

RIBBLE VALLEY BOROUGH COUNCIL

REPORT TO ACCOUNTS AND AUDIT COMMITTEE

Agenda Item No 9

meeting date: 26 JULY 2017
title: APPROVAL OF AUDITED STATEMENT OF ACCOUNTS FOR 2016/17
submitted by: DIRECTOR OF RESOURCES
principal author: LAWSON ODDIE

1 PURPOSE

1.1 To seek Member approval of the Statement of Accounts for 2016/17, following completion of the audit.

1.2 Relevance to the council's ambitions and priorities

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

2 BACKGROUND

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

2.2 Our full Statement of Accounts was signed off for audit by the Director of Resources on 31 May 2017 and that audit has now been completed.

2.3 Elsewhere on the agenda is the Audit Findings Report of our external auditors, Grant Thornton.

2.4 The 2017/18 financial year will be the first where we are required to meet the new deadlines for release of our Statement of Accounts for external audit by the 31 May and approval following audit by 31 July.

2.5 We undertook to meet this deadline a year earlier and successfully published our Statement of Accounts (subject to audit) for 2016/17 on our website on 1 June.

2.6 Members' role in approval of the Statement of Accounts following 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.

2.7 The outturn position for each of our committees will be reported in the next cycle of meetings and will include details of the variances against the budget estimate. This will help in the budget setting process for the 2018/19 financial year, and also in revising the estimate for the current financial year.

3 STATEMENT OF ACCOUNTS FOR 2016/17

3.1 The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) specifies the principles and practices of accounting required to give a 'true and fair' view of the financial position and transactions of the council. This year the main areas from the Code that have impacted on this council have been:

- Presentation of the Financial Statements – new formats and reporting requirements for the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement, together with the introduction of the new Expenditure and Funding Analysis as a result of the *Telling the Story* review of the presentation of local authority financial statements.
- Amendments to reflect the new requirements in the Accounts and Audit Regulations 2015 for English authorities for a Narrative Report.
- Additions to the definition of a related party in relation to related Party Disclosures to reflect the changes to IAS 24 *Related Party Disclosures* in relation to key management personnel.

3.2 Members will be taken through the full statement of accounts for 2016/17 at the meeting. Obviously the accounts are very detailed and do contain a considerable amount of technical information.

3.3 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. Whilst some elements of this are a little out of date, the principles and the descriptions of the different statements are still relevant.

4 AMENDMENTS REQUIRED FOLLOWING THE EXTERNAL AUDIT

4.1 We are very pleased that there have been only a few amendments required. These changes have no impact on the overall position as previously reported in the Statement of Accounts (subject to audit).

4.2 The key changes made can be summarised as:

- Following publication of the accounts, we identified the element of note 26 relating to staff paid more than £50,000 in bandings had been incorrectly reproduced in the accounts. This was brought to the attention of Grant Thornton and has now been corrected.
- The amounts relating to Council Tax for "transfers to General Fund – Council Tax Benefits" of £21k and "Provision for Bad/ doubtful debts" of £64k had been transposed. These have now been corrected on the face of the Collection Fund and have no overall impact.

5 GENERAL FUND OUTTURN POSITION 2016/17

5.1 Shown below is the final position for the 2016/17 financial year.

| Committee | Original Estimate | Revised Estimate | Actual | Original Estimate Compared to Actual | Revised Estimate Compared to Actual |
|------------------------------|--------------------------|-------------------------|---------------|---|--|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Community Services | 3,524 | 3,413 | 3,513 | -11 | 100 |
| Health & Housing | 935 | 860 | 663 | -272 | -197 |
| Planning & Development | 552 | 493 | 365 | -187 | -128 |
| Policy & Finance | 2,157 | 2,094 | 1,922 | -235 | -172 |
| Committee Expenditure | 7,168 | 6,860 | 6,463 | -705 | -397 |

