

RIBBLE VALLEY BOROUGH COUNCIL

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Dear Councillor

The next meeting of the **ACCOUNTS & AUDIT COMMITTEE** is at **6.30pm on WEDNESDAY, 29 JUNE 2016** in the **TOWN HALL, CHURCH STREET, CLITHEROE.**

I do hope you can be there.

Yours sincerely

CHIEF EXECUTIVE

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

AGENDA

Part 1 – items of business to be discussed in public

1. Apologies for absence.
- ✓ 2. Minutes of the meeting held on 30 March 2016 – copy enclosed.
3. Declarations of Pecuniary and Non-Pecuniary Interests (if any).
4. Public Participation (if any).

DECISION ITEMS

- ✓ 5. Local Code of Corporate Governance – report of Director of Resources – copy enclosed.
- ✓ 6. Annual Governance Statement – report of Director of Resources – copy enclosed.

INFORMATION ITEMS

- ✓ 7. Statement of Accounts 2015/2016 – report of Director of Resources - copy enclosed.

- ✓ 8. Internal Audit Annual Report 2015/2016 – Report of Director of Resources - copy enclosed.
- ✓ 9. Internal Audit Progress Report 2016/2017 – report of Director of Resources – copy enclosed.
- ✓ 10. Audit Progress Report 2016/2017 – report of Grant Thornton – copy enclosed.
- ✓ 11. Planned Audit Fee 2016/2017 – report of Grant Thornton – copy enclosed.
- 12. Reports from Representatives on Outside Bodies (if any).
- ✓ 13. Risk Management – Update on Red Risks – report of Director of Resources – copy enclosed.

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

None.

RIBBLE VALLEY BOROUGH COUNCIL

REPORT TO ACCOUNTS & AUDIT COMMITTEE

Agenda Item No 5

meeting date: 29 JUNE 2016
title: LOCAL CODE OF CORPORATE GOVERNANCE
submitted by: DIRECTOR OF RESOURCES
principal author: SALMA FAROOQ

1 PURPOSE

1.1 To consider the revised Local Code of Corporate Governance.

1.2 Relevance to the Council's ambitions and priorities:

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

2 BACKGROUND

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

2.2 This framework was replaced by the CIPFA SOLACE Framework Delivering Good Governance in Local Government in 2007 and revised in December 2012.

2.3 The framework was further revised in April 2016 and the Council's Local Code of Corporate Governance has been reviewed and updated in line with this revised guidance.

3 ISSUES

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

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

4 RISK ASSESSMENT

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

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

5 RECOMMENDED THAT COMMITTEE

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

SENIOR AUDITOR

DIRECTOR OF RESOURCES

AA16-16/SF/AC
21 June 2016

BACKGROUND PAPERS

None

For further information please ask for Salma Farooq.

290616 Local Code of Corporate Governance

June 2016



Ribble Valley
Borough Council

www.ribblevalley.gov.uk

Local Code of Corporate Governance

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

The Council has developed and adopted a local code of corporate governance which reflects the key components as set out in the CIPFA/SOLACE Delivering Good Governance in Local Government Framework 2016.

Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

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

- Behaving with integrity
- Demonstrating strong commitment to ethical values
- Respecting the rule of law

Ensuring openness and comprehensive stakeholder engagement

The Council will:

- Ensure openness
- Engage comprehensively with institutional stakeholders
- Engage with individual citizens and service users effectively

Defining outcomes in terms of sustainable economic, social, and environmental benefits

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

- Defining outcomes
- Sustainable economic, social and environmental benefits

Determining the interventions necessary to optimise the achievement of the intended outcomes

The Council will:

- Determine interventions
- Plan interventions
- Optimise achievement of intended outcomes

Developing the entity's capacity, including the capability of its leadership and the individuals within it

The Council will:

- Develop its capacity
- Develop the capability of its leadership and other individuals

Managing risks and performance through robust internal control and strong public financial management

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

- Managing risk
- Managing performance
- Robust internal control
- Managing data
- Strong public financial management

Implementing good practices in transparency, reporting, and audit to deliver effective accountability

The Council will:

- Implement good practice in transparency
- Implement good practices in reporting
- Provide assurance and effective accountability

Ribble Valley Borough Council will deliver these outcomes through:

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

Key Elements of Local Code of Corporate Governance

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

RIBBLE VALLEY BOROUGH COUNCIL REPORT TO ACCOUNTS & AUDIT COMMITTEE

DECISION

Agenda Item No 6

meeting date: 29 JUNE 2016
title: ANNUAL GOVERNANCE STATEMENT
submitted by: DIRECTOR OF RESOURCES
principal author: SALMA FAROOQ

1 PURPOSE

1.1 To approve the Annual Governance Statement 2015/16.

1.2 Relevance to the Council's ambitions and priorities:

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

2 BACKGROUND

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

3 ISSUES

3.1 Under the Accounts and Audit (England) Regulations 2015 the Council is required to ensure that its financial management is adequate and effective, and that the Council has a sound system of internal control which facilitates the effective exercise of the council's functions and which includes arrangements for the management of risk.

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

3.3 The Annual Governance Statement for 2015/16 is attached at Annex 1 and has been developed based upon the requirements and guidance received from CIPFA. There are no significant governance issues to report

4 RISK ASSESSMENT

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

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

5 RECOMMENDED THAT COMMITTEE

- 5.1 Approve the attached Annual Governance Statement 2015/16, which is attached at Annex 1.

SENIOR AUDITOR

DIRECTOR OF RESOURCES

AA15-16/SF/AC
21 June 2016

BACKGROUND PAPERS

None

For further information please ask for Salma Farooq.

290616 Annual Governance Statement

2015/2016



Ribble Valley
Borough Council

www.ribblevalley.gov.uk

Annual Governance Statement 2015/16

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* (2016). A copy of the code is on our website at www.ribblevalley.gov.uk. This statement explains how the Council has complied with the code and also meets the requirements of Accounts and Audit (England) Regulations 2015, 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 2016 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 2015 - 2019, 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.
- 3.3. The Community Strategy 2014-2019 sets out the Council's community's aspirations, needs and priorities. The strategy outlines a series of priorities and objectives, including tackling rural isolation, affordable housing, tourism, the environment and public transport.

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

- 3.4. The Corporate Strategy 2015-19 was approved by Policy and Finance Committee in January 2016. The Corporate Strategy will be 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.

Translating the vision into objectives for the authority and its partnerships

- 3.5. The Council has established a performance management and strategic planning framework for detailed planning, implementation and monitoring of the Corporate Strategy.
- 3.6. Mechanisms in place for the monitoring of performance include:
- Performance indicators are reported to Corporate Management Team (CMT) on a quarterly basis and reported annually to the relevant committee;
 - Improvement and Statutory Reviews (for example by the Benefits Inspectorate);
- 3.7. 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.
- 3.8. Reports produced by the system demonstrate progress towards the achievement of performance indicators in terms of trends and percentage variances against target.
- 3.9. 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.
- 3.10. 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

- 3.11. 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.
- 3.12. A medium term financial strategy is set based upon regularly refreshed priorities.
- 3.13. 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

- 3.14. The functions of statutory officers are detailed in the constitution and the roles of the Committees are documented within the constitution.
- 3.15. 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

- 3.16. 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.
- 3.17. 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.
- 3.18. Included in the Constitution are the terms of reference for Committees and a protocol for Member/ Officer Relations.
- 3.19. 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

- 3.20. 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.
- 3.21. 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

- 3.22. The Council has embedded a robust structure and system for identifying, evaluating and monitoring all significant business risks at both strategic and operational levels.
- 3.23. The Leadership Team receive monthly risk management updates and areas of high risk are reported promptly to Accounts and Audit Committee for scrutiny.
- 3.24. 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

- 3.25. 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.
- 3.26. The Council participate in the National Fraud Initiative.

Ensuring effective management of change and transformation

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

3.28. 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 (2016)

3.29. 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.

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

3.31. 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)

3.32. 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.

3.33. 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

3.34. 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

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

3.36. 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

3.37. The Council maintains a sound Internal Audit function that operates to the standards set out in the 'CIPFA Public Sector Internal Audit Standards'.

3.38. 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

3.39. 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

3.40. 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.

3.41. 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.

3.42. 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

3.43. 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.

3.44. 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

3.45. 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.

3.46. 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

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

- 3.48. 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.
- 3.49. 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.
- 3.50. 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.
- 3.51. The Council is part of the Infusion Research partnership. This partnership helps with research and consultations.

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

- 3.52. Policy and Finance Committee approved the Council's medium term financial strategy (2015 - 2018) in February 2015. 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.
- 3.53. 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.
- 3.54. 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.
- 3.55. Heads of Departments are accountable for the service delivery and performance is reported to the relevant committees.
- 3.56. Senior Officers attend regular meetings with other local authorities in the neighbouring areas to ensure good working practice.
- 3.57. Relevant officers attend regular partnership meetings, i.e. Community Safety 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

- 3.58. The lead officer for the partnership completes an assurance certificate with an internal control checklist on annual basis. These assurance statements are forwarded to CMT.

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, partnership lead officers, 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 2015/16 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 (2014) AND THE EUROPEAN INSTITUTE FOR COMBATting CORRUPTION AND FRAUD (TEICCAF): PROTECTING THE PUBLIC PURSE (2015)
- 5.1. Checklists were issued for both of the 'Protecting the Public Purse' documents. These were completed during the year.
- 5.2. Authorities were encouraged to use the checklists to ensure that they have sound governance and counter-fraud arrangements in place and that they are working as intended.
- 5.3. No issues were highlighted as a result of this review.
6. CIPFA: FIGHTING FRAUD AND CORRUPTION LOCALLY 2016-19
- 6.1. The strategy sets out the approach local authorities should take and the main areas of focus over the next three years in order to transform counter fraud and corruption performance. There is a checklist to measure counter fraud and corruption culture and response.
- 6.2. No issues were highlighted as a result of this review.
7. GRANT THORNTON LOCAL GOVERNMENT GOVERNANCE REVIEW: 2015 ALL ABOARD AND REFORGING LOCAL GOVERNMENT (2016)
- 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, pace of change, the financial challenge, the new governance agenda and the way forward. 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:

Leader of the Council

Chief Executive

On behalf of Ribble Valley Borough Council

RIBBLE VALLEY BOROUGH COUNCIL

REPORT TO ACCOUNTS AND AUDIT COMMITTEE

Agenda Item No 7

meeting date: 29 JUNE 2015
title: STATEMENT OF ACCOUNTS FOR 2015/16
submitted by: DIRECTOR OF RESOURCES
principal author: LAWSON ODDIE

1 PURPOSE

1.1 To provide members with information on the content of the Statement of Accounts for 2015/16 (subject to audit). The Statement of Accounts has been authorised for issue by the Director of Resources.

1.2 Relevance to the Council's ambitions and priorities:

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

2 BACKGROUND

2.1 For the Statement of Accounts for the 2015/16 financial year, the Accounts and Audit Regulations 2015 require Members to approve the statutory accounts by 30 September following the financial year end.

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

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

3 THE ACCOUNTS AND AUDIT REGULATIONS 2015

3.1 As referred to at your last meeting, the principal matters covered by the regulations relevant to accounts preparation are:

- the responsible financial officer must ensure that the accounting records kept by the authority are sufficient to enable the preparation of the statement of accounts.
- the statement of accounts is required to be prepared in accordance with the Regulations and proper practices in relation to accounts.
- the responsible financial officer (Director of Resources) is required to certify that the accounts give a "true and fair view" of the financial position.
- at the point of certifying the accounts the council must commence a 30 working day period for the exercise of public rights. For the 2015/16 statement of accounts this **must** also include the first 10 working days of July.

- an advertisement of the 30 working day period for the exercise of public rights must be published on the council's website including a copy of the unaudited statement of accounts together with a declaration of the responsible financial officer (Director of Resources) as to the status of the accounts as unaudited and that they may be subject to change.
- a review of the effectiveness of the system of internal control must be conducted, which will feed into the preparation of the annual governance statement.
- the council is to allow access to the accounts and specified supporting documents during the period for the exercise of public rights.
- following the conclusion of the period for the exercise of public rights, consider either by way of a committee or by the members meeting as a whole, the statement of accounts and approve the statement of accounts by a resolution of that committee or meeting (which will take place on 17 August 2016).
- publication of the audited accounts is to be achieved by particular dates.
- as soon as reasonably practicable after conclusion of the audit we must publish a statement that the audit has been concluded and that the statement of accounts has been published, and the rights of inspection of the same.

4 TRANSITIONARY PROVISIONS UNDER ACCOUNTS AND AUDIT REGULATIONS 2015

- 4.1 Under the previous Accounts and Audit Regulations there was a requirement to have the Responsible Financial Officer sign the statement of accounts as a true and fair view and authorise them for issue by the 30 June. We were also required to publish our accounts as soon as reasonably possible after the auditor had certified the audit closed and in any event no later than 30 September.
- 4.2 The Accounts and Audit Regulations 2015 now require that the Responsible Financial Officer sign the statement of accounts as a true and fair view by the **31 May** and for us to publish our audited accounts by no later than **31 July**.
- 4.3 However, under transitional provisions under the regulations, these new deadlines will not be implemented until we are required to produce the statement of accounts for the 2017/18 financial year.
- 4.4 The table below shows a summary of the deadlines for the coming years under the Regulations.

Financial Year	Year Ending	Latest date for start of the period for the exercise of public rights	Latest date for publication of audited Statement of Accounts
2015/16	31 March 2016	1 July 2016	30 September 2016
2016/17	31 March 2017	1 July 2017	30 September 2017
2017/18	31 March 2018	1 June 2018	31 July 2018
2018/19	31 March 2019	1 June 2019	31 July 2019

5 STATEMENT OF ACCOUNTS FOR 2015/16

- 5.1 The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) specifies the principles and practices of accounting required to give a 'true and fair' view of the financial position and transactions of the council. This year the main areas from the Code that have impacted on this council have been:
- Introduction of a new 'Narrative Report' to replace the previous 'Explanatory Foreword'. This provides further contextual information to the statement of accounts, including non-financial information.
 - Specific guidance on IFRS 13 Fair Value Measurement and how it applies to local authorities.
 - Introduction of the concept of current value and the implications on the measurement of surplus assets at fair value.
- 5.2 One of the main changes within the statements is the council's review of the classification of its assets. This has resulted in the reclassification of assets previously held as Investment Assets, to Other Land and Buildings under Property Plant and Equipment. As a result of this a prior period adjustment has been required to be made to the accounts, restating the 2014/15 statements and also further restating the balance sheet for the 2013/14 financial year.
- 5.3 An Investment Property is one that is held solely to earn rentals or for capital appreciation, or both, rather than for:
- use in the production or supply of goods or services, or for administrative purposes, or
 - sale in the ordinary course of operations.
- 5.4 Members will be taken through the full statement of accounts for 2015/16 at the meeting. Obviously the accounts are very detailed and do contain a considerable amount of technical information. However, it is crucial that members consider the important aspects of the various statements and therefore attached at Annex 1 is '*A Guide to Local Authority Accounts*' which is a document produced by Grant Thornton to assist members. The highlights of the 2015/16 accounts are set out below.
- 5.5 Whilst the Statement of Accounts sets out the accounting statements according to the Code of Practice and the Service Reporting Code of Practice, we have shown below a comparison of the actual expenditure with the budget in our management reporting format (i.e. by service committees). This information will also be reported to individual service committees in the next cycle giving full details for individual over/underspends.

General Fund Outturn Performance:

Committee	Original Estimate	Revised Estimate	Actual	Original Estimate Compared to Actual	Revised Estimate Compared to Actual
	£'000	£'000	£'000	£'000	£'000
Community Services	3,519	3,527	3,304	-215	-223
Policy & Finance	2,173	2,135	2,046	-127	-89
Planning & Development	629	530	473	-156	-57
Health & Housing	835	795	678	-157	-117
Committee Expenditure	7,156	6,987	6,501	-655	-486
Interest Payable	11	11	11	0	0
Parish Precepts	364	364	364	0	0
Interest Received	-25	-29	-34	-9	-5
Net Operating Expenditure	7,506	7,333	6,842	-664	-491
Precept from Collection Fund (including parish precepts)	-3,417	-3,417	-3,417	0	0
Collection Fund Surplus - Council Tax	-22	-22	-22	0	0
Localisation of Council Tax Support - Parish Payment	11	11	11	0	0
New Homes Bonus	-969	-969	-969	0	0
New Homes Bonus - Returned Funding	0	-4	-4	-4	0
Council Tax Freeze Concession	-32	-32	-32	0	0
Revenue Support Grant	-1,011	-1,011	-1,011	0	0
Business Rates Baseline Funding	-1,229	-1,229	-1,229	0	0
Retained Rates Income	-249	-249	-249	0	0
Business Rates Levy	417	256	294	-123	38
S31 Grant	-617	-721	-693	-76	28
Retained Rates - Renewable Energy	0	0	-11	-11	-11
Collection Fund Deficit - Business Rates	46	46	46	0	0
Deficit/(Surplus) for year	434	-8	-444	-878	-436
Depreciation	-726	-841	-855	-129	-14
Minimum Revenue Provision	133	133	133	0	0
Net Transfer to/from earmarked reserves	309	546	591	282	45
Deficit/(Surplus) for year	150	-170	-575	-725	-405

Final Position Compared to the Revised Estimate

5.6 During the 2015/16 financial year there are many variances that occur when we carry out our budget monitoring. The main variations affecting our final position compared with the **revised estimate** can be summarised as:

Variation	£'000
<u>Expenditure Variations</u>	
Direct Employee Costs	-36
Energy Costs	-27
Training	-32
Local Development Scheme	-44
Subscriptions	-17
Printing and Stationery	-13
Paper Penalty - Cost Sharing	-29
Tipping Charges	19
Promotional Activities	-24
Rent Allowance Payments	-32
Payment of Grants	-65
Flooding Immediate Reactive Costs	51
Payment of Flood Grants to Individuals (£500)	119
Council Tax Flood Rebate	89
Cleaning of Public Conveniences	-17
Vehicle Fuel Costs	-29
Staff Mileage and Other Travel Costs	-13
ICT and Telecommunications	-18
Total Expenditure Variances	-118
<u>Income Variations</u>	
Rent Allowances Grant	-20
Transparency Code Grant	-8
DWP Data Sharing Grant	-6
Flooding Immediate Reactive Costs - Bellwin Scheme Funding	-51
Flood Grant reimbursement	-119
S31 Council Tax Flood Rebate Funding	-89
Property Searches New Burdens Funding	-28
Planning Fee Income	20
Building Control Fee Income	8
Trade Waste Collection Income	-31

Variation	£'000
Edisford All Weather Pitch Income	-9
Sale of Equipment and Materials	-29
Car Parking Income	-15
Total Income Variances	-377
Other Variations	9
Net Variation on Committee Expenditure	-486
Increased Interest Received	-5
Variation on Net Operating Expenditure	-491
Decreased Business Rates Levy	38
Increased S31 Grants	28
Retained Rates - Renewable Energy	-11
Variation on Deficit/(Surplus) for Year	-436
Addition Depreciation (Reversal of)	-14
Extra Transfers to Earmarked Reserves	45
Increase in amount to add to balances compared to Revised Estimate	-405

General Fund Balances

- 5.7 It is obviously very important to maintain a healthy level of general fund balances to cover for unforeseen events and also provide a stable level of resources for future planning. However, this has to be balanced against meeting the council's spending priorities.

	£
General Fund Balances: Brought forward at 1 April 2015	2,103,114
Surplus in 2015/16 added to General Fund Balances	575,718
General Fund Balances: Carried forward at 31 March 2016	2,678,832

Earmarked Reserves

- 5.8 The net amount set aside to earmarked reserves (including both revenue and capital transactions) at 31 March was £64,035.

Earmarked Reserves: Brought forward at 1 April 2015	5,941,467
Net added to Earmarked Reserves for revenue purposes	590,757
Net taken from Earmarked Reserves for capital purposes	-526,722
Earmarked Reserves: Carried forward at 31 March 2016	6,005,502

Collection Fund

- 5.9 With regard to council tax, the Collection Fund has made an in year surplus of £278,000. This is added to the surplus brought forward from 2014/15 of £320,000. The resulting overall surplus of £598,000 will be distributed pro-rata to the precepts from each authority, in future years.
- 5.10 On business rates, under the new accounting regime, the Collection Fund has made an in year loss of £698,000. This is largely due to a substantial increase in the provision for appeals on business rates. The provision for appeals is set following detailed analysis of appeals lodged with the Valuation Office Agency at the year end. These are assessed for the potential impact on the collection fund if successful. In 2015/16 the provision was increased by £704,300 to £1,171,500 (£99,000 increase to £467,200 in 2014/15)
- 5.11 The loss position is also partly due to the manner in which the government compensates council's for such reliefs/extensions as Small Business Rates Relief through the general fund.

Capital

- 5.12 During the year the Council spent over £941,000 on capital schemes. The main areas of expenditure included:
- Replacement Vehicles and Plant
 - Replacement of the windows and roof at the Council Offices
 - Play Area Improvements
- 5.13 Shown below is a summary of how we performed on the capital programme compared to the budget.

Capital Programme	Original Estimate	Revised Estimate	Actual	Original Estimate Compared to Actual	Revised Estimate Compared to Actual
	£	£	£	£	£
Community Services Committee	483,600	442,270	439,448	-44,152	-2,822
Policy and Finance Committee	471,400	471,400	256,237	-215,163	-215,163
Health and Housing Committee	236,000	267,330	244,911	8,911	-22,419
Total Capital Expenditure	1,191,000	1,181,000	940,596	-250,404	-240,404
Grants and Contributions	-246,000	-244,400	-174,107	71,893	70,293
Borrowing	-256,400	-257,270	-239,766	16,634	17,504
Earmarked Reserves	-688,600	-679,330	-526,723	161,877	152,607
Total Financing	-1,191,000	-1,181,000	-940,596	250,404	240,404

- 5.14 As shown in the table above, comparing spend to budget, there is a variance of £240,000 between the revised capital programme and actual spend. At the end of the financial year work on some schemes was still underway. This can be carried forward into the new financial year and is known as slippage. Of the £240,000 variance £194,920 is accounted for as slippage in to the 2016/17 financial year, and is summarised below:

Scheme Name	Slippage in to the 2016/17 Financial Year
	£
Economic Development Initiatives	100,000
Replacement of the windows and roof at the Council Offices	17,500
Clitheroe Townscape Scheme	55,000
Disabled Facilities Grants	14,090
Landlord/Tenant Grants	8,330
Total Capital Slippage	194,920

Balance Sheet

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

5.16 The main movements on the balance sheet between 31 March 2015 and 31 March 2016 are summarised below:

- **Property, Plant and Equipment – Other Land and Buildings** has increased partly due to the removal of the Investment Properties category and the reclassification of these assets as Other Land and Buildings. A number of assets have also been increase in value by the District Valuer as part of their annual review of asset values.
- **Cash and Cash Equivalent**s is higher at the 31 March 2016 due to a higher level of short term investments that were in place at year end (£6.030m) compared to 31 March 2015 (£5.220m).
- **Net Pensions Liability** has decreased by £2.687m to £14.435m as at the 31 March 2015 based on actuarial assumptions (it increased by £5.320m to £17.122m at 31 March 2015). The liabilities show the underlying commitments that the council has in the long run to pay retirement benefits. However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy. The deficit will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.
- **General fund Balance** has increased by £575,000 as previously detailed. This is due to the underspends and additional income experienced during the year.
- **Earmarked General Fund Reserves** are held for numerous reasons including due to continued uncertainty around various funding streams, e.g. New Homes Bonus, Business Rates and VAT Shelter. The Council continues to review the level of its earmarked reserves in order to meet its future financial pressures and also a healthy level of general fund balances in light of these future uncertainties. Earmarked reserves have increased by £64,000 at 31 March 2016 compared to the previous year end.

- **Usable Capital Receipts Reserve** has increased by £287,000 due to the sale of assets within the financial year, the proceeds of which were not used to finance the 2015/16 capital programme. These resources are ringfenced for use in future years.

5.17 There have been a number of fluctuations in the unusable reserves such as the capital adjustment account and revaluation reserve. This is a reflection of the reclassification of investment assets to 'Other Land and Buildings' (meaning that they are now depreciated in value annually), and the general yearend review of all asset valuations.

5.18 As at the 31 March 2016 the level of general fund balances will be £2.679m and the level of earmarked reserves will be £6.006m. Whilst substantial, they must be viewed in the context of the continuing fall in central government financial support for local government coupled within uncertainty about a number of funding streams, namely Business Rates Retention and New Homes Bonus.

5.19 The council has always worked to minimise the impacts of reduced government funding and will work to minimise the impact of future forecast reductions in government funding.

6 NEXT STEPS

6.1 Our external auditors have now commenced their final accounts audit following the accounts being authorised for issue on 20 June. Notice has been given on our website of the audit, informing local electors of their rights to inspect the accounts and ask questions of the auditor and/or make any objections relating to the accounts.

6.2 Following the completion of the audit, the auditors will report back to Accounts and Audit Committee at its meeting on **17 August 2016**. At the same time details of any amendments to the draft statements agreed with the auditors will be reported, and the final audited Statement of Accounts will be presented for approval by committee.

7 CONCLUSION

7.1 The final outturn of a **surplus of £575,000** means that we have added £405,000 **more** to general fund balances than was estimated when we prepared the Revised Estimates. There has also been £45,000 **less** (revenue only) added to earmarked reserves than forecast at revised estimate.

