            |                               |                           |                            |                               |
| <i>To provide some protection against business rates volatilities</i>  | 135,904                       | 76,800                    |                            | 212,704                       | 102,047                   |                            | 314,751                       |
| <b><u>Community Right to Bid/Challenge</u></b>   |                               |                           |                            |                               |                           |                            |                               |
| <i>To fund any future costs under the Community Right to Bid and Community Right to Challenge Regulations</i>          | 13,420                        | 16,402                    |                            | 29,822                        | 16,402                    |                            | 46,224                        |
| <b><u>Voluntary Organisation Grant Reserve</u></b>   |                               |                           |                            |                               |                           |                            |                               |
| <i>To fund schemes carried out by the Voluntary Sector</i>   | 3,720                         |                           | -3,720                     | 0                             |                           |                            | 0                             |
| <b><u>Grant Funded Sports Development</u></b>  |                               |                           |                            |                               |                           |                            |                               |
| <i>To finance future Sports Development grant funded expenditure</i>   | 6,283                         | 1,500                     | -6,283                     | 1,500                         | 2,000                     |                            | 3,500                         |
| <b><u>Human Resource Development</u></b>   |                               |                           |                            |                               |                           |                            |                               |
| <i>To provide for staff training commitments</i>   | 3,100                         | 27,500                    | -3,100                     | 27,500                        |                           |                            | 27,500                        |
| <b><u>Whalley Moor Reserve</u></b>   |                               |                           |                            |                               |                           |                            |                               |
| <i>Grant received towards work at Whalley Moor Woodland</i>  | 0                             | 4,970                     |                            | 4,970                         |                           |                            | 4,970                         |
| <b><u>Inspire III Reserve</u></b>  |                               |                           |                            |                               |                           |                            |                               |
| <i>Grant received from DEFRA which will be used to fund future Inspire III work</i>                                    | 0                             | 7,131                     |                            | 7,131                         |                           | -7,131                     | 0                             |
| <b><u>Individual Electoral Registration Reserve</u></b>  |                               |                           |                            |                               |                           |                            |                               |
| <i>Grant received for the implementation of Individual Electoral Registration which will be used to fund this work</i> | 0                             | 17,024                    |                            | 17,024                        | 37,276                    | -31,012                    | 23,288                        |

## Notes to the Core Financial Statements

| General Fund  | Balance<br>at 31<br>March<br>2013<br>£ | Transfers<br>In<br>2013/14<br>£ | Transfers<br>Out<br>2013/14<br>£ | Balance<br>at 31<br>March<br>2014<br>£ | Transfers<br>In<br>2014/15<br>£ | Transfers<br>Out<br>2014/15<br>£ | Balance<br>at 31<br>March<br>2015<br>£ |
|---|--|---------------------------------|----------------------------------|--|---------------------------------|----------------------------------|--|
| <b><u>Vehicle &amp; Plant Repairs and Renewals Reserve</u></b>                                    |  |                                 |                                  |  |                                 |                                  |  |
| Resources set aside to fund a repairs and renewals fund for the replacement of Vehicles and Plant |  |                                 |                                  |  | 300,000                         |                                  | 300,000                                |
| <b><u>Clitheroe Food Festival</u></b>   |  |                                 |                                  |  |                                 |                                  |  |
| Resources set aside to help support the costs associated with the Clitheroe Food Festival         |  |                                 |                                  |  | 6,204                           |                                  | 6,204                                  |
| <b><u>Repossession Prevention Fund Reserve</u></b>  |  |                                 |                                  |  |                                 |                                  |  |
| Ring-fenced DCLG funded reserve to help prevent repossessions and homelessness.                   |  |                                 |                                  |  | 34,211                          |                                  | 34,211                                 |
| <b><u>Neighbourhood Planning Reserve</u></b>  |  |                                 |                                  |  |                                 |                                  |  |
| DCLG Neighbourhood Planning Grant received to fund future related expenditure                     |  |                                 |                                  |  | 10,000                          |                                  | 10,000                                 |
| <b><u>Civic Suite Reserve</u></b>   |  |                                 |                                  |  |                                 |                                  |  |
| Resources set aside to fund future capital spend on the council chamber.                          |  |                                 |                                  |  | 11,420                          |                                  | 11,420                                 |
| <b><u>Tour of Britain Reserve</u></b>   |  |                                 |                                  |  |                                 |                                  |  |
| To fund the potential cost of hosting a stage of the Tour of Britain Cycle Race                   |  |                                 |                                  |  | 90,000                          | -174                             | 89,826                                 |
|   | 4,646,790                              | 1,302,246                       | -856,438                         | 5,092,598                              | 1,617,744                       | -768,875                         | 5,941,467                              |

## Notes to the Core Financial Statements

**8 PROPERTY, PLANT AND EQUIPMENT**

| Movements in 2014/15   | Other Land and Buildings<br>£'000 | Vehicles, Plant, Furniture and Equipment<br>£'000 | Infra-Structure Assets<br>£'000 | Community Assets<br>£'000 | Surplus Assets (Not Held for Sale)<br>£'000 | Total Property, Plant and Equipment<br>£'000 |
|--|-----------------------------------|---|---------------------------------|---------------------------|---|--|
| <b><u>Cost or Valuation</u></b>  |                                   |   |                                 |                           |   |  |
| At 1 April 2014  | 11,002                            | 4,187   | 353                             | 1,592                     | 60  | 17,194                                       |
| Additions/Acquisitions   | 33                                | 66  | 4                               | 0                         | 52  | 155  |
| Derecognition - Disposal   | 0                                 | -142  | 0                               | 0                         | 0   | -142   |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve                          | 223                               | 0   | 0                               | 0                         | 5   | 228  |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | -203                              | 0   | 0                               | 0                         | 0   | -203   |
| Assets reclassified and transfers  | -26                               | 0   | 0                               | 0                         | 0   | -26  |
| <b>At 31 March 2015</b>  | <b>11,029</b>                     | <b>4,111</b>                                      | <b>357</b>                      | <b>1,592</b>              | <b>117</b>                                  | <b>17,206</b>                                |
| <b><u>Accumulated Depreciation and Impairments</u></b>   |                                   |   |                                 |                           |   |  |
| At 1 April 2014  | -984                              | -1,843  | -25                             | -11                       | -6  | -2,869                                       |
| Derecognition - Disposal   | 0                                 | 120   | 0                               | 0                         | 0   | 120  |
| Depreciation Charge  | -183                              | -514  | -9                              | -3                        | -1  | -710   |
| Depreciation written out to the Revaluation Reserve  | 900                               | 0   | 0                               | 0                         | 7   | 907  |
| Depreciation Written Out to the Surplus/Deficit on the Provision of Services                     | 13                                | 0   | 0                               | 0                         | 0   | 13   |
| Impairment (Losses) /Reversals recognised in the Revaluation Reserve                             | 236                               | 0   | 0                               | 0                         | 0   | 236  |
| Impairment (Losses) /Reversals recognised in the Surplus/Deficit on the Provision of Services    | 16                                | 0   | 0                               | 0                         | 0   | 16   |
| Reclassifications and Transfers  | 2                                 | 0   | 0                               | 0                         | 0   | 2  |
| <b>At 31 March 2015</b>  | <b>0</b>                          | <b>-2,237</b>                                     | <b>-34</b>                      | <b>-14</b>                | <b>0</b>                                    | <b>-2,285</b>                                |
| <b><u>Net Book Value</u></b>   |                                   |   |                                 |                           |   |  |
| <b>at 31 March 2014</b>  | <b>10,018</b>                     | <b>2,344</b>                                      | <b>328</b>                      | <b>1,581</b>              | <b>54</b>                                   | <b>14,325</b>                                |
| <b>at 31 March 2015</b>  | <b>11,029</b>                     | <b>1,874</b>                                      | <b>323</b>                      | <b>1,578</b>              | <b>117</b>                                  | <b>14,921</b>                                |

## Notes to the Core Financial Statements

| Movements in 2013/14   | Other Land and Buildings<br>£'000 | Vehicles, Plant, Furniture and Equipment<br>£'000 | Infra-Structure Assets<br>£'000 | Community Assets<br>£'000 | Surplus Assets (Not Held for Sale)<br>£'000 | Total Property, Plant and Equipment<br>£'000 |
|--|-----------------------------------|---|---------------------------------|---------------------------|---|--|
| <b><u>Cost or Valuation</u></b>  |                                   |   |                                 |                           |   |  |
| At 1 April 2013  | 11,002                            | 3,471   | 239                             | 1,560                     | 80  | 16,352                                       |
| Additions/Acquisitions   | 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  |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | 0                                 | 0   | 0                               | 0                         | 0   | 0  |
| Assets reclassified and transfers  | 0                                 | 0   | 0                               | 0                         | -1  | -1   |
| <b>At 31 March 2014</b>  | <b>11,002</b>                     | <b>4,187</b>                                      | <b>353</b>                      | <b>1,592</b>              | <b>60</b>                                   | <b>17,194</b>                                |
| <b><u>Accumulated Depreciation and Impairments</u></b>   |                                   |   |                                 |                           |   |  |
| 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  |
| Depreciation Written Out to the Surplus/Deficit on the Provision of Services                     | 0                                 | 0   | 0                               | 0                         | 0   | 0  |
| Impairment (Losses)/Reversals recognised in the Revaluation Reserve                              | 0                                 | 0   | 0                               | 0                         | 0   | 0  |
| Impairment (Losses)/Reversals recognised in the Surplus/Deficit on the Provision of Services     | 0                                 | 0   | 0                               | 0                         | 0   | 0  |
| Reclassifications and Transfers  | 0                                 | 0   | 0                               | 0                         | 0   | 0  |
| <b>At 31 March 2014</b>  | <b>-984</b>                       | <b>-1,843</b>                                     | <b>-25</b>                      | <b>-11</b>                | <b>-6</b>                                   | <b>-2,869</b>                                |
| <b>Net Book Value</b>  |                                   |   |                                 |                           |   |  |
| <b>at 31 March 2013</b>  | <b>10,201</b>                     | <b>2,000</b>                                      | <b>220</b>                      | <b>1,552</b>              | <b>74</b>                                   | <b>14,047</b>                                |
| <b>at 31 March 2014</b>  | <b>10,018</b>                     | <b>2,344</b>                                      | <b>328</b>                      | <b>1,581</b>              | <b>54</b>                                   | <b>14,325</b>                                |

## Notes to the Core Financial Statements

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### Depreciation

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

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

The useful economic life used for an asset in the calculation of depreciation will only differ from the above table where an updated asset life is provided at the time of any revaluation of council assets. Such updated asset lives would be used for future depreciation calculations.

Assets are not depreciated in the year of acquisition but they are depreciated in the year of disposal. If an asset has major components with different estimated useful lives, these components are depreciated separately.