| Committee | Original Estimate | Revised Estimate | Actual | Original Estimate Compared to Actual | Revised Estimate Compared to Actual |
|--|--------------------------|-------------------------|---------------|---|--|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Interest Payable | 9 | 9 | 9 | 0 | 0 |
| Parish Precepts | 377 | 377 | 377 | 0 | 0 |
| Interest Received | -29 | -21 | -22 | 7 | -1 |
| Net Operating Expenditure | 7,525 | 7,225 | 6,827 | -698 | -398 |
| Precept from Collection Fund (including parish precepts) | -3,585 | -3,585 | -3,585 | 0 | 0 |
| Collection Fund Surplus - Council Tax | -48 | -48 | -48 | 0 | 0 |
| Localisation of Council Tax Support - Parish Payment | 6 | 6 | 6 | 0 | 0 |
| Transition Grant | -20 | -20 | -20 | 0 | 0 |
| New Homes Bonus | -1,367 | -1,367 | -1,367 | 0 | 0 |
| New Homes Bonus - Returned Funding | 0 | 0 | -3 | -3 | -3 |
| Rural Areas Delivery Grant | -107 | -107 | -107 | 0 | 0 |
| Revenue Support Grant | -623 | -623 | -623 | 0 | 0 |
| Business Rates Baseline Funding | -1,240 | -1,240 | -1,240 | 0 | 0 |
| Retained Rates Income | -339 | -339 | -339 | 0 | 0 |
| 10% Retained Business Rates Levy - Paid to LCC | 39 | 38 | 38 | -1 | 0 |
| S31 Grant | -528 | -458 | -462 | 66 | -4 |
| Retained Rates - Renewable Energy | 0 | -36 | -33 | -33 | 3 |
| Collection Fund Deficit - Business Rates | 420 | 420 | 420 | 0 | 0 |
| Deficit/(Surplus) for year | 133 | -134 | -536 | -669 | -402 |
| Depreciation | -838 | -856 | -856 | -18 | 0 |
| Minimum Revenue Provision | 135 | 134 | 134 | -1 | 0 |
| Net Transfer to/from earmarked reserves | 770 | 864 | 1,220 | 450 | 356 |
| Deficit/(Surplus) for year | 200 | 8 | -38 | -238 | -46 |

5.2 You will see we have made a surplus of £38,000 during the year, compared with the Revised Estimate which showed a deficit of £8,000, and the Original Estimate which showed a deficit of £200,000. When the Revised Estimates were considered in January we explained the main differences between the Original and Revised Estimates.

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

| Item | £'000 |
|---|-------------|
| Net Decrease in Service Committee Costs | -315 |
| Decrease in Interest Received | 8 |
| Decrease in Forecast 10% Retained Levy Payable to Lancashire County Council | -1 |
| Decrease in S31 Grants Receivable | 70 |
| Increase in retained Rates from Renewable Energy | -36 |
| Increase in amount removed for Depreciation | -18 |
| Reduction in Minimum Revenue Provision | -1 |
| Increase in amount set aside in Earmarked Reserves | 101 |
| Net decrease in amount to take from balances for the year compare to the Original Estimate | -192 |

Final Position Compared to the Revised Estimate

5.4 During the 2016/17 financial year there are many variances that occur which are highlighted in our budget monitoring reports to committee. The main variations affecting our final position compared with the **revised estimate** can be summarised below. Favourable variances are denoted by values with a minus sign:

| Variation | Committee Variance £'000 | Impact on Earmarked Reserves £'000 | Net Variance £'000 |
|--|--------------------------------|---|--------------------------|
| <u>Expenditure Variations</u> | | | |
| Direct Employee Costs | 85 | | 85 |
| Tuition Fees and Training | -14 | | -14 |
| Electricity | 15 | | 15 |
| Gas | -11 | | -11 |
| Vehicle Repairs and Maintenance | 91 | | 91 |
| Rural Areas Delivery Grant Expenditure | -107 | 107 | 0 |
| Purchase of Equipment and Materials | -14 | 9 | -5 |
| Purchase of wheeled bins for onward sale | 20 | | 20 |
| Cost Sharing Paper Penalty Charge | 31 | | 31 |
| Printing and Stationery | -12 | | -12 |
| Postages | -18 | 10 | -8 |
| Software Maintenance | -11 | 2 | -9 |
| Subscriptions | -10 | | -10 |
| Inspection Fees | -11 | 10 | -1 |