HEAD OF FINANCIAL SERVICES

DIRECTOR OF RESOURCES

AA14-16/LO/AC
17 June 2016

For further information please ask for Lawson Oddie extension 4541



A guide to local authority accounts

March 2014



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Introduction

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

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

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

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

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

Mary Archer
British scientist



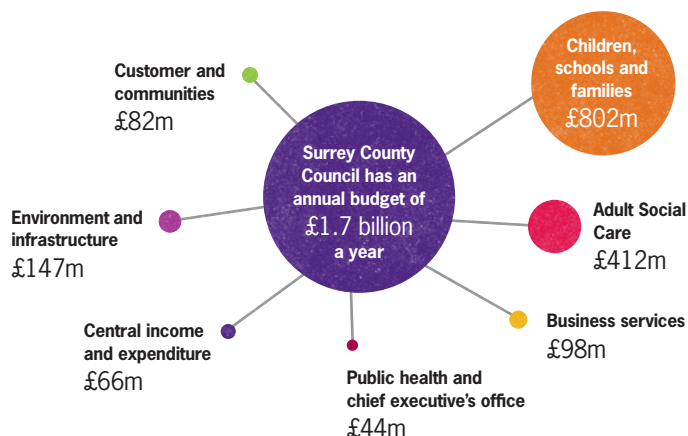
Explanatory foreword

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

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

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

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



Challenge questions

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

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



Annual governance statement

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

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

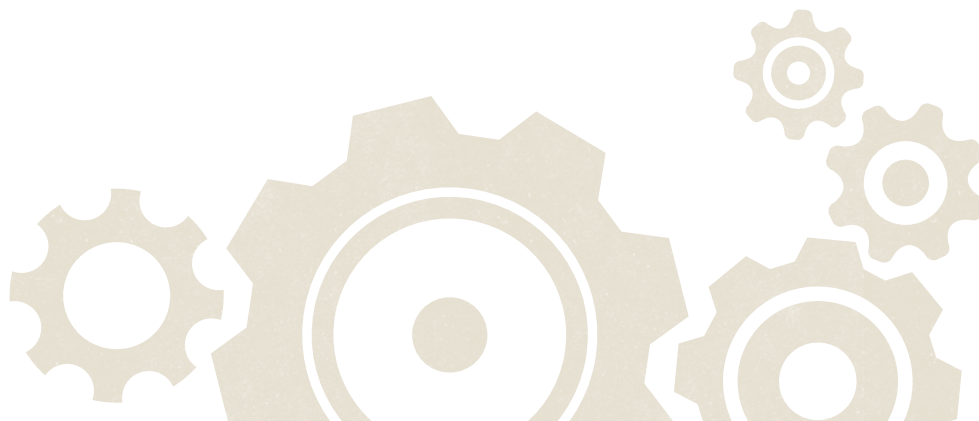
The AGS should be consistent with:

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

Challenge questions

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

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



Movement in reserves statement

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



Usable reserves

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

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

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

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

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

Unusable reserves

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

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

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

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

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

Challenge questions

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

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



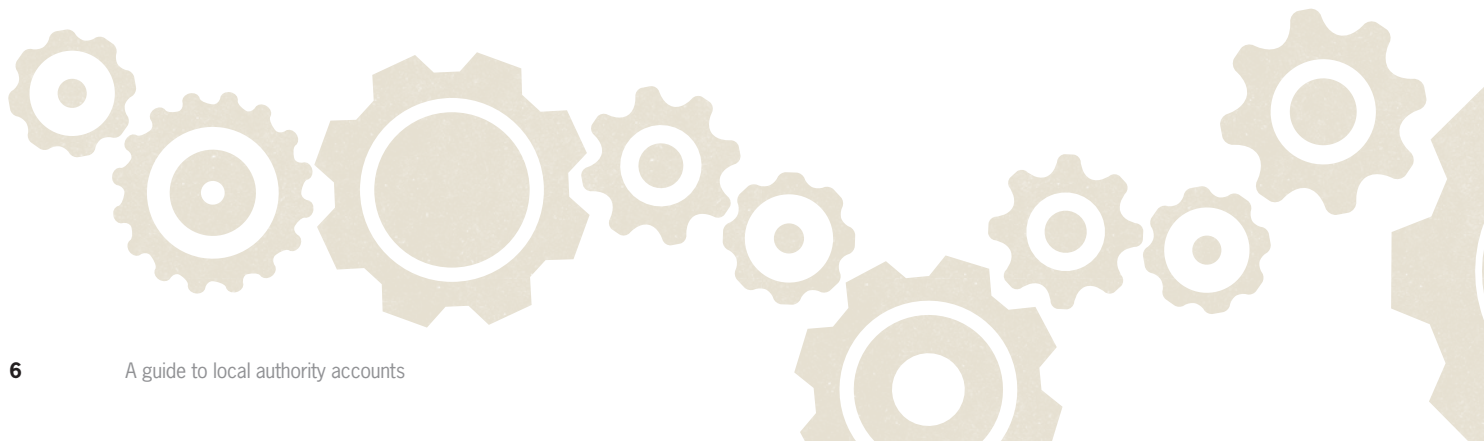
Comprehensive income and expenditure statement

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

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

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

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



Five broad sections within the CIES

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

Challenge questions

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



Balance sheet

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

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

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

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

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

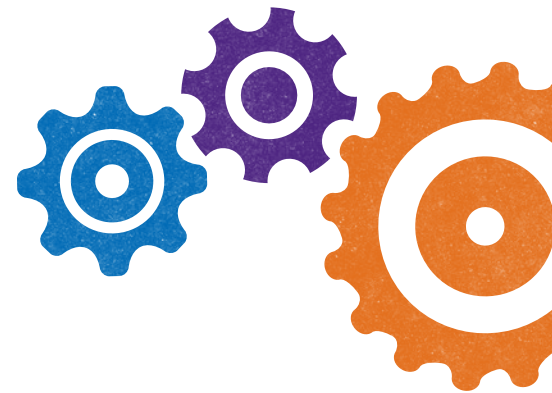
Other statements

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

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

Challenge questions

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



Additional disclosures

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

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

Accounting policies	Set out the accounting rules the authority has followed in compiling its financial statements, for example that land and buildings are shown at valuation rather than at cost. They are largely specified by International Financial Reporting Standards and the Local Authority Code of Practice. Authorities have limited discretion to amend them, but should: <ul style="list-style-type: none">• provide additional information where needed• remove accounting policies that are not relevant or apply to immaterial amounts.
Critical judgments	Show the key areas where officers have made judgements about the application of accounting policies. For example: <ul style="list-style-type: none">• classification of leases and public finance initiative (PFI) schemes• identification of provisions• impairment of assets. The aim is to highlight key areas of the accounts where others may have made different judgments about the accounting treatment.
Estimates	The authority may need to use estimates to value assets, liabilities and transactions. The major sources of estimation uncertainty should be disclosed if there is a significant risk the estimate will need to be materially adjusted next year.
Property, plant and equipment	Details about assets acquired and disposed of during the year, whether they have been revalued, the impact of any changes in value and the amount of depreciation charged.
Leases and PFI schemes	Set out how much will be paid annually to leasing companies and how much will be paid in total over the lifetime of the agreement.
Employee remuneration	Details of the pay of the most senior officers, all officers' remuneration, disclosed in bands, and the cost of any redundancies. Other notes show the annual cost and cumulative liabilities of pensions.
Contingent liabilities	Details of possible costs that the authority may need to meet, but has not charged to the CIES because it thinks that it will probably be able to avoid them. The most common contingent liability is for legal claims.

Challenge questions

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

And finally...

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

About the financial statements

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

About the process

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

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



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



About us

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

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

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

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

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

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

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

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EPI1074





Statement of Accounts

[Draft]

2015/2016

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

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 lawson.oddie@ribblevalley.gov.uk


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

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Independent Auditors' Report to Members

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Narrative Report

1 INTRODUCTION

Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (Based on International Financial Reporting Standards)

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

The Code sets out the proper accounting practices required by section 21(2) of the Local Government Act 2003. These proper practices apply to:

- Statement of Accounts prepared in accordance with the statutory framework established for England by the Accounts and Audit (England) Regulations 2015.
- The audit of those accounts undertaken in accordance with the statutory framework established by section 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 code that have impacted on this council have been:

- The introduction of this Narrative Report, replacing the previous Explanatory Foreword, giving a wider range of information about the borough, the council and its performance.
- Specific guidance on IFRS 13 Fair Value Measurement and how it applies to local authorities.
- Introduction of the concept of current value and the implications on the measurement of surplus assets at fair value.

2 RIBBLE VALLEY DEMOGRAPHICS AND ECONOMY

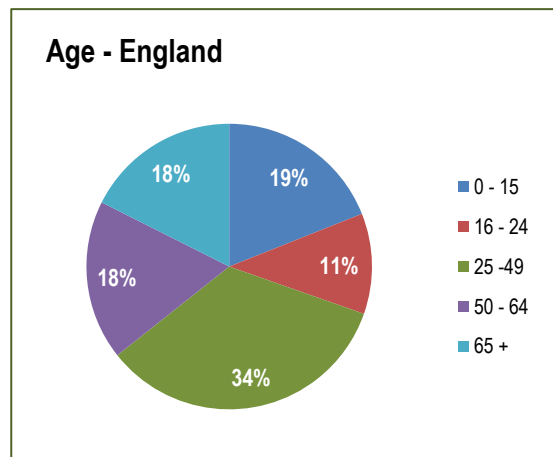
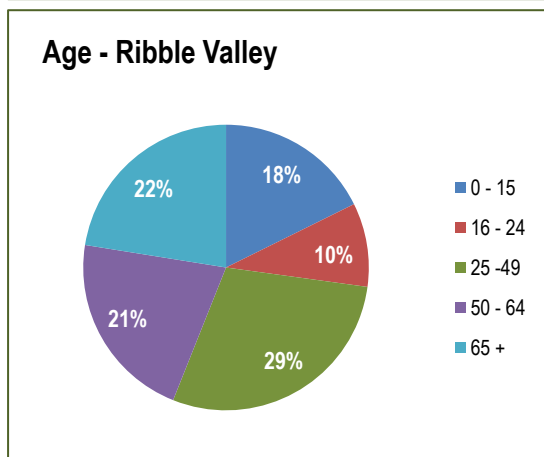
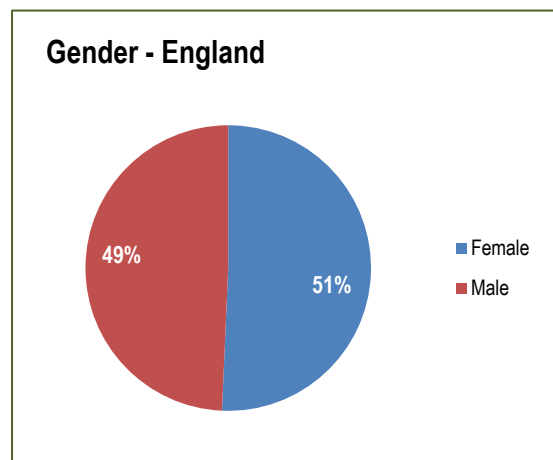
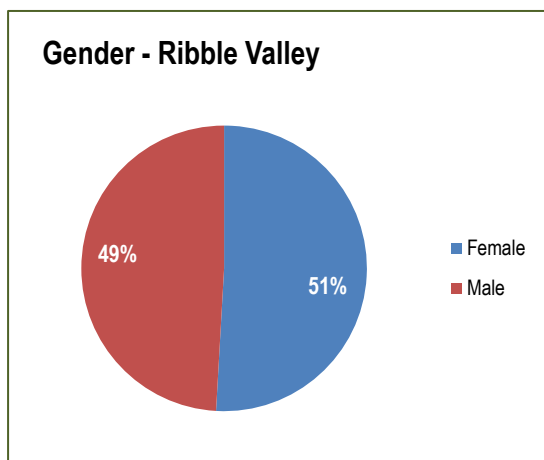
Locality

Ribble Valley is in the County of Lancashire bordering neighbouring councils in Pennine Lancashire, Craven District Council in North Yorkshire, South Ribble, Preston, Wyre and Lancaster Borough Councils. The administrative centre for the district is the historic market town of Clitheroe. The industrial and commercial centre for the west of the borough is the town of Longridge.

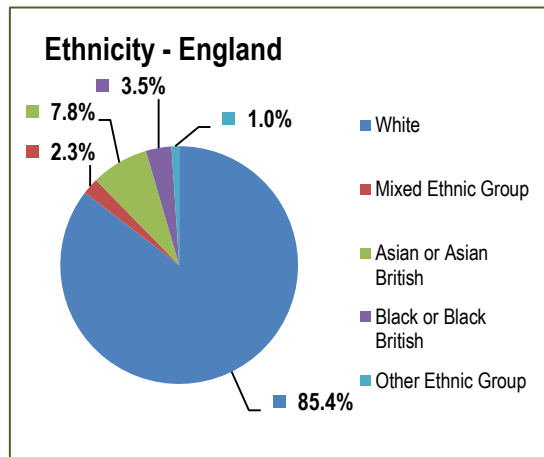
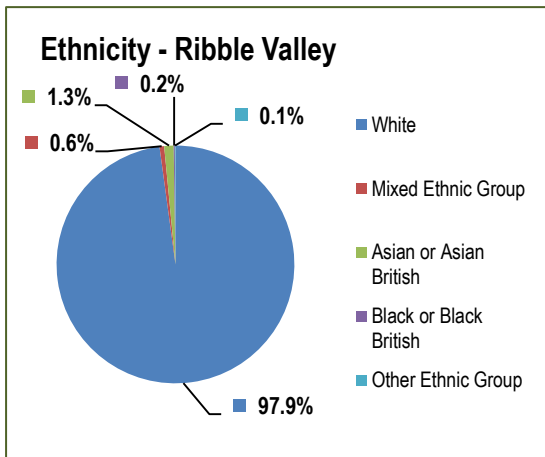
The remaining area is mainly rural, ranging from large villages to small hamlets. Some settlements are accessible along the A59 corridor; others are more remote from services and public transport. Along with ancient woodland, biological heritage sites, conservation areas and sites of special scientific interest, two thirds of Ribble Valley is part of the Forest of Bowland Area of Outstanding Natural Beauty (AONB).

Population

Shown below are key population figures as provided by the Office for National Statistics. These are based on 2014 Mid-Year Estimates for gender and age and March 2011 (Census) for Ethnicity. The total population for the borough, based on these statistics, is 58,100. The statistics for Ribble Valley are shown alongside those for England as a whole for comparison.



Narrative Report

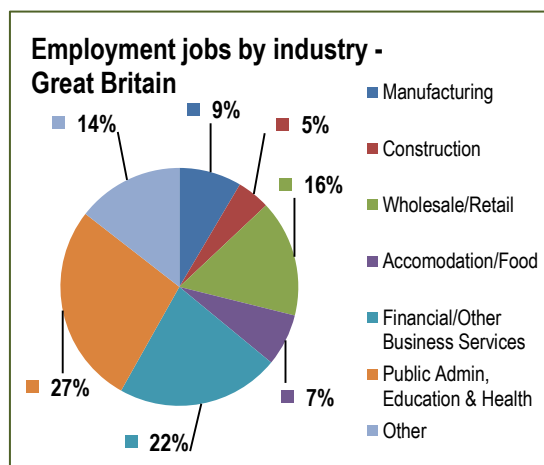
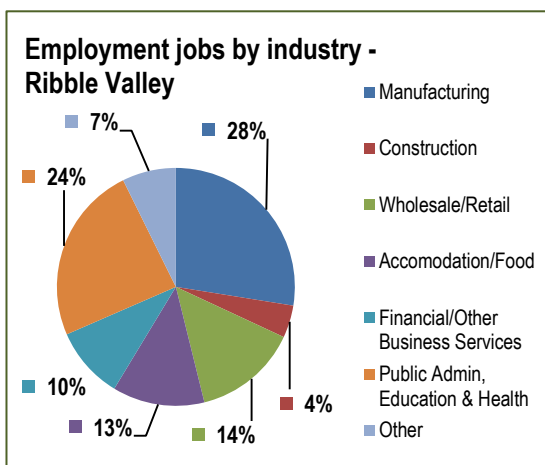


Local Economy and Business Information

Located just east of the M6 and north of the M65 motorways with links to major airports and the rail network, Ribble Valley is home to a diverse range of independent, international and rural businesses.

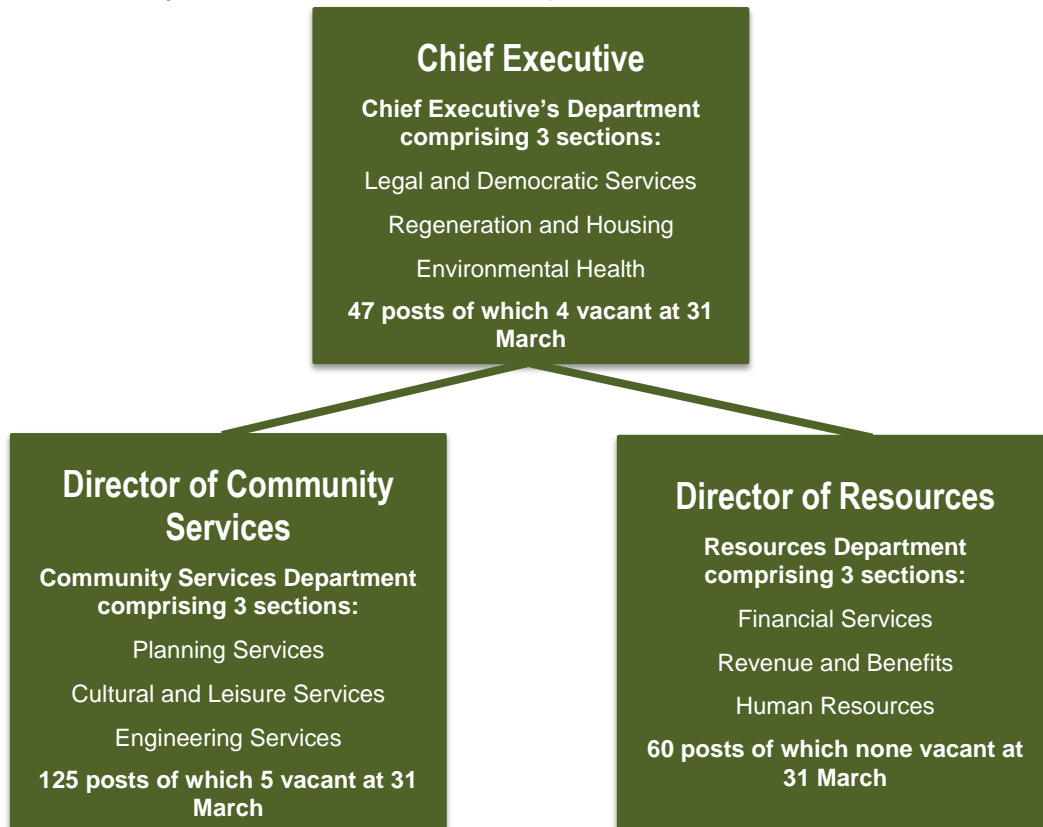
The borough's key characteristics are in its low unemployment rates, high quality natural environment and successful businesses. The borough contains a number of well-established local employers with Key Business Sectors including Advanced Manufacturing and Aerospace (BAE Systems and site of the Lancashire Enterprise Zone), Creative and Digital, Chemicals and Mineral Extraction, Tourism and Agriculture.

The area also has a strong agricultural association, with high value meat and milk products, and has a large number of farm holdings in the dairy and grazing categories. A number of farming businesses have diversified to offer locally produced food and drink, retail and leisure facilities and tourist attractions. In comparison to the national average, the borough has a relatively high proportion of jobs in the private sector.

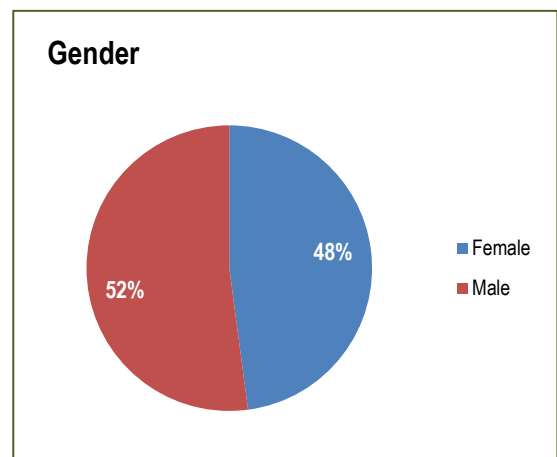
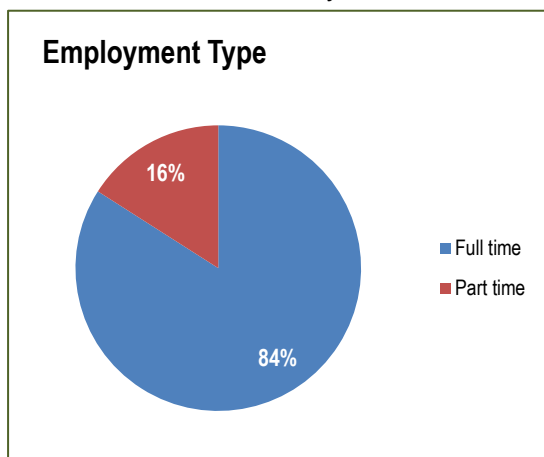


3 OUR EMPLOYEES

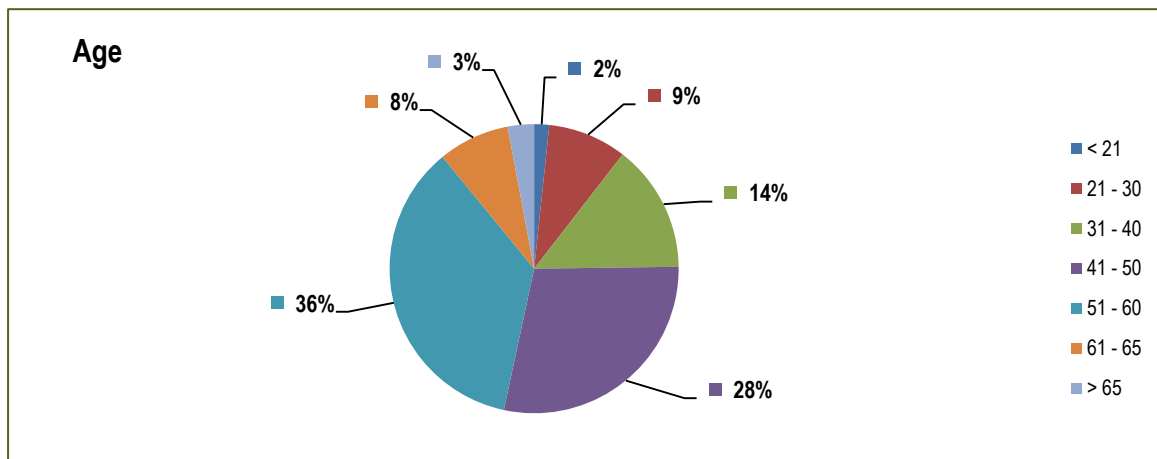
The organisational structure of the council is headed by the Corporate Management Team which consist of the Chief Executive, Director of Community Services and Director of Resources. Each member of the Corporate Management Team has responsibility for one of the council's 3 departments, as shown below.



As at the 31 March 2016 the council employed 238 members of staff. The overall establishment consisted of 232 posts, of which 9 were vacant posts at 31 March. The tables below provide some information on the profile of our employees as at the end of the 2015/16 financial year.



Narrative Report



4 ELECTED MEMBERS

Ribble Valley Councillors are elected every four years in local elections. They represent 24 wards and make decisions about local services in the borough.

There are 40 Councillors, all of which are elected by registered voters in their ward. The last full election for Ribble Valley Councillors was in May 2015, with the next due to take place in 2019.

Councillors are there to represent the views of local people. They also assist people in need or help people to access public services. Councillors work in the best interests of the borough and their local neighbourhood.

As well as representing the public, Councillors also represent political parties. Currently, our Councillors represent the following parties:

Conservative Party	35 Councillors
Liberal Democrat Party	4 Councillors
Labour Party	1 Councillor
Total	40 Councillors

As the Conservative Party has the most number of Councillors, they have control of the Council.

The Council operates on a Committee System. Since the Localism Act this option is now available to all councils. Previously it was available only to district councils with populations under 85,000, such as this council. Committee system councils make most decisions in committees, which are made up of a mix of Councillors from all political parties.

The diagram below shows the current committee structure:



5 OUR FINANCIAL PERFORMANCE - REVENUE

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, as shown above, of

- Community Services Committee
- Planning and Development Committee
- Health and Housing Committee
- Policy and Finance Committee

After allowing for income from fees and charges, sales, rentals and miscellaneous grants and contributions, the Council's General Fund services are paid for by:

- government grants and contributions
- retained business rates
- council tax

Shown below is a summary of the general fund accounts comparing actual expenditure with the original and revised budgets for the year.

Narrative Report

Committee	Original Estimate	Revised Estimate	Actual	Original Estimate Compared to Actual	Revised Estimate Compared to Actual
	£'000	£'000	£'000	£'000	£'000
Community Services	3,519	3,527	3,304	-215	-223
Policy & Finance	2,173	2,135	2,046	-127	-89
Planning & Development	629	530	473	-156	-57
Health & Housing	835	795	678	-157	-117
Committee Expenditure	7,156	6,987	6,501	-655	-486
Interest Payable	11	11	11	0	0
Parish Precepts	364	364	364	0	0
Interest Received	-25	-29	-34	-9	-5
Net Operating Expenditure	7,506	7,333	6,842	-664	-491
Precept from Collection Fund (including parish precepts)	-3,417	-3,417	-3,417	0	0
Collection Fund Surplus - Council Tax	-22	-22	-22	0	0
Localisation of Council Tax Support - Parish Payment	11	11	11	0	0
New Homes Bonus	-969	-969	-969	0	0
New Homes Bonus - Returned Funding	0	-4	-4	-4	0
Council Tax Freeze Concession	-32	-32	-32	0	0
Revenue Support Grant	-1,011	-1,011	-1,011	0	0
Business Rates Baseline Funding	-1,229	-1,229	-1,229	0	0
Retained Rates Income	-249	-249	-249	0	0
Business Rates Levy	417	256	294	-123	38
S31 Grant	-617	-721	-693	-76	28
Retained Rates - Renewable Energy	0	0	-11	-11	-11
Collection Fund Deficit - Business Rates	46	46	46	0	0
Deficit/(Surplus) for year	434	-8	-444	-878	-436
Depreciation	-726	-841	-855	-129	-14
Minimum Revenue Provision	133	133	133	0	0
Net Transfer to/from earmarked reserves	309	546	591	282	45
Deficit/(Surplus) for year	150	-170	-575	-725	-405

Analysis of our income and expenditure by type

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

Committee	Original Estimate	Revised Estimate	Actual	Original Estimate Compared to Actual	Revised Estimate Compared to Actual
	£'000	£'000	£'000	£'000	£'000
Community Services	3,519	3,527	3,304	-215	-223
Policy & Finance	2,173	2,135	2,046	-127	-89
Planning & Development	629	530	473	-156	-57
Health & Housing	835	795	678	-157	-117
Committee Expenditure	7,156	6,987	6,501	-655	-486

This net expenditure can also be analysed across the various income and expenditure types as shown below. This provides more of an insight in to where the variances on our income and expenditure have been for the year.

Income or Expenditure Type	Original Estimate	Revised Estimate	Actual	Original Estimate Compared to Actual	Revised Estimate Compared to Actual
	£'000	£'000	£'000	£'000	£'000
Employee Related	6,200	6,138	6,061	-139	-77
Premises Related	1,578	1,522	1,512	-66	-10
Transport Related	1,416	1,326	1,316	-100	-10
Supplies & Services	1,864	1,950	1,883	19	-67
Third Party Payments	392	402	390	-2	-12
Transfer Payments	7,820	7,637	7,660	-160	23
Support Services	5,879	5,704	5,541	-338	-163
Depreciation and Impairment	726	841	855	129	14
Total Expenditure	25,875	25,520	25,218	-657	-302
Government Grants	-7,840	-7,681	-7,883	-43	-202
Other Grants and Contributions	-793	-861	-973	-180	-112
Customer and Client Receipts	-2,521	-2,696	-2,736	-215	-40
Recharges and Oncosts	-7,565	-7,295	-7,125	440	170
Total Income	-18,719	-18,533	-18,717	2	-184
Net Expenditure	7,156	6,987	6,501	-655	-486

Narrative Report

Amendments to our budget in the year

As can be seen above, a revision of the budget for the year is prepared part way through the year. This provides us with an opportunity to better assess the level of movement anticipated within our earmarked reserves and balances, and to allow us to better forecast for the next financial year.

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

Item	£'000
Net Decrease in Service Committee Costs	-169
Increase in Interest Received	-4
New Homes Bonus Returned Funding	-4
Decrease in Forecast Business Rates Levy	-161
Increased S31 Grants Receivable	-104
Increase in amount removed for Depreciation	-115
Increase in amount set aside in Earmarked Reserves	237
Net increase in amount to take from balances for the year	-320

How our revenue services are financed

As shown earlier our total actual net expenditure for committees was £6.501m. This is after allowing for numerous elements of service income such as fees and charges, sales and service specific grants and contributions.

There are a number of further additions and subtractions to this net committee expenditure:

- Removal of depreciation and addition of the minimum revenue provision (which represents the minimum amount which must be charged to an authority's revenue account each year for financing of capital expenditure that was initially funded by borrowing).
- The addition of interest paid on external borrowing less income that has been earned on external investments
- Payment of parish precepts
- Payments made to parish councils in relation to the impacts of the localisation of council tax support
- Payment received from the Government in the form of Council Tax Freeze Grant. This is to compensate the council for income foregone by having frozen the level of council tax
- A small payment of redistributed New Homes Bonus was received in year. These are funds not needed to support the main New Homes Bonus Scheme, which is then redistributed to all councils.
- Of the committee income and expenditure, an element is often required to either be set aside in an earmarked reserve for use for a specific purpose in future years, or alternatively released from an earmarked reserve as expenditure has now been incurred.