Revaluation gains are also depreciated with the difference between the current value depreciation and the historical cost depreciation being transferred from the Revaluation Reserve to the Capital Adjustment Account.

### Capital Commitments

At 31 March 2015 and 31 March 2014, the Council had no major capital commitments.

### Effects of Changes in Estimates

In 2014/15 the Council made no material changes to its accounting estimates for Property, Plant and Equipment.

### Revaluations

The freehold and leasehold properties, which comprise the Council's property portfolio, were revalued on 1 March 2015 by the district valuer, Mr A T Snape BA (Hons) MRICS of the District Valuer Services (DVS), which is the commercial arm of the Valuation Office Agency, Preston. The valuations were made in accordance with the RICS Valuation Standards 6<sup>th</sup> Edition as published by the Royal Institute of Chartered Surveyors.

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**Notes to the Core Financial Statements**

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For each asset under Property, Plant and Equipment an Existing Use Value (EUV) was provided, unless they fell under one of the following categories.

In the case of specialised properties, that is, those properties which are rarely, if ever, sold in the market, except by way of a sale of the business or entity of which it is part, due to uniqueness arising from its specialised nature and design, its configuration, size, location or otherwise, the valuation approach used was Depreciated Replacement Cost (DRC). The DRC approach requires an estimate of the current cost of reproduction or replacement of an asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation. Such DRC valuations were made having regard to the prospect and viability of the continuance of the occupancy and use.

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).

Assets being Held for Sale were also valued at Market Value (MV).

#### **Componentisation**

Where the council holds an asset with a value of £500,000 or above, any significant element of that asset would be treated as a separate component for the purposes of asset recognition, measurement, impairment, depreciation or disposal. A 'significant element' is any element of an asset with a value of 10% or above of the overall asset value. As at 31 March 2015 there are no assets with separately treated components.

## 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<br>£'000 | Clitheroe Castle Museum Collection<br>£'000 | Civic Regalia<br>£'000 | Roman Bath Site Ribchester<br>£'000 | Total Heritage Assets<br>£'000 |
|---|-----------------------------------|---|------------------------|-------------------------------------|--------------------------------|
| <i><u>Cost or Valuation</u></i>   |                                   |   |                        |                                     |                                |
| At 1 April 2013   | 0                                 | 750   | 57                     | 0                                   | 807                            |
| Revaluations  | 0                                 | 53  | 0                      | 0                                   | 53                             |
| <b>At 31 March 2014</b>   | <b>0</b>                          | <b>803</b>                                  | <b>57</b>              | <b>0</b>                            | <b>860</b>                     |
| <i><u>Cost or Valuation</u></i>   |                                   |   |                        |                                     |                                |
| At 1 April 2014   | 0                                 | 803   | 57                     | 0                                   | 860                            |
| Revaluations  | 0                                 | 24  | 8                      | 0                                   | 32                             |
| <b>At 31 March 2015</b>   | <b>0</b>                          | <b>827</b>                                  | <b>65</b>              | <b>0</b>                            | <b>892</b>                     |

**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 2014/15 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.

|  | 2013/14<br>£    | 2014/15<br>£    |
|--|-----------------|-----------------|
| Rental income from investment property                     | -100,363        | -98,586         |
| Movement in Market Value of Investment Properties          | -225,000        | -38,327         |
| Direct operating expenses arising from investment property | 36,194          | 36,727          |
| <b>Net (Gain)/Loss</b>                                     | <b>-289,169</b> | <b>-100,186</b> |

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.

|  | 2013/14<br>£'000 | 2014/15<br>£'000 |
|--|------------------|------------------|
| <b>Balance at the start of the year</b>      | <b>820</b>       | <b>1,045</b>     |
| Disposals                                    | 0                | -165             |
| Net gains/losses from fair value adjustments | 225              | 38               |
| <b>Balance at end of the year</b>            | <b>1,045</b>     | <b>918</b>       |

## Notes to the Core Financial Statements

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### 11 INTANGIBLE ASSETS

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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 2013/14 related to software in the planning service. There was no further expenditure in 2014/15.

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                 | 2013/14<br>£'000 | 2014/15<br>£'000 |
|---|------------------|------------------|
| <i>Balance at start of year:</i>            |                  |                  |
| Gross carrying amount                       | 149              | 161              |
| Accumulated amortisation                    | -23              | -50              |
| <b>Net carrying amount at start of year</b> | <b>126</b>       | <b>111</b>       |
| <i>Movement in year:</i>                    |                  |                  |
| Expenditure in Year                         | 12               | 0                |
| Written Off to Revenue in year              | -27              | -29              |
| <b>Balance at 31 March</b>                  | <b>111</b>       | <b>82</b>        |

## 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<br>2014<br>£ | 31 March<br>2015<br>£ | 31 March<br>2014<br>£ | 31 March<br>2015<br>£ |
| <u>Investments</u>                               |                       |                       |                       |                       |
| Financial Asset Held for Sale                    | 0                     | 0                     | 0                     | 10,000                |
| Loans and receivables                            | 0                     | 0                     | 3,257,779             | 5,428,723             |
| <b>Total Investments</b>                         | <b>0</b>              | <b>0</b>              | <b>3,257,779</b>      | <b>5,438,723</b>      |
| <u>Debtors</u>                                   |                       |                       |                       |                       |
| Loans and receivables                            | 330,938               | 318,579               | 0                     |                       |
| Financial assets carried at contract amount      | 0                     | 0                     | 817,829               | 735,377               |
| <b>Total Debtors</b>                             | <b>330,938</b>        | <b>318,579</b>        | <b>817,829</b>        | <b>735,377</b>        |
| <u>Borrowings</u>                                |                       |                       |                       |                       |
| Financial liabilities at amortised cost          | -240,450              | -205,057              | -53,250               | -35,393               |
| <b>Total Borrowings</b>                          | <b>-240,450</b>       | <b>-205,057</b>       | <b>-53,250</b>        | <b>-35,393</b>        |
| <u>Creditors</u>                                 |                       |                       |                       |                       |
| Financial liabilities carried at contract amount | 0                     | 0                     | -665,559              | -704,054              |
| <b>Total Creditors</b>                           | <b>0</b>              | <b>0</b>              | <b>-665,559</b>       | <b>-704,054</b>       |

The Financial Instruments categorised above represent:

- Amounts shown under Financial Asset Held for Sale represent the subscribed for shares in the Local Capital Finance Company.
- Amounts shown under Investments as 'loans and receivables' consist of cash held by the council, bank accounts and short term investments.
- Amounts shown under debtors as 'loans and receivables' consist of car loans and a loan to Roefield Leisure Centre.
- Amounts shown under debtors as 'financial assets carried at contract amount' represents net operational (sundry) debtors.
- Amounts shown under borrowings as 'financial liabilities at amortised cost' are loans with the Public Works Loan Board.
- Amounts shown under creditors as 'financial liabilities at contract amount' are the Council's operational creditors.

## Notes to the Core Financial Statements

Income, Expenses, Gains and Losses

|                   | 2013/2014  |   | 2014/2015  |   |
|-------------------|--|---|--|---|
|                   | Financial Liabilities measured at amortised cost | Financial Assets: Loans and receivables | Financial Liabilities measured at amortised cost | Financial Assets: Loans and receivables |
|                   | £  | £                                       | £  | £                                       |
| Interest expenses | 16,463   | 7,154                                   | 13,199   | 7,426                                   |
| Interest Income   | 0  | -31,154                                 | 0  | -36,369                                 |
| <b>Total</b>      | <b>16,463</b>                                    | <b>-24,000</b>                          | <b>13,199</b>                                    | <b>-28,943</b>                          |

Fair Values of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions.

- For loans from the Public Works Loan Board the fair value has been calculated by reference to the premature repayment set of rates in force on 31 March 2014 and 31 March 2015 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 2014   |            | 31 March 2015   |            |
|-----------------------|-----------------|------------|-----------------|------------|
|                       | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
|                       | £               | £          | £               | £          |
| Financial Liabilities | 293,701         | 335,210    | 240,450         | 295,031    |

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 2014   |            | 31 March 2015   |            |
|-------------------|-----------------|------------|-----------------|------------|
|                   | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
|                   | £               | £          | £               | £          |
| Long-term debtors | 330,938         | 330,938    | 318,579         | 318,579    |

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

## Notes to the Core Financial Statements

## 13 INVENTORIES

|   | <u>General Stores</u> |               | <u>Other Stocks</u> |               | <u>Totals</u>   |                 |
|---|-----------------------|---------------|---------------------|---------------|-----------------|-----------------|
|   | 2013/14<br>£          | 2014/15<br>£  | 2013/14<br>£        | 2014/15<br>£  | 2013/14<br>£    | 2014/15<br>£    |
| <b>Balance outstanding at start of year</b> | <b>65,167</b>         | <b>75,491</b> | <b>14,771</b>       | <b>14,055</b> | <b>79,938</b>   | <b>89,546</b>   |
| Purchases                                   | 266,354               | 256,465       | 42,083              | 37,421        | <b>308,437</b>  | <b>293,886</b>  |
| Recognised as an expense in the year        | -256,135              | -275,186      | -41,272             | -40,961       | <b>-297,407</b> | <b>-316,147</b> |
| Written Off balances                        | 105                   | 106           | -1,527              | 0             | <b>-1,422</b>   | <b>106</b>      |
| <b>Balance outstanding at year-end</b>      | <b>75,491</b>         | <b>56,876</b> | <b>14,055</b>       | <b>10,515</b> | <b>89,546</b>   | <b>67,391</b>   |

## 14 DEBTORS

|  | 31 March 2014<br>£ | 31 March 2015<br>£ |
|--|--------------------|--------------------|
| Central government bodies              | 77,231             | 128,217            |
| Other local authorities                | 183,950            | 215,083            |
| NHS Bodies                             | 5,549              | 21,387             |
| Public corporations and trading funds  | 8,013              | 7,286              |
| Other entities and individuals         |                    |                    |
| - House Purchase and Improvement Loans | 492                | 178                |
| - Sundry Debtors                       | 1,069,949          | 710,623            |
| - Business Rates                       | 240,783            | 197,050            |
| - Council Tax                          | 85,287             | 98,629             |
| - Prepayments                          | 114,656            | 170,568            |
| - Impairment                           | -276,758           | -308,676           |
| <b>Total</b>                           | <b>1,509,152</b>   | <b>1,240,345</b>   |

## Notes to the Core Financial Statements

**15 CASH AND CASH EQUIVALENTS**

|                          | 31 March 2014<br>£ | 31 March 2015<br>£ |
|--------------------------|--------------------|--------------------|
| Cash held by the Council | 6,593              | 8,734              |
| Bank current accounts    | 201,186            | 199,989            |
| Short Term Investments   | 3,050,000          | 5,220,000          |
| <b>Subtotal</b>          | <b>3,257,779</b>   | <b>5,428,723</b>   |