| Variation | Committee Variance £'000 | Impact on Earmarked Reserves £'000 | Net Variance £'000 |
|--|--------------------------------|---|--------------------------|
| Tipping Charges | 13 | | 13 |
| Promotional Activities and Ribble Valley News | -18 | 10 | -8 |
| Council Tax Flood Discount | 70 | | 70 |
| Contribution Towards General Fund Rent Rebates | -13 | | -13 |
| Rent Allowance Payments | -32 | | -32 |
| Grants | -14 | | -14 |
| Grants to Individuals | -80 | 1 | -79 |
| Total Expenditure Variances | -40 | 149 | 109 |
| <u>Income Variations</u> | | | |
| HRA Rent Rebate Grant | 11 | | 11 |
| Storm Eva Flood S31 Grant | -70 | | -70 |
| DCLG Community Housing Grant | -158 | 158 | 0 |
| DCLG Custom and Self Build Grant | -15 | 15 | 0 |
| DCLG Brownfield Register and PIP Grant | -15 | 15 | 0 |
| Contributions and Donations Received | -17 | 14 | -3 |
| VAT Shelter Reimbursements | -43 | 43 | 0 |
| Flood Resilience Funding S31 Grant (via LCC) | 78 | | 78 |
| Sale of Vehicles | -10 | 10 | 0 |
| Sale of Paper (see associated penalty charge above, under expenditure) | -31 | | -31 |
| Sale of wheeled bins | -31 | | -31 |
| Planning Fees | -35 | | -35 |
| Commercial Trade Waste Collection | -23 | | -23 |
| DCLG Property Searches New Burdens Grant | -5 | 5 | 0 |
| Land Rents | 14 | | 14 |
| Business Rates Volatility Reserve (no longer to be set aside) | 0 | -44 | -44 |
| Transition Grant (no longer to be set aside) | 0 | -20 | -20 |
| Total Income Variances | -348 | 196 | -154 |
| Other Variations | -7 | 11 | 4 |
| Net Variation on Committee Expenditure | -397 | 356 | -41 |
| Increased Interest Received | | | -1 |
| Variation on Net Operating Expenditure | | | -42 |

| Variation | Committee Variance £'000 | Impact on Earmarked Reserves £'000 | Net Variance £'000 |
|---|--------------------------------|---|--------------------------|
| Increased New Homes Bonus Returned Funding | | | -3 |
| Increased S31 Grants | | | -4 |
| Retained Rates - Renewable Energy | | | 3 |
| Increase in amount to add to balances compared to Revised Estimate | | | -46 |

- 5.5 As can be seen, a substantial proportion of these variations result in more transfers to our earmarked reserves. This is largely due to a high number of variances relating to grant income that has yet to be expended, and the required accounting treatment of the same through set aside in earmarked reserves for future use.

General Fund Balances

- 5.6 As mentioned earlier in the report, we had originally planned to take £200,000 from general fund balances to help finance the 2016/17 spending plans. However, this was revised later in the year to taking £8,070 from general fund balances. The final position shows that the council has added £37,737 to general fund balances.

| General Fund Balance | £'000 |
|--|------------------|
| General Fund Balances: Brought forward at 1 April 2016 | 2,678,832 |
| Surplus in 2016/17 added to General Fund Balances | 37,737 |
| General Fund Balances: Carried forward at 31 March 2017 | 2,716,569 |