- General fund balances are reserves that are not set aside for any specific purpose but are a resource that is used to either support general net expenditure in a given year, or is where resources are set aside as a resource to help support future financial years.

Following the above movements, the council was left with net expenditure of £7.261m to be financed. This expenditure was financed from our major sources of financing:

Council Tax

This is the Council Tax precept payable to the council for its own precept and that paid to Parishes. Also included here is a share of income received from the Collection Fund which represents a Surplus on the Collection Fund account from previous years.

Council Tax Element	£'000
Ribble Valley Borough Council Precept	-3,053
Precept relating to all Parishes	-364
Collection Fund Surplus	-22
Total Net Council Tax Income	-3,439

Business Rates

This is retained business rates at a baseline level set by the government, plus growth on business rates that has been realised. The council also receives a number of grants, known as Section 31 Grants, to compensate the council for business rates income lost as a result of measures introduced by the Government. The overall net growth on business rates is then reduced through the charging of a Levy, payable to the Government. Finally, there was a deficit on the Collection fund for business rates, which the council is required to contribute to.

Business Rates Element	£'000
Total Business Rates Income Forecast for 2015/16	-14,510
Less Payable to Central Government	7,255
Less Payable to Lancashire County Council	1,306
Less Payable to Lancashire Combined Fire Authority	145
Balance Retained by Ribble Valley Borough Council	-5,804
Less Tariff Payable to Central Government	4,326
Baseline Business Rates Income of £1,229,000 plus Growth of £249,000	-1,478
Business Rates retained on Renewable Energy Schemes	-11
Section 31 Grants	-693
Less Business Rates Levy Payable to Central Government	294
Less Business Rates Collection Fund Deficit	46
Overall Net Retained Business Rates Related Income	-1,842

Narrative Report

Revenue Support Grant

This is a source of funding that has seen a steady decrease over past years and is forecast to cease in 2019/20. In 2015/16 we received £1.011m

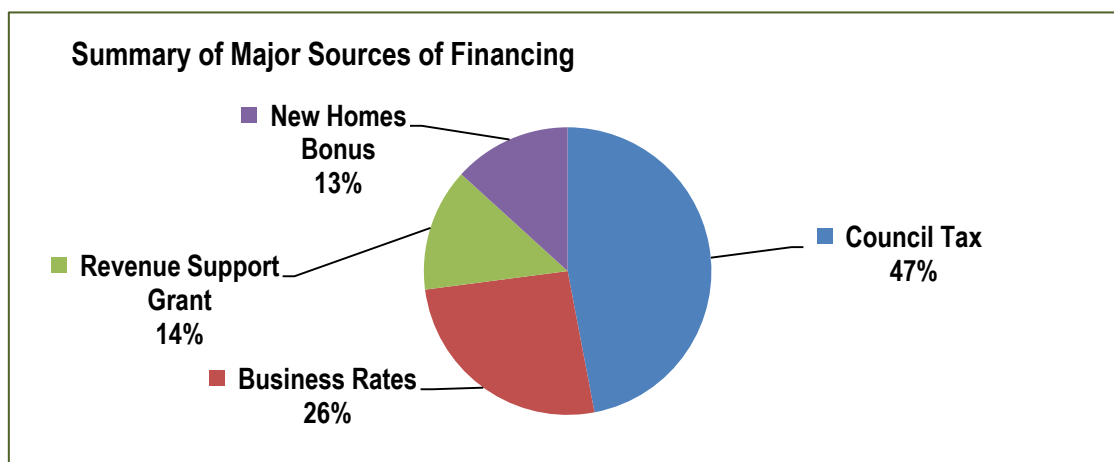
New Homes Bonus

This is currently paid each year for 6 years. It is based on the amount of extra Council Tax revenue raised for new-build homes, conversions and long-term empty homes brought back into use. There is also an extra payment for providing affordable homes. New Homes Bonus grant is currently shared 80:20 between district and county councils in two tier areas.

It is paid as an un-ringfenced grant, which means local authorities are free to decide how to spend it. The New Homes Bonus can be spent on either revenue or capital, or placed in a local authority's reserves. Below is a breakdown of the amount paid to the council in 2015/16.

There is currently a consultation on the payment of New Homes Bonus, which may impact on the existing scheme and ultimately the amount received by this council in future years.

New Homes Bonus	£'000
2011/12 Allocation - last year payable is 2016/17	-62
2012/13 Allocation - last year payable is 2017/18	-118
2013/14 Allocation - last year payable is 2018/19	-188
2014/15 Allocation - last year payable is 2019/20	-227
2015/16 Allocation - last year payable is 2020/21	-374
Total New Homes Bonus received in 2015/16	-969



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

During 2015/16 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
<u>Expenditure Variations</u>	
Direct Employee Costs	-36
Energy Costs	-27
Training	-32
Local Development Scheme	-44
Subscriptions	-17
Printing and Stationery	-13
Paper Penalty - Cost Sharing	-29
Tipping Charges	19
Promotional Activities	-24
Rent Allowance Payments	-32
Payment of Grants	-65
Flooding Immediate Reactive Costs	51
Payment of Flood Grants to Individuals (£500)	119
Council Tax Flood Rebate	89
Cleaning of Public Conveniences	-17
Vehicle Fuel Costs	-29
Staff Mileage and Other Travel Costs	-13
ICT and Telecommunications	-18
Total Expenditure Variances	-118
<u>Income Variations</u>	
Rent Allowances Grant	-20
Transparency Code Grant	-8
DWP Data Sharing Grant	-6
Flooding Immediate Reactive Costs - Bellwin Scheme Funding	-51
Flood Grant reimbursement	-119
S31 Council Tax Flood Rebate Funding	-89
Property Searches New Burdens Funding	-28
Planning Fee Income	20
Building Control Fee Income	8
Trade Waste Collection Income	-31
Edisford All Weather Pitch Income	-9

Narrative Report

Variation	£'000
Sale of Equipment and Materials	-29
Car Parking Income	-15
Total Income Variances	-377
Other Variations	9
Net Variation on Committee Expenditure	-486
Increased Interest Received	-5
Variation on Net Operating Expenditure	-491
Decreased Business Rates Levy	38
Increased S31 Grants	28
Retained Rates - Renewable Energy	-11
Variation on Deficit/(Surplus) for Year	-436
Addition Depreciation (Reversal of)	-14
Extra Transfers to Earmarked Reserves	45
Increase in amount to add to balances compared to Revised Estimate	-405

General Fund Balance and Earmarked Reserves

We had originally planned to take £150,000 from general fund balances to help finance the 2015/16 spending plans. However, this was revised later in the year to adding £169,869 to general fund balances. The final position shows that the council has added £575,718 to general fund balances.

General Fund Balance	£'000
General Fund Balances: Brought forward at 1 April 2015	2,103,114
Surplus in 2015/16 added to General Fund Balances	575,718
General Fund Balances: Carried forward at 31 March 2016	2,678,832

With regard to earmarked reserves, in support of the revenue account and excluding capital transactions, we had originally planned to add £309,333. However, this was revised later in the year to adding £545,769 to earmarked reserves. The final position shows that the council has added £590,757 to earmarked reserves for revenue purposes. For capital purposes we took £526,722 from earmarked reserves to fund the capital programme. The overall net movement was £64,035 added to earmarked reserves.

Earmarked Reserves	£
Earmarked Reserves: Brought forward at 1 April 2015	5,941,467
Net added to Earmarked Reserves for revenue purposes	590,757
Net taken from Earmarked Reserves for capital purposes	-526,722
Earmarked Reserves: Carried forward at 31 March 2016	6,005,502

6 OUR FINANCIAL PERFORMANCE - CAPITAL

We keep a separate account of all our capital expenditure and income transactions, examples of such transactions would be:

- Buying or selling land or property.
- Improvements to our existing assets.
- Building new properties.
- Purchase of vehicles & plant.
- Awarding improvement grants for private sector renewal.

During the year the Council spent over £941,000 on capital schemes. The main areas of expenditure included:

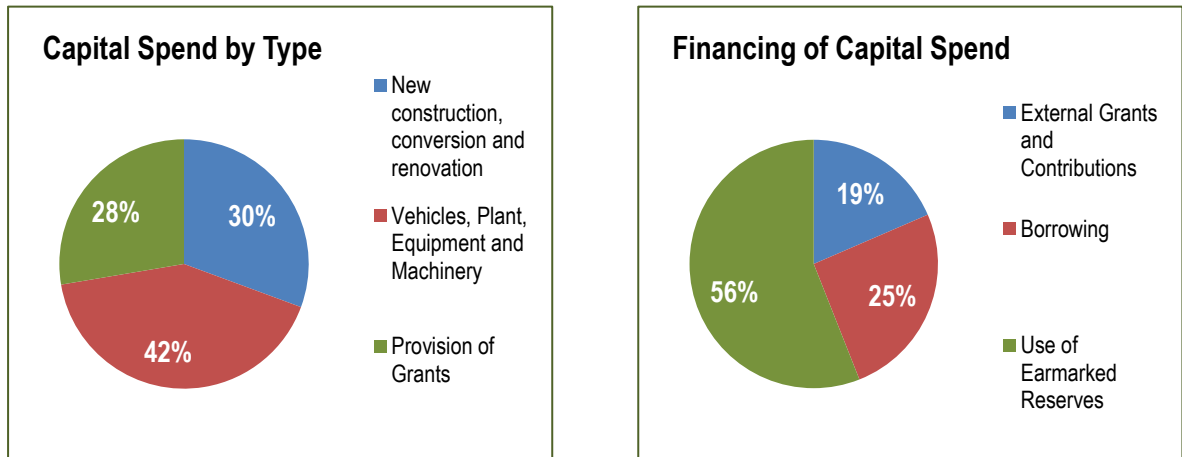
- Replacement Vehicles and Plant
- Replacement of the windows and roof at the Council Offices
- Play Area Improvements

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

Capital Programme	Original Estimate £	Revised Estimate £	Actual £	Original Estimate Compared to Actual £	Revised Estimate Compared to Actual £
Community Services Committee	483,600	442,270	439,448	-44,152	-2,822
Policy and Finance Committee	471,400	471,400	256,237	-215,163	-215,163
Health and Housing Committee	236,000	267,330	244,911	8,911	-22,419
Total Capital Expenditure	1,191,000	1,181,000	940,596	-250,404	-240,404
Grants and Contributions	-246,000	-244,400	-174,107	71,893	70,293
Borrowing	-256,400	-257,270	-239,766	16,634	17,504
Earmarked Reserves	-688,600	-679,330	-526,723	161,877	152,607
Total Resources	-1,191,000	-1,181,000	-940,596	250,404	240,404

Narrative Report

Shown below are summaries of the type of expenditure that is represented in the £941,000 of capital expenditure shown in the table above and its financing.



As shown in the table above, comparing spend to budget, there is a variance of £240,000 between the revised capital programme and actual spend. At the end of the financial year work on some schemes was still underway. This can be carried forward into the new financial year and is known as slippage. Of the £240,000 variance £194,920 is accounted for as slippage in to the 2016/17 financial year, and is summarised below:

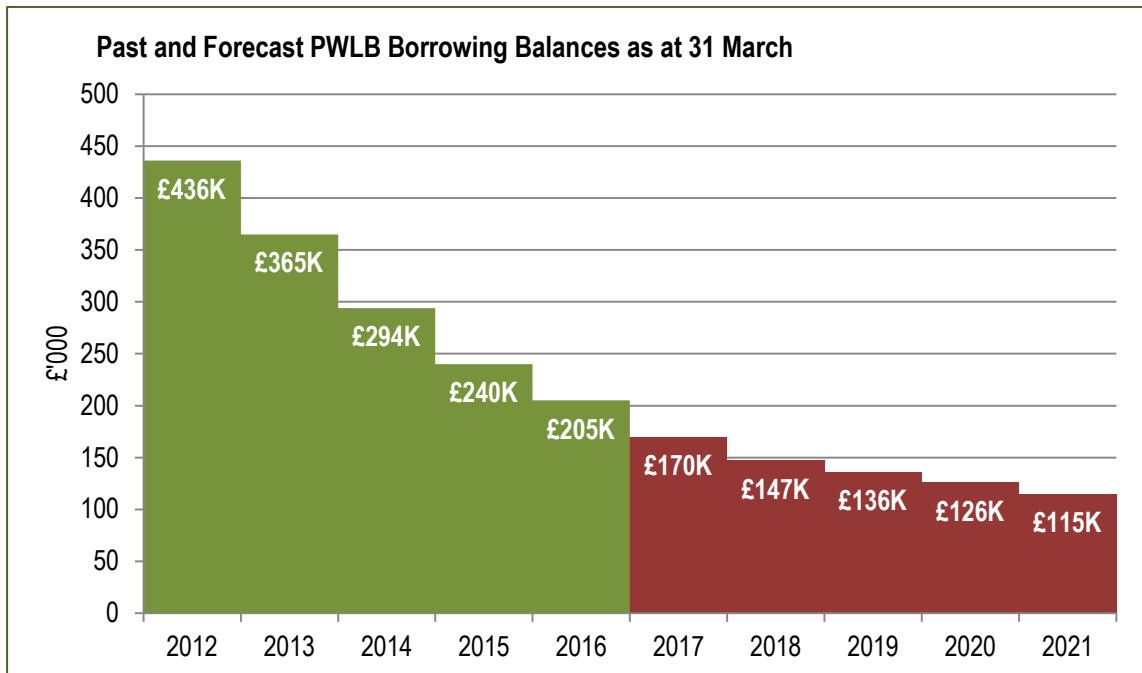
Scheme Name	Slippage in to the 2016/17 Financial Year £
Economic Development Initiatives	100,000
Replacement of the windows and roof at the Council Offices	17,500
Clitheroe Townscape Scheme	55,000
Disabled Facilities Grants	14,090
Landlord/Tenant Grants	8,330
Total Capital Slippage	194,920

Within the resources used for financing the capital programme is internal borrowing. This is a resource generally used to finance assets of a longer life such as land and buildings. This is in order to minimise the level of impact on the revenue budget through the Minimum Revenue Provision, which is calculated based on asset life.

We did not need to undertake any external borrowing in year; however, the Council always looks to make full use of advantageous lending terms that are offered by the Public Works Loan Board.

The total Public Works Loan Board loans outstanding as at 31 March 2016 was £0.205m. 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.

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



Past actuals shown in green, forecast (based on Public Works Loan Board loans held at 31 March 2016) shown in red

Further external borrowing may be required over the medium term in order to fulfil economic development objectives.

7 OUR FINANCIAL PERFORMANCE – COLLECTION FUND

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

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

Narrative Report

For business rates, similar principles apply. Total forecast collectable rates are paid from the Collection Fund at fixed shares to Central Government, Ribble Valley Borough Council, Lancashire County Council and Lancashire Fire and Rescue. Due to the change of circumstances for businesses, the actual amount of business rates collected can be higher or lower than the total amount required to be paid out in fixed shares. This results in either a forecast surplus or deficit, which is declared in the following January each year and is either paid to or collected from Central Government, Ribble Valley Borough Council, Lancashire County Council and Lancashire Fire and Rescue in the following financial year.

Performance of the Collection fund for 2015/16 is summarised in the table below, compared to the forecast performance.

Collection Fund	Original Estimate	Revised Estimate	Actual	Original Estimate Compared to Actual	Revised Estimate Compared to Actual
	£'000	£'000	£'000	£'000	£'000
Council Tax - Expenditure					
Total of all Precepts	32,797	32,797	32,797	0	0
Total Collection Fund Surplus distributed	207	207	207	0	0
Council Tax Benefit	0	46	54	54	8
Bad Debts Provision	248	100	112	-136	12
Expenditure Subtotal - Council Tax	33,252	33,150	33,170	-82	20
Business Rates - Expenditure					
Deficit Brought Forward	115	222	222	107	0
Cost of Collection	90	90	90	0	0
Enterprise Zones	17	17	18	1	1
Renewable Energy Schemes	10	10	12	2	2
Transitional Protection	0	11	13	13	2
Total Distribution of Business Rates	14,510	14,510	14,510	0	0
Appeals Provision	58	806	704	646	-102
Bad Debts Provision	148	116	144	-4	28
Expenditure Subtotal - Business Rates	14,948	15,782	15,713	765	-69
Total Expenditure	48,200	48,932	48,883	683	-49
Council Tax - Income					
Surplus Brought Forward	207	320	320	113	0
Council Tax Income	33,045	33,277	33,345	300	68
Council Tax Benefit	0	11	11	11	0
Flood Relief - Chargeable to Revenue	0	0	90		
DCLG Grant	0	0	2	2	2
Income Subtotal - Council Tax	33,252	33,608	33,768	426	70
Business Rates - Income					
Net Rates Payable (before appeals)	14,833	14,616	14,678	-155	62
Total Collection Fund Deficit recovered	115	115	115	0	0
Income Subtotal - Business Rates	14,948	14,731	14,793	-155	62
Total Income	48,200	48,339	48,561	271	132
Council Tax (Surplus)/Deficit carried forward	0	-458	-598	-598	-140
Business Rates (Surplus)/Deficit carried forward	0	1,051	920	920	-131
Total Net (Surplus)/Deficit carried forward	0	593	322	322	-271

8 OUR NON-FINANCIAL PERFORMANCE

The Council's Performance on Corporate Priorities

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

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

- **To maintain critical financial management and controls, and ensure the authority provides council tax payers with value for money, within the current financial constraints:** Ribble Valley Borough Council's element of Council Tax for 2015/16 was frozen for the sixth consecutive year. This was in spite of a 14% reduction in government grants. The council had the lowest Band D Council Tax in Lancashire and one of the lowest in the Country. In the 2016 Perception Survey 71% of respondents said that they agreed that Ribble Valley Borough Council provides value for money.
- **To treat everyone equally and ensure that access to services is available to all, including our most vulnerable citizens:** Ribble Valley Borough Council joined with the Alzheimer's Society and several businesses, community groups and public sector organisations to establish the area as a centre of excellence in dementia awareness. The campaign was nominated for the Government's Accessible Britain Challenge Awards 2015 and although not winning, the council has received a certificate and letter of commendation from the awards.
- **To engage with our communities to ensure we deliver services to meet customer needs and expectations:** In the 2016 Perception Survey 74% of respondents said that they were happy with the way in which the council ran services.

Priority 2: To sustain a strong and prosperous Ribble Valley.

- **To promote stronger, more confident and more active communities throughout the borough:** The Council provides technical support and assistance as well as making necessary decisions at key stages for town and parish councils who are developing a Neighbourhood Development Plan. Neighbourhood planning is a key part of the Localism Act and allows communities to become directly involved in planning policy. There are currently three parish councils at the Area Designation Stage (stage 1).
- **To encourage economic development throughout the borough with a specific focus on tourism, the delivery of sufficient land for business development, and supporting high growth business opportunities:** The Council is actively seeking to acquire land within the borough for employment to encourage economic development and help maintain a strong local economy. We successfully hosted the Tour of Britain Stage Two start which contributed an estimated £1.1m to the Ribble Valley visitor economy. Good progress has also been made with the Market Site Redevelopment and the award of a contract that will see an £8m redevelopment of the site including hotel, retail, restaurant, car parking and new market.

Narrative Report

- **To seek to improve the transport network, especially to our rural areas:** Despite cuts by Lancashire County Council to some rural bus services, Ribble Valley Borough Council continues to provide grant funding to The Little Green Bus which offers a community transport service for the elderly and vulnerable people.
- **To work with our partners to ensure that the infrastructure in the Ribble Valley is improved, in order to be fit for purpose:** A capital scheme to support the uplift of Clitheroe Townscape was approved by the council. This was to be a multi-agency scheme involving Lancashire County Council and other potential partners, however due to withdrawal of funding from Lancashire County Council the scheme has had to be put on hold and a review will be carried out as to the works that could be carried out within our own funding. There is ongoing work through the planning process to ensure that the road infrastructure supports new developments, such as the requirements for a new roundabout on the A59 near the Standen development.

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

- **To improve the health of people living and working in our area:** A new 3G pitch has been installed at the all-weather facility on Edisford Road. The pitch has been part funded by Ribble Valley Borough Council and Sport England's Inspired Programme, which is part of the London Olympics Legacy.
- **To improve the opportunity for young people to participate in recreational and sporting activity:** The Council annually awards grants to young residents of the borough for equipment and tuition for youngsters who excel in sport, dance, drama and music.
- **To ensure that Ribble Valley remains a safe place to live:** According to the Halifax Rural Areas Quality of Life Survey, Ribble Valley is the safest place to live in Lancashire and one of the safest places in the UK with around 28 crimes recorded annually per 1,000 residents. CAN and CANSAFE (joint initiative between Lancashire Constabulary, Lancashire Trading Standards Service, HARV, Hyndburn and Ribble Valley CAPSS and other partner agencies agreed locally) operates regularly on Friday evenings in the Ribble Valley. Targeted patrols look at regular hotspots where youths gather to consume alcohol under age, take illegal drugs and place themselves in risk situations.
- **To take a leading role in working with partners on the evolving public health agenda:** The Council received an Affordable Warmth Grant awarded by Lancashire County Council through which the council offered financial support to residents of the borough to help insulate homes, replace boilers and provide emergency top ups for gas and electricity. The council works in partnership with Lancashire County Council and East Lancashire Clinical Commissioning Group through the provision of healthy lifestyles initiatives and cardiac rehabilitation. There are a number of schemes which fall under the umbrella of healthy lifestyles including exercise referral, weight management and healthy walks.

- **To combat rural isolation:** The council provides financial support to various luncheon clubs throughout the borough through the provision of grants. There has also been work to actively encourage the development of new luncheon clubs. Grant assistance was also provided to the Village Halls Association which promotes schemes to tackle rural isolation such as the Good Neighbours Scheme which funds activities in village halls and community centres to help rural residents overcome isolation.

Priority 4: To protect and enhance the existing environmental quality of our area.

- **To conserve our countryside, the natural beauty of the area and enhance our built environment:** Primrose Lodge has been registered with 'The Environment Bank' which is an environmental credit scheme allowing developers to purchase conservation credits from The Environment Bank, which are used to fund the creation and management of conservation sites. The resulting monies will be used to restore the lodge. The lodge is already a Lancashire biological heritage site and the council is consulting with Lancashire Wildlife Trust on how the site might be transformed into a nature reserve.
- **To increase the recycling of waste material:** The council undertook the 'Make Metals Matter' recycling campaign in conjunction with Lancashire County Council and the metal packaging manufacturing industry to encourage residents to recycle their share of cans, aerosols, foil trays, and wrapping foil.
- **To provide a high quality environment, keeping land clear of litter and refuse, and reducing the incidents of dog fouling:** The council introduced its new 'Pick Up or Pay Up' campaign against dog fouling within the borough. This involved the introduction of dog control orders where owners who do not clean up after their dogs receive fines or fixed penalty notices.

Priority 5: To match the supply of homes in our area with the identified housing needs.

- **To meet the housing needs of all sections of the Community:** The council offers disabled facilities grants to enable disabled people within the borough to have better freedom of movement around the house and remain in their own home. Additionally, through the planning process we ensure the provision of older people accommodation on all sites over 30 units.
- **To provide additional affordable homes throughout the Ribble Valley:** The council offers Landlord/Tenant Grants in which the Council match funds a landlord's investment in a property in return for an affordable rental property. The grant ensures that the council has nomination rights to the property and that rents are set in line with the Local Housing Allowance.

Narrative Report

Resident Satisfaction Surveys

The Lancashire authorities that make up the Infusion research and consultation partnership carry out a biennial survey based on the questions asked in the previous national Place Survey. The survey focused on the local area, well-being, service satisfaction, perceptions of the Council and value for money. A summary is provided below, broken down in to the key areas.

Your Local Area

- Health services, the level of crime and access to nature are seen to be the three most important things that make the local area a good place to live
- 94% of residents are satisfied with their local area as a place to live

Local Public Services

- Around 9 in 10 residents are satisfied with refuse and recycling services provided by the Council
- Dissatisfaction with dog fouling is down from 49% in 2013 to 37%
- 71% feel the Council provides value for money, down from 76% in 2013, but still higher than the County Council (41%)
- Around 3 in 4 residents are satisfied with the Council overall

Recycling Services

- More than 9 out of 10 residents regularly recycle glass, cans, plastic, paper/cardboard and green waste

Information and Customer Service

- People feel less informed about the Council than they did two years ago
- But elements of customer service are on the up – waiting times, politeness of staff and how easy information is to understand
- Residents still prefer printed publications for information and prefer to contact the Council by telephone or in person

Local Community

- Perceptions of safety and anti-social behaviour in the local area are similar to 2013
- But the perception that the police and public services are dealing with these issues successfully is down from 54% in 2013 to 43%

When comparing the 2013 survey results to the 2015 results

- In 9.09% of the comparable questions satisfaction has been seen to improve
- In 72.73% of the comparable questions satisfaction has stayed roughly the same
- In 18.18% of the comparable questions satisfaction has been seen to decline

When comparing this council's results with similar surveys conducted in other Lancashire authorities, satisfaction with services was higher across the board in all but the following area - Satisfaction with parks and open spaces.

Change and Improvement

Whilst we always continually strive for improvement and efficiencies in our services, occasionally there are fundamental changes to the manner in which our services are provided. Within the 2015/16 financial year there was a restructuring undertaken of planning services to enable us to better provide the services required of us and enabling our staff to meet the demands made upon them.

There is further capital investment within this service area planned in 2016/17 to help build on the functionality of our existing ICT infrastructure, which will help us to further meet our customer's expectations.

Under the Lancashire Waste Partnership the council has a cost sharing agreement with Lancashire County Council. This partnership was set up to encourage more household recycling and less waste being delivered to landfill sites. Lancashire County Council have given notice that due to financial constraints they will no longer contribute towards the cost of recycling in Ribble Valley with effect from 31 March 2018. Under the current agreement we receive £326,600 (net).

The withdrawal of funding will inevitably mean that we will have to review our approach to household recycling in order to bridge this future funding gap.

Smarter working with our existing ICT infrastructure across all services is seen as a priority to ensure that we maximise the return from our investment and drive efficiencies in providing our services. We will be working hard to enable better connectivity of our systems to our website to help our customers access our services at times that are convenient to them.

9 PENSIONS

The statement of accounts reflects the full adoption of International Accounting Standard 19 (IAS19). This requires that:

- Pension costs charged to services are based on the cost of providing retirement benefits to employees in the period that the benefits are earned by the employee rather than the actual cash contributions to the Lancashire County Pension Fund. This cost, referred to as the current service cost, is calculated by the fund's actuary, Mercer Ltd.

Narrative Report

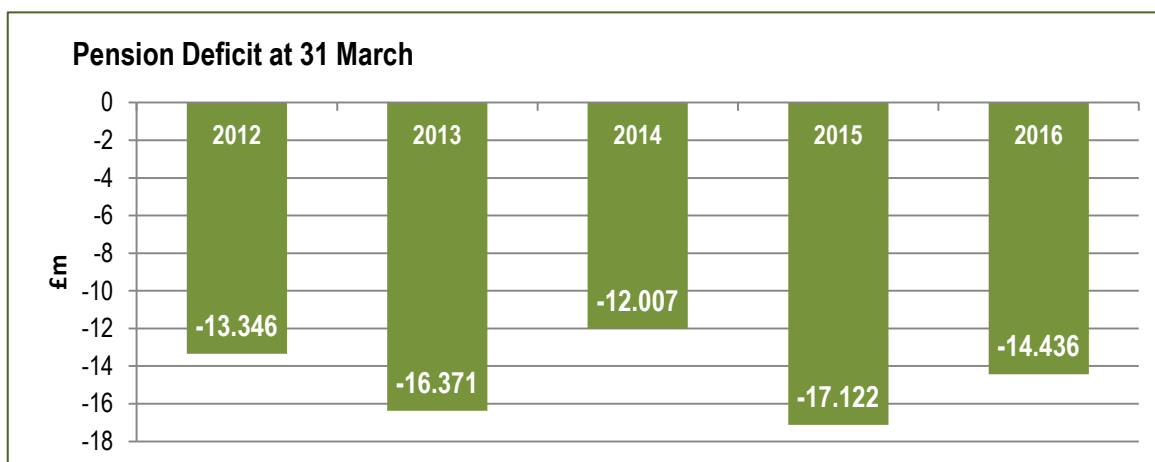
The net pension asset/liability in respect of the surplus/deficit on the pension fund, as calculated by the fund's actuary, is included in the council's balance sheet. In Ribble Valley Borough Council's case the net liability as at 31 March 2016 decreased to £14.436m (31 March 2015 £17.123m).