**16 ASSETS HELD FOR SALE**

|   | <u>Current</u><br>2013/14<br>£ | 2014/15<br>£  |
|---|--------------------------------|---------------|
| <b>Balance outstanding at start of year</b>   | <b>86,750</b>                  | <b>38,600</b> |
| Assets newly classified as held for sale:     |                                |               |
| - Other assets /liabilities in disposal group | 1,000                          | 26,600        |
| Revaluation losses                            | -23,400                        | -23,350       |
| Assets sold                                   | -25,750                        | -38,600       |
| <b>Balance outstanding at year-end</b>        | <b>38,600</b>                  | <b>3,250</b>  |

**17 CREDITORS**

|                                       | 31 March 2014<br>£ | 31 March 2015<br>£ |
|---------------------------------------|--------------------|--------------------|
| Central government bodies             | -490,253           | -750,002           |
| Other local authorities               | -40,710            | -376,256           |
| NHS Bodies                            | -609               | -143               |
| Public corporations and trading funds | -18,547            | -26,182            |
| Other entities and individuals        |                    |                    |
| Sundry Creditors                      | -555,842           | -393,081           |
| Business Rates                        | -36,617            | -32,013            |
| Council Tax                           | -51,611            | -52,340            |
| Commuted Sums                         | -112,550           | -121,822           |
| Refundable Deposits                   | -9,813             | -9,605             |
| Receipts in Advance                   | -70,809            | -69,388            |
| <b>Total</b>                          | <b>-1,387,361</b>  | <b>-1,830,832</b>  |

**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       | 2013/14<br>£   | 2014/15<br>£   |
|--|----------------|----------------|
| <b>Balance at 1 April</b>              | <b>0</b>       | <b>147,200</b> |
| Additional provisions made in the year | 147,200        | 39,680         |
| <b>Balance at 31 March</b>             | <b>147,200</b> | <b>186,880</b> |

**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 2014<br>£                        | 31 March 2015<br>£ |
|---|--------------------|
| 2,058,402 General Fund Balance            | 2,103,114          |
| 5,092,598 Earmarked General Fund Reserves | 5,941,467          |
| 28,959 Usable Capital Receipts Reserve    | 458,239            |
| 46,158 Capital Grants Unapplied           | 13,822             |
| <b>7,226,117 Total Usable Reserves</b>    | <b>8,516,642</b>   |

**General Fund Balance**

The general fund balance is a usable reserve of the council which is not earmarked or set aside for any specific purpose.

It is very important to maintain healthy levels of general fund balances to cover for unforeseen events and also provide a stable level of resources for future planning.

| 2013/2014<br>£  | 2014/2015<br>£   |
|---|------------------|
| <b>1,699,748 Opening General Fund balance</b>                 | <b>2,058,402</b> |
| 358,654 Net amount added to (taken from) General Fund balance | 44,712           |
| <b>2,058,402 Closing General Fund balance</b>                 | <b>2,103,114</b> |

## Notes to the Core Financial Statements

### Earmarked General Fund Reserves

Unlike the general fund balance, the council's Earmarked General fund Reserves have been set aside for a specific purpose. The Council has a variety of earmarked reserves and the specific details of each one can be seen at Note 7.

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

| 2013/2014<br>£  | 2014/2015<br>£   |
|---|------------------|
| <b>4,646,790</b> Opening Earmarked General Fund Reserves    | <b>5,092,598</b> |
| 1,302,246 Amounts added to Earmarked General Fund Reserves  | 1,617,744        |
| -856,438 Amounts taken from Earmarked General Fund Reserves | -768,875         |
| <b>5,092,598</b> Closing Earmarked General Fund Reserves    | <b>5,941,467</b> |

### Capital Grants Unapplied

Where a capital grant or contribution has been recognised as income in the Comprehensive Income and Expenditure Statement, but the expenditure to be financed from that grant or contribution has not been incurred at the Balance Sheet date, the grant or contribution is transferred to the Capital Grants Unapplied Account reflecting its status as a capital resource available to finance expenditure.

| 2013/2014<br>£  | 2014/2015<br>£ |
|---|----------------|
| <b>335,751</b> Opening Capital Grants Unapplied   | <b>46,158</b>  |
| 296 Amounts added to Capital Grants Unapplied   | 1,875          |
| 0 Amounts released from Capital Grants Unapplied and Recategorised as an Earmarked Reserve for Revenue Grant Purposes | -34,211        |
| -289,889 Amounts taken from Capital Grants Unapplied  | 0              |
| <b>46,158</b> Closing Capital Grants Unapplied  | <b>13,822</b>  |

### Usable Capital Receipts Reserve

Capital Receipts arise from the sale of assets owned by the Council. Any receipts from General Fund asset sales are credited to the Usable Capital Receipts Reserve to finance future capital expenditure.

| 2013/2014<br>£   | 2014/2015<br>£ |
|--|----------------|
| <b>0</b> Opening Usable Capital Receipts Reserve               | <b>28,959</b>  |
| 103,260 Amounts added to the Usable Capital Receipts Reserve   | 452,670        |
| -74,301 Amounts taken from the Usable Capital Receipts Reserve | -23,390        |
| <b>28,959</b> Closing Usable Capital Receipts Reserve          | <b>458,239</b> |



**20 UNUSABLE RESERVES**

| 31 March 2014<br>£                 | 31 March 2015<br>£ |
|------------------------------------|--------------------|
| 8,498,529                          | 7,739,254          |
| Capital Adjustment Account         |                    |
| -78,999                            | -55,133            |
| Collection Fund Adjustment Account |                    |
| 4,146,946                          | 5,475,219          |
| Revaluation Reserve                |                    |
| 492                                | 178                |
| Deferred Capital Receipts Account  |                    |
| -12,007,324                        | -17,122,324        |
| Pension Reserve                    |                    |
| -61,491                            | -59,605            |
| Accumulated Absences Account       |                    |
| <b>498,153</b>                     | <b>-4,022,411</b>  |
| <b>Total Unusable Reserves</b>     |                    |

**Capital Adjustment Account**

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

| 2013/2014<br>£    |  | 2014/2015<br>£ | £                 |
|-------------------|--|----------------|-------------------|
| 7,950,674         | <b>Balance at 1 April</b>  |                | 8,498,529         |
|                   | <b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive income and Expenditure statement</b>                         |                |                   |
| -651,176          | - Charges for depreciation and impairment of non-current assets  | -710,408       |                   |
| -40,720           | - Revaluation losses on Property, Plant and Equipment  | -190,590       |                   |
| -26,743           | - Amortisation of intangible assets  | -29,138        |                   |
| -351,124          | - Revenue expenditure funded from capital under statute  | -277,857       |                   |
| -65,697           | - 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 | -217,850       |                   |
| <b>-1,135,460</b> |  |                | <b>-1,425,843</b> |
| 63,671            | Adjusting amounts written out of the Revaluation Reserve   |                | 63,671            |
| <b>6,878,885</b>  | <b>Net written out amount of the cost of non-current assets consumed in the year</b>   |                | <b>7,136,357</b>  |
|                   | <b>Capital financing applied in the year</b>   |                |                   |
| 73,400            | - Use of the Capital Receipts Reserve to finance new capital expenditure   | 23,390         |                   |
| 697,018           | - Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing              | 122,536        |                   |
| 289,889           | - Application of grants to capital financing from the Capital Grants Unapplied Account   | 0              |                   |
| 136,834           | - Statutory provision for the financing of capital investment charged against the General Fund   | 135,859        |                   |
| 197,503           | - Capital expenditure charged against the General Fund balance   | 230,785        |                   |
| <b>1,394,644</b>  |  |                | <b>512,570</b>    |
|                   | 0 Donated Assets   |                | 52,000            |
| 225,000           | Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement                           |                | 38,327            |
| <b>8,498,529</b>  | <b>Balance at 31 March</b>   |                | <b>7,739,254</b>  |

## Notes to the Core Financial Statements

**Collection Fund Adjustment Account**

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

| 2013/2014<br>£ | 2014/2015<br>£ |
|----------------|----------------|
| <b>-22,915</b> | <b>-78,999</b> |
| 20,716         | 35,960         |
| -76,800        | -12,094        |
| <b>-78,999</b> | <b>-55,133</b> |

**Revaluation Reserve**

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost
- Used in the provision of services and the gains are consumed through depreciation, or
- Disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

| 2013/2014<br>£   | 2014/2015<br>£   |
|------------------|------------------|
| <b>4,178,267</b> | <b>4,146,946</b> |
| 53,400           | 1,868,098        |
| 0                | -468,517         |
| <b>53,400</b>    | <b>1,399,581</b> |
| -63,671          | -63,671          |
| -21,050          | -7,637           |
| <b>-84,721</b>   | <b>-71,308</b>   |
| <b>4,146,946</b> | <b>5,475,219</b> |

## 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.

| 2013/2014<br>£  | 2014/2015<br>£ |
|---|----------------|
| <b>1,693</b>  | <b>492</b>     |
| <b>Balance at 1 April</b>                                     |                |
| -1,201  | -314           |
| Transfer to the Capital Receipts Reserve upon receipt of cash |                |
| <b>492</b>  | <b>178</b>     |
| <b>Balance at 31 March</b>                                    |                |

### 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.

| 2013/2014<br>£   | 2014/2015<br>£     |
|--|--------------------|
| <b>-16,371,324</b>   | <b>-12,007,324</b> |
| <b>Balance at 1 April</b>  |                    |
| 5,314,000  | -4,525,000         |
| Remeasurements of the net defined benefit liability/(asset)  |                    |
| -1,774,000   | -1,521,000         |
| 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 |                    |
| 824,000  | 931,000            |
| Employer's pensions contributions and direct payments to pensioners payable in the year  |                    |
| <b>-12,007,324</b>   | <b>-17,122,324</b> |
| <b>Balance at 31 March</b>   |                    |

## Notes to the Core Financial Statements

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General fund Balance is neutralised by transfers to or from the Account.

| 2013/2014<br>£ |  | 2014/2015<br>£ |
|----------------|--|----------------|
| -60,111        | Balance at 1 April   | -61,491        |
| 60,111         | Settlement or cancellation of accrual made at the end of the preceding year  | 61,491         |
| -61,491        | Amounts accrued at the year end of the current year  | -59,605        |
| -1,380         | <b>Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements</b> | <b>1,886</b>   |
| -61,491        | Balance at 31 March  | -59,605        |