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)

The Pension deficit has fluctuated quite widely over the past few years and as mentioned above, the main fluctuations year to year have been around financial assumptions. The last full revaluation was undertaken in 2013.



10 CURRENT ECONOMIC CLIMATE AND OUTLOOK

The financial climate for local government in the medium term is currently one of great uncertainty with numerous consultations past, present and future. Whilst four year settlements have been presented to councils following the last spending review, there is uncertainty around eligibility among authorities, with the requirement for 'efficiency statements' to be in place.

Key funding streams are either known to be disappearing or are out to consultation with proposed measures for reduction, namely Revenue Support Grant and New Homes Bonus.

There are proposals for the 100% retention of Business Rates going forward, also out to consultation, but to be accompanied with mooted additional responsibilities.

The council's medium term financial strategy for the period 2016/2019 uses the four year settlements provided by the government following the Spending Review and allows for a number of assumptions and known local pressures, such as the cessation of Cost Sharing payments from Lancashire County Council in 2018. The table below provides a summary of the medium term financial outlook for the council.

	2016/17 Forecast £	2017/18 Forecast £	2018/19 Forecast £
Net Expenditure	6,460,867	6,651,992	7,011,766
Interest Receipts	-28,730	-50,000	-75,000
Use of Superannuation Reserve	-36,512	-36,512	-36,512
Rural Services Grant	-26,647	-46,632	-66,618
Use of Business Rates Growth	-262,926	-262,926	-262,926
Use of New Homes Bonus	-786,961	-786,961	-786,961
(Use of)/Contribution to Balances	-200,000	-200,000	-200,000
Savings Required	0	-395,251	-768,142
Budget Requirement	5,119,091	4,873,710	4,815,607
Government Funding	-1,862,605	-1,568,216	-1,410,332
Collection Fund (Deficit)/Surplus	-47,809	0	0
Precept	3,208,677	3,305,494	3,405,275
Taxbase	22,024	22,244	22,467
Band D Council Tax	£145.69	£148.60	£151.57
Projected Council Tax increase	£5 (3.6%)	2%	2%

Narrative Report

A balanced budget has been set for the 2016/17 financial year; however based on forecast future funding the council will need to make substantial savings in future years. This will be achieved through close working between officers and members across all committees and particularly the targeted work of the Budget Working Group, which is made up of both members and officers and is chaired by the Leader of the council.

The level of net expenditure needed in future years will also be very sensitive to changing income levels from fees and charges. Certainly a number of discretionary service areas are sensitive to the levels of disposable income that residents and visitors may have to hand, most notably recreation and leisure services. Additionally, there is the inability to attract income from other services to support the provision of council services overall, as the government have indicated that they should be provided at cost only.

Future pressure on services is also foreseen due to the expected increase in housing in the borough. This could impact on an array of services; however the actual level of housing growth can't be anticipated year by year, nor the timing of any major impact on the ability to continue providing services at the level of current resources.

It is very important for the council to maintain a healthy level of balances to cover for unforeseen events and also provide a stable level of resources for future planning. This has been particularly important in more recent years with very general knowledge of likely continuing falls in local government core funding, but little knowledge of who will be affected and by how much.

11 PRINCIPAL RISKS AND UNCERTAINTIES

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

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

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

Future of Local Government Finance Settlement

- Four year settlement
- Revenue Support Grant disappearing

Availability of Staffing

- Ageing Workforce
- Recruitment difficulties
- Staff sickness

Business Rates Retention Scheme

- Radical changes planned
- Risk of large appeals
- Recession

New Homes Bonus – Consultation Paper

- Currently awaiting the outcome of the consultation. Result could have a significant financial impact on the council

Business Continuity

- Major fire, flooding or utilities fault

ICT

- Use of ICT infrastructure is not maximised
- Obsolescence – Changing service needs
- External threats and Data Security

Cost Sharing

- Future funding gap

Unable to Meet Service Demands

- Increasing number of households
- Changing expectations – services not evolving to meet need/demand

12 THE STATEMENTS

The Council's statement of accounts for the year ended 31 March 2016 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 2015/16 are detailed in the following paragraphs.

Statement of Responsibilities

The code requires that the chief financial officer should sign and date the Statement of Accounts under a statement that the accounts give a true and fair view of the financial position of the council at the accounting date and its income and expenditure for the year then ended.

Statement of Accounting Policies

Accounting Policies are the specific principles, bases, conventions, rules and practices applied by the council in preparing and presenting its financial statements. The council is required to set out its accounting policies in compliance with the Code of Practice on Local Authority Accounting in the United Kingdom and include them within the Statement of Accounts.

Narrative Report

Movement in Reserves Statement

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

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

Comprehensive Income and Expenditure Statement

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

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

Balance Sheet

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

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

Cash Flow Statement

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

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

Collection Fund Statement

This reflects the statutory requirement for billing authorities, such as Ribble Valley Borough Council, to maintain a separate fund for the collection and distribution of amounts due in respect of council tax and Business Rates

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

Statement of Responsibilities

Statement of Responsibilities

The following responsibilities are placed upon the Authority and the Director of Resources in relation to the Council's financial affairs:

The Authority's Responsibilities

The authority is required to:

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

The Director of Resources' Responsibilities

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

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

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

The Director of Resources has also:

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

I hereby certify that the Statement of Accounts gives a true and fair view of the financial position of the authority at the reporting date and its income and expenditure for the year ended 31 March 2016.

Jane L Pearson
Director of Resources CPFA
20 June 2016

Approval of the Statement of Accounts

I confirm that these accounts, including the Comprehensive Income and Expenditure Statement on page 62 and the Balance Sheet on page 64, were approved by the Accounts and Audit Committee at its meeting held on 17 August 2016.

Signed by:

Cllr Ken Hind
Chairman of Accounts and Audit Committee

17 August 2016

Statement of Accounting Policies

1 GENERAL PRINCIPLES

The Statement of Accounts summarises the Council's transactions for the 2015/16 financial year and its position at the year-end of 31 March 2016. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the *Code of Practice on Local Authority Accounting in the United Kingdom 2015/16* and the *Service Reporting Code of Practice 2015/16*, supported by International Financial Reporting Standards (IFRS).

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

2 ACCRUALS OF INCOME AND EXPENDITURE

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

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

Statement of Accounting Policies

3 CASH AND CASH EQUIVALENTS

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

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

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

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

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

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

5 CHARGES TO REVENUE FOR NON-CURRENT ASSETS

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

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

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

Statement of Accounting Policies

6 EMPLOYEE BENEFITS

Benefits Payable during Employment

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

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits and are charged on an accruals basis to the appropriate service, or where applicable, to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring.

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

Post-Employment Benefits

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

The Local Government Pension Scheme

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

- The liabilities of the Lancashire County Pension Fund attributable to Ribble Valley Borough Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 3.5% (3.2% 31 March 2015) 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

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

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the Pension Fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

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

7 EVENTS AFTER THE REPORTING PERIOD

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

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

Statement of Accounting Policies

- Those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

8 FINANCIAL INSTRUMENTS

Financial Liabilities

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

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

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

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

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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.

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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

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the authority can access at the measurement date
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly
- Level 3 inputs – unobservable inputs for the asset

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 asset 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).

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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 GOVERNMENT GRANTS AND CONTRIBUTIONS

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

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

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

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

10 HERITAGE ASSETS

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

Heritage Assets are

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

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

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

The Castle Keep at Clitheroe

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

The Clitheroe Castle Museum Collection

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

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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 be viewed at most mayoral functions.
- The acquisition of further Civic Regalia would not be made, and a programme of ongoing maintenance is carried out to ensure that the condition of the items is maintained.

The Roman Bath site at Ribchester

- The Council owned site at Ribchester consists of the archaeological remains of a Roman bath house. Due to the unique nature of the site, the Council considers that obtaining a valuation for the bath house site would involve a disproportionate cost in comparison to the benefits to the users of the Council's financial statements. Therefore the Council does not recognise this heritage asset on the balance sheet.
- General maintenance of the site is undertaken by the Council on a routine basis; however, no preservation works have recently been undertaken. The council would look to work together with third parties in undertaking any such works.
- Access to the site is open to the general public without charge.

Statement of Accounting Policies

Heritage Assets - General

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment – see *Accounting Policy 16* on Property, Plant and Equipment in this summary of significant accounting policies. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts (again see *Accounting Policy 16* on Property, Plant and Equipment in this summary of significant accounting policies)

11 INTANGIBLE ASSETS

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

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

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

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

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

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12 INVENTORIES AND LONG TERM CONTRACTS

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned at cost price with the exception of the General Stores which is valued at average cost.

Long Term Contracts are accounted for on the basis of charging the Surplus or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

13 INVESTMENT PROPERTY

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

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. 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.

14 LEASES

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

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

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

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

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Operating Leases Where the Council is Lessee

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant and equipment. Charges are made on a straight-line basis over the life of the lease even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

Operating Leases Where the Council is Lessor

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

15 OVERHEADS AND SUPPORT SERVICES

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 2015/16* (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.

16 PROPERTY, PLANT AND EQUIPMENT

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

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Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

Assets are then carried in the Balance Sheet using the following measurement bases:

- Infrastructure, community assets and assets under construction – depreciated historical cost
- All other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV)

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at

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the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

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

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

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

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

Property, Plant and Equipment Classification	31 March 2016	
	Revalued Amount in Balance Sheet £	Equivalent Carrying Amount Under Cost Model £
Other Land and Buildings	12,102,409	6,752,036
Vehicles, Plant, Furniture and Equipment	2,076,971	2,076,972
Infrastructure Assets	315,586	315,586
Community Assets	1,575,764	1,561,810
Surplus Assets (Not for Sale)	77,000	70,320
Total	16,147,730	10,776,724

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.

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

Depreciation

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

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

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

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.

Statement of Accounting Policies

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

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

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

Amounts received for a disposal, generally in excess of £10,000, are categorised as capital receipts. The receipts are set aside in the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Componentisation

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

17 PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

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.

18 RESERVES

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

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

Statement of Accounting Policies

19 REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUE

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

20 VAT

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

Movement in Reserves Statement

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 2015/16	Usable Reserves				Unusable Reserves								
	General Fund Balance £	Earmarked General Fund Reserves £	Capital Grants Unapplied £	Capital Receipts Reserve £	TOTAL USABLE RESERVES £	Capital Adjustment Account £	Collection Fund Adjustment Account £	Revaluation Reserve £	Deferred Capital Receipts Reserve £	Pensions Reserve £	Accumulated Absences Account £	TOTAL UNUSABLE RESERVES £	TOTAL COUNCIL RESERVES £
Balance at 31 March 2015	2,103,114	5,941,467	13,822	458,239	8,516,642	7,446,267	-55,133	5,768,206	178	-17,122,324	-59,605	-4,022,411	4,494,231
<u>Movement in Reserves During 2015/16</u>													
Surplus or (deficit) on the provision of Services	-772,283				-772,283							0	-772,283
Other Comprehensive Income and Expenditure					0		773,857			3,550,000		4,323,857	4,323,857
Total Comprehensive Income and Expenditure	-772,283	0	0	0	-772,283	0	773,857	0	0	3,550,000	0	4,323,857	3,551,574
Adjustments between Accounting Basis and Funding Basis Under Regulations (NOTE 8)	1,412,036		13,288	286,807	1,712,131	-326,645	-250,545	-278,662	-178	-863,000	6,899	-1,712,131	0
Net Increase/Decrease before Transfers to Earmarked Reserves	639,753	0	13,288	286,807	939,848	-326,645	-250,545	495,195	-178	2,687,000	6,899	2,611,726	3,551,574
Transfers to/from Earmarked Reserves (NOTE 9)	-64,035	64,035			0							0	0
Increase/Decrease in Year	575,718	64,035	13,288	286,807	939,848	-326,645	-250,545	495,195	-178	2,687,000	6,899	2,611,726	3,551,574
Balance at 31 March 2016	2,678,832	6,005,502	27,110	745,046	9,456,490	7,119,622	-305,678	6,263,401	0	-14,435,324	-52,706	-1,410,685	8,045,805
Carried Forward (NOTES 17 and 18)													

Movement in Reserves Statement

Movements in 2014/15 Restated	Usable Reserves				Unusable Reserves							TOTAL COUNCIL RESERVES	
	General Fund Balance £	Earmarked General Fund Reserves £	Capital Grants Unapplied £	Capital Receipts Reserve £	TOTAL USABLE RESERVES £	Capital Adjustment Account £	Collection Fund Adjustment Account £	Revaluation Reserve £	Deferred Capital Receipts Reserve £	Pensions Reserve £	Accumulated Absences Account £	TOTAL UNUSABLE RESERVES £	£
Balance at 31 March 2014	2,058,402	5,092,598	46,158	28,959	7,226,117	8,216,261	-78,999	4,385,691	492	-12,007,324	-61,491	454,630	7,680,747
<u>Movement in Reserves During 2014/15</u>													
Surplus or (deficit) on the provision of Services	-197,577	0	0	0	-197,577	0	0	0	0	0	0	0	-197,577
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	1,536,061	0	0	-4,525,000	0	-2,988,939	-2,988,939
Total Comprehensive Income and Expenditure	-197,577	0	0	0	-197,577	0	1,536,061	0	0	-4,525,000	0	-2,988,939	-3,186,516
Adjustments between Accounting Basis and Funding Basis Under Regulations (NOTE 8)	1,091,158	0	-32,336	429,280	1,488,102	-769,994	-153,546	-314	-590,000	1,886	-1,488,102	0	
Net Increase/ Decrease before Transfers to Earmarked Reserves	893,581	0	-32,336	429,280	1,290,525	-769,994	23,866	1,382,515	-314	-5,115,000	1,886	-4,477,041	-3,186,516
Transfers to/from Earmarked Reserves (NOTE 9)	-848,869	848,869	0	0	0	0	0	0	0	0	0	0	0
Increase/Decrease in Year	44,712	848,869	-32,336	429,280	1,290,525	-769,994	23,866	1,382,515	-314	-5,115,000	1,886	-4,477,041	-3,186,516
Balance at 31 March 2015 Carried Forward (NOTES 17 and 18)	2,103,114	5,941,467	13,822	458,239	8,516,642	7,446,267	-55,133	5,768,206	178	-17,122,324	-59,605	-4,022,411	4,494,231

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

2014/15 Restated			2015/16				Note
Gross Expenditure £	Gross Income £	Net Expenditure £	Gross Expenditure £	Gross Income £	Net Expenditure £		
1,268,349	-579,276	689,073	Central Services to the Public	1,532,393	-732,276	800,117	
2,725,878	-1,320,626	1,405,252	Cultural and Related Services	2,751,726	-1,261,748	1,489,978	
3,535,298	-1,171,288	2,364,010	Environmental and Regulatory Services	3,831,574	-1,300,512	2,531,062	5
1,493,002	-882,229	610,773	Planning Services	1,652,537	-903,957	748,580	
1,422,391	-1,286,134	136,257	Highways and Transport Services	1,347,486	-1,369,692	-22,206	
7,991,355	-7,636,604	354,751	Other Housing Services	7,914,898	-7,533,905	380,993	5
15,321	-8,327	6,994	Adult Social Care	10,586	-5,491	5,095	
1,527,560	-570,766	956,794	Corporate and Democratic Core	1,552,369	-473,905	1,078,464	5
116,718	0	116,718	Non Distributed Costs	109,836	0	109,836	
20,095,872	-13,455,250	6,640,622	Cost of Services	20,703,405	-13,581,486	7,121,919	1/22/26
			Other Operating Expenditure				
			359,632	Payment of Precepts to Parishes		363,992	
			19,000	Pensions Administration Expenses		18,000	
			17,034	Payment of Localisation of Council Tax Support Grant to Parishes		11,500	
			-227,104	Gains/Losses on the Disposal of Non-Current Assets		-133,513	
			235	Payment of Housing Capital Receipts to Government Pool		133	
				Financing and Investment Income and Expenditure			
			13,199	Interest Payable on Debt		11,141	12
			-28,943	Investment Interest Income		-34,184	12
			508,000	Net interest on the net defined benefit liability (asset)		533,000	30
			-51,525	(Gain)/Loss on Trading Accounts		-45,797	1
				Taxation and Non-Specific Grant Income			
			-3,405,320	Council Tax		-3,467,871	6
			-1,031,320	Non Domestic Rates Income and Expenditure		-870,353	6/26
			-1,397,544	Revenue Support Grant (RSG)		-1,011,321	6/26
			-4,874	Capital Grants and Contributions		-26,500	26
			-52,000	Donated Assets		0	26
			-1,161,515	Other Non-Specific Grants		-1,697,863	6/26
			197,577	(Surplus) or Deficit on Provision of Services		772,283	
			-1,536,061	(Surplus) or Deficit on Revaluation of Property, Plant and Equipment Assets		-773,857	
			4,525,000	Actuarial (Gains)/Losses on Pensions Assets/Liabilities		-3,550,000	30
			2,988,939	Other Comprehensive Income and Expenditure		-4,323,857	
			3,186,516	Total Comprehensive Income and Expenditure		-3,551,574	

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 Restated £	31 March 2015 Restated £		31 March 2016 £	Note
		Long Term Assets		
		Property, Plant and Equipment		10
10,854,108	11,796,700	- Other Land and Buildings	12,102,409	1
2,344,172	1,874,620	- Vehicles, Plant, Furniture and Equipment	2,076,971	
328,114	322,878	- Infrastructure Assets	315,586	
1,581,523	1,578,643	- Community Assets	1,575,764	
54,066	117,000	- Surplus Assets (Not for Sale)	77,000	
15,161,983	15,689,841	Total Property, Plant and Equipment	16,147,730	
860,000	892,392	Heritage Assets	892,392	11
110,834	81,696	Intangible Assets	52,558	
330,938	318,579	Long Term Debtors	303,372	12
16,463,755	16,982,508	Total Long Term Assets	17,396,052	
		Current Assets		
0	10,000	Financial Asset Held for Sale	10,000	
203,600	153,250	Assets Held for Sale	0	
89,546	67,391	Inventories	75,746	
1,509,152	1,240,345	Short Term Debtors	1,395,978	3/13/33
3,257,779	5,428,723	Cash and Cash Equivalents	6,231,486	14/33
5,060,077	6,899,709	Total Current Assets	7,713,210	
		Current Liabilities		
-60,750	-42,893	Short Term Borrowing	-42,894	
-1,387,361	-1,830,832	Short Term Creditors	-1,946,976	15
-147,200	-186,880	Provisions	-468,600	16
-1,595,311	-2,060,605	Total Current Liabilities	-2,458,470	
		Long Term Liabilities		
-240,450	-205,057	Long Term Borrowing	-169,663	12
-12,007,324	-17,122,324	Net Pensions Liability	-14,435,324	30
-12,247,774	-17,327,381	Total Long Term Liabilities	-14,604,987	
7,680,747	4,494,231	Net Assets	8,045,805	
		Usable Reserves		17
2,058,402	2,103,114	General Fund Balance	2,678,832	
5,092,598	5,941,467	Earmarked General Fund Reserves	6,005,502	9
28,959	458,239	Usable Capital Receipts Reserve	745,046	
46,158	13,822	Capital Grants Unapplied	27,110	
7,226,117	8,516,642	Total Usable Reserves	9,456,490	
		Unusable Reserves		18
8,216,261	7,446,267	Capital Adjustment Account	7,119,622	1
-78,999	-55,133	Collection Fund Adjustment Account	-305,678	
4,385,691	5,768,206	Revaluation Reserve	6,263,401	1
492	178	Deferred Capital Receipts Account	0	
-12,007,324	-17,122,324	Pension Reserve	-14,435,324	30
-61,491	-59,605	Accumulated Absences Account	-52,706	
454,630	-4,022,411	Total Unusable Reserves	-1,410,685	
7,680,747	4,494,231	Total Reserves	8,045,805	

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.

2014/15 Restated £		2015/16 £	Note
197,577	Net (Surplus) or Deficit on the Provision of Services	772,283	
-2,135,100	Adjustments to Net Surplus or Deficit on the Provision of Services for Non-Cash Movements	-1,653,656	19
452,670	Adjustments for Items Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities	286,807	19
-1,484,853	Net Cash Flows from Operating Activities	-594,566	19
-382,844	Investing Activities	-60,328	20
-303,247	Financing Activities	-147,869	21
-2,170,944	Net Increase or decrease in Cash and Cash Equivalents	-802,763	
3,257,779	Cash and Cash Equivalents 1 April	5,428,723	
5,428,723	Cash and Cash Equivalents 31 March	6,231,486	14

Notes to the Core Financial Statements

Notes to the Core Financial Statements

1 PRIOR PERIOD ADJUSTMENT

Following a full review of the classification of its assets, the council has identified that those assets previously classified in the accounts as Investment Properties are better classified as Other Land and Buildings within the category of Property, Plant and Equipment. This reclassification has a number of impacts across the statement of accounts.

The statements have been produced on the new classification basis for the 2015/16 financial year and have been restated for 2014/15. As a result of the prior period adjustment we are also required to produce a further restated balance sheet for the financial year 2013/14 as shown on page 64.

Shown below is a summary of the restatements made across the various statements for 2014/15 (and 2013/14 with regard to the Balance Sheet).

Movement in Reserves Statement

	2014/15 Statements £	Adjustments Made £	2014/15 Restated £
<i>Movement in Reserves Statement - General Fund Balance</i>			
Balance 31 March 2014	2,058,402	0	2,058,402
Surplus or (Deficit) on the Provision of Services	-104,620	-92,957	-197,577
Adjustments between Accounting Basis and Funding Basis Under Regulations	998,201	92,957	1,091,158
Net Increase/Decrease before Transfers to Earmarked Reserves	893,581	0	893,581
Transfers to Earmarked Reserves	-848,869	0	-848,869
Increase/(Decrease) in Year	44,712	0	44,712
Balance at 31 March Carried Forward	2,103,114	0	2,103,114

	2014/15 Statements £	Adjustments Made £	2014/15 Restated £
<i>Movement in Reserves Statement - Capital Adjustment Account</i>			
Balance 31 March 2014	8,498,529	-282,268	8,216,261
Adjustments between Accounting Basis and Funding Basis Under Regulations	-759,275	-10,719	-769,994
Increase/(Decrease) in Year	-759,275	-10,719	-769,994
Balance at 31 March Carried Forward	7,739,254	-292,987	7,446,267

Notes to the Core Financial Statements

	2014/15 Statements £	Adjustments Made £	2014/15 Restated £
<i>Movement in Reserves Statement - Revaluation Reserve</i>			
Balance 31 March 2014	4,146,946	238,745	4,385,691
Other Comprehensive Income and Expenditure	1,399,581	136,480	1,536,061
Adjustments between Accounting Basis and Funding Basis Under Regulations	-71,308	-82,238	-153,546
Increase/(Decrease) in Year	1,328,273	54,242	1,382,515
Balance at 31 March Carried Forward	5,475,219	292,987	5,768,206

Comprehensive Income and Expenditure Statement

	2014/15 Statements £	Adjustments Made £	2014/15 Restated £
Cost of Services	6,637,658	2,964	6,640,622
<i>Financing and Investment Income and Expenditure</i>			
(Gain)/Loss on Investment Property	-100,186	100,186	0
(Gain)/Loss on Trading Activities	-41,332	-10,193	-51,525
Impact on (Surplus) or Deficit on Provision of Services		92,957	
(Surplus) or Deficit on Revaluation of Property, Plant and Equipment Assets	-1,399,581	-136,480	-1,536,061
Impact on Other Comprehensive Income and Expenditure		-136,480	
Impact on Total Comprehensive Income and Expenditure		-43,523	

Cash Flow Statement

	2014/15 Statements £	Adjustments Made £	2014/15 Restated £
Net (Surplus) or Deficit on the Provision of Services	104,620	92,957	197,577
Adjustments to Net Surplus or deficit on the Provision of Services for non-Cash Movements	-2,042,143	-92,957	-2,135,100

Notes to the Core Financial Statements

Balance Sheet 31 March 2015

	2014/15 Statements £	Adjustments Made £	2014/15 Restated £
Long Term Assets			
Property Plant and Equipment - Other Land and Buildings	11,028,600	768,100	11,796,700
Investment Properties	918,100	-918,100	0
Current Assets			
Assets Held for Sale	3,250	150,000	153,250
Impact on Net Assets		0	
Unusable Reserves			
Capital Adjustment Account	7,739,254	-292,987	7,446,267
Revaluation Reserve	5,475,219	292,987	5,768,206
Impact on Total Reserves		0	
Net Impact of Adjustments		0	

Balance Sheet 31 March 2014

	2013/14 Statements £	Adjustments Made £	2013/14 Restated £
Long Term Assets			
Property Plant and Equipment - Other Land and Buildings	10,017,859	836,249	10,854,108
Investment Properties	1,044,772	-1,044,772	0
Current Assets			
Assets Held for Sale	38,600	165,000	203,600
Impact on Net Assets		-43,523	
Unusable Reserves			
Capital Adjustment Account	8,498,529	-282,268	8,216,261
Revaluation Reserve	4,146,946	238,745	4,385,691
Impact on Total Reserves		-43,523	
Net Impact of Adjustments		0	

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

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 2016/17 Code:

IAS 1 'Presentation of Financial Statements' provides guidance on the form of the financial statements. The 'Telling the Story' review of the presentation of Local Authority financial statements as well as the December 2014 changes to IAS 1 under the International Accounting Standards Board (IASB) Disclosure Initiative will result in changes to the format of the accounts in 2016/17. The format of the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement will change and introduce a new Expenditure and Funding Analysis.

Other minor changes due to Annual Improvement to IFRSs cycles, IFRS11 Joint arrangements, IAS 16 Property Plant, Equipment and IAS 38 Intangible Assets and IAS 19 Employee Benefits are minor and are not expected to have a material effect on the Council's Statement of Accounts.

The Code requires implementation from 1 April 2016 and there is therefore no impact on the 2015/16 Statement of Accounts.

3 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.
- As referred to in note 1, the council has undertaken a full review of the classification of its assets, the council has identified that those assets previously classified in the accounts as Investment Properties are better classified as Other Land and Buildings within the category of Property, Plant and Equipment. This reclassification has a number of impacts across the statement of accounts, as detailed in note 1.

Notes to the Core Financial Statements

4 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 2016 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.	<p>Mercer Limited are the actuaries for the Lancashire County Pension Fund. The Pension Fund Deficit for Ribble Valley at 31 March 2016 was £14.436m. The following sensitivity analysis is provided by Mercer Limited:</p> <ul style="list-style-type: none"> • +0.1% p.a. discount rate as at 31 March 2016: deficit would be £13.493m • +0.1% p.a. inflation as at 31 March 2016: deficit would be £15.395m • +0.1% p.a. pay growth as at 31 March 2016: deficit would be £14.656m • 1 year addition to members' life expectancy as at 31 March 2016: deficit would be £15.491m
Arrears	At 31 March 2016, the Council had a balance of sundry debtors of £600,941 (including overpaid housing benefits). A review of significant balances suggested that an impairment of doubtful debts of £168,864 (including overpaid housing benefits) was appropriate. However, the level of such an allowance may fluctuate in adequacy.	If collection rates were to deteriorate, a 10% increase in the impairment would equate to £16,886
Business Rates Appeals Provision	At the 31 March the Council made a provision on the Collection Fund of £1,171,500 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 £468,600 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 £117,150 in total or a £46,860 share for this council.

5 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 2015/16 financial year the Council received £158,431 from Ribble Valley Homes Ltd under these arrangements (£184,611 in 2014/15)

Cost Sharing Agreement

In 2014/15 the Council entered into a Cost Sharing Agreement with Lancashire County Council for the disposal of recyclable household waste. In previous years the council received recycling credits. Under the terms of the Cost Sharing Agreement all recyclate is passed to Lancashire County Council with the exception of paper and cardboard, a waste stream which the Council is able to retain and sell, although the income received for paper and card is deducted from the annual cost sharing payment received.

Under the terms of the agreement any additional income received for materials in excess of tonnages collected in 2013/14 are shared on a 50/50 basis with Lancashire County Council. In 2015/16 the Council received £430,341 cost sharing income which was reduced by £70,098 due to the paper and cardboard penalty. This resulted in net cost sharing income of £360,243 (£389,223 recycling credits received in 2014/15).

Housing Benefit

The Council has a statutory duty to administer Housing Benefit claims on behalf of the Department for Work and Pensions. The Council pays out Housing Benefits to eligible claimants. In 2015/16 £7.25m was paid out (£7.37m in 2014/15), after taking into account reimbursements from claimants for any overpayments made. The Council receives subsidy grant from the the Department for Work and Pensions to cover the payments made. Subsidy grant of £7.3m was received from the Department for Work and Pensions in 2015/16 (£7.41m in 2014/15).

Notes to the Core Financial Statements

6 TAXATION AND NON-SPECIFIC GRANT INCOME

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

Council Tax

	2014/2015 £	2015/2016 £
Ribble Valley Borough Council Precept	-3,009,500	-3,053,395
Precept Relating to Parishes	-359,632	-363,992
Surplus Received in Year (Declared January Prior to Start of Year)	-228	-22,004
Movement on Collection Fund (Surplus) at Year End	-35,960	-28,480
Total Council Tax	-3,405,320	-3,467,871

Non-Domestic Rates Income and Expenditure

Business Rates Element	2014/2015 £	2015/2016 £
Ribble Valley Borough Council Share of Business Rates Income	-5,589,528	-5,803,790
Less Tariff Payable to Central Government	4,244,345	4,325,447
Business Rates Growth Levy Payable to Central Government	332,019	294,424
(Surplus)/Deficit Payment in Year (Declared January Prior to Start of Year)	-30,122	46,136
Movement on Collection Fund Deficit at Year End	12,095	279,025
Business Rates Retained on Renewable Energy Schemes	-129	-11,595
Overall Net Retained Business Rates Related Income	-1,031,320	-870,353

Revenue Support Grant

This is a source of funding that has seen a steady decrease over past years and is forecast to cease in 2019/20. In 2015/16 we received £1,011,321 (2014/15 £1,397,544).

Other Non-Specific Grants

	2014/2015 £	2015/2016 £
Council Tax Freeze Grant	-32,048	-32,380
Rural Areas Delivery Grant	-2,665	0
New Homes Bonus	-594,806	-968,616
New Homes Bonus - Returned Funding	-4,084	-4,002
Business Rates Section 31 Grants		
Small Business Rates Relief (SBRR) Scheme	-382,186	-410,394
SBRR on Existing Properties where 2nd Property is Occupied	-1,796	-5,570
'New Empty' Properties	-3,948	-1,982
'Long Term Empty' Properties	-1,962	-11,968
Retail Relief	-123,441	-215,375
Flooding Relief	0	-22,346
In Lieu of Transitional Relief	0	-7,989
Multiplier Cap	-14,579	-17,241
Total Other Non-Specific Grants	-1,161,515	-1,697,863

7 EVENTS AFTER THE BALANCE SHEET DATE

The Statement of Accounts was authorised for issue on the 20 June 2016. 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 2016, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

8 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

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

Notes to the Core Financial Statements

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 2015/16	Usable Reserves			Movement in Unusable Reserves £
	General Fund Balance £	Capital grants Unapplied £	Capital Receipts Reserve £	
Adjustments between Accounting Basis and Funding Basis Under Regulations				
Adjustments primarily involving the Capital Adjustment Account				
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</u>				
Charges for depreciation and impairment of non-current assets	826,228			-826,228
Revaluation losses on Property Plant and Equipment (Charged to surplus or Deficit on Provision of Services)	170,238			-170,238
Amortisation of Intangible Assets	29,138			-29,138
Capital Grants and Contributions Applied	-173,308			173,308
Income in Relation to Donated Assets	0			0
Revenue Expenditure Funded from Capital Under Statute	260,098			-260,098
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	153,250			-153,250
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Account</u>				
Statutory Provision for the Financing of Capital investment	-132,815			132,815
Capital expenditure charged against General Fund Balances	-526,722			526,722
Adjustments primarily involving the Capital Grants Unapplied Account				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-14,088	14,088		
Application of grants to capital financing transferred to the Capital Adjustment Account		-800		800

Notes to the Core Financial Statements

Movements in 2015/16	Usable Reserves			Movement in Unusable Reserves £
	General Fund Balance £	Capital grants Unapplied £	Capital Receipts Reserve £	
Adjustments between Accounting Basis and Funding Basis Under Regulations				
Adjustments primarily involving the Capital Receipts Reserve				
Transfer of Cash Sale Proceeds Credited as Part of the Gain/Loss on Disposal to the Comprehensive Income and Expenditure Statement	-286,763		286,763	
Use of the Capital Receipts Reserve to finance new capital expenditure			0	0
Contribution from the Capital Receipts Reserve towards administrative cost of Non-Current asset disposals	0			
Contribution from the Capital receipts Reserve to finance the payments to the Government Capital receipts pool	134		-134	
Transfer from deferred capital receipts reserve upon receipt of cash			178	-178
Adjustments primarily involving the Pensions Reserve				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	1,796,000			-1,796,000
Employer's pensions contributions and direct payments to pensioners payable in the year	-933,000			933,000
Adjustments primarily involving the Collection Fund Adjustment Account				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income collected for the year in accordance with statutory requirements	250,545			-250,545
Adjustments primarily involving the Accumulated Absences Account				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	-6,899			6,899
Total Adjustments	1,412,036	13,288	286,807	-1,712,131

Notes to the Core Financial Statements

Movements in 2014/15 Restated	Usable Reserves			Movement in Unusable Reserves £
	General Fund Balance £	Capital grants Unapplied £	Capital Receipts Reserve £	
Adjustments between Accounting Basis and Funding Basis Under Regulations				
Adjustments primarily involving the Capital Adjustment Account				
<i><u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</u></i>				
Charges for depreciation and impairment of non-current assets	740,038			-740,038
Revaluation losses on Property Plant and Equipment (Charged to surplus or Deficit on Provision of Services)	215,590			-215,590
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
<i><u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Account</u></i>				
Statutory Provision for the Financing of Capital investment	-135,859			135,859
Capital expenditure charged against General Fund Balances	-230,785			230,785
Adjustments primarily involving the Capital Grants Unapplied Account				
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 Restated	Usable Reserves			Movement in Unusable Reserves £
	General Fund Balance £	Capital grants Unapplied £	Capital Receipts Reserve £	
Adjustments between Accounting Basis and Funding Basis Under Regulations				
Adjustments primarily involving the Capital Receipts Reserve				
Transfer of Cash Sale Proceeds Credited as Part of the Gain/Loss on Disposal to the Comprehensive Income and Expenditure Statement	-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
Adjustments primarily involving the Pensions Reserve				
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
Adjustments primarily involving the Collection Fund Adjustment Account				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income collected for the year in accordance with statutory requirements	-23,866			23,866
Adjustments primarily involving the Accumulated Absences Account				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	-1,886			1,886
Total Adjustments	1,091,158	-32,336	429,280	-1,488,102

Notes to the Core Financial Statements

9 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 2015/16.

General Fund	Balance at 31 March 2014 £	Transfers In 2014/15 £	Transfers Out 2014/15 £	Balance at 31 March 2015 £	Transfers In 2015/16 £	Transfers Out 2015/16 £	Balance at 31 March 2016 £
<u>Reserves for Shorter Term Service Commitments</u>							
<u>Local Recreation Grants Fund</u> <i>Used to fund recreation grants</i>	20,546		-7,860	12,686	16,240		28,926
<u>Audit Reserve Fund</u> <i>Used for computer audit</i>	12,335			12,335			12,335
<u>Christmas Lights/RV in Bloom</u> <i>Available to fund contributions towards Christmas Lights and Ribble Valley in Bloom</i>	1,186			1,186		-350	836
<u>Community Enhancement</u> <i>Used to fund grants to local organisations</i>	11,419			11,419		-11,419	0
<u>Conservation Reserve</u> <i>To fund conservation schemes completed after the financial year end</i>	6,210			6,210		-6,210	0
<u>Market Town Enhancement</u> <i>To fund grants under Market Towns Enhancement Scheme</i>	8,372			8,372		-8,372	0
<u>Refuse Collection</u> <i>To fund refuse collection costs of bin replacements and other cost pressures</i>	93,323	58,266	-4,386	147,203	19,100	-115,984	50,319
<u>Clean Air Reserve</u> <i>To fund clean air survey work</i>	3,161		-480	2,681		-2,681	0
<u>Promotional Activities Reserve</u> <i>To fund planned publicity and promotional activities</i>	12,110	9,260	-12,110	9,260		-9,260	0
<u>Core Strategy Reserve</u> <i>To fund the production of the Core Strategy</i>	83,100		-60,647	22,453		-1,920	20,533
<u>Human Resource Development</u> <i>To provide for staff training commitments</i>	27,500			27,500		-27,500	0
<u>Clitheroe Food Festival</u> <i>Resources set aside to help support the costs associated with the Clitheroe Food Festival</i>		6,204		6,204	13,653		19,857

Notes to the Core Financial Statements

General Fund	Balance at 31 March 2014 £	Transfers In 2014/15 £	Transfers Out 2014/15 £	Balance at 31 March 2015 £	Transfers In 2015/16 £	Transfers Out 2015/16 £	Balance at 31 March 2016 £
<u>Tour of Britain Reserve</u> <i>To fund the potential cost of hosting a stage of the Tour of Britain Cycle Race</i>		90,000	-174	89,826		-89,826	0
Total Reserves for Shorter Term Service Commitments	279,262	163,730	-85,657	357,335	48,993	-273,522	132,806
<u>Reserves to Smooth the Revenue Impact of Longer Term Cyclical Costs</u>							
<u>Elections Fund</u> <i>Used to fund borough elections held once every four years</i>	56,306	22,383		78,689	21,880	-81,493	19,076
<u>Revaluation of Assets Reserve</u> <i>To contribute towards the revaluation of the Council's assets every five years.</i>	8,000	2,000	-8,800	1,200	2,000		3,200
Total Reserves to Smooth the Revenue Impact of Longer Term Cyclical Costs	64,306	24,383	-8,800	79,889	23,880	-81,493	22,276
<u>Reserves for Trading or Business Units</u>							
<u>Building Control Fund</u> <i>Available to equalise net expenditure over a three year period</i>	-103,459	453		-103,006		-2,001	-105,007
Total Reserves for Trading or Business Units	-103,459	453	0	-103,006	0	-2,001	-105,007
<u>Reserves for Sums Set Aside for Major Schemes such as Capital Projects</u>							
<u>Capital</u> <i>Used to fund the capital programme</i>	653,919	215,825	-177,121	692,623	598,921	-526,722	764,822
<u>Clitheroe Cemetery Reserve</u> <i>To finance any future liabilities from the cemetery extension</i>	3,640			3,640		-3,640	0
<u>Civic Suite Reserve</u> <i>Resources set aside to fund future capital spend on the council chamber.</i>		11,420		11,420		-11,420	0
<u>ICT Repairs and Renewals</u> <i>To fund future software and hardware upgrades</i>	69,903	100,000		169,903		-7,614	162,289

Notes to the Core Financial Statements

General Fund	Balance at 31 March 2014 £	Transfers In 2014/15 £	Transfers Out 2014/15 £	Balance at 31 March 2015 £	Transfers In 2015/16 £	Transfers Out 2015/16 £	Balance at 31 March 2016 £
<u>Vehicle & Plant Repairs and Renewals Reserve</u> <i>Resources set aside to fund a repairs and renewals fund for the replacement of Vehicles and Plant</i>		300,000		300,000	46,000		346,000
Total Reserves for Sums Set Aside for Major Schemes such as Capital Projects	727,462	627,245	-177,121	1,177,586	644,921	-549,396	1,273,111
<u>Reserves for Longer Term Strategic or Corporate Items</u>							
<u>Concessionary Travel</u> <i>To fund the transfer of the administration of the scheme to upper tier local authorities</i>	40,026		-40,026	0			0
<u>VAT Shelter Reserve</u> <i>Funds received from the post LSVT VAT Shelter arrangements, partly used to contribute towards the future financing of the capital programme</i>	1,511,441	184,612	-86,000	1,610,053	158,431	-392,204	1,376,280
<u>Fleming VAT Claim</u> <i>VAT recovered from 'Fleming' claim challenge to HMRC</i>	239,926	13,027	-18,050	234,903		-39,106	195,797
<u>Insurance</u> <i>Available to meet any costs following demise of Municipal Mutual Insurance Company</i>	16,748			16,748		-2,167	14,581
<u>Repairs and Maintenance</u> <i>To fund emergency repairs and maintenance items, including legionella and asbestos abatement</i>	29,299	5,000		34,299	8,570	-5,000	37,869
<u>Post LSVT</u> <i>To fund any costs post LSVT which may arise, such as pension fund liabilities</i>	365,125		-36,512	328,613		-36,513	292,100
<u>Restructuring Reserve</u> <i>To fund costs resulting from restructuring reviews</i>	227,541			227,541			227,541
<u>Equipment Reserve</u> <i>To fund essential and urgent equipment requirements</i>	84,096	34,635	-25,171	93,560	41,053	-11,863	122,750

Notes to the Core Financial Statements

General Fund	Balance at 31 March 2014 £	Transfers In 2014/15 £	Transfers Out 2014/15 £	Balance at 31 March 2015 £	Transfers In 2015/16 £	Transfers Out 2015/16 £	Balance at 31 March 2016 £
<u>Invest to Save Fund</u> <i>To fund future invest to save projects</i>	250,000			250,000			250,000
<u>Planning Reserve</u> <i>To fund any future potential planning issues</i>	178,020	55,110	-17,188	215,942		-59,204	156,738
<u>Housing Benefit Reserve</u> <i>To help meet the challenges facing the service in the coming years</i>	100,000			100,000			100,000
<u>Business Rates Volatility Reserve</u> <i>To provide some protection against business rates volatilities</i>	212,704	102,047		314,751	350,043		664,794
<u>New Homes Bonus Reserve</u> <i>To help finance future economic development capital schemes</i>	339,418	261,026	-95,029	505,415	292,551	-35,662	762,304
Total Reserves for Longer Term Strategic or Corporate Items	3,594,344	655,457	-317,976	3,931,825	850,648	-581,719	4,200,754
<u>Reserves for External Funding where Expenditure has yet to be Incurred</u>							
<u>Performance Reward Grant</u> <i>Performance Reward Grant received and to be used to finance Partnership posts</i>	302,874		-88,192	214,682		-139,565	75,117
<u>Forest of Bowland Reserve</u> <i>To fund access improvement schemes within the Ribble Valley section of the Forest of Bowland</i>	29,646			29,646		-29,646	0
<u>Land Charges Reserve</u> <i>To fund any potential restitution claims for personal search fees</i>	11,000		-6,526	4,474	72,406	-28,321	48,559
<u>Pendle Hill User Reserve</u> <i>To fund improvement schemes on Pendle Hill</i>	16,703	191	-3,247	13,647	30,337	-11,465	32,519
<u>Crime Reduction Partnership Reserve</u> <i>To fund cost of crime reduction initiatives</i>	29,950	11,770	-22,615	19,105	5,070		24,175

Notes to the Core Financial Statements

General Fund	Balance at 31 March 2014 £	Transfers In 2014/15 £	Transfers Out 2014/15 £	Balance at 31 March 2015 £	Transfers In 2015/16 £	Transfers Out 2015/16 £	Balance at 31 March 2016 £
<u>Wellbeing and Health Equality</u>							
<i>To fund expenditure on Wellbeing and Health</i>	47,428			47,428		-47,428	0
<u>Exercise Referral Reserve</u>							
<i>To fund potential residual staffing costs</i>	6,433	13,750		20,183	790	-4,572	16,401
<u>Housing Related Grants Reserve</u>							
<i>Residual grant received, to be committed to future grant schemes</i>	26,202	20,876	-20,598	26,480	54,460	-22,930	58,010
<u>Community Right to Bid/Challenge</u>							
<i>To fund any future costs under the Community Right to Bid and Community Right to Challenge Regulations</i>	29,822	16,402		46,224			46,224
<u>Grant Funded Sports Development</u>							
<i>To finance future Sports Development grant funded expenditure</i>	1,500	2,000		3,500	2,010		5,510
<u>Whalley Moor Reserve</u>							
<i>Grant received towards work at Whalley Moor Woodland</i>	4,970			4,970		-450	4,520
<u>Inspire III Reserve</u>							
<i>Grant received from DEFRA which will be used to fund future Inspire III work</i>	7,131		-7,131	0			0
<u>Individual Electoral Registration Reserve</u>							
<i>Grant received for the implementation of Individual Electoral Registration which will be used to fund this work</i>	17,024	37,276	-31,012	23,288	19,880	-25,266	17,902
<u>Neighbourhood Planning Reserve</u>							
<i>DCLG Neighbourhood Planning Grant received to fund future related expenditure</i>	0	10,000		10,000	5,000		15,000

Notes to the Core Financial Statements

General Fund	Balance at 31 March 2014 £	Transfers In 2014/15 £	Transfers Out 2014/15 £	Balance at 31 March 2015 £	Transfers In 2015/16 £	Transfers Out 2015/16 £	Balance at 31 March 2016 £
Repossession Prevention Fund Reserve							
<i>Ring-fenced DCLG funded reserve to help prevent repossessions and homelessness.</i>	0	34,211		34,211		-5,720	28,491
Parish Grant Reserve							
<i>PRG resources set aside to fund the Parish Grant Scheme</i>	0			0	109,134		109,134
Total Reserves for External Funding where Expenditure has yet to be Incurred	530,683	146,476	-179,321	497,838	299,087	-315,363	481,562
Total of all Earmarked Reserves	5,092,598	1,617,744	-768,875	5,941,467	1,867,529	-1,803,494	6,005,502

Notes to the Core Financial Statements

10 PROPERTY, PLANT AND EQUIPMENT

Movements in 2015/16	Other Land and Buildings £'000	Vehicles, Plant, Furniture and Equipment £'000	Infra-Structure Assets £'000	Community Assets £'000	Surplus Assets (Not Held for Sale) £'000	Total Property, Plant and Equipment £'000
<u>Cost or Valuation</u>						
At 1 April 2015	11,797	4,111	358	1,593	117	17,976
Additions/Acquisitions		678	2			680
Derecognition - Disposal		-182				-182
Revaluation increases/(decreases) recognised in the Revaluation Reserve	447				-12	435
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	-142				-28	-170
Assets reclassified and transfers						0
At 31 March 2016	12,102	4,607	360	1,593	77	18,739
<u>Accumulated Depreciation and Impairments</u>						
At 1 April 2015		-2,237	-35	-14		-2,286
Derecognition - Disposal		182				182
Depreciation Charge	-334	-475	-9	-3	-4	-825
Depreciation written out to the Revaluation Reserve	334				4	338
Depreciation Written Out to the Surplus/Deficit on the Provision of Services						0
Impairment (Losses) /Reversals recognised in the Revaluation Reserve						0
Impairment (Losses) /Reversals recognised in the Surplus/Deficit on the Provision of Services						0
Reclassifications and Transfers						0
At 31 March 2016	0	-2,530	-44	-17	0	-2,591
Net Book Value						
at 31 March 2015	11,797	1,874	323	1,579	117	15,690
at 31 March 2016	12,102	2,077	316	1,576	77	16,148

Notes to the Core Financial Statements

Movements in 2014/15 Restated	Other Land and Buildings £'000	Vehicles, Plant, Furniture and Equipment £'000	Infra-Structure Assets £'000	Community Assets £'000	Surplus Assets (Not Held for Sale) £'000	Total Property, Plant and Equipment £'000
<u>Cost or Valuation</u>						
At 1 April 2014	11,838	4,187	353	1,593	60	18,031
Additions/Acquisitions	33	66	4		52	155
Derecognition - Disposal		-142				-142
Revaluation increases/(decreases) recognised in the Revaluation Reserve	359				5	364
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	-228					-228
Assets reclassified and transfers	-175					-175
At 31 March 2015	11,827	4,111	357	1,593	117	18,005
<u>Accumulated Depreciation and Impairments</u>						
At 1 April 2014	-984	-1,843	-25	-11	-6	-2,869
Derecognition - Disposal		120				120
Depreciation Charge	-213	-514	-9	-3	-1	-740
Depreciation written out to the Revaluation Reserve	900				7	907
Depreciation Written Out to the Surplus/Deficit on the Provision of Services	13					13
Impairment (Losses) /Reversals recognised in the Revaluation Reserve	236					236
Impairment (Losses) /Reversals recognised in the Surplus/Deficit on the Provision of Services	16					16
Reclassifications and Transfers	2					2
At 31 March 2015	-30	-2,237	-34	-14	0	-2,315
Net Book Value						
at 31 March 2014	10,854	2,344	328	1,582	54	15,162
at 31 March 2015	11,797	1,874	323	1,579	117	15,690

Notes to the Core Financial Statements

Depreciation

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

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

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 2016 and 31 March 2015, the Council had no major capital commitments.

Effects of Changes in Estimates

In 2015/16 the Council made no material changes to its accounting estimates for Property, Plant and Equipment. The main change was the recategorisation of assets previously reported as Investment Assets, which is referenced throughout the statements.

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 6th Edition as published by the Royal Institute of Chartered Surveyors.

Notes to the Core Financial Statements

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

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

Assets being Held for Sale were valued at Fair Value, being the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Componentisation

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

In 2015/16 work was undertaken on reroofing and also replacing the windows of the council offices in Church Walk, Clitheroe. Such works triggered our componentisation scheme. The asset has also been revalued at March 2016 by the district valuer, with no overall change to the asset value or asset life from that given at 31 March 2015.

11 HERITAGE ASSETS

Reconciliation of the Carrying Value of Heritage Assets Held by the Council	Clitheroe Castle Museum Collection £'000	Civic Regalia £'000	Total Heritage Assets £'000
<i><u>Cost or Valuation</u></i>			
At 1 April 2014	803	57	860
Revaluations	24	8	32
At 31 March 2015	827	65	892
<i><u>Cost or Valuation</u></i>			
At 1 April 2015	827	65	892
At 31 March 2016	827	65	892

The Clitheroe Castle Museum Collection

The Clitheroe Castle Museum Collection principally includes archaeological artifacts, geological collections, militaria and items of local social historical interest. The collection is managed by Lancashire Museum Services on behalf of the Council and is insured by them. The collection is reported in the Balance Sheet at insurance valuation. This value has been reviewed by Lancashire Museum Services prior to the latest insurance renewal.

Civic Regalia

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

Additions and Disposals of Heritage Assets

There have been no additions to or disposals of the council's Heritage Assets in the 2015/16 or 2014/15 financial years.

Notes to the Core Financial Statements

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 2015 £	31 March 2016 £	31 March 2015 £	31 March 2016 £
<u>Investments</u>				
Financial Asset Held for Sale	0	0	10,000	10,000
Loans and receivables	0	0	5,428,723	6,231,526
Total Investments	0	0	5,438,723	6,241,526
<u>Debtors</u>				
Loans and receivables	318,579	303,372		
Financial assets carried at contract amount	0	0	1,030,753	1,115,251
Total Debtors	318,579	303,372	1,030,753	1,115,251
<u>Borrowings</u>				
Financial liabilities at amortised cost	-205,057	-169,664	-35,393	-35,393
Total Borrowings	-205,057	-169,664	-35,393	-35,393
<u>Creditors</u>				
Financial liabilities carried at contract amount	0	0	-704,054	-613,783
Total Creditors	0	0	-704,054	-613,783

The Financial Instruments categorised above represent:

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

Notes to the Core Financial Statements

Income, Expenses, Gains and Losses

	2014/2015		2015/2016	
	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables
	£	£	£	£
Interest expenses	13,199	7,426	11,141	13,847
Interest Income	0	-36,369	0	-48,031
Total	13,199	-28,943	11,141	-34,184

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 2015 and 31 March 2016 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 2015		31 March 2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£	£	£	£
Financial Liabilities	240,450	295,031	205,057	256,060

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 2015		31 March 2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£	£	£	£
Long-term debtors	318,579	318,579	303,372	303,372

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 DEBTORS

	31 March 2015	31 March 2016
	£	£
Central government bodies	128,217	218,327
Other local authorities	215,083	170,600
NHS Bodies	21,387	5,347
Public corporations and trading funds	7,286	5,059
Other entities and individuals		
- House Purchase and Improvement Loans	178	0
- Sundry Debtors	710,623	787,441
- Business Rates	197,050	265,394
- Council Tax	98,629	182,810
- Prepayments	170,568	126,664
- Impairment	-308,676	-365,664
Total	1,240,345	1,395,978

14 CASH AND CASH EQUIVALENTS

	31 March 2015	31 March 2016
	£	£
Cash held by the Council	8,734	5,565
Bank current accounts	199,989	195,921
Short Term Investments	5,220,000	6,030,000
Subtotal	5,428,723	6,231,486

15 CREDITORS

	31 March 2015	31 March 2016
	£	£
Central government bodies	-750,002	-529,771
Other local authorities	-376,256	-638,280
NHS Bodies	-143	0
Public corporations and trading funds	-26,182	-32,595
Other entities and individuals		
- Sundry Creditors	-393,081	-396,251
- Business Rates	-32,013	-38,211
- Council Tax	-52,340	-48,988
- Commuted Sums	-121,822	-178,816
- Refundable Deposits	-9,605	-12,583
- Receipts in Advance	-69,388	-71,481
Total	-1,830,832	-1,946,976

16 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	2014/15 £	2015/16 £
Balance at 1 April	147,200	186,880
Additional provisions made in the year	39,680	281,720
Balance at 31 March	186,880	468,600

17 USABLE RESERVES

Movements in the Council's usable reserves are detailed in this note, the Movement in Reserves Statement and Note 8.

In summary the Usable Reserves are shown below. Detailed analysis of the council's earmarked reserves is available in Note 9.

31 March 2015 £	31 March 2016 £
2,103,114 General Fund Balance	2,678,832
5,941,467 Earmarked General Fund Reserves	6,005,502
458,239 Usable Capital Receipts Reserve	745,046
13,822 Capital Grants Unapplied	27,110
8,516,642 Total Usable Reserves	9,456,490

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.

2014/2015 £	2015/2016 £
2,058,402 Opening General Fund balance	2,103,114
44,712 Net amount added to (taken from) General Fund balance	575,718
2,103,114 Closing General Fund balance	2,678,832

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 9.

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

2014/2015 £	2015/2016 £
5,092,598 Opening Earmarked General Fund Reserves	5,941,467
1,617,744 Amounts added to Earmarked General Fund Reserves	1,867,529
-768,875 Amounts taken from Earmarked General Fund Reserves	-1,803,494
5,941,467 Closing Earmarked General Fund Reserves	6,005,502

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.

2014/2015 £	2015/2016 £
46,158 Opening Capital Grants Unapplied	13,822
1,875 Amounts added to Capital Grants Unapplied	14,088
-34,211 Amounts released from Capital Grants Unapplied and Recategorised as an Earmarked Reserve for Revenue Grant Purposes	0
0 Amounts taken from Capital Grants Unapplied	-800
13,822 Closing Capital Grants Unapplied	27,110

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.