**21 CASH FLOW STATEMENT – OPERATING ACTIVITIES**

The cash flows for operating activities include the following items:

| 2013/2014<br>£ |                   | 2014/2015<br>£ |
|----------------|-------------------|----------------|
| -24,000        | Interest received | -28,943        |
| 16,463         | Interest paid     | 13,199         |

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

| 2013/2014<br>£ |  | 2014/2015<br>£ |
|----------------|--|----------------|
| 102,360        | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | 452,670        |
| <b>102,360</b> |  | <b>452,670</b> |

## Notes to the Core Financial Statements

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

| 2013/2014<br>£  |   | 2014/2015<br>£    |
|-----------------|---|-------------------|
| -651,176        | Depreciation  | -710,408          |
| -40,720         | Impairment and downward valuations  | -190,590          |
| 225,000         | Movements in market value of investment properties  | 38,327            |
| -26,743         | Amortisation  | -29,138           |
| 40,440          | Increase/decrease in creditors  | -145,833          |
| 219,208         | Increase/decrease in debtors  | -224,193          |
| 9,607           | Increase/decrease in inventories  | -22,155           |
| -147,200        | Increase/decrease in provisions   | -39,680           |
| -950,000        | Movement in pension liability   | -590,000          |
| -86,747         | Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised         | -225,487          |
| 697,018         | Capital Grants and Contributions Applied  | 122,536           |
| -351,125        | Revenue Expenditure Funded from Capital Under Statute   | -277,857          |
| 197,503         | Capital Expenditure Charged against General Fund Balances   | 230,785           |
| 296             | Capital Grants and Contributions Unapplied Credited to the Comprehensive Income and Expenditure Statement | -32,336           |
| -1,380          | Accumulated Absences Account  | 1,886             |
| 0               | Donated Assets  | 52,000            |
| <b>-866,019</b> |   | <b>-2,042,143</b> |

## 22 CASH FLOW STATEMENT – INVESTING ACTIVITIES

| 2013/2014<br>£ |  | 2014/2015<br>£  |
|----------------|--|-----------------|
| 1,371,846      | Purchase of property, plant and equipment, investment property and intangible assets               | 380,811         |
| 0              | Purchase of short-term and long-term investments   | 10,000          |
| -102,360       | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | -452,670        |
| -894,816       | Other receipts from investing activities   | -320,985        |
| <b>374,670</b> | <b>Net cash flows from investing activities</b>  | <b>-382,844</b> |

## 23 CASH FLOW STATEMENT – FINANCING ACTIVITIES

| 2013/2014<br>£  |   | 2014/2015<br>£  |
|-----------------|---|-----------------|
| 71,109          | Repayments of short- and long-term borrowing    | 53,250          |
| -184,409        | Other payments for financing activities         | -356,497        |
| <b>-113,300</b> | <b>Net cash flows from financing activities</b> | <b>-303,247</b> |

## Notes to the Core Financial Statements

**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<br>2014/2015 | Community Services<br>Committee<br>£ | Health and Housing<br>Committee<br>£ | Planning and<br>Development Committee<br>£ | Policy and Finance<br>Committee<br>£ | Total<br>£         |
|---|--------------------------------------|--------------------------------------|--|--------------------------------------|--------------------|
| Fees, charges and other service income        | -5,071,727                           | -275,328                             | -815,720                                   | -4,857,476                           | -11,020,251        |
| Government Grants                             | 0                                    | -7,752,140                           | 0  | -104,128                             | -7,856,268         |
| <b>Total Income</b>                           | <b>-5,071,727</b>                    | <b>-8,027,468</b>                    | <b>-815,720</b>                            | <b>-4,961,604</b>                    | <b>-18,876,519</b> |
| Employee related expenditure                  | 3,129,096                            | 2,620                                | 3,704                                      | 2,963,807                            | 6,099,227          |
| Other service expenses                        | 3,092,984                            | 7,662,819                            | 207,742                                    | 1,405,684                            | 12,369,229         |
| Support Services recharges                    | 1,390,329                            | 1,012,881                            | 1,100,435                                  | 2,289,315                            | 5,792,960          |
| Depreciation                                  | 640,163                              | 15,066                               | 7,544                                      | 76,773                               | 739,546            |
| <b>Total Expenditure</b>                      | <b>8,252,572</b>                     | <b>8,693,386</b>                     | <b>1,319,425</b>                           | <b>6,735,579</b>                     | <b>25,000,962</b>  |
| <b>Net Expenditure</b>                        | <b>3,180,845</b>                     | <b>665,918</b>                       | <b>503,705</b>                             | <b>1,773,975</b>                     | <b>6,124,443</b>   |

## Notes to the Core Financial Statements

| Committee Income and Expenditure<br>2013/2014 | Community Services<br>Committee<br>£ | Health and Housing<br>Committee<br>£ | Planning and<br>Development Committee<br>£ | Policy and Finance<br>Committee<br>£ | Total<br>£         |
|---|--------------------------------------|--------------------------------------|--|--------------------------------------|--------------------|
| 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         |
| <b>Total Income</b>                           | <b>-4,960,616</b>                    | <b>-8,212,440</b>                    | <b>-752,541</b>                            | <b>-5,022,079</b>                    | <b>-18,947,676</b> |
| 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            |
| <b>Total Expenditure</b>                      | <b>7,975,134</b>                     | <b>8,813,117</b>                     | <b>1,493,329</b>                           | <b>6,786,313</b>                     | <b>25,067,893</b>  |
| <b>Net Expenditure</b>                        | <b>3,014,518</b>                     | <b>600,677</b>                       | <b>740,788</b>                             | <b>1,764,234</b>                     | <b>6,120,217</b>   |

**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.

|   | 2013/2014<br>£   | 2014/2015<br>£   |
|---|------------------|------------------|
| <b>Net Expenditure in the Committee Analysis</b>  | <b>6,120,217</b> | <b>6,124,443</b> |
| Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis  | 262,023          | 371,697          |
| <b>Cost of Services, Gain/Loss on Trading Accounts and Gain/Loss on Investment Properties in Comprehensive Income and Expenditure Statement</b> | <b>6,382,240</b> | <b>6,496,140</b> |



## Notes to the Core Financial Statements

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.

| 2014/2015  | 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                 | -11,020,251        | 0  | -11,020,251   | 0                 | -11,020,251        |
| Interest and investment income                         | 0                  | 0  | 0   | -28,943           | -28,943            |
| Income from council tax                                | 0                  | 0  | 0   | -3,405,320        | -3,405,320         |
| Retained income from business rates                    | 0                  | 0  | 0   | -1,031,320        | -1,031,320         |
| Capital Grants, Contributions and Donations            | 0                  | 0  | 0   | -56,874           | -56,874            |
| Government grants and contributions                    | -7,856,268         | 0  | -7,856,268  | -2,559,059        | -10,415,327        |
| <b>Total Income</b>                                    | <b>-18,876,519</b> | <b>0</b>   | <b>-18,876,519</b>  | <b>-7,081,516</b> | <b>-25,958,035</b> |
| Employee related expenditure                           | 6,099,227          | 61,114   | 6,160,341   | 508,000           | 6,668,341          |
| Other service expenses                                 | 12,369,229         | 0  | 12,369,229  | 0                 | 12,369,229         |
| Support Service recharges                              | 5,792,960          | 0  | 5,792,960   | 0                 | 5,792,960          |
| Depreciation, amortisation and impairment              | 739,546            | 310,583  | 1,050,129   | 0                 | 1,050,129          |
| Interest payments                                      | 0                  | 0  | 0   | 13,199            | 13,199             |
| Precepts and levies                                    | 0                  | 0  | 0   | 376,666           | 376,666            |
| Pensions Administration Costs                          | 0                  | 0  | 0   | 19,000            | 19,000             |
| Payments to Housing Capital Receipts Pool              | 0                  | 0  | 0   | 235               | 235                |
| Gain or loss on disposal of Non-Current assets         | 0                  | 0  | 0   | -227,104          | -227,104           |
| <b>Total Expenditure</b>                               | <b>25,000,962</b>  | <b>371,697</b>   | <b>25,372,659</b>   | <b>689,996</b>    | <b>26,062,655</b>  |
| <b>Surplus or Deficit on the Provision of Services</b> | <b>6,124,443</b>   | <b>371,697</b>   | <b>6,496,140</b>  | <b>-6,391,520</b> | <b>104,620</b>     |

## Notes to the Core Financial Statements

| 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, Contributions and Donations            | 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        |
| <b>Total Income</b>                                    | <b>-18,947,676</b> | <b>-145,800</b>  | <b>-19,093,476</b>  | <b>-7,463,099</b> | <b>-26,556,575</b> |
| 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              |
| <b>Total Expenditure</b>                               | <b>25,067,893</b>  | <b>632,823</b>   | <b>25,700,716</b>   | <b>857,562</b>    | <b>26,558,278</b>  |
| <b>Surplus or Deficit on the Provision of Services</b> | <b>6,120,217</b>   | <b>487,023</b>   | <b>6,607,240</b>  | <b>-6,605,537</b> | <b>1,703</b>       |

## Notes to the Core Financial Statements

**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:

|  |                | 2013/2014      | 2014/2015      |
|--|----------------|----------------|----------------|
|  |                | £              | £              |
| <b>Clitheroe Market</b>  |                |                |                |
| <i>The Council own and operate the Clitheroe Market site, offering 41 cabins for rent to market traders together with 31 stalls and offering space for up to 8 pitches</i> | Turnover       | -111,938       | -114,345       |
|  | Expenditure    | 70,382         | 73,013         |
|  | <b>Surplus</b> | <b>-41,556</b> | <b>-41,332</b> |

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.

|                                   | 2013/2014      | 2014/2015      |
|-----------------------------------|----------------|----------------|
|                                   | £              | £              |
| Basic Allowance                   | 115,334        | 118,080        |
| Special Responsibility Allowances | 84,371         | 87,084         |
| Expenses                          | 6,096          | 4,486          |
|                                   | <b>205,801</b> | <b>209,650</b> |

## 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 |
|--|----------------|------------------|--|----------------|------------------|--|
|  | 2013/2014<br>£ | 2013/2014<br>£   | 2013/2014<br>£                                     | 2014/2015<br>£ | 2014/2015<br>£   | 2014/2015<br>£                                     |
| Chief Executive <sup>1</sup>                       | 97,346         | 8,511            | <b>105,857</b>                                     | 99,826         | 8,909            | <b>108,735</b>                                     |
| Director of Community Services                     | 77,292         | 7,597            | <b>84,889</b>                                      | 77,292         | 8,096            | <b>85,388</b>                                      |
| Director of Resources                              | 77,292         | 8,257            | <b>85,549</b>                                      | 77,292         | 7,876            | <b>85,168</b>                                      |
| Head of Financial Services                         | 50,490         | 5,839            | <b>56,329</b>                                      | 51,000         | 6,148            | <b>57,148</b>                                      |
| Head of Planning Services                          | 49,533         | 2,215            | <b>51,748</b>                                      | 51,000         | 2,637            | <b>53,637</b>                                      |
| Head of Legal and Democratic Services <sup>2</sup> | 40,392         | 2,588            | <b>42,980</b>                                      | 40,800         | 2,741            | <b>43,541</b>                                      |
|  | <b>392,345</b> | <b>35,007</b>    | <b>427,352</b>                                     | <b>397,210</b> | <b>36,407</b>    | <b>433,617</b>                                     |

<sup>1</sup> The values for the Chief Executive include Acting Returning Officers Fees, which fluctuate from year to year depending on the elections called. (2014/15 £2,500 and 2013/14 £2,081)

<sup>2</sup> The Head of Legal and Democratic Services works part-time and the role equates to 0.8 full time equivalent. The full time equivalent salary for this post was £51,000 in 2014/15 (£50,490 in 2013/14) and therefore this officer is required to be disclosed in this note.