2014/2015 £	2015/2016 £
28,959 Opening Usable Capital Receipts Reserve	458,239
452,670 Amounts added to the Usable Capital Receipts Reserve	286,807
-23,390 Amounts taken from the Usable Capital Receipts Reserve	0
458,239 Closing Usable Capital Receipts Reserve	745,046

18 UNUSABLE RESERVES

31 March 2015 Restated £		31 March 2016 £
7,446,267	Capital Adjustment Account	7,119,622
-55,133	Collection Fund Adjustment Account	-305,678
5,768,206	Revaluation Reserve	6,263,401
178	Deferred Capital Receipts Account	0
-17,122,324	Pension Reserve	-14,435,324
-59,605	Accumulated Absences Account	-52,706
-4,022,411	Total Unusable Reserves	-1,410,685

Capital Adjustment Account

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

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

Note 8 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

2014/2015 Restated £		2015/2016 £ £	
8,216,261	Balance at 1 April		7,446,267
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive income and Expenditure statement		
-740,038	- Charges for depreciation and impairment of non-current assets	-826,228	
-215,590	- Revaluation losses on Property, Plant and Equipment	-170,238	
-29,138	- Amortisation of intangible assets	-29,138	
-277,857	- Revenue expenditure funded from capital under statute	-260,098	
-225,487	- 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	-153,250	
-1,488,110			-1,438,952
153,546	Adjusting amounts written out of the Revaluation Reserve		278,662
6,881,697	Net written out amount of the cost of non-current assets consumed in the year		6,285,977
	Capital financing applied in the year		
23,390	- Use of the Capital Receipts Reserve to finance new capital expenditure	0	
122,536	- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	173,308	
0	- Application of grants to capital financing from the Capital Grants Unapplied Account	800	
135,859	- Statutory provision for the financing of capital investment charged against the General Fund	132,815	
230,785	- Capital expenditure charged against the General Fund balance	526,722	
512,570			833,645
52,000	Donated Assets		0
	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		0
7,446,267	Balance at 31 March		7,119,622

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.

2014/2015 £		2015/2016 £
-78,999	Balance at 1 April	-55,133
35,960	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	28,480
-12,094	Amount by which business rates income credited to the Comprehensive Income and Expenditure Statement is different from business rates income calculated for the year in accordance with statutory requirements	-279,025
-55,133	Balance at 31 March	-305,678

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.

2014/2015 Restated £		2015/2016 £
4,385,691	Balance at 1 April	5,768,206
2,016,172	Upward revaluation of assets	896,506
-480,111	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	-122,649
1,536,061	Surplus or Deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	773,857
-76,356	Difference between fair value depreciation and historical cost depreciation	-143,470
-77,190	Accumulated gains on assets sold or scrapped	-135,192
-153,546	Amount written off to the Capital Adjustment Account	-278,662
5,768,206	Balance at 31 March	6,263,401

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.

2014/2015 £	2015/2016 £
492 Balance at 1 April	178
-314 Transfer to the Capital Receipts Reserve upon receipt of cash	-178
178 Balance at 31 March	0

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.

2014/2015 £	2015/2016 £
-12,007,324 Balance at 1 April	-17,122,324
-4,525,000 Remeasurements of the net defined benefit liability/(asset)	3,550,000
-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	-1,796,000
931,000 Employer's pensions contributions and direct payments to pensioners payable in the year	933,000
-17,122,324 Balance at 31 March	-14,435,324

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.

2014/2015 £		2015/2016 £
-61,491	Balance at 1 April	-59,605
61,491	Settlement or cancellation of accrual made at the end of the preceding year	59,605
-59,605	Amounts accrued at the year end of the current year	-52,706
1,886	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	6,899
-59,605	Balance at 31 March	-52,706

19 CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

2014/2015 £		2015/2016 £
-28,943	Interest received	-34,184
13,199	Interest paid	11,141
-15,744	Net Interest	-23,043

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

2014/2015 £		2015/2016 £
452,670	Proceeds from the sale of property, plant and equipment and intangible assets	286,807
452,670		286,807

Notes to the Core Financial Statements

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

2014/2015 £	2015/2016 £
-740,038 Depreciation	-826,228
-215,590 Impairment and downward valuations	-170,238
-29,138 Amortisation	-29,138
-145,833 Increase/decrease in creditors	60,219
-224,193 Increase/decrease in debtors	140,426
-22,155 Increase/decrease in inventories	8,355
-39,680 Increase/decrease in provisions	-281,720
-590,000 Movement in pension liability	-863,000
-225,487 Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	-153,250
122,536 Capital Grants and Contributions Applied	173,307
-277,857 Revenue Expenditure Funded from Capital Under Statute	-260,098
230,785 Capital Expenditure Charged against General Fund Balances	526,722
-32,336 Capital Grants and Contributions Unapplied Credited to the Comprehensive Income and Expenditure Statement	14,088
1,886 Accumulated Absences Account	6,899
52,000 Donated Assets	0
-2,135,100	-1,653,656

20 CASH FLOW STATEMENT – INVESTING ACTIVITIES

2014/2015 £	2015/2016 £
380,811 Purchase of property, plant and equipment and intangible assets	940,596
10,000 Purchase of short-term and long-term investments	0
-452,670 Proceeds from the sale of property, plant and equipment and intangible assets	-286,807
-320,985 Other receipts from investing activities	-714,117
-382,844 Net cash flows from investing activities	-60,328

21 CASH FLOW STATEMENT – FINANCING ACTIVITIES

2014/2015 £	2015/2016 £
53,250 Repayments of short- and long-term borrowing	35,393
-356,497 Other payments for financing activities	-183,262
-303,247 Net cash flows from financing activities	-147,869

Notes to the Core Financial Statements

22 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 2015/2016	Community Services Committee £	Health and Housing Committee £	Planning and Development Committee £	Policy and Finance Committee £	Total £
Fees, charges and other service income	-4,735,261	-347,505	-829,654	-4,921,019	-10,833,439
Government Grants	0	-7,572,062	0	-311,307	-7,883,369
Total Income	-4,735,261	-7,919,567	-829,654	-5,232,326	-18,716,808
Employee related expenditure	2,949,824	5,452	4,020	3,101,377	6,060,673
Other service expenses	3,126,614	7,560,982	241,141	1,832,701	12,761,438
Support Services recharges	1,257,619	1,008,527	1,050,301	2,224,462	5,540,909
Depreciation	704,792	22,858	7,544	120,172	855,366
Total Expenditure	8,038,849	8,597,819	1,303,006	7,278,712	25,218,386
Net Expenditure	3,303,588	678,252	473,352	2,046,386	6,501,578

Notes to the Core Financial Statements

Committee Income and Expenditure 2014/2015 Restated	Community Services Committee £	Health and Housing Committee £	Planning and Development Committee £	Policy and Finance Committee £	Total £
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
Total Income	-5,071,727	-8,027,468	-815,720	-4,961,604	-18,876,519
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	645,994	17,166	7,544	98,472	769,176
Total Expenditure	8,258,403	8,695,486	1,319,425	6,757,278	25,030,592
Net Expenditure	3,186,676	668,018	503,705	1,795,674	6,154,073

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.

	2014/2015 £	2015/2016 £
Net Expenditure in the Committee Analysis	6,124,443	6,501,578
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	464,654	574,544
Cost of Services, Gain/Loss on Trading Accounts and Gain/Loss on Investment Properties in Comprehensive Income and Expenditure Statement	6,589,097	7,076,122

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.

2015/2016	Committee Analysis £	Amounts not Reported to Management for Decision Making £	Cost of Services including Trading Accounts £	Corporate Amounts £	Total £
Fees, charges and other service income	-10,833,439	0	-10,833,439	0	-10,833,439
Interest and investment income	0	0	0	-34,184	-34,184
Income from council tax	0	0	0	-3,467,871	-3,467,871
Retained income from business rates	0	0	0	-870,353	-870,353
Capital Grants, Contributions and Donations	0	0	0	-26,500	-26,500
Government grants and contributions	-7,883,369	0	-7,883,369	-2,709,184	-10,592,553
Total Income	-18,716,808	0	-18,716,808	-7,108,092	-25,824,900
Employee related expenditure	6,060,673	305,102	6,365,775	533,000	6,898,775
Other service expenses	12,761,438	0	12,761,438	0	12,761,438
Support Service recharges	5,540,909	0	5,540,909	0	5,540,909
Depreciation, amortisation and impairment	855,366	269,442	1,124,808	0	1,124,808
Interest payments	0	0	0	11,141	11,141
Precepts and levies	0	0	0	363,992	363,992
Payment of Localisation of Council Tax Support Grant to Parishes	0	0	0	11,500	11,500
Pensions Administration Costs	0	0	0	18,000	18,000
Payments to Housing Capital Receipts Pool	0	0	0	133	133
Gain or loss on disposal of Non-Current assets	0	0	0	-133,513	-133,513
Total Expenditure	25,218,386	574,544	25,792,930	804,253	26,597,183
Surplus or Deficit on the Provision of Services	6,501,578	574,544	7,076,122	-6,303,839	772,283

Notes to the Core Financial Statements

2014/2015 Restated	Committee Analysis	Amounts not Reported to Management for Decision Making	Cost of Services including 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
Total Income	-18,876,519	0	-18,876,519	-7,081,516	-25,958,035
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	769,176	373,910	1,143,086	0	1,143,086
Interest payments	0	0	0	13,199	13,199
Precepts and levies	0	0	0	359,632	359,632
Payment of Localisation of Council Tax Support Grant to Parishes	0	0	0	17,034	17,034
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
Total Expenditure	25,030,592	435,024	25,465,616	689,996	26,155,612
Surplus or Deficit on the Provision of Services	6,154,073	435,024	6,589,097	-6,391,520	197,577

Notes to the Core Financial Statements

23 MEMBERS' ALLOWANCES

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

	2014/2015 £	2015/2016 £
Basic Allowance	118,080	132,694
Special Responsibility Allowances	87,084	73,362
Expenses	4,486	5,096
	209,650	211,152

24 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
	2014/2015 £	2014/2015 £	2014/2015 £	2015/2016 £	2015/2016 £	2015/2016 £
Chief Executive ¹	99,826	8,909	108,735	111,440	9,663	121,103
Director of Community Services	77,292	8,096	85,388	79,164	8,770	87,934
Director of Resources	77,292	7,876	85,168	79,164	8,403	87,567
Head of Financial Services	51,000	6,148	57,148	51,601	6,072	57,673
Head of Planning Services	51,000	2,637	53,637	51,601	4,889	56,490
Head of Legal and Democratic Services ²	40,800	2,741	43,541	41,281	3,060	44,341
	397,210	36,407	433,617	414,251	40,857	455,108

¹ The values for the Chief Executive include Acting Returning Officer Fees, which fluctuate from year to year depending on the elections called. (2015/16 £11,671 - Parliamentary and Borough Wide District/Parish Elections and 2014/15 £2,500 - European Elections)

² 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 £51,601 in 2015/16 (£51,000 in 2014/15) and therefore this officer is required to be disclosed in this note.

Notes to the Core Financial Statements

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 2014/15 and 2015/16 financial years. 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	Salary Banding 2015/2016	Employee Contribution Rate
£0 - £13,500	£0 - £13,600	5.50%
> £13,500 - £21,000	> £13,600 - £21,200	5.80%
> £21,000 - £34,000	> £21,200 - £34,400	6.50%
> £34,000 - £43,000	> £34,400 - £43,500	6.80%
> £43,000 - £60,000	> £43,500 - £60,700	8.50%
> £60,000 - £85,000	> £60,700 - £86,000	9.90%
> £85,000 - £100,000	> £86,000 - £101,200	10.50%
> £100,000 - £150,000	> £101,200 - £151,800	11.40%
> £150,000	> £151,800	12.50%

In 2015/16 and 2014/15, the contribution to the pension scheme which the council made was based upon the employee's salary, with a single rate of 14%. A further lump sum payment was also made by the council to the pension fund in year.

Elements of Contribution Rate	2014/2015	2015/2016
Percentage Contribution Rate	14.0%	14.0%
Lump Sum Payment from the Council	£195,900	£203,904

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

Notes to the Core Financial Statements

Remuneration Disclosure (including Pension Contributions)

Post Holder Information	Total Remuneration excluding Pension Contributions 2014/2015 £	Pension Contributions 2014/2015 £	Total Remuneration including Pension Contributions 2014/2015 £	Total Remuneration excluding Pension Contributions 2015/2016 £	Pension Contributions 2015/2016 £	Total Remuneration including Pension Contributions 2015/2016 £
Chief Executive ¹	108,735	13,976	122,711	121,103	15,602	136,705
Director of Community Services	85,388	10,821	96,209	87,934	11,083	99,017
Director of Resources	85,168	10,821	95,989	87,567	11,083	98,650
Head of Financial Services	57,148	7,140	64,288	57,673	7,224	64,897
Head of Planning Services	53,637	7,140	60,777	56,490	7,224	63,714
Head of Legal and Democratic Services ²	43,541	5,712	49,253	44,341	5,779	50,120
	433,617	55,610	489,227	455,108	57,995	513,103

¹ The values for the Chief Executive include Acting Returning Officer Fees, which fluctuate from year to year depending on the elections called. (2015/16 £11,671 - Parliamentary and Borough Wide District/Parish Elections and 2014/15 £2,500 - European Elections)

² 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 £51,601 in 2015/16 (£51,000 in 2014/15) 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:

	2014/2015	2015/2016
£50,000 - £54,999	**2	**1
£55,000 - £59,999	1	2
£60,000 - £64,999		
£65,000 - £69,999		
£70,000 - £74,999		
£75,000 - £79,999		
£80,000 - £84,999		
£85,000 - £89,999	2	2
£90,000 - £94,999		
£95,000 - £99,999		
£100,000 - £104,999		
£105,000 - £109,999	*1	
£110,000 - £114,999		
£115,000 - £119,999		
£120,000 - £124,999		*1

* The values for the Chief Executive include Acting Returning Officer Fees, which fluctuate from year to year depending on the elections called. (2015/16 £11,671 - Parliamentary and Borough Wide District/Parish Elections and 2014/15 £2,500 - European Elections)

** 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 £51,601 in 2015/16 (£51,000 in 2014/15) and therefore this officer is required to be disclosed in this note.

There were no redundancy payments made in 2015/16. There was a payment of £3,401 made in 2014/15, which related to the end of a fixed-term contract for an employee.

Notes to the Core Financial Statements

25 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:

	2014/2015 £	2015/2016 £
Fees Payable to Grant Thornton UK LLP with regard to external audit services carried out by the appointed auditor for the year	53,602	40,202
Fees payable to Grant Thornton UK LLP for the certification of grant claims and returns for the year.	14,080	8,920
Rebate on Fees Payable to the Audit Commission with regard to external audit services carried out by the appointed auditor for the previous year	-5,417	0
Total	62,265	49,122

26 GRANT INCOME

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2015/16 and 2014/15:

	2014/2015 £	2015/2016 £
<i>Credited to Taxation and Non Specific Grant Income</i>		
Revenue Support Grant	-1,397,544	-1,011,321
New Homes Bonus	-594,806	-968,616
New Homes Bonus Adjustment Grant	-4,084	-4,002
Business Rates S31 Grant	-527,912	-692,865
Council Tax Freeze Grant	-32,048	-32,380
Rural Areas Delivery Grant	-2,665	0
Donated Assets	-52,000	0
Capital Grants	-4,874	-26,500
Total Credited to Taxation and Non Specific Grant Income	-2,615,933	-2,735,684
<i>Credited to Services</i>		
<i>Grants Received for Capital Purposes</i>		
Disabled Facilities Grant	-119,536	-160,895
Total Grants Received for Capital Purposes	-119,536	-160,895

Notes to the Core Financial Statements

	2014/2015 £	2015/2016 £
<u>Grants Received for Revenue Purposes</u>		
NNDR Administration	-87,901	-90,494
Lancashire Children's Trust	-15,000	-2,000
Lancashire Highways Partnership	-15,024	-15,324
East Lancashire CCG (Best Foot Forward and Cardiac Rehabilitation)	-26,387	-23,887
Lancashire County Council	-68,977	-68,977
DWP - Rent Allowance and Rent Rebate Subsidy	-7,422,201	-7,298,594
DWP and DCLG Council Tax and Housing Benefit Administration Grant	-187,884	-165,338
DCLG - Right to Bid and Right to Challenge Grants	-16,402	0
DCLG - New Burdens Grant - Localising Support for Council Tax	-56,553	-11,229
DCLG - New Burdens Grant - NNDR Admin Costs Grant	-10,612	0
Ribble Valley Community Safety Partnership	-6,500	-8,500
Affordable Warmth Public Health Grant (LCC)	-21,900	-16,833
DWP LA Data Sharing IT Costs Funding	-11,050	-7,416
DWP Housing Benefits New Burden Grant	-3,453	-3,827
Individual Electoral Registration Grant	-37,276	-19,880
Active East Programme (LCC)	-10,000	0
DCLG Neighbourhood Planning	-5,000	-5,000
DCLG Transparency Code	-5,615	-8,103
DCLG - Single Homelessness Initiative Funding	-3,118	-25,000
Food Standards Agency - Funding for UKFSS Installation	-2,000	0
DWP - Discretionary Housing Payments Funding	-32,583	-27,729
DWP - Migrants Access to Benefits Funding	-1,174	-202
DWP - RTI Bulk Data Matching Funding	-1,074	-2,909
DWP - FERIS Start Up and Maintenance Costs Funding	-3,500	-5,000
Working with Families (LCC)	0	-3,431
Local Sustainable Transport Grant	0	-3,570
Home and Communities Grant	0	-20,000
Storm Desmon and Storm Eva Council Tax Relief Grant	0	-89,401
DCLG - Property Searches	0	-72,406
DCLG - Bellwin Flood Scheme	0	-50,903
DCLG - Implementing 'Right to Move' Funding	0	-3,044
LCC - Domestic Abuse Additional Support Services Grant	0	-28,375
Other Grants	-799	-2,367
Total Grants Received for Revenue Purposes	-8,051,983	-8,079,739
Total Credited to Services	-8,171,519	-8,240,634

Notes to the Core Financial Statements

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.

27 RELATED PARTY TRANSACTIONS

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council. 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 Note 26 on grant income.

Elected Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid is shown at Note 23.

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 2015/16 financial year, there were no material transactions between the Council and organisations where Members had declared a controlling interest, from the point of view of the Council.

Notes to the Core Financial Statements

With regard to 2014/15, one grant award was made 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 2015/16 financial year, there were no material transactions between the Council and organisations where senior officers had declared a controlling interest, from the point of view of the Council. This was also the case in 2014/15.

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 129.
- Other standard business transactions between the Council and Lancashire County Council, such as superannuation payments to Lancashire Pension Fund - see Note 30.

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

Notes to the Core Financial Statements

- Ribble Valley Sports and Recreation (Roefield Leisure Centre)
- 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.

28 CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

Notes to the Core Financial Statements

	2014/2015 £	2015/2016 £
Opening Capital Financing Requirement	3,734,466	3,602,707
Capital Investment		
Property, Plant and Equipment	102,954	680,497
Intangible Assets	0	0
Revenue Expenditure Funded from Capital Under Statute	277,857	260,098
Sources of Finance:		
Capital Receipts	-23,390	0
Grants and Other Contributions	-122,536	-174,107
Sums set aside from revenue:		
- Revenue Contributions	-230,785	-526,722
- Minimum Revenue Provision	-135,859	-132,816
Closing Capital Financing Requirement	3,602,707	3,709,657
Explanation of Movements in Year		
Increase/(Decrease) in Underlying Need to Borrow (Unsupported by Government Financial Assistance)	-131,759	106,950
Increase/(Decrease) in Capital Financing Requirement	-131,759	106,950

29 LEASES

Operating Leases with the Council as Lessee

The council holds a number of vehicles, land and buildings on operating leases.

The future minimum lease payments due are:

	RESTATED 2014/2015 £	2015/2016 £
Not later than one year	94,790	92,399
Later than one year and not later than five years	208,677	190,243
Later than five years	545,995	607,644
	849,462	890,286

The expenditure charged to the Cost of Services in the Comprehensive Income and Expenditure Statement in relation to the above leases was £97,870 (£97,033 in 2014/15 restated).

The 2014/15 prior year figures have been restated to reflect the reclassification of the Albion Mill economic development asset on the balance sheet. The leases related to these assets are now included in this note as operating leases in 2014/15 and 2015/16.

Notes to the Core Financial Statements

Operating Leases with the Council as Lessor

The council leases out land and property under operating leases for community services such as sports and leisure, for economic development, and for commercial use.

The future minimum lease payments receivable are:

	Restated 2014/2015 £	2015/2016 £
Not later than one year	-89,192	-89,613
Later than one year and not later than five years	-235,158	-263,478
Later than five years	-659,266	-622,024
	-983,616	-975,115

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 2015/16 income included under the Cost of Services in the Comprehensive Income and Expenditure Statement in relation to the above leases was £82,367. (£102,469 in 2014/15 restated).

The 2014/15 prior year figures have been restated to reflect the reclassification of the Albion Mill economic development asset on the balance sheet. The leases related to these assets are now included in this note as operating leases in 2014/15 and 2015/16.

30 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 was 19 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	
	2014/2015 £'000	2015/2016 £'000
Comprehensive Income and Expenditure Statement		
Cost of Services		
- current service costs	994	1,245
Other Operating Expenditure		
- administration expenses	19	18
Financing and Investment Income and Expenditure		
- net interest expense	508	533
Total Post employment Benefit Charged to the Surplus or Deficit on the Provision of Services	1,521	1,796
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
Remeasurement of the net defined benefit liability comprising		
- return on plan assets (excluding the amount included in the net interest expenses)	-2,825	-621
- actuarial gain and losses arising on changes in demographic assumptions	0	0
- actuarial gains and losses arising on changes in financial assumptions	7,350	-2,929
- experience gain	0	0
Total Post employment Benefit Charged to the Comprehensive Income and Expenditure Account	6,046	-1,754
Movement in Reserves Statement		
- reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	-1,521	-1,796
Actual amount charged against the General Fund Balance for pensions in the year:		
- employers' contributions payable to the scheme	931	933

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2016 is a gain of £3,550,000 (31 March 2015 loss of £4,525,000).

Notes to the Core Financial Statements

Pensions Assets and Liabilities Recognised in the Balance Sheet

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

Local Government Pension Scheme	2014/2015 £'000	2015/2016 £'000
Present value of the defined benefit obligation	55,578	54,250
Fair value of plan assets	-38,455	-39,814
Net liability arising from defined benefit obligation	17,123	14,436

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

Local Government Pension Scheme	2014/2015 £'000	2015/2016 £'000
Opening fair value of scheme assets	34,466	38,455
Interest Income	1,509	1,223
Remeasurements gain/(loss):		
- the return on plan assets, excluding the amount included in the net interest expense	2,825	621
Administration Expenses	-19	-18
Contributions from employer	931	933
Contributions from employees into the scheme	301	295
Benefits paid	-1,558	-1,695
Closing fair value of scheme assets	38,455	39,814

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

Local Government Pension Scheme	2014/2015 £'000	2015/2016 £'000
Opening balance at 1 April	46,474	55,578
Current service cost	994	1,245
Interest Cost	2,017	1,756
Contributions from scheme participants	301	295
Remeasurement (gains) and losses:		
- Experience (gain)/loss	0	0
- Actuarial (gains)/losses arising from changes in demographic assumptions	0	0
- Actuarial (gains)/losses arising from changes in financial assumptions	7,350	-2,929
Benefits paid	-1,558	-1,695
Closing balance at 31 March	55,578	54,250

Notes to the Core Financial Statements

Local Government Pension Scheme Assets Comprised:

Local Government Pension Scheme	Quoted	31 March 2015	31 March 2016
Fair value of scheme assets	Y/N	£'000	£'000
Cash			
- Cash and Cash Equivalents	N	1,863	1,345
	N	0	24
Subtotal Cash		1,863	1,369
Equity Instruments by Industry Type			
- Consumer discretionary	Y	2,002	2,026
- Consumer staples	Y	2,249	2,301
- Energy	Y	306	171
- Financials	Y	2,278	2,415
- Healthcare	Y	1,307	1,445
- Industrials	Y	1,845	1,725
- Information technology	Y	2,174	2,450
- Materials	Y	521	493
- Telecommunication services	Y	268	330
- Utilities	Y	287	330
Subtotal Equities		13,237	13,686
Bonds			
- UK corporate	Y	370	572
- Overseas corporate	Y	163	239
- UK index linked	Y	1,207	800
Subtotal Bonds		1,740	1,611
Property			
- Offices	N	797	805
- Offices/warehouse	N	82	82
- Industrial/warehouse	N	931	940
- Shops	N	685	477
- Retail warehouse	N	682	688
- Shopping centre	N	197	198
- Multi let commercial building	N	247	636
Subtotal Property		3,621	3,826
Alternatives			
- UK private equity	N	965	649
- Overseas private equity	N	1,367	1,748
- Infrastructure	N	2,140	3,181
- Credit funds	N	9,907	10,019
- Indirect property funds	N	282	550
- Overseas pooled equity funds	N	3,333	3,175
Subtotal Alternatives		17,994	19,322
Total		38,455	39,814

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	2014/2015	2015/2016
Mortality Assumptions		
Longevity at 65 for current pensioners:		
Men	22.9 years	23.0 years
Women	25.4 years	25.6 years
Longevity at 65 for future pensioners:		
Men	25.1 years	25.2 years
Women	27.8 years	27.9 years
Rate of CPI Inflation	2.0%	2.0%
Rate of increase in salaries (<i>adjustment made for short term pay restraint in line with the latest actuarial valuation</i>)	3.5%	3.5%
Rate of increase in pensions	2.0%	2.0%
Rate for discounting scheme liabilities	3.2%	3.5%

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 Impact on the Defined Benefit Obligation in the Scheme	Increase in Assumption £'000
Longevity (1 year increase in life expectancy)	1,055
Rate of inflation (+0.1% per annum)	959
Rate of increase in salaries (+0.1% per annum)	220
Rate of discounting scheme liabilities (+0.1% per annum)	-943

Notes to the Core Financial Statements

Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 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 £941,000 expected contributions to the scheme in 2016/17.

The weighted average duration of the defined benefit obligation for scheme members is 18 years (based on latest of 31 March 2013 and admission date)

Scheme History

Local Government Pension Scheme	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016
	£'000	£'000	£'000	£'000	£'000
Present Value of Liabilities	-42,809	-49,987	-46,474	-55,578	-54,250
Fair Value of Assets	29,462	33,615	34,466	38,455	39,814
Surplus/(Deficit) in the scheme	-13,347	-16,372	-12,008	-17,123	-14,436

The liabilities show the underlying commitments that the council has in the long run to pay post-employment (retirement) benefits. The total liability of £14.436m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy.

Governance and Risk Management

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

- **Nature of the Fund:** The Fund targets a pension paid throughout life. The amount of pension depends on how long employees are active members of the scheme and their salary when they leave the scheme (a 'final salary' scheme) for service up to 31 March 2014 and on revalued average salary (a 'career average' scheme) for service after 1 April 2014 onwards.
- **Governance:** Management of the Fund is vested in Lancashire County Council as Administering Authority of the Fund. Lancashire County Council has appointed a Pensions Fund Committee (comprised of a mixture of County Councillors and representatives from other employers) to manage the Fund. The Committee is assisted by an investment panel which advises the Committee on its investment strategy and risk management provisions.
- **Funding the Liabilities:** Regulations governing the Fund require the actuarial valuations to be carried out every three years. Contributions for each employer are set having regard to their individual circumstances. The Regulations require the contributions to be set with a view to targeting the Fund's solvency, and the detailed provisions are set out in the Fund's Funding Strategy Statement. The most recent valuation was carried out as at 31 March 2013, which showed a shortfall of assets against liabilities of £1.38 billion as at that date, equivalent to a funding level of 78%. The fund's employers are paying additional contributions over a period of 19 years in order to meet the shortfall. The weighted average duration of the authority's defined obligation is 18 years, measured on the actuarial assumptions used for IAS19 purposes.
- **Risks and Investment Strategy:** The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities (i.e. promised benefits payable to members). The aim of investment risk management is to balance the minimisation of the risk of an overall reduction in the value of the Fund with maximising the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and keep credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flow.
- **Market Risk:** Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. To mitigate market risk, the Fund and its investment advisors undertake appropriate monitoring of market conditions and benchmarking analysis.
- **Other Price Risk:** Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market process (other than those arising from interest rate risk or foreign exchange risk). The Fund's investment managers mitigate this price risk through diversification. The selection of securities and other financial instruments is monitored by the Fund to ensure it is within limits specified in the fund investment strategy.

Notes to the Core Financial Statements

- **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.

31 CONTINGENT LIABILITIES

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

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

In addition the following specific warranties have been given:

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

Warranties by the Council in favour of Ribble Valley Homes

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

In addition the following specific warranties have been given:

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

Property Searches

A group of Property Search Companies sought to claim refunds of fees paid to the Council to access land charges data. The parties have reached agreement on the claims. The Council has agreed to pay the property search companies legal costs to be subject to detailed assessment by way of costs only proceedings if not agreed. The Council is in discussions with the claimants about the costs aspect of the claim. At present it is not possible to put a final value on these potential liabilities and so the Council has instead recognised a contingent liability

Notes to the Core Financial Statements

32 CONTINGENT ASSETS

VAT Sharing Arrangement

As part of the Voluntary Stock Transfer an agreement has been reached with Ribble Valley Homes Ltd to share the Value Added Tax that they can claim from HM Revenue and Customs. This arrangement is unique to Councils and Registered Social Landlords upon transfer. 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.

33 NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

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

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

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

Overall Procedures for Managing Risk

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

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

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

Treasury Management activity is monitored by the Financial Services team. The Council maintains written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash through Treasury Management Practices (TMPs). These TMPs are a requirement of the Code of Practice and are reviewed regularly.

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

Notes to the Core Financial Statements

- 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 2016 can be analysed by age as shown in the table below. Note 13 to the accounts shows a total provision for the impairment of debts of £365,664 of which £13,299 relates to sundry debts (£168,864 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 2016 that this was likely.

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

	Amount at 31 March 2016	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2016	Estimated maximum exposure to default and uncollectability at 31 March 2016	Estimated maximum exposure at 31 March 2015
	£ A	% B	% C	£ (A x C)	£
Deposits with banks and building societies	6,030,000	0.00%	0.00%	0	0
Customers (Sundry Debt including overpaid Housing Benefits recovered from ongoing benefit)	600,941	0.06%	28.10%	168,864	140,206

Notes to the Core Financial Statements

The council expects settlement terms from debtors of no greater than 14 days. On this basis £341,002 of the sundry debtor balance at 31 March 2015 is past its due date for payment (£489,349 at 31 March 2015); however a proportion of this is being paid on an agreed alternative payment plan. The full sundry debtor balance due but not impaired can be analysed by age as follows:

Aged Sundry Debt	As at 31 March	As at 31 March
	2015	2016
	£'000	£'000
Less than 30 days	125	152
30 days to 59 days	93	35
60 days to 89 days	6	1
90 days to 119 days	5	6
120 days +	325	284
	554	478

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 UK Municipal Bonds Agency plc (Local Capital Finance Company). There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

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

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

The maturity analysis of financial liabilities is as follows:

Financial Liabilities by Maturity Risk	31 March 2015	31 March 2016
	£'000	£'000
Less than one year	35	35
Between 1 and 2 years	35	23
Between 2 and 5 years	44	31
Between 5 and 10 years	51	51
More than 10 years	75	65
	240	205

Notes to the Core Financial Statements

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	2015/16 Upper	2016/17 Upper	2017/18 Upper
Maximum Principal Sums Borrowed >364 Days	£7.015m	£6.596m	£6.527m
Limits on Fixed Interest Rates	100%	100%	100%
Limits on Variable Interest Rates	20%	20%	20%

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

If all lending interest rates had been 1% higher with all other variables held constant the financial effect would impact on the interest receivable on variable rate investments by approximately £91,525. All other interest payable and receivable are fixed.

Price risk

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

Foreign exchange risk

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

Collection Fund

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

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

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

In 2013/14, the local government finance regime was revised with the introduction of the 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 2015/16

Collection Fund

2014/2015 Total £'000	2015/16 Council Tax £'000	2015/16 Business Rates £'000	2015/16 Total £'000	Notes
Income				
32,208	33,345		33,345	
6	11		11	
0	90		90	
2	2		2	
14,242		14,677	14,677	1
33			0	
37			0	
		58	58	
0		10	10	
0		46	46	
0		1	1	
46,528	33,448	14,792	48,240	
Expenditure				
				3
23,696	24,519		24,519	
3,369	3,417		3,417	
3,336	3,452		3,452	
1,362	1,408		1,408	
6,987		7,255	7,255	
1,258		1,306	1,306	
5,589		5,804	5,804	
140		145	145	
37			0	
8	155		155	
30	22		22	
1	9		9	
0	22		22	
20	54		54	
88		90	90	
0		11		
187	112	144	256	4
10		18	18	
0		13	13	
99		704	704	5
46,217	33,170	15,490	48,649	
311 (Deficit)/Surplus for the Year	278	-698	-409	
-212 (Deficit)/Surplus Brought Forward	320	-222	98	
99 (Deficit)/Surplus Carried Forward	598	-920	-311	
Allocated to				
-111	0	-460	-460	6
219	447	-83	364	
-55	62	-368	-306	
34	63	0	63	
12	26	-9	17	
99	598	-920	-322	

1 BUSINESS RATES

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 2015/16 were estimated before the start of the financial year as £7.255m to Central Government, £1.306m to Lancashire County Council, £0.145m to Lancashire Combined Fire Authority and £5.804m to Ribble Valley Borough Council. These sums have been paid in 2015/16 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 £4.326m from the general fund.

The total income from business rate payers collected in 2015/16 was £14.677m (£14.242m in 2014/15).

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 in 2015/16 was £1.137m.

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 not allowed for when the safety net was set. The Council does not qualify for a safety net payment for 2015/16.

Likewise, where the council experiences any growth above the baseline amount, it must pay a levy on such growth to the government. Included in the calculation of the levy are the reliefs that are compensated through Section 31 grant to the council's general fund. For 2015/16, the amount of levy payable from this council's general fund for its share of business rates growth experienced in year was £294,424 (£332,019 in 2014/15).

Collection Fund

In addition to the local management of business rates, authorities are expected to finance appeals made in respect of rateable values as defined by VOA and hence business rates outstanding as at 31 March 2016. 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 2016 has been calculated at £1.172m (31 March 2015 £0.467m)

The total non-domestic rateable value at 31 March 2016 was £38,396,529 compared to £37,859,103 at 31 March 2015 based on the 2010 listing.

The national non-domestic multiplier (rate in the pound) for the year 2015/16 was 49.3 pence compared to 48.2 pence in the year 2014/15.

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 £1,494.39 which was calculated by dividing the aggregate of the Council's expenditure to be met from the council tax and the Lancashire County Council, Police and Crime Commissioner (PCC) for Lancashire and Lancashire Combined Fire Authority precept by the council tax base. The council tax base is the number of band D equivalent properties in the Council's area and it represents the amount of income that would be raised from a council tax levy of £1.00 at band D level. The council tax base has been calculated as follows:

Band	Ratio to Band D	Total No of Properties	Total Equivalent No After Discounts	Band D Equivalents
A (entitled to disabled relief)	5/9	11	8.7	4.8
A	6/9	3,516	2,258.8	1,505.9
B	7/9	4,845	3,778.9	2,939.2
C	8/9	4,862	4,120.8	3,663.0
D	1	4,405	3,936.3	3,936.3
E	11/9	3,306	3,047.1	3,724.2
F	13/9	2,070	1,928.6	2,785.7
G	15/9	1,854	1,754.8	2,924.6
H	18/9	197	190.7	381.4
Totals		25,066	21,024.65	21,865.1
			Adjustments	1.9
			Adjustment for Collection Rate	-164.0
			Council Tax Base	21,703

3 BAND D COUNCIL TAX

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

	2014/2015 £	2015/2016 £
Lancashire County Council Precept	23,695,666	24,519,615
Police and Crime Commissioner (PCC) for Lancashire Precept	3,336,140	3,452,079
Lancashire Combined Fire Authority Precept	1,361,537	1,407,657
Ribble Valley Borough Council Demand (excluding Parishes)	3,009,500	3,053,395
Total to be Met From Council Tax	31,402,843	32,432,746
Divided by Council Tax Base (Band D Equivalent Dwellings)	21,391	21,703
Band D Council Tax (Average excluding Parishes)	£1,468.04	£1,494.39

4 PROVISION FOR LOSSES

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

	Council Tax £	NDR £	Total £
Opening Balance	350,000	330,000	680,000
Write Offs in Year	-11,754	-98,648	-110,402
Increase to Provision	111,754	143,648	255,402
Closing Balance	450,000	375,000	825,000

5 PROVISION FOR BUSINESS RATES APPEALS

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

	2014/15 £	2015/16 £
Balance at 1 April	368,000	467,200
Additional provisions made in the year	99,200	704,300
Balance at 31 March	467,200	1,171,500

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.

2014/2015		2015/2016	
Precept	Share of 31 March (Deficit) or Surplus	Precept	Share of 31 March (Deficit) or Surplus
£'000	£'000	£'000	£'000
23,696	239	24,519	447
3,336	34	3,452	63
1,408	14	1,408	26
3,369	34	3,417	62
31,809	321	32,796	598

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

2014/2015		2015/2016	
Business Rates Share Paid	Share of 31 March (Deficit) or Surplus	Business Rates Share Paid	Share of 31 March (Deficit) or Surplus
£'000	£'000	£'000	£'000
6,987	-111	7,255	-460
1,258	-20	1,306	-83
140	-2	145	-9
5,589	-89	5,804	-368
13,974	-222	14,510	-920

Collection Fund

The council has a statutory requirement to prepare an estimate each January of the surplus or deficit expected to arise at the end of the financial year. The total forecast surplus/deficit on the collection fund for council tax and business rates at January 2014 and January 2015 are shown in the table below.

(Deficit) or Surplus Declared January 2014			(Deficit) or Surplus Declared January 2015		
Business Rates £'000	Council Tax £'000	Total £'000	Business Rates £'000	Council Tax £'000	Total £'000
-58		-58	-526		-526
-10	155	145	-95	343	248
	22	22		48	48
-1	9	8	-11	20	9
-46	22	-24	-421	48	-373
-115	208	93	-1,053	459	-594

Glossary of Terms

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.

Appointed Auditors

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

Authorised Limit

This represents the legislative limit on the Council's external debt under the Local Government Act 2003.

Balances

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

Capital Adjustment Account

The Account accumulates (on the debit side) the write-down of the historical cost of non-current assets as they are consumed by depreciation and impairments or written off on disposal. It accumulates (on the credit side) the resources that have been set aside to finance capital expenditure. The same process applies to capital expenditure that is only capital by statutory definition (revenue expenditure funded by capital under statute). The balance on the account thus represents timing differences between the amount of the historical cost of non-current assets that has been consumed and the amount that has been financed in accordance with statutory requirements.

Capital Expenditure

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

Capital Financing Costs

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

Capital Receipt

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

Carrying Amount

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

Chartered Institute of Public Finance and Accountancy (CIPFA)

CIPFA is the leading professional accountancy body for public services. CIPFA publishes the Code, which defines proper accounting practice for local authorities.

Collection Fund

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

Glossary of Terms

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.

Council Tax Base

The number of properties in each band is multiplied by the relevant band proportion in order to calculate the number of Band D equivalent properties in the area. The calculation allows for exemptions, discounts, appeals and a provision for non-collection.

Council Tax Requirement

This is the estimated revenue expenditure on General Fund services that will be financed from the Council Tax after deducting income from fees and charges, General fund Balances, grants and any funding from reserves.

Creditors

Amounts owed by the Council at 31st March for goods received or services rendered but not yet paid for.

Current Assets

Assets which can be expected to be consumed or realised during the next accounting period.

Current Liabilities

Amounts which will become due or could be called upon during the next accounting period.

Current Service Cost (Pensions)

The increase in the present value of a defined benefit scheme's liabilities expected to arise from employee service in the current period.

Debtor

Amounts owed to the Council, which are collectable or outstanding at 31st March.

Depreciation

The measure of the cost or revalued amount of the benefits of the non-current asset that have been consumed during the period.

Consumption includes the wearing out, using up or other reduction in the useful life of a fixed asset whether arising from use, passing of time or obsolescence through either changes in technology or demand for the goods and services produced by the asset.

Exceptional Items

Material items which derive from events or transactions that fall within the ordinary activities of the authority and which need to be disclosed separately by virtue of their size or incidence to give fair presentation of the accounts.

Expected Rate of Return on Pensions Assets

For a funded defined benefit scheme, the average rate of return, including both income and changes in fair value but net of scheme expenses, expected over the remaining life of the related obligation on the actual assets held by the scheme.

Fair Value

The fair value of an asset is the price at which it could be exchanged in an arm's-length transaction less, where applicable, any grants receivable towards the purchase or use of the asset.

Finance Lease

A finance lease is one that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee. It should be presumed that such a transfer of risks and rewards occurs if at the inception of a lease the present value of the minimum lease payments including any initial payment amounts to substantially all (normally 90% or more) of the fair value of the leased asset.

Financial Instrument

A contract that gives rise to a financial asset of one entity and a financial liability of another entity.

Glossary of Terms

Financial Regulations

These are the written code of procedures approved by the Council, intended to provide a framework for proper financial management. Financial regulations usually set out rules on accounting, audit, administrative and budgeting procedures.

Fixed Asset

Assets which can be expected to be of use or benefit to the Council in providing its service for more than one accounting period.

General Fund

This is the main revenue fund of the council and includes the net cost of all services financed by local taxpayers and Government Grants.

Going Concern

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

Government Grants

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

Impairment

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

Infrastructure Assets

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

Intangible Asset

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

Interest Cost (Pensions)

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

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.

Materiality

Information is material if omitting it or misstating it could influence the decisions that users make on the basis of financial information about a specific reporting authority

Medium Term Financial Strategy

This is a financial planning document that sets out the future years financial forecast for the council. It considers local and national policy influences and projects their impact on the general fund revenue account and capital programme. For this council it usually covers the current year and future three years.

Minimum Revenue Provision (MRP)

MRP is the minimum amount which must be charged to a council's revenue account each year to provide for the repayment of debt, as required by the Local Government and Housing act 1989

Net Book Value

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

Net Current Replacement Cost

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

Net Debt

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

Net Realisable Value

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

Glossary of Terms

Non Current Assets

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

Operating Lease

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

Past Service Cost

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

Precepts

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

Prepayment

The payment of a debt obligation before it is due

Provision

A liability of uncertain timing or amount

Remuneration

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

Reserves

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

Residual Value

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

Retirement Benefits

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

Revenue Expenditure

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

Revenue Expenditure Funded from Capital Under Statute

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

Revenue Support Grant

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

Scheme Liabilities

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

Tangible Fixed Assets

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

Useful Life

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

Abbreviations used within the Statement of Accounts

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



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RIBBLE VALLEY BOROUGH COUNCIL REPORT TO ACCOUNTS AND AUDIT COMMITTEE

INFORMATION

Agenda Item No 8

meeting date: 29 JUNE 2016
title: INTERNAL AUDIT ANNUAL REPORT 2015/16
submitted by: DIRECTOR OF RESOURCES
principal author: MICK AINSCOW

1 PURPOSE

1.1 To submit to Committee the internal audit annual report for 2015/16.

1.2 Relevance to the Council's ambitions and priorities:

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

2 BACKGROUND

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

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

2.3 The approved Internal Audit Plan for 2015/16 was based on the provision of 669 days of internal audit work. The detailed outturn position at 31 March 2016 is attached at Annex 1 with a summary of the final position for the year being set out in the following table.

Area of Work	Resources (Audit days)		
	Planned	Actual	Variance
Fundamental (Main) Systems	255	261	+6
Other systems work	52	26	-26
Probity and Regularity	230	217	-13
On-going checks	12	12	-
Risk Management PI's	40	40	-
Non-audit duties (insurance)	25	37	+12
Contingencies/Unplanned work	25	17	-8
Training	30	59	+29
	669	669	-






2.4 With regard to the variances between planned and actual days, in respect of other systems work, the audits of VAT and procurement have not been completed having been impacted by the increased days spent on training due to a new member of staff joining the audit team after the plan had been set. Some initial testing has been carried out on these systems and will hopefully be completed shortly. The increase in insurance days reflects the significant increase in the number of claims submitted compared to the previous year in respect of both motor and liability. This has impacted to a certain extent on the days spent on Probity and Regularity audit work.

2.5 All audits in progress as at 31 March are scheduled for completion shortly. Where audits have not been started by the 31 March due to other service area pressures, work will be undertaken in these areas as part of the 2016/17 audit plan.

2.6 All new audit reports produced during the year have been taken into account in informing the assurance opinion given later in this report. In addition the audits in progress as at 31 March and the testing which had been carried out have also been used in informing the opinion.

3 ISSUES

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

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

3.2 The table at Annex 2 sets out the assurance opinions issued in respect of all audits carried out since 1 April 2015.

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

Assurance Level	Number of Audits
Full	13
Substantial	10
Reasonable	2
Limited	0
Minimal	0

3.4 Assurance levels on the Council's key financial systems are consistently good. Testing on all systems has been completed and all audit reports issued with either full or substantial assurance levels. All testing was completed on NNDR and Council Tax systems by 31 March with the draft report showing assurance levels of Full in both cases. Final reports for both were issued on 24 May 2016 with full assurance. The draft report on the stores system gave an assurance level of substantial and this remained when the final report was issued on 9 May 2016.

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

3.6 In the majority of audit work undertaken during the year we did not identify any significant control weaknesses.

4 QUALITY MONITORING

4.1 Customer satisfaction with internal audit work is judged through auditee's responses to a customer feedback questionnaire sent out following the completion of the majority of audit assignments. The questionnaire seeks views, expressed as scores on a range from 1 to 5, on 12 aspects of the audit, covering communication, consultation, conduct and reporting. Summary results from questionnaires returned over the last twelve months are shown at Annex 3.

4.2 The summary shows the average scores obtained from 13 returned surveys. Against a target level of 4 for all aspects of the audit, the vast majority of questionnaires returned a higher than average score.

5 CONCLUSION

5.1 Internal audit have reviewed the effectiveness of the Council's systems of internal control for 2015/16 having regard to appropriate assurances obtained from other internal sources. The opinion based on this work, is that the Council's systems of internal control are generally sound and effective.

PRINCIPAL AUDITOR






DIRECTOR OF RESOURCES






AA9-16/MA/AC
10 June 2016

BACKGROUND PAPERS: None

For further information please ask for Mick Ainscow.

Internal Audit Progress against 2015/16 – Final Outturn

2015/16 Planned Days	Audit	Actual days to 31/03/16	Status as at 31/03/16	Comments
<i>Fundamental (Main) Systems</i>				
30	Main Accounting	31	✓	
30	Creditors	29	✓	
25	Sundry Debtors	24	✓	
30	Payroll and Human Resources	33	✓	
45	Council Tax	44		At draft report stage
40	Housing Benefits	45	✓	
35	NNDR	33		At draft report stage
20	Cash Receipting	22	✓	
255		261		
<i>Other Systems Work</i>				
20	VAT	11		Carried forward to 2016/17
12	Treasury Management	12	✓	
20	Procurement	3		Carried forward to 2016/17
52		26		
<i>Probity and Regularity</i>				
5	Car Allowances	7	✓	
10	Asset Mgmt/Register	10		Awaiting further info prior to draft report
5	Members' Allowances	7	✓	
20	HR and Recruitment/Staff Expenses	22	✓	
12	Insurance	12	✓	

2015/16 Planned Days	Audit	Actual days to 31/03/16	Status as at 31/03/16	Comments
5	Land Charges	5	✓	
5	Fees and Charges	6	✓	
5	Clitheroe Market	6	✓	
15	Business Continuity Management	11		Carried forward to 2016/17
10	Car Parking	2		Carried forward to 2016/17
10	VIC/Platform Gallery	12	✓	
12	Trade Refuse/Recycling/Refuse Collection	12	✓	
8	Salthill Depot Stores	8		At draft report stage
5	Civic Suite	5	✓	
5	Environmental Health	5	✓	Testing in progress
5	Museum	2		Carried forward to 2016/17
5	Healthy Lifestyles	6	✓	
5	Ribblesdale Pool	5	✓	
10	Licences	12	✓	
12	Partnership Arrangements	12	✓	
10	Grants received	10	✓	
10	Grants paid	10	✓	
15	Sustainability	4		Will be included in Procurement Audit
10	Section 106 Agreements	10	✓	
8	Building Regulations	8	✓	
8	Planning Applications	8	✓	
230		217		

2015/16 Planned Days	Audit	Actual days to 31/03/16	Status as at 31/03/16	Comments
<i>Continuous Activity/Ongoing Checks</i>				
12	Income Monitoring	12	∞	
25	Contingencies/unplanned work	17	∞	Unplanned audit at Salthill Depot. Petty cash/floats check. Car insurance and Driving Licence check.
15	Risk Management	15	∞	
20	Corporate Governance	20	∞	
5	Performance Indicators	5	∞	
		40		
25	Insurance	37	∞	Significant increase in number of claims compared to 2014/15
30	Training	59	∞	Training new member of audit team
669		669		

Key:



Completed



In progress



Continuous Activity

Not started

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

Internal Audit – Assurance Opinion Results 2015/16

Audit	Assurance Level
Car Allowances	Full ✓✓✓
Car Insurances/Driving Licences	Substantial ✓✓
Salthill Depot – use of clock machine	Reasonable ✓
Members' Allowances	Substantial ✓✓
Sundry Debtors Systems and Procedures	Substantial ✓✓
HR – Recruitment and Training	Substantial ✓✓
Hire of Civic Suite	Substantial ✓✓
Insurance	Substantial ✓✓
Grants Paid/Received	Full ✓✓✓
Petty Cash/Floats	Full ✓✓✓
Clitheroe Market	Substantial ✓✓
Creditors Systems and Processes	Substantial ✓✓
Cash Receipting, Banking and Cheque Control	Full ✓✓✓
Main Accounting System	Full ✓✓✓
Fees and Charges	Substantial ✓✓
Housing Benefits Systems	Full ✓✓✓
Countryside Grants	Reasonable ✓
Refuse Collection, Recycling and Trade Waste	Full ✓✓✓
Land Charges	Full ✓✓✓
Platform Gallery and Visitor Information Centre	Substantial ✓✓
Partnerships	Full ✓✓✓
Building Control	Full ✓✓✓
Planning Applications	Full ✓✓✓
Payroll Systems and Procedures	Full ✓✓✓
Treasury Management	Full ✓✓✓

Draft reports have been issued for the Council Tax, NNDR and stores systems as at 31 March 2016 with assurance levels of Full for Council Tax and NNDR and substantial for stores. Final reports for all these systems have now been issued with the same assurance levels.

Annex 3

Audit Carried Out	Question												
	Sufficient notice given to arrange the visit	Briefing sheet sent prior to audit commencing and any comments/ requests were taken into account	Auditors understanding of your systems and current issues	Audit carried out efficiently with minimum disruption	Level of consultation during audit	Audit carried out professionally and objectively	Draft report addressed the key issues and was soundly based	Opportunity to comment on findings	Final report in terms of clarity and conciseness	Prompt issue of final report	Recommendations will improve control and/or performance	Audit was constructive and added value overall	Average
Car Allowances	5	4	4	4	4	4	4	4	4	4	4	3	4
Members' Allowances	5	4	4	4	4	4	4	4	4	4	3	4	4
NNDR System	5	5	5	5	5	5	5	5	5	5	5	5	5
Sundry Debtors Systems and Processes	5	4	4	4	3	4	4	5	4	4	4	3	4
Insurances	4	4	5	5	4	4	5	5	4	3	3	4	4.2
Creditor Systems and Processes	4	4	4	4	3	4	3	4	3	4	3	3	3.6
Clitheroe Market	5	5	4	5	4	4	4	5	5	4	3	3	4.2
Housing Benefits Systems	5	5	4	4	5	5	5	5	5	4	4	3	4.5
Land Charges	5	5	5	5	5	5	5	5	5	5	5	5	5
Platform Gallery and VIC	5	5	4	4	4	5	5	5	5	4	4	3	4.4
Building Regulations	5	5	4	4	5	3	4	4	5	5	5	4	4.4
Planning Applications	4	4	4	4	4	5	5	5	4	4	4	4	4.2
Payroll Systems and Procedures	5	4	5	5	4	5	5	5	5	5	5	5	4.8

RIBBLE VALLEY BOROUGH COUNCIL

REPORT TO ACCOUNTS AND AUDIT COMMITTEE

Agenda Item No 9

meeting date: 29 JUNE 2016
 title: INTERNAL AUDIT PROGRESS REPORT 2016/17
 submitted by: DIRECTOR OF RESOURCES
 principal author: MICK AINSCOW

1 PURPOSE

1.1 To report to Committee internal audit work progress to date for 2016/17.

1.2 Relevance to the Council's ambitions and priorities:

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

2 BACKGROUND

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

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

2.3 The full internal audit plan for 2016/17 is attached as Annex 1 alongside progress to date. In summary resources for the year have been allocated as follows:

Audit Area	2016/17 Planned Days
Fundamental (Main) Systems	245
Other Systems	68
Probity and Regularity	225
On-going checks	12
Risk Management, Performance Indicators	40
Non-Audit Duties (Insurance)	25
College	30
Contingencies/unplanned work	25
	670






2.4 The position with regards to audit work carried out as at the 15 June 2016 is included within Annex 1 and shows completed audits, audits in progress and continuous activity.

3 ISSUES

3.1 During the first couple of months of this year time has been spent completing audits on Procurement and Car Parking as well as assurance work around Corporate Governance. The annual exercise has also been carried out to verify staff driving licences and insurance certificates.





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

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

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

4 REPORTS CARRIED OUT AND ASSURANCE OPINIONS

4.1 This report covers audit work and reports issued since the last report to Committee on 30 March 2016. The table below sets out the assurance opinions issued from these audits:

Date of Report	Assurance Opinion	Report Details
18.04.16	Full 	Treasury Management – control systems in place are sound and operating effectively. No recommendations arising.
09.05.16	Substantial 	Salthill Depot Stores – all areas of operation examined. Good controls in place. Recommendation agreed regarding the evaluation and disposal of obsolete stock.
24.05.16	Full 	Council Tax System – controls in place are sound and working effectively. No recommendations arising.
24.05.16	Full 	NNDR System – good controls in places, which are operating as intended by management. No recommendations arising.

5 QUALITY MONITORING

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

6 RECOMMENDATION

6.1 Progress to date with the 2016/17 audit plan is satisfactory.

PRINCIPAL AUDITOR

DIRECTOR OF RESOURCES

AA10-16/MA/AC
13 June 2016

BACKGROUND PAPERS: None

For further information please ask for Mick Ainscow .