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

Where an employee is a member of the Local Government Pension Scheme a contribution is made by the council to the pension scheme in addition to the employee's own contribution. The employee's contributions for all staff are made on a sliding scale dependant upon salary level as shown in the table below.

The table below shows the contribution rates that applied in the 2013/14 financial year.

## Notes to the Core Financial Statements

| Salary Banding 2013/2014 | Employee Contribution Rate |
|--------------------------|----------------------------|
| £0 - £13,700             | 5.5%                       |
| > £13,700 - £16,100      | 5.8%                       |
| > £16,100 - £20,800      | 5.9%                       |
| > £20,800 - £34,700      | 6.5%                       |
| > £34,700 - £46,500      | 6.8%                       |
| > £46,500 - £87,100      | 7.2%                       |
| > £87,100                | 7.5%                       |

Since 1 April 2014, following changes to the pension scheme, there are now a larger number of contribution bands than in previous years. The band that an employee falls within is now determined by reference to the actual pensionable pay received, not the full time equivalent rate of pay.

| Salary Banding 2014/2015 | Employee Contribution Rate |
|--------------------------|----------------------------|
| £0 - £13,500             | 5.50%                      |
| > £13,500 - £21,000      | 5.80%                      |
| > £21,000 - £34,000      | 6.50%                      |
| > £34,000 - £43,000      | 6.80%                      |
| > £43,000 - £60,000      | 8.50%                      |
| > £60,000 - £85,000      | 9.90%                      |
| > £85,000 - £100,000     | 10.50%                     |
| > £100,000 - £150,000    | 11.40%                     |
| > £150,000               | 12.50%                     |

In 2013/14, the contribution to the pension scheme which the council made was 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 2013/2014 were the Common Rate and a Ribble Valley Adjustment amount

For 2014/15, the contribution to the pension scheme which the council made was also based upon the employee's salary, but with a single rate of 14%. A further lump sum payment was also made by the council in year instead of the 'Ribble Valley Adjustment' amount paid in previous years.

| Elements of Contribution Rate                 | 2013/2014    | 2014/2015       |
|---|--------------|-----------------|
| Common Rate                                   | 12.5%        | 14.0%           |
| Ribble Valley Adjustment amount               | 4.6%         | 0.0%            |
| <b>Total Percentage Contribution Rate</b>     | <b>17.1%</b> | <b>14.0%</b>    |
| <b>Total Lump Sum Payment for the Council</b> | <b>£0</b>    | <b>£195,900</b> |

## Notes to the Core Financial Statements

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

### Remuneration Disclosure (including Pension Contributions)

| Post Holder Information                            | Total<br>Remuneration<br>excluding<br>Pension<br>Contributions<br>2013/2014<br>£ | Pension<br>Contributions<br>2013/2014<br>£ | Total<br>Remuneration<br>including<br>Pension<br>Contributions<br>2013/2014<br>£ | Total<br>Remuneration<br>excluding<br>Pension<br>Contributions<br>2014/2015<br>£ | Pension<br>Contributions<br>2014/2015<br>£ | Total<br>Remuneration<br>including<br>Pension<br>Contributions<br>2014/2015<br>£ |
|--|--|--|--|--|--|--|
| Chief Executive <sup>1</sup>                       | 105,857  | 12,168                                     | <b>118,025</b>   | 108,735  | 13,976                                     | <b>122,711</b>   |
| Director of Community Services                     | 84,889   | 9,662                                      | <b>94,551</b>  | 85,388   | 10,821                                     | <b>96,209</b>  |
| Director of Resources                              | 85,549   | 9,662                                      | <b>95,211</b>  | 85,168   | 10,821                                     | <b>95,989</b>  |
| Head of Financial Services                         | 56,329   | 6,311                                      | <b>62,640</b>  | 57,148   | 7,140                                      | <b>64,288</b>  |
| Head of Planning Services                          | 51,748   | 6,192                                      | <b>57,940</b>  | 53,637   | 7,140                                      | <b>60,777</b>  |
| Head of Legal and Democratic Services <sup>2</sup> | 42,980   | 5,049                                      | <b>48,029</b>  | 43,541   | 5,712                                      | <b>49,253</b>  |
|  | <b>427,352</b>   | <b>49,044</b>                              | <b>476,396</b>   | <b>433,617</b>   | <b>55,610</b>                              | <b>489,227</b>   |

<sup>1</sup> The values for the Chief Executive include Acting Returning Officers Fees, which fluctuate from year to year depending on the elections called. (2014/15 £2,500 and 2013/14 £2,081)

<sup>2</sup> The Head of Legal and Democratic Services works part-time and the role equates to 0.8 full time equivalent. The full time equivalent salary for this post was £51,000 in 2014/15 (£50,490 in 2013/14) and therefore this officer is required to be disclosed in this note.

## Notes to the Core Financial Statements

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

|                     | 2013/2014 | 2014/2015 |
|---------------------|-----------|-----------|
| £50,000 - £54,999   | 2**       | 2**       |
| £55,000 - £59,999   | 1         | 1         |
| £60,000 - £64,999   |           |           |
| £65,000 - £69,999   |           |           |
| £70,000 - £74,999   |           |           |
| £75,000 - £79,999   |           |           |
| £80,000 - £84,999   | 1         |           |
| £85,000 - £89,999   | 1         | 2         |
| £90,000 - £94,999   |           |           |
| £95,000 - £99,999   |           |           |
| £100,000 - £104,999 |           |           |
| £105,000 - £109,999 | *1        | *1        |

\* The values for this officer, the Chief Executive, include Acting Returning Officers Fees, which fluctuate from year to year depending on the elections called. (2014/15 £2,500 and 2013/14 £2,081)

\*\* The Head of Legal and Democratic Services, who is included in this band, works part-time and the role equates to 0.8 full time equivalent. The full time equivalent salary for this post was £51,000 in 2014/15 (£50,490 in 2013/14) and therefore this officer is required to be disclosed in this note.

There was one redundancy payment made in 2014/15 for £3,401 (2013/14 - nil) which related to the end of a fixed-term contract for an employee.

## Notes to the Core Financial Statements

**28 EXTERNAL AUDIT COSTS**

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

|  | 2013/2014<br>£ | 2014/2015<br>£ |
|--|----------------|----------------|
| Fees Payable to Grant Thornton UK LLP with regard to external audit services carried out by the appointed auditor for the year                   | 52,702         | 53,602         |
| Fees payable to Grant Thornton UK LLP for the certification of grant claims and returns for the year.  | 14,080         | 14,080         |
| Rebate on Fees Payable to the Audit Commission with regard to external audit services carried out by the appointed auditor for the previous year | -6,010         | -5,417         |
| <b>Total</b>   | <b>60,772</b>  | <b>62,265</b>  |

**29 GRANT INCOME**

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2014/15 and 2013/14:

|  | 2013/2014<br>£    | 2014/2015<br>£    |
|--|-------------------|-------------------|
| <b><i>Credited to Taxation and Non Specific Grant Income</i></b> |                   |                   |
| Revenue Support Grant  | -1,778,483        | -1,397,544        |
| Revenue Support Grant - Redistributed                            | -9,377            | 0                 |
| New Homes Bonus  | -367,698          | -594,806          |
| New Homes Bonus Adjustment Grant                                 | -10,029           | -4,084            |
| Business Rates S31 Grant   | -355,422          | -527,912          |
| Council Tax Freeze Grant   | -31,472           | -32,048           |
| Rural Areas Delivery Grant - Additional Funding                  | 0                 | -2,665            |
| Efficiency Support for Services in Rural Areas                   | -9,901            | 0                 |
| Localisation of Council Tax support - Transitional Grant         | -5,779            | 0                 |
| Donated Assets   | 0                 | -52,000           |
| Capital Grants   |                   |                   |
| - DCLG Weekly Collection Support Scheme (Capital)                | -528,000          | 0                 |
| - SITA (Capital)   | -20,226           | 0                 |
| - Other Contributions towards Capital                            | -3,288            | -4,874            |
| <b>Total Credited to Taxation and Non Specific Grant Income</b>  | <b>-3,119,675</b> | <b>-2,615,933</b> |
| <b><i>Credited to Services</i></b>                               |                   |                   |
| <b><i>Grants Received for Capital Purposes</i></b>               |                   |                   |
| Disabled Facilities Grant  | -113,717          | -119,536          |
| Other Capital Grants and Contributions                           | -32,083           | 0                 |
| <b>Total Grants Received for Capital Purposes</b>                | <b>-145,800</b>   | <b>-119,536</b>   |



## Notes to the Core Financial Statements

|  | 2013/2014<br>£    | 2014/2015<br>£    |
|--|-------------------|-------------------|
| <b><u>Grants Received for Revenue Purposes</u></b>                 |                   |                   |
| NNDR Administration  | -85,946           | -87,901           |
| Lancashire Children's Trust  | -35,000           | -15,000           |
| Lancashire Highways Partnership                                    | -67,522           | -15,024           |
| East Lancashire CCG (Best Foot Forward and Cardiac Rehabilitation) | -27,192           | -26,387           |
| Lancashire County Council  | -68,976           | -68,977           |
| Arts Council   | -1,000            | 0                 |
| DWP - Rent Allowance and Rent Rebate Subsidy                       | -7,512,438        | -7,422,201        |
| DWP and DCLG Council Tax and Housing Benefit Administration Grant  | -264,784          | -187,884          |
| DCLG Homelessness Grant  | -2,000            | 0                 |
| DCLG - Right to Bid Grant  | -7,855            | -7,855            |
| DCLG - Right to Challenge Grant                                    | -8,547            | -8,547            |
| DCLG - New Burdens Grant - Localising Support for Council Tax      | -27,897           | -56,553           |
| DCLG - New Burdens Grant - NNDR Admin Costs Grant                  | 0                 | -10,612           |
| Ribble Valley Community Safety Partnership                         | -10,000           | -6,500            |
| Big Lottery Fund   | -4,970            | 0                 |
| DEFRA - Inspire Annex III Grant                                    | -7,131            | 0                 |
| Affordable Warmth Public Health Grant                              | -36,000           | -21,900           |
| DCLG Prevention of Rough Sleeping                                  | -1,000            | 0                 |
| DWP LA Data Sharing IT Costs Funding                               | -15,235           | -11,050           |
| DWP Housing Benefits New Burden Grant                              | -6,100            | -3,453            |
| Individual Electoral Registration Grant                            | -10,611           | -37,276           |
| Active East Programme (LCC)  | 0                 | -10,000           |
| DCLG Neighbourhood Planning  | -5,000            | -5,000            |
| DCLG Transparency Code   | -2,588            | -5,615            |
| DCLG - Single Homelessness Initiative Funding                      | 0                 | -3,118            |
| Food Standards Agency - Funding for UKFSS Installation             | 0                 | -2,000            |
| DWP - Discretionary Housing Payments Funding                       | 0                 | -32,583           |
| DWP - Migrants Access to Benefits Funding                          | 0                 | -1,174            |
| DWP - RTI Bulk Data Matching Funding                               | 0                 | -1,074            |
| DWP - FERIS Start Up and Maintenance Costs Funding                 | 0                 | -3,500            |
| Other Grants   | -296              | -799              |
| <b>Total Grants Received for Revenue Purposes</b>                  | <b>-8,208,088</b> | <b>-8,051,983</b> |
| <b>Total Credited to Services</b>                                  | <b>-8,353,888</b> | <b>-8,171,519</b> |

## Notes to the Core Financial Statements

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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

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

- Central Government (UK)
- Elected Members of the Council (including any organisation over which they or their close family may exert control or influence)
- Senior Officers of the Council (including any organisation over which they or their close family may exert control or influence)
- Other Public Bodies
- Entities controlled or significantly influenced by the Council.

#### Central Government (UK)

Central Government has effective control over the general operation of the Council – it is responsible for providing the statutory framework within which the Council operates, provides a large proportion of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 29 on reporting for resources allocation decisions.

#### Elected Members

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

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

In respect of the 2014/15 financial year, there were no material transactions between the Council and organisations where Members had declared an interest, from the point of view of the Council.

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**Notes to the Core Financial Statements**

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One grant award was made in 2014/15 to an organisation where the award was financially significant to the organisation and a Member had disclosed an interest. This was in respect of a grant for £60,000 awarded to Citizens Advice Bureau Clitheroe to cover core running costs. The Member declaring an interest in this organisation did not take part in any discussions or decisions relating to the grant award.

A number of Members represent the views of the Council on various external bodies and organisations. Consequently, they have no personal controlling interests in those organisations. Please see 'Entities Controlled or Significantly Influenced by the Council' below.

**Senior Officers**

Senior officers (Directors and Heads of Service) may exert influence or control over the Council's financial and operating policies. Each year, senior officers declare interests by completing a 'Register of Officer Interests' form.

In respect of the 2014/15 financial year, there were no transactions between the Council and organisations where senior officers had declared a controlling interest.

**Other Public Bodies**

The main transactions that have taken place with other public bodies are:

- Payment of precepts to Lancashire County Council, the Police and Crime Commissioner for **Lancashire**, Lancashire Fire and Rescue Service and Precepting Parish and Town Councils – see Collection Fund page 107.
- Other standard business transactions between the Council and Lancashire County Council, such as superannuation payments to Lancashire Pension Fund - see Note 33.

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

**Entities Controlled or Significantly Influenced by the Council**

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

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

- Ribble Valley Homes
- Children's Trust
- Lancashire Tourism Forum
- Lancashire Waste Partnership
- Langho Football Club
- Longridge Social Enterprise Company Limited
- Ribble Valley Sport and Physical Activity Alliance
- Ribble Valley Sports and Recreation (Roefield Leisure Centre)

## Notes to the Core Financial Statements

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- Salesbury and Copster Green Commons Management Committee
- Carer's Link
- Calderstones NHS Partnership
- Environment Agency Liaison Committee
- Hanson Cement Liaison Committee
- Health and Wellbeing Board (Lancashire County Council)
- Lancashire County Council Adult Social Care and Health Overview and Scrutiny Committee
- North West Regional Older Peoples Champion Network
- Pendle Club, Clitheroe
- Tarmac Liaison Committee
- North West Employers' Organisation
- Forest of Bowland (Area of Outstanding Natural Beauty) Advisory Committee
- SPARSE (Rural Services Partnership)
- Armed Forces Champion
- Clitheroe Royal Grammar School Foundation Trust
- Citizen's Advice Bureau
- Hyndburn and Ribble Valley Council for Voluntary Services
- Local Government Association Consultative Committee
- Police and Crime Panel
- Ribble Valley Community Safety Partnership
- Ribble Valley Community Transport
- Whalley Educational Foundation Trust.

The Council can exert some influence on these organisations but cannot determine the outcome of decisions made by these organisations. Consequently, the Council has no controlling interest over these organisations.

### 31 CAPITAL EXPENDITURE AND CAPITAL FINANCING

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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.

## Notes to the Core Financial Statements

|   | 2013/2014<br>£   | 2014/2015<br>£   |
|---|------------------|------------------|
| <b>Opening Capital Financing Requirement</b>  | <b>3,757,264</b> | <b>3,734,466</b> |
| <b><u>Capital Investment</u></b>  |                  |                  |
| Property, Plant and Equipment   | 1,008,747        | 102,954          |
| Intangible Assets   | 11,975           | 0                |
| Revenue Expenditure Funded from Capital Under Statute   | 351,124          | 277,857          |
| <b><u>Sources of Finance:</u></b>   |                  |                  |
| Capital Receipts  | -73,400          | -23,390          |
| Grants and Other Contributions  | -986,907         | -122,536         |
| Sums set aside from revenue:  |                  |                  |
| - Revenue Contributions   | -197,503         | -230,785         |
| - Minimum Revenue Provision   | -136,834         | -135,859         |
| <b>Closing Capital Financing Requirement</b>  | <b>3,734,466</b> | <b>3,602,707</b> |
| <b><u>Explanation of Movements in Year</u></b>  |                  |                  |
| Increase/(Decrease) in Underlying Need to Borrow (Unsupported by Government Financial Assistance) | -22,798          | -131,759         |
| <b>Increase/(Decrease) in Capital Financing Requirement</b>                                       | <b>-22,798</b>   | <b>-131,759</b>  |

**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 future minimum lease payments due are:

|   | 2013/2014<br>£ | 2014/2015<br>£ |
|---|----------------|----------------|
| Not later than one year                           | 56,921         | 62,660         |
| Later than one year and not later than five years | 83,435         | 80,157         |
| Later than five years                             | 435,152        | 429,685        |
|   | <b>575,508</b> | <b>572,502</b> |

The expenditure charged to the Cost of Services in the Comprehensive Income and Expenditure Statement in relation to the above leases was £64,903 (£69,642 in 2013/14).

## Notes to the Core Financial Statements

### 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 land and property under operating leases for community services such as sports and leisure, and for commercial use.

The future minimum lease payments receivable are:

|   | 2013/2014<br>£  | 2014/2015<br>£  |
|---|-----------------|-----------------|
| Not later than one year                           | -51,956         | -55,959         |
| Later than one year and not later than five years | -165,097        | -176,480        |
| Later than five years                             | -231,746        | -365,296        |
|   | <b>-448,799</b> | <b>-597,735</b> |

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

In 2014/15 income included under the Cost of Services in the Comprehensive Income and Expenditure Statement in relation to the above leases was £63,436. (£51,956 in 2013/14).

## 33 DEFINED BENEFIT PENSION SCHEMES

### Participation in Pension Scheme

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

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

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

## Notes to the Core Financial Statements

The last actuarial valuation of the Fund was carried out at 31 March 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 |                    |
|--|---------------------------------|--------------------|
|  | 2013/2014<br>£'000              | 2014/2015<br>£'000 |
| <b>Comprehensive Income and Expenditure Statement</b>  |                                 |                    |
| <b>Cost of Services</b>  |                                 |                    |
| - current service costs  | 1,087                           | 994                |
| <b>Other Operating Expenditure</b>   |                                 |                    |
| - administration expenses  | 17                              | 19                 |
| <b>Financing and Investment Income and Expenditure</b>   |                                 |                    |
| - net interest expense   | 670                             | 508                |
| <b>Total Post employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>  | <b>1,774</b>                    | <b>1,521</b>       |
| <b>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>   |                                 |                    |
| <b>Remeasurement of the net defined benefit liability comprising</b>   |                                 |                    |
| - return on plan assets (excluding the amount included in the net interest expenses)   | 216                             | -2,825             |
| - actuarial gain and losses arising on changes in demographic assumptions  | 222                             | 0                  |
| - actuarial gains and losses arising on changes in financial assumptions   | -3,974                          | 7,350              |
| - experience gain  | -1,778                          | 0                  |
| <b>Total Post employment Benefit Charged to the Comprehensive Income and Expenditure Account</b>   | <b>-3,540</b>                   | <b>6,046</b>       |
| <b>Movement in Reserves Statement</b>  |                                 |                    |
| - reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code | -1,774                          | -1,521             |
| <b>Actual amount charged against the General Fund Balance for pensions in the year:</b>  |                                 |                    |
| - employers' contributions payable to the scheme   | 824                             | 931                |

## Notes to the Core Financial Statements

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2015 is a loss of £4,525,000 (31 March 2014 gain of £5,314,000).