Annex 1

2016/17 Planned Days	Audit	Actual days to 15/06/16	Status as at 15/06/16
<i>Fundamental (Main) Systems</i>			
25	Main Accounting	0	Not started
25	Creditors	0	Not started
25	Sundry Debtors	0	Not started
30	Payroll and HR	0	Not started
40	Council Tax	2	Completion of 15/16 audit
45	Housing Benefits/CT Support	0	Not started
40	NNDR/Business Rates Pooling	2	Completion of 15/16 audit
15	Cash Receipting	8	Testing underway
245		12	
<i>Other Systems Work</i>			
20	VAT	4	Continuance of testing from 15/16
12	Treasury Management	0	Not started
20	Procurement	20	At draft report stage
6	Stores	0	Not started
10	Asset Management	5	Additional testing to that carried out in 15/16
68		29	
<i>Probity and Regularity</i>			
5	Cemetery	0	Not started
5	Members Allowances	0	Not started
15	HR and Recruitment/Staff Expenses	9	Initial testing in progress
15	Insurance	0	Not started
5	Land Charges	0	Not started
10	Fees and Charges/Cash Collection Procedures	5	Initial testing underway
15	Business Continuity Mgmt	0	Not started
10	Car Parking	9	All testing complete
5	VIC/Platform Gallery	0	Not started
10	Trade and Domestic Refuse Collection	0	Not started
15	Externally contracted Provision of RVBC Services	0	Not started
10	Environmental Health	6	Identifying 16/17 income streams
10	Transparency/Open Data	0	Not started
5	Healthy Lifestyles	4	Reconciling register to monies paid in
5	Ribblesdale Pool	0	Not started
10	Museum/Café	0	Not started
10	Partnership Arrangements	0	Not started
10	Grants received	2	Initial testing
10	Grants paid	2	Initial testing
10	Data Protection	0	Not started
15	Section 106 Agreements/Planning Enforcement	0	Not started

2016/17 Planned Days	Audit	Actual days to 15/06/16	Status as at 15/06/16
10	Building Control	0	Not started
10	Planning Applications	0	Not started
225		37	
<i>Continuous Activity/Ongoing Checks</i>			
12	Income Monitoring	3	∞
25	Contingencies/unplanned work	5	Driving Licence/Car Insurance Check
15	Risk Management	2	∞
20	Corporate Governance	19	∞
5	Performance Indicators	0	∞
40		21	
25	Insurance	8	∞
30	Training	11	∞
	Available audit days to 31/3/2017	544	
670		670	

Accounts and Audit Committee
Progress and Update Report for
Ribble Valley Borough Council
Year ended 31 March 2016

June 2016

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Engagement Lead

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Senior Manager

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Amelia Payton

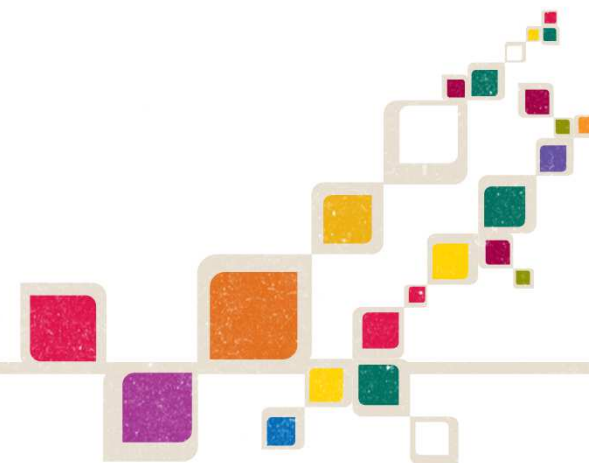
In Charge Auditor

T 0161 953 6943

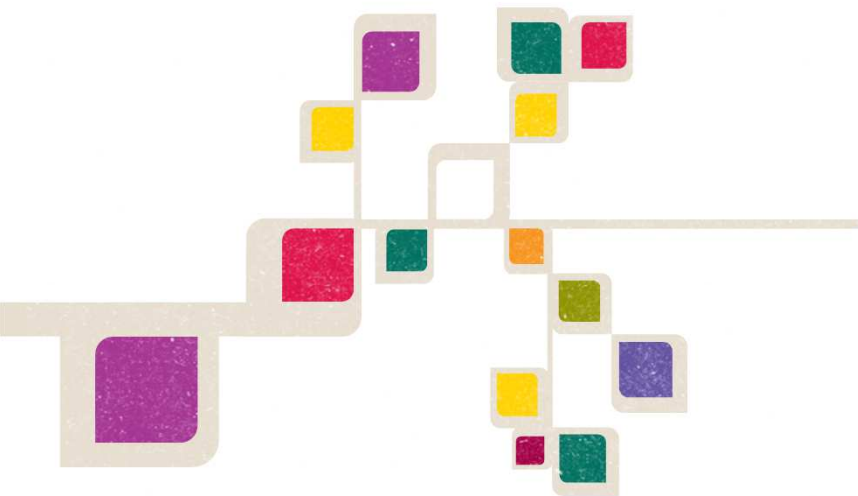
E amelia.l.payton@uk.gt.com



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



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Introduction

This paper provides the Accounts and Audit Committee with a report on progress in delivering our responsibilities as your external auditors.

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

- Better Together: Building a successful joint venture company;
<http://www.grantthornton.co.uk/en/insights/building-a-successful-joint-venture-company/>
- Knowing the Ropes – Audit Committee; Effectiveness Review ;
www.grantthornton.co.uk/en/insights/knowing-the-ropes--audit-committee-effectiveness-review-2015/
- Making devolution work: A practical guide for local leaders (October 2015)
www.grantthornton.co.uk/en/insights/making-devolution-work/

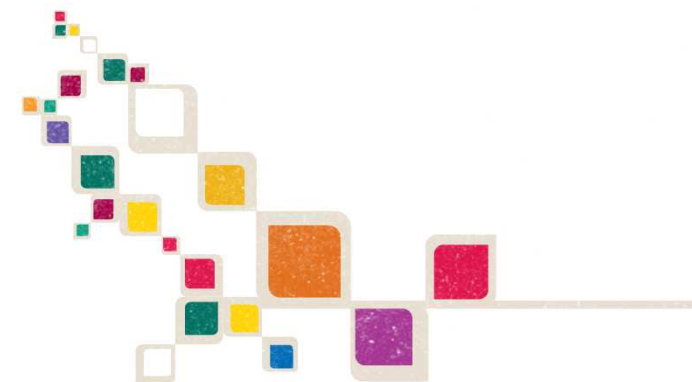
If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.



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Progress at June 2016



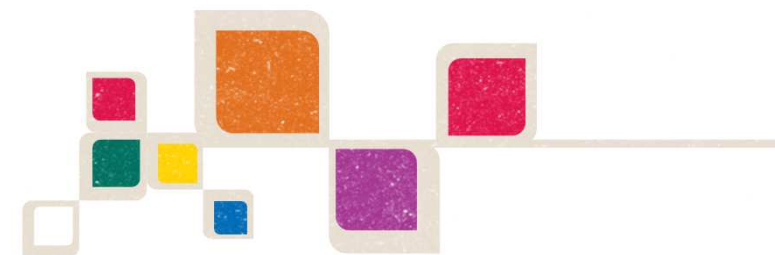
 **Progress against plan**
On track

 **Opinion and VfM conclusion**
Plan to give before deadline of 30 September 2016

 **Outputs delivered**
Fee letter, Progress Reports, delivered to plan

2015/16 work	Completed	Comments
<p>Fee Letter We issued the 'Planned fee letter for 2015/16 in April 2015.</p>	April 2015	We have also recently issued the fee letter for 2016/17, which is included on this agenda
<p>Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Council setting out our proposed approach in order to give an opinion on the Council's 2015-16 financial statements.</p> <p>We also inform you of any subsequent changes to our audit approach.</p>	March 2016	This was presented to the Accounts and Audit Committee in March.
<p>Interim accounts audit Our interim fieldwork visit includes:</p> <ul style="list-style-type: none"> • updating our review of the Council's control environment • updating our understanding of financial systems • review of Internal Audit reports on core financial systems • early work on emerging accounting issues • early substantive testing 	March 2016	<p>We have documented our understanding of the Council's control environment and your financial systems. We have completed walkthroughs of the key financial systems. We have undertaken early substantive testing covering the following areas:</p> <ul style="list-style-type: none"> • Employee remuneration (payroll) • Operating expenses (payables)

Progress at June 2016



2015/16 work	Completed	Comments
<p>Final accounts audit Including:</p> <ul style="list-style-type: none"> • Audit of the 2015-16 financial statements • proposed opinion on the Council's accounts 	<p><i>Planned for July - August</i></p>	<p>We are planning to complete our audit by 31st July as part of the transition to the earlier closedown and audit cycle that is required from 2018.</p> <p>We have discussed with your finance team the best way of ensuring we meet this earlier deadline.</p>
<p>Value for Money (VfM) conclusion The scope of our work has changed and is set out in the final guidance issued by the National Audit Office in November 2015. The Code requires auditors to satisfy themselves that; "the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources". The guidance confirmed the overall criterion as; "in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people". The three sub criteria for assessment to be able to give a conclusion overall are:</p> <ul style="list-style-type: none"> • Informed decision making • Sustainable resource deployment • Working with partners and other third parties 	<p><i>Field work in March – July , formal conclusion reported by 30 September 2016</i></p>	<p>We have undertaken our initial risk assessment which we reported as part of our audit plan.</p> <p>The results of our VfM audit work and the key messages arising will be reported in our Audit Findings Report.</p> <p>We will include our conclusion as part of our report on your financial statements which we will give by 30 September 2016.</p>

Better Together: Building a successful joint venture company

Local government is evolving as it looks for ways to protect front-line services. These changes are picking up pace as more councils introduce alternative delivery models to generate additional income and savings.

'Better together' is the next report in our series looking at alternative delivery models and focuses on the key areas to consider when deciding to set up a joint venture (JV), setting it up and making it successful.

JVs have been in use for many years in local government and remain a common means of delivering services differently. This report draws on our research across a range of JVs to provide inspiring ideas from those that have been a success and the lessons learnt from those that have encountered challenges.

Key findings from the report:

- JVs continue to be a viable option – Where they have been successful they have supported councils to improve service delivery, reduce costs, bring investment and expertise and generate income
- There is reason to be cautious – Our research found a number of JVs between public and private bodies had mixed success in achieving outcomes for councils
- There is a new breed of JVs between public sector bodies – These JVs can be more successful at working and staying together. There are an increasing number being set up between councils and wholly-owned commercial subsidiaries that can provide both the commercialism required and the understanding of the public sector culture.

Our report, Better Together: Building a successful joint venture company, can be downloaded from our website: <http://www.grantthornton.co.uk/en/insights/building-a-successful-joint-venture-company/>

Grant Thornton reports



ALTERNATIVE SERVICE DELIVERY MODELS IN LOCAL GOVERNMENT

Better together
Building a successful
joint venture company



Knowing the Ropes – Audit Committee Effectiveness Review

Grant Thornton reports

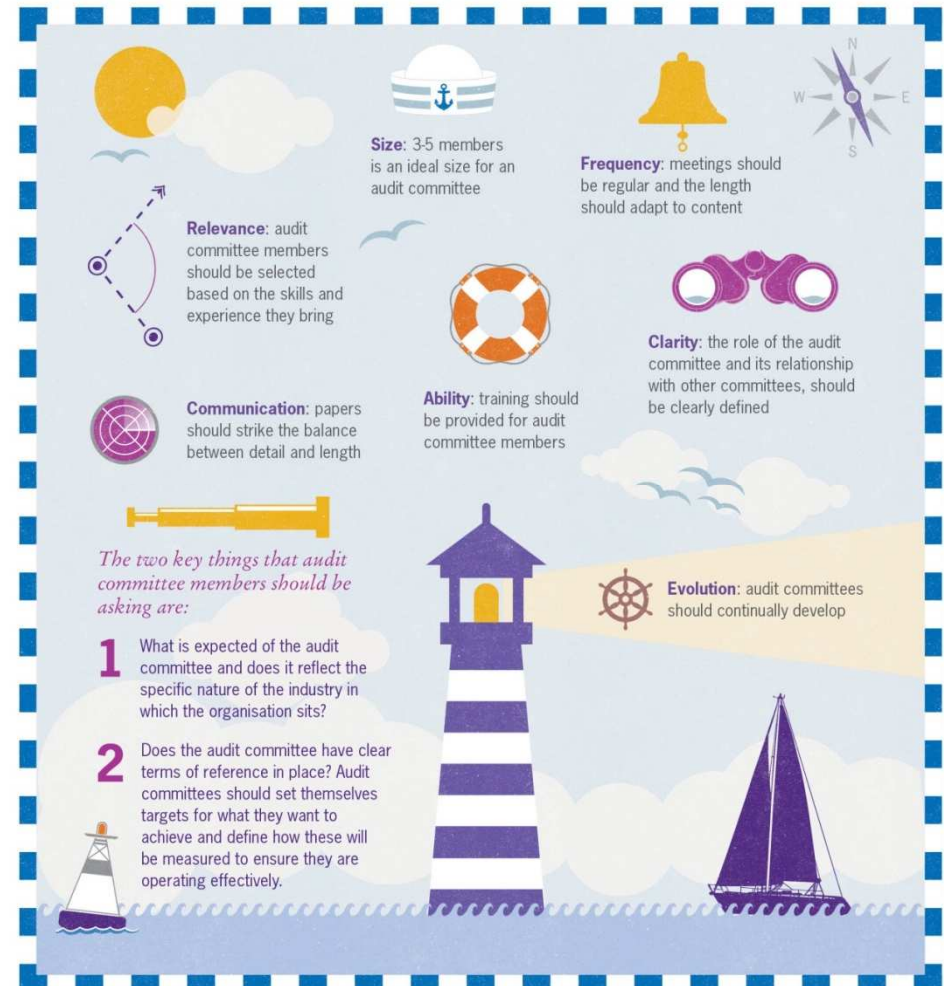
We have published our first cross-sector review of Audit Committee effectiveness encompassing the corporate, not for profit and public sectors.

It provides insight into the ways in which audit committees can create an effective role within an organisation's governance structure and understand how they are perceived more widely. The report is structured into four key issues:

- What is the status of the audit committee within the organisation?
- How should the audit committee be organised and operated?
- What skills and qualities are required in the audit committee members?
- How should the effectiveness of the audit committee be evaluated?

The detailed report is available here

<http://www.grantthornton.co.uk/en/insights/knowning-the-ropes--audit-committee-effectiveness-review-2015/>



Fighting Fraud and Corruption Locally

CIPFA publication

Fighting Fraud and Corruption Locally is a strategy for English local authorities that is the result of collaboration by local authorities and key stakeholders from across the counter fraud landscape .

This strategy is the result of an intensive period of research, surveys, face-to-face meetings and workshops. Local authorities have spoken openly about risks, barriers and what they feel is required to help them improve and continue the fight against fraud and to tackle corruption locally.

Local authorities face a significant fraud challenge. Fraud costs local authorities an estimated £2.1bn a year. In addition to the scale of losses, there are further challenges arising from changes in the wider public sector landscape including budget reductions, service remodelling and integration, and government policy changes. Local authorities will need to work with new agencies in a new national counter fraud landscape.

The strategy:

- calls upon local authorities to continue to tackle fraud with the dedication they have shown so far and to step up the fight against fraud in a challenging and rapidly changing environment
- illustrates the financial benefits that can accrue from fighting fraud more effectively
- calls upon central government to promote counter fraud activity in local authorities by ensuring the right further financial incentives are in place and helping them break down barriers to improvement
- updates and builds upon Fighting Fraud Locally 2011 in the light of developments such as The Serious and Organised Crime Strategy and the first UK Anti-Corruption Plan
- sets out a new strategic approach that is designed to feed into other areas of counter fraud and corruption work and support and strengthen the ability of the wider public sector to protect itself from the harm that fraud can cause.

The strategy can be downloaded from

<http://www.cipfa.org/services/counter-fraud-centre/fighting-fraud-and-corruption-locally>





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21 April 2016

Dear Jane,

Planned audit fee for 2016/17

The Local Audit and Accountability Act 2014 provides for the introduction of a new framework for local public audit. Under these provisions, the Audit Commission closed in March 2015 and the Secretary of State for Communities and Local Government delegated some statutory functions from the Audit Commission Act 1998 to Public Sector Audit Appointments Limited (PSAA) on a transitional basis.

PSAA will oversee the Commission's audit contracts for local government bodies until they end in 2018, following the announcement by the Department for Communities and Local Government (DCLG) that it will extend transitional arrangements until 2017/18. PSAA's responsibilities include setting fees, appointing auditors and monitoring the quality of auditors' work. Further information on PSAA and its responsibilities are available on the [PSAA website](#).

Scale fee

PSAA prescribes that 'scale fees are based on the expectation that audited bodies are able to provide the auditor with complete and materially accurate financial statements, with supporting working papers, within agreed timescales'.

There are no planned changes to the overall work programme for local government audited bodies for 2016/17, bar the adoption of new measurement requirements for the Highways Network Asset.

CIPFA/LASAAC is expected to confirm, subject to consultation, that the 2016/17 Code of Practice on Local Authority Accounting in the United Kingdom will adopt the measurement requirements of the CIPFA Code of Practice on Highways Network Asset.

PSAA have determined that there is no reliable and equitable way of establishing the volume of additional audit work, and therefore fees required, at each applicable local authority to gain assurance over the new financial reporting requirements. Therefore, fees for the additional work identified by auditors in 2016/17 will be subject to approval by PSAA under the normal fee variations process. PSAA expect that 'the additional fees for a highway authority will be in the range of £5,000 to £10,000, where authorities are able to provide the information required, and the auditor is able to rely on central assurance of the models in use. As Ribble Valley Borough Council is not a highway authority, this change for accounting for highways assets is not applicable.

PSAA have proposed that 2016/17 scale audit fees (excluding work completed on the Highways Network Asset) are set at the same level as the scale fees applicable for 2015/16. The Council's scale fee for 2016/17 has been set by PSAA at £40,202.

The audit planning process for 2016/17, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary as our work progresses.

Scope of the audit fee

Under the provisions of the Local Audit and Accountability Act 2014, the National Audit Office (NAO) is responsible for publishing the statutory Code of Audit Practice and guidance for auditors from April 2015. Audits of the accounts for 2016/17 will be undertaken under this Code, on the basis of the work programme and scale fees set out on the [PSAA website](#). Further information on the NAO Code and guidance is available on the [NAO website](#).

The scale fee covers:

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

As outlined above, the fee for any additional work in respect of the Highways Network Asset is not included in this fee.

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

Value for Money conclusion

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

The NAO issued its guidance for auditors on value for money work in November 2015. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has put proper arrangements in place.

The NAO guidance identifies one single criterion for auditors to evaluate:

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

Certification of grant claims and returns

The Council's indicative grant certification fee has been set by PSAA at £6,690. This fee covers the cost of certifying the housing benefit subsidy claim only and is based on final 2014/15 certification fees.

The indicative fee for certification work is based on the expectation that you provide the auditor with complete and materially accurate claims and returns, with supporting working papers, within agreed timeframes.

Assurance engagements for other schemes will be subject to separate arrangements and fees agreed between the grant-paying body, the Council and ourselves.

Billing schedule

Fees will be billed as follows:

Main Audit fee	£
September 2016	10,050.50
December 2016	10,050.50
March 2017	10,050.50
June 2017	10,050.50
Total	40,202

Grant Certification	
December 2017	6,690

Outline audit timetable

We will undertake our audit planning and interim audit procedures in November 2016 to February 2017. Upon completion of this phase of our work we will issue a detailed audit plan setting out our findings and details of our audit approach. Our final accounts audit and work on the VfM conclusion will be completed in July 2017.

Phase of work	Timing	Outputs	Comments
Audit planning and interim audit	November 2016 – February 2017	Audit plan	The plan summarises the findings of our audit planning and our approach to the audit of the Council's accounts and VfM.
Final accounts audit	June – July 2017	Audit Findings (Report to those charged with governance)	This report sets out the findings of our accounts audit and VfM work for the consideration of those charged with governance.
VfM conclusion	January - July 2017	Audit Findings (Report to those charged with governance)	As above
Annual audit letter	October 2017	Annual audit letter to the Council	The letter will summarise the findings of all aspects of our work.
Grant certification	January 2018	Grant certification report	A report summarising the findings of our grant certification work

Our team

The key members of the audit team for 2016/17 are:

	Name	Phone Number	E-mail
Engagement Lead	Karen Murray	0161 234 6364	karen.l.murray@uk.gt.com
Senior Manager	Caroline Stead	0161 234 6355	caroline.l.stead@uk.gt.com
In Charge Auditor	Amelia Payton	0161 953 6943	amelia.l.payton@uk.gt.com

Additional work

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

Quality assurance

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

Yours sincerely

Karen Murray
Director
For Grant Thornton UK LLP

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RIBBLE VALLEY BOROUGH COUNCIL

REPORT TO ACCOUNTS AND AUDIT COMMITTEE

Agenda Item No 13

meeting date: 29 JUNE 2016
title: RISK MANAGEMENT – UPDATE ON RED RISKS
submitted by: DIRECTOR OF RESOURCES
principal author: SALMA FAROOQ

1. PURPOSE

1.1. To provide members with an update on the current red risks facing the Council as identified on the risk register.

1.2. Relevance to the Council's ambitions and priorities:

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

2. BACKGROUND

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

2.2. Risks are scored based on their gross and net likelihood and impact levels, gross being the likelihood and impact level if no controls were in place and net being the risk level once controls have been considered. Risks are then allocated an overall risk score based on these levels. The risk methodology can be seen in Annex 1.

3. ROLES AND RESPONSIBILITIES

3.1. Under risk management there are a wide range of roles and responsibilities across the organisation, a summary of which is given below:

Responsible Financial Officer

3.2. The Responsible Financial Officer is responsible for:

- Ensuring that the financial control systems include measures to ensure that risk is appropriately managed;

Responsible Risk Owners

3.3. The responsible risk owner is responsible for:

- identifying any risk management issues in their area
- ensuring that all the relevant risks have the appropriate controls in place
- ensuring risk monitoring is carried out in accordance with the Risk Management Policy
- reporting any red risks to the relevant service committee

Responsible Service Committee

3.4. The main role and responsibilities of a Service Committee is to:-

- ensure that risks are fully considered when making decisions
- regularly review the most serious risks within their service area

Accounts and Audit Committee

- 3.5. The Accounts and Audit Committee have the overall responsibility for risk management and ensure that:
- they monitor the effectiveness of risk management throughout the Council
 - they receive regular reports on the management of the Council's red risks
- 3.6. As previously resolved, any red risks that are current should be reported to this committee, together with information from the risk register. It is also important that any red risks be reported to the appropriate service committee.
- 3.7. At the time of this report there was only one red risk, and this continues to be monitored closely.
- 3.8. Details of the risk scoring methodology from the council's risk management strategy is shown at Annex 1.
4. WASTE MANAGEMENT RED RISK (RED 8)
- 4.1 The Council is now operating under the cost sharing agreement. The red risk is concerned with the indicated ending of Cost Sharing in March 2018 and the loss of approximately £430,000 per annum to support the service.
- 4.2 The risk score of RED 8 was determined by the financial impact and when the cost sharing agreement will come to an end. For further details see Annex 2. The latest position was reported to Community Services Committee on 17th May.
- 5 CONCLUSION
- 5.1 The Council currently has one red risk on its risk register. Regular monitoring of this risk will continue.

SENIOR AUDITOR

DIRECTOR OF RESOURCES

AA13-16/SF/AC
15 June 2016

BACKGROUND PAPERS

None

For further information please ask for Salma Farooq.

Risk Scoring Methodology

Likelihood

<i>Description</i>	<i>Example Detail</i>
High Red	Has happened in the past year; or is expected to happen in the next year More than 50% probability
Medium Amber	Has happened in the past 2-5 years; or is expected to happen in the next 2-5 years Between 25% to 50% probability
Low Green	Has not happened in the past 5 years or more ; or is not expected to happen in the next 5 years or more Between 1% to 25% probability

Impact

<i>Description</i>	<i>Example Detail</i>
High Red	<ul style="list-style-type: none"> • Death or life threatening • Serious service failure impacts on vulnerable groups • Negative national publicity or widespread adverse local publicity • Serious impact felt across more than one Directorate • Legal action almost certain and difficult to defend • Possible financial impact in excess of £100,000 • Non-compliance with law resulting in imprisonment
Medium Amber	<ul style="list-style-type: none"> • Extensive, permanent/long term injury or long term sick • Service failure impacts on property or non-vulnerable groups • Negative local publicity but not widespread • Expected impact, but manageable within Directorate contingency plans • Legal action expected • Financial impact not manageable within existing Directorate budget and requiring the Possible financial impact between £50,000 and £100,000 • Non-compliance with law resulting in fines
Low Green	<ul style="list-style-type: none"> • Short term sickness absence, first aid or medical treatment required • Some risk to normal service but manageable within contingency arrangements • Little if any scope for impact on vulnerable groups • Negative customer complaints • Possible impact, but manageable locally by Head of Service • Legal action possible but unlikely and defensible • Possible financial impact of less than £50,000 • Non-compliance with regulations/standards or local procedures resulting in disciplinary action

Risk Matrix

I M P A C T	HIGH	Amber 6	Red 8	Red 9
	MEDIUM	Green 3	Amber 5	Red 7
	LOW	Green 1	Green 2	Amber 4
		LOW	MEDIUM	HIGH
LIKELIHOOD				

Accounts and Audit Committee

Details of Red Risks – June 2016

ANNEX 2

DETAILS OF RISK FROM THE RISK REGISTER

Risk	Net Risk Level	Current Identified Controls	Justification why the risk is currently on red	What will be the impact on the AUTHORITY if this risk materialises?	What (if any) further controls can be implemented to reduce the risk level?	Current Position
Waste Management – withdrawal of Cost Sharing in March 2018	RED 8	Regular reporting to Community Services Committee	<p>The cost sharing agreement will cease in March 2018.</p> <p>LCC have given no indication as to what, if anything, will replace the current payment mechanism.</p> <p>The collection of refuse is a statutory function and as such will need to continue whether or not LCC make payments to the council under the Cost Sharing agreement.</p>	<p>The loss of payment from LCC for the recycling function and the cost to RVBC of carrying out the statutory Refuse Collection Service.</p> <p>The loss of this substantial income stream (£430,000 per annum) for the service will mean that a review will need to be undertaken of how the service can be provided without being adversely impacted.</p>	The service will need to undertake a review to establish how to minimise the impact of the withdrawal of this major income stream	<p>Following protracted discussions with Lancashire County Council since being given notice last year that payment of Recycling Credits would cease from 1 April 2015, agreement has now been reached for a replacement formula. The cost sharing agreement was signed on the 2 December 2015 with effect from 1 April 2015. The agreement will expire in March 2018, when LCC have determined that existing arrangements with all other districts will also come to an end.</p> <p>On 18 January 2016 notification was received from LCC that the in vessel composting facility at Farrington and Thornton were closing as of 31 March 2016 as part of a budget cut. LCC have stated that if we continue to mix food and garden waste streams the waste will have to be treated by a third party, at a cost of £21,800 per annum. It is LCC's intention that RVBC would need to cover this additional cost if we continued to collect this mixed waste</p> <p>Unfortunately RVBC have been in receipt of government funding, which had conditions attached until November 2017, for the inclusion of food waste with the garden waste. However, a decision allowing RVBC to stop collecting mixed food and green waste has recently been received from Ministers. Fortunately there will be no penalty for the Council to face as a result.</p> <p>Due to the above pending decision from Ministers on the conditions attached to our grant funding, LCC granted an extension to the collection of this mixed waste until 1 July 2016. Through a series of press releases, stickers and information on the website this change has been communicated to the residents of RVBC.</p> <p>It has also been reported that the Mechanical Biological Treatment (MBT) where the borough's other general waste is treated at the Waste Technology Parks is also closing. Presently RVBC and other LCC Districts are waiting to hear LCC's intentions for treating this waste.</p>

RISK SCORING

	Score	Reason
IMPACT	High	Financial impact of £430,000 per annum
LIKELIHOOD	Medium	Agreement will expire in March 2018
RESULTING OVERALL SCORE	RED 8	