### Pensions Assets and Liabilities Recognised in the Balance Sheet

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

| Local Government Pension Scheme                              | 2013/2014<br>£'000 | 2014/2015<br>£'000 |
|--|--------------------|--------------------|
| Present value of the defined benefit obligation              | 46,474             | 55,578             |
| Fair value of plan assets                                    | -34,466            | -38,455            |
| <b>Net liability arising from defined benefit obligation</b> | <b>12,008</b>      | <b>17,123</b>      |

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

| Local Government Pension Scheme  | 2013/2014<br>£'000 | 2014/2015<br>£'000 |
|--|--------------------|--------------------|
| <b>Opening fair value of scheme assets</b>                                     | <b>33,615</b>      | <b>34,466</b>      |
| Interest Income  | 1,405              | 1,509              |
| Remeasurements gain/(loss):  |                    |                    |
| - the return on plan assets, excluding the amount included in the net interest | -216               | 2,825              |
| Administration Expenses  | -17                | -19                |
| Contributions from employer  | 824                | 931                |
| Contributions from employees into the scheme                                   | 274                | 301                |
| Benefits paid  | -1,419             | -1,558             |
| <b>Closing fair value of scheme assets</b>                                     | <b>34,466</b>      | <b>38,455</b>      |

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

| Local Government Pension Scheme  | 2013/2014<br>£'000 | 2014/2015<br>£'000 |
|--|--------------------|--------------------|
| <b>Opening balance at 1 April</b>  | <b>49,987</b>      | <b>46,474</b>      |
| Current service cost   | 1,087              | 994                |
| Interest Cost  | 2,075              | 2,017              |
| Contributions from scheme participants                                     | 274                | 301                |
| Remeasurement (gains) and losses:  |                    |                    |
| - Experience (gain)/loss   | -1,778             | 0                  |
| - Actuarial (gains)/losses arising from changes in demographic assumptions | 222                | 0                  |
| - Actuarial (gains)/losses arising from changes in financial assumptions   | -3,974             | 7,350              |
| Benefits paid  | -1,419             | -1,558             |
| <b>Closing balance at 31 March</b>   | <b>46,474</b>      | <b>55,578</b>      |



## Notes to the Core Financial Statements

**Local Government Pension Scheme Assets Comprised:**

| Local Government Pension Scheme<br>Fair value of scheme assets | Quoted<br>Y/N | 31 March 2014<br>£'000 | 31 March 2015<br>£'000 |
|--|---------------|------------------------|------------------------|
| <b>Cash</b>  |               |                        |                        |
| - Cash and Cash Equivalents                                    | N             | 598                    | 1,863                  |
| <b>Subtotal Cash</b>   |               | <b>598</b>             | <b>1,863</b>           |
| <b>Equity Instruments by Industry Type</b>                     |               |                        |                        |
| - Consumer discretionary                                       | Y             | 1,919                  | 2,002                  |
| - Consumer staples   | Y             | 2,516                  | 2,249                  |
| - Energy   | Y             | 701                    | 306                    |
| - Financials   | Y             | 2,541                  | 2,278                  |
| - Healthcare   | Y             | 1,554                  | 1,307                  |
| - Industrials  | Y             | 2,099                  | 1,845                  |
| - Information technology                                       | Y             | 2,287                  | 2,174                  |
| - Materials  | Y             | 643                    | 521                    |
| - Miscellaneous/Unclassified total                             | Y             | 94                     | 0                      |
| - Telecommunication services                                   | Y             | 382                    | 268                    |
| - Utilities  | Y             | 314                    | 287                    |
| <b>Subtotal Equities</b>                                       |               | <b>15,050</b>          | <b>13,237</b>          |
| <b>Bonds</b>   |               |                        |                        |
| - UK corporate   | Y             | 1,349                  | 370                    |
| - Overseas corporate   | Y             | 1,824                  | 163                    |
| - UK fixed gilts   | Y             | 258                    | 0                      |
| - UK index linked  | Y             | 798                    | 1,207                  |
| <b>Subtotal Bonds</b>  |               | <b>4,229</b>           | <b>1,740</b>           |
| <b>Property</b>  |               |                        |                        |
| - Offices  | N             | 628                    | 797                    |
| - Offices/warehouse  | N             | 68                     | 82                     |
| - Industrial/warehouse   | N             | 665                    | 931                    |
| - Workshop/garage  | N             | 28                     | 0                      |
| - Shops  | N             | 636                    | 685                    |
| - Retail warehouse   | N             | 495                    | 682                    |
| - Shopping centre  | N             | 165                    | 197                    |
| - Multi let commercial building                                | N             | 133                    | 247                    |
| <b>Subtotal Property</b>                                       |               | <b>2,818</b>           | <b>3,621</b>           |
| <b>Alternatives</b>  |               |                        |                        |
| - UK private equity  | N             | 866                    | 965                    |
| - Overseas private equity                                      | N             | 946                    | 1,367                  |
| - Infrastructure   | N             | 1,875                  | 2,140                  |
| - Credit funds   | N             | 4,892                  | 9,907                  |
| - Indirect property funds                                      | N             | 173                    | 282                    |
| - UK pooled equity funds                                       | N             | 10                     | 0                      |
| - Overseas pooled equity funds                                 | N             | 3,009                  | 3,333                  |
| <b>Subtotal Alternatives</b>                                   |               | <b>11,771</b>          | <b>17,994</b>          |
| <b>Total</b>   |               | <b>34,466</b>          | <b>38,455</b>          |

## 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         | 2013/2014  | 2014/2015  |
|---|------------|------------|
| <b>Mortality Assumptions</b>            |            |            |
| Longevity at 65 for current pensioners: |            |            |
| Men                                     | 22.8 years | 22.9 years |
| Women                                   | 25.3 years | 25.4 years |
| Longevity at 65 for future pensioners:  |            |            |
| Men                                     | 25.0 years | 25.1 years |
| Women                                   | 27.7 years | 27.8 years |
| Rate of CPI Inflation                   | 2.4%       | 2.0%       |
| Rate of increase in salaries            | 3.9%       | 3.5%       |
| Rate of increase in pensions            | 2.4%       | 2.0%       |
| Rate for discounting scheme liabilities | 4.4%       | 3.2%       |

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

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

| Local Government Pension Scheme<br>Impact on the Defined Benefit Obligation in the Scheme | Increase in<br>Assumption<br>£'000 |
|---|------------------------------------|
| Longevity (1 year increase in life expectancy)  | 1,081                              |
| Rate of inflation (+0.1% per annum)   | 983                                |
| Rate of increase in salaries (+0.1% per annum)  | 225                                |
| Rate of discounting scheme liabilities (+0.1% per annum)                                  | -965                               |

**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 £939,000 expected contributions to the scheme in 2015/16.

The weighted average duration of the defined benefit obligation for scheme members is 18 years (18 years 2013/14).

**Scheme History**

| Local Government Pension Scheme        | 2010/2011      | 2011/2012      | 2012/2013      | 2013/2014      | 2014/2015      |
|--|----------------|----------------|----------------|----------------|----------------|
|  | £'000          | £'000          | £'000          | £'000          | £'000          |
| Present Value of Liabilities           | -39,687        | -42,809        | -49,987        | -46,474        | -55,578        |
| Fair Value of Assets                   | 29,461         | 29,462         | 33,615         | 34,466         | 38,455         |
| <b>Surplus/(Deficit) in the scheme</b> | <b>-10,226</b> | <b>-13,347</b> | <b>-16,372</b> | <b>-12,008</b> | <b>-17,123</b> |

The liabilities show the underlying commitments that the council has in the long run to pay post-employment (retirement) benefits. The total liability of £17.123m 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

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### 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.

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**Notes to the Core Financial Statements**

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- **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

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### 34 CONTINGENT LIABILITIES

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#### Housing Stock Transfer Warranties

##### Collateral warranty by the Council in favour of Security Trustee (Prudential Trustee Company Ltd)

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

In addition the following specific warranties have been given:

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

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

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

In addition the following specific warranties have been given:

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

#### 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.

The Council and the second group of Property Search Companies are currently in the process of reaching an agreed settlement – the terms of which are confidential between the parties.

#### **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, 2013/14 and 2014/15 financial years. Of the total invoiced by Ribble Valley Borough Council for these 3 years, an amount of £113,930 remains outstanding. Ribble Valley Borough Council continues to pursue this outstanding debt.

### **35 CONTINGENT ASSETS**

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#### **VAT Sharing Arrangement**

As part of the Voluntary Stock Transfer an agreement has been reached with Ribble Valley Homes Ltd to share the Value Added Tax that they can claim from HM Revenue and Customs. This arrangement is unique to Councils and Registered Social Landlords upon transfer. The agreement was planned to run for 15 years, starting in 2008/09. From 2015/16 onwards, the Council's share of total reclaimable VAT is likely to be in the region of £810,000. In practice, the actual amount received each year by the council will depend on the actual amount of qualifying capital expenditure incurred by Ribble Valley Homes Ltd.

#### **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 open claim remains outstanding at the 31 March 2015 and is currently being considered by HM Revenue and Customs. If successful this challenge could potentially lead to reimbursement of around £20,000 of VAT plus additional interest. It is anticipated a decision will be made within the 2015/16 financial year.



## Notes to the Core Financial Statements

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

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

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

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

The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash. 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 2015 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 £308,676 of which £13,300 relates to sundry debts (£126,906 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 2015 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<br>March 2015 | Historical<br>experience of<br>default | Historical<br>experience<br>adjusted for<br>market<br>conditions at<br>31 March 2015 | Estimated<br>maximum<br>exposure to<br>default and<br>uncollectability<br>at 31 March 2015 | Estimated<br>maximum<br>exposure at 31<br>March 2014 |
|--|----------------------------|--|--|--|--|
|  | £<br>A                     | %<br>B                                 | %<br>C   | £<br>(A x C)   | £  |
| Deposits with banks and building societies   | 5,220,000                  | 0.00%                                  | 0.00%  | 0  | 0  |
| Customers (Sundry Debt including overpaid Housing Benefits recovered from ongoing benefit) | 649,364                    | 0.01%                                  | 21.59%   | 140,206  | 115,588  |

The council expects settlement terms from debtors of no greater than 14 days. On this basis £489,349 of the sundry debtor balance at 31 March 2015 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 2015 | £'000      |
|----------------------------------|------------|
| Less than 30 days                | 125        |
| 30 days to 59 days               | 93         |
| 60 days to 89 days               | 6          |
| 90 days to 119 days              | 5          |
| 120 days +                       | 325        |
|                                  | <b>554</b> |

**Liquidity risk**

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

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

## Notes to the Core Financial Statements

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 2014<br>£'000 | 31 March 2015<br>£'000 |
|--|------------------------|------------------------|
| Less than one year                     | 53                     | 35                     |
| Between 1 and 2 years                  | 35                     | 35                     |
| Between 2 and 5 years                  | 69                     | 44                     |
| Between 5 and 10 years                 | 52                     | 51                     |
| More than 10 years                     | 85                     | 75                     |
|  | <b>294</b>             | <b>240</b>             |

### Market Risk

#### Interest Rate Risk

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

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

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 2014, are as follows:

| Limits in Interest Rate Exposure          | 2014/15<br>Upper | 2015/16<br>Upper | 2016/17<br>Upper |
|---|------------------|------------------|------------------|
| Maximum Principal Sums Borrowed >364 Days | £5.409m          | £5.190m          | £5.347m          |
| 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 £61,687. All other interest payable and receivable are fixed.

### Price risk

The Council, excluding the pension fund, does not generally invest in instruments with this type of risk.

### Foreign exchange risk

The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

## 37 HERITAGE ASSETS: FIVE-YEAR SUMMARY OF TRANSACTIONS

Then following shows the movement in the value of the council's Heritage Assets.

| Asset  | 2010/11<br>£'000 | 2011/12<br>£'000 | 2012/13<br>£'000 | 2013/14<br>£'000 | 2014/15<br>£'000 |
|--|------------------|------------------|------------------|------------------|------------------|
| <b><i>Clitheroe Castle Museum Collection</i></b> |                  |                  |                  |                  |                  |
| As at 1 April                                    | 750              | 750              | 750              | 750              | 803              |
| Revaluation                                      | 0                | 0                | 0                | 53               | 24               |
| <b>As at 31 March</b>                            | <b>750</b>       | <b>750</b>       | <b>750</b>       | <b>803</b>       | <b>827</b>       |
| <b><i>Civic Regalia</i></b>                      |                  |                  |                  |                  |                  |
| As at 1 April                                    | 57               | 57               | 57               | 57               | 57               |
| Revaluation                                      |                  |                  |                  |                  | 8                |
| <b>As at 31 March</b>                            | <b>57</b>        | <b>57</b>        | <b>57</b>        | <b>57</b>        | <b>65</b>        |
| <b><i>Total All Heritage Assets</i></b>          |                  |                  |                  |                  |                  |
| As at 1 April                                    | 807              | 807              | 807              | 807              | 860              |
| Revaluation                                      | 0                | 0                | 0                | 53               | 32               |
| <b>As at 31 March</b>                            | <b>807</b>       | <b>807</b>       | <b>807</b>       | <b>860</b>       | <b>892</b>       |

The Castle Keep at Clitheroe and the Roman Bath Site in Ribchester are not included on the balance sheet. Further information is provided at Note 9.

## Collection Fund

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

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

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

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

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

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

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

## STATEMENT OF ACCOUNTS 2014/15

## Collection Fund

| 2013/2014<br>Total<br>£'000             | 2014/15<br>Council Tax<br>£'000 | 2014/15<br>Business<br>Rates<br>£'000 | 2014/15<br>Total<br>£'000 | Notes |
|---|---------------------------------|---------------------------------------|---------------------------|-------|
| <b>Income</b>                           |                                 |                                       |                           |       |
| 30,806                                  | 32,208                          |                                       | 32,208                    |       |
| 26                                      | 6                               |                                       | 6                         |       |
| 0                                       | 2                               |                                       |                           |       |
| 14,022                                  |                                 | 14,242                                | 14,242                    | 1     |
| 0                                       |                                 | 33                                    |                           |       |
| 0                                       |                                 | 37                                    | 37                        |       |
| Share of Estimated Deficit              |                                 |                                       |                           |       |
| 173                                     |                                 |                                       | 0                         |       |
| 24                                      |                                 |                                       | 0                         |       |
| 23                                      |                                 |                                       | 0                         |       |
| 10                                      |                                 |                                       | 0                         |       |
| <b>45,084</b>                           | <b>32,216</b>                   | <b>14,312</b>                         | <b>46,493</b>             |       |
| <b>Expenditure</b>                      |                                 |                                       |                           |       |
| Precepts and Demands:                   |                                 |                                       |                           |       |
| 22,866                                  | 23,696                          |                                       | 23,696                    | 3     |
| 3,309                                   | 3,369                           |                                       | 3,369                     |       |
| 3,219                                   | 3,336                           |                                       | 3,336                     |       |
| 1,340                                   | 1,362                           |                                       | 1,362                     |       |
| Business Rates                          |                                 |                                       |                           |       |
| 6,801                                   |                                 | 6,987                                 | 6,987                     |       |
| 1,224                                   |                                 | 1,258                                 | 1,258                     |       |
| 5,441                                   |                                 | 5,589                                 | 5,589                     |       |
| 136                                     |                                 | 140                                   | 140                       |       |
| 86                                      |                                 | 88                                    | 88                        |       |
| Share of Estimated Surplus:             |                                 |                                       |                           |       |
|   |                                 | 37                                    |                           |       |
|   | 1                               | 7                                     | 8                         |       |
|   |                                 | 30                                    | 30                        |       |
|   |                                 | 1                                     | 1                         |       |
| 95                                      | 20                              |                                       | 20                        |       |
| 181                                     | 91                              | 96                                    | 187                       | 4     |
| 3                                       |                                 | 10                                    | 10                        |       |
| 12                                      |                                 |                                       |                           |       |
| 368                                     |                                 | 99                                    | 99                        | 5     |
| <b>45,081</b>                           | <b>31,875</b>                   | <b>14,342</b>                         | <b>46,180</b>             |       |
| <b>3 (Deficit)/Surplus for the Year</b> |                                 |                                       |                           |       |
|   | <b>341</b>                      | <b>-30</b>                            | <b>313</b>                |       |
| -215                                    | -20                             | -192                                  | -212                      |       |
| <b>-212</b>                             | <b>321</b>                      | <b>-222</b>                           | <b>101</b>                |       |
| <b>Allocated to</b>                     |                                 |                                       |                           |       |
| -96                                     |                                 | -111                                  | -111                      | 6     |
| -32                                     | 239                             | -20                                   | 219                       |       |
| -79                                     | 34                              | -89                                   | -55                       |       |
| -2                                      | 34                              | 0                                     | 34                        |       |
| -3                                      | 14                              | -2                                    | 12                        |       |
| <b>-212</b>                             | <b>321</b>                      | <b>-222</b>                           | <b>99</b>                 |       |

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**1 INCOME FROM BUSINESS RATES**

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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 NDR to the central pool, local authorities retain a proportion of the total collectable rates due. In the case of Ribble Valley Borough Council the local share is 40%. The remainder is distributed to preceptors and for Ribble Valley Borough Council the 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 2014/15 were estimated before the start of the financial year as £6.987m to Central Government, £1.258m to Lancashire County Council, £0.140m to Lancashire Combined Fire Authority and £5.589m to Ribble Valley Borough Council. These sums have been paid in 2014/15 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 £4.244m from the general fund.

The total income from business rate payers collected in 2014/15 was £14.242m (£14.022m in 2013/14).

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 £1.116m.

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 2013) not allowed for when the safety net was set. The Council does not qualify for a safety net payment for 2014/15.

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 2015. As such, authorities are required to make a provision for these amounts. Appeals are charged and provided for in proportion of the precepting shares. The total provision at 31 March 2015 has been calculated at £0.467m (31 March 2014 £0.368m)

The total non-domestic rateable value at 31 March 2015 was £37,859,103 compared to £37,457,239 at 31 March 2014 based on the 2010 listing.

## Collection Fund

The national non-domestic multiplier (rate in the pound) for the year 2014/15 was 48.2 pence compared to 47.1 pence in the year 2013/14.

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 £1,468.04 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                      | 8.25                                | 4.6                |
| A                               | 6/9             | 3,497                  | 2,839.00                            | 1,892.7            |
| B                               | 7/9             | 4,808                  | 4,141.50                            | 3,221.2            |
| C                               | 8/9             | 4,833                  | 4,238.75                            | 3,767.8            |
| D                               | 1               | 4,373                  | 3,978.50                            | 3,978.5            |
| E                               | 11/9            | 3,234                  | 2,991.50                            | 3,656.3            |
| F                               | 13/9            | 2,045                  | 1,921.25                            | 2,775.1            |
| G                               | 15/9            | 1,860                  | 1,760.25                            | 2,933.8            |
| H                               | 18/9            | 196                    | 184.00                              | 368.0              |
| <b>Totals</b>                   |                 | <b>24,855</b>          | <b>22,063.00</b>                    | <b>22,598.0</b>    |
|                                 |                 |                        | Adjustments                         | -1,045.4           |
|                                 |                 |                        | Adjustment for Collection Rate      | -161.6             |
|                                 |                 |                        | <b>Council Tax Base</b>             | <b>21,391</b>      |



**3 BAND D COUNCIL TAX**

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

|  | 2013/2014<br>£    | 2014/2015<br>£    |
|--|-------------------|-------------------|
| Lancashire County Council Precept                          | 22,866,370        | 23,695,666        |
| Police and Crime Commissioner (PCC) for Lancashire Precept | 3,219,436         | 3,336,140         |
| Lancashire Combined Fire Authority Precept                 | 1,340,023         | 1,361,537         |
| Ribble Valley Borough Council Demand (excluding Parishes)  | 2,961,947         | 3,009,500         |
| <b>Total to be Met From Council Tax</b>                    | <b>30,387,776</b> | <b>31,402,843</b> |
| Divided by Council Tax Base (Band D Equivalent Dwellings)  | 21,053            | 21,391            |
| <b>Band D Council Tax (Average excluding Parishes)</b>     | <b>£1,443.39</b>  | <b>£1,468.04</b>  |

**4 PROVISION FOR LOSSES**

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

|                        | Council Tax<br>£ | NDR<br>£       | Total<br>£      |
|------------------------|------------------|----------------|-----------------|
| Opening Balance        | 275,000          | 330,000        | <b>605,000</b>  |
| Write Offs in Year     | -16,452          | -96,236        | <b>-112,688</b> |
| Increase to Provision  | 91,452           | 96,236         | <b>187,688</b>  |
| <b>Closing Balance</b> | <b>350,000</b>   | <b>330,000</b> | <b>680,000</b>  |

**5 PROVISION FOR BUSINESS RATE APPEALS**

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

|  | 2013/14<br>£   | 2014/15<br>£   |
|--|----------------|----------------|
| <b>Balance at 1 April</b>              | <b>0</b>       | <b>368,000</b> |
| Additional provisions made in the year | 368,000        | 99,200         |
| <b>Balance at 31 March</b>             | <b>368,000</b> | <b>467,200</b> |

## Collection Fund

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

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

| 2013/2014     |  |  | 2014/2015     |  |
|---------------|--|--|---------------|--|
| Precept       | Share of 31<br>March<br>Deficit or<br>(Surplus)<br>£'000 |  | Precept       | Share of 31<br>March<br>Deficit or<br>(Surplus)<br>£'000 |
| 22,866        | 15   | Lancashire County Council                          | 23,696        | -239   |
| 3,219         | 2  | Police and Crime Commissioner (PCC) for Lancashire | 3,336         | -34  |
| 1,340         | 1  | Lancashire Combined Fire Authority                 | 1,408         | -14  |
| 3,309         | 2  | Ribble Valley Borough Council                      | 3,369         | -34  |
| <b>30,734</b> | <b>20</b>  | <b>Total</b>                                       | <b>31,809</b> | <b>-321</b>  |

# Glossary of Terms

## **Accounting Period**

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

## **Accounting Policies**

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

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

Accounting policies do not include estimation techniques.

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

## **Accruals**

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

## **Accruals Basis**

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

## **Actuarial Gains and Losses**

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

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

## **Amortisation**

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

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## Glossary of Terms

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### 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

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### 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

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### 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

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