Earmarked Reserves

- 5.7 With regard to earmarked reserves, in support of the revenue account and excluding capital transactions, we had originally planned to add £769,954. However, this was revised later in the year to adding £863,493 (after virements) to earmarked reserves. The final position shows that the council has added £1,220,067 to earmarked reserves for revenue purposes.
- 5.8 For capital purposes we took £440,364 from earmarked reserves to fund the capital programme. The overall net movement was £779,703 added to earmarked reserves. Full details of the movement on our earmarked reserves is shown at Note 12 of the Statement of Accounts (page 81).

| Earmarked Reserves | £ |
|---|------------------|
| Earmarked Reserves: Brought forward at 1 April 2016 | 6,005,502 |
| Net added to Earmarked Reserves for revenue purposes | 1,220,067 |
| Net taken from Earmarked Reserves for capital purposes | -440,364 |
| Earmarked Reserves: Carried forward at 31 March 2017 | 6,785,205 |

- 5.9 Two of the larger in-year additions to earmarked reserves have been from the VAT Shelter arrangements (£200,561) and unused New Homes Bonus (£579,923). There have been other movements both in and out of our earmarked reserves.

Business Rates

- 5.10 To support our budget we use the business rates that we collect from within the borough. This consists of many elements and also the amount we received from one year to the next can be heavily influenced by external factors that are wholly out of our control. As a consequence of these uncertainties we operate a Business Rates Volatility Earmarked Reserve to cushion any impacts.
- 5.11 We use 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.
- 5.12 This Council is part of the Lancashire Business Rates Pool which began on 1 April 2016. In a Business Rate Pool, tariffs, top-ups, levies and safety nets can be combined. This can result in a significantly lower levy rate or even a zero levy rate meaning that more or all of the business rate growth can be retained within the pool area instead of being payable to the Government.
- 5.13 For this council, by being part of the Lancashire Business Rates Pool we were able to retain levy that would have otherwise been payable to central government of £376,130. Of this 10% (£37,613) was paid to Lancashire County Council under the governance arrangements of the pool, resulting in net retained levy of £338,517 for this council.
- 5.14 Finally, there was a deficit on the Collection fund for business rates, which the council is required to contribute to.

| | £'000 |
|---|---------------|
| Total Business Rates Income Forecast for 2016/17 | -14,850 |
| Less Payable to Central Government | 7,425 |
| Less Payable to Lancashire County Council | 1,337 |
| Less Payable to Lancashire Combined Fire Authority | 148 |
| Balance Retained by Ribble Valley Borough Council | -5,940 |
| Less Tariff Payable to Central Government | 4,361 |
| Baseline Business Rates Income of £1,240,000 plus Growth of £339,000 | -1,579 |
| Business Rates retained on Renewable Energy Schemes | -33 |
| Section 31 Grants <i>(To compensate the council for business rates income lost as a result of measures introduced by the Government)</i> | -462 |
| Less 10% Retained Business Rates Levy Payable to Lancashire County Council | 38 |
| Less Business Rates Collection Fund Deficit | 420 |
| Overall Net Retained Business Rates Related Income | -1,616 |
| Business Rates Income Used In-Year | |
| Baseline Business Rates Income | 1,240 |
| Use of Business Rates Growth | 263 |
| Total Business Rates Income Used In-Year | 1,503 |
| Balance set aside in the Business Rates Volatility Earmarked Reserve | 113 |

Collection Fund

- 5.15 As billing authority, the council maintain a separate collection fund for the collection of and distribution of council tax and business rates.
- 5.16 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.
- 5.17 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.
- 5.18 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.
- 5.19 Full details of the Collection Fund position can be seen on page 128 of the Statement of Accounts.

Capital

- 5.20 During the year the Council spent £715,910 on capital schemes. The main areas of expenditure included:
- Replacement Vehicles and Plant
 - Improvement works at Ribblesdale Pool
 - ICT Infrastructure Refresh
 - Play Area Improvements
 - Payment of Grants
- 5.21 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 | 374,500 | 440,955 | 416,094 | 41,594 | -24,861 |
| Planning and Development Committee | 30,200 | 30,200 | 0 | -30,200 | -30,200 |
| Policy and Finance Committee | 100,000 | 104,530 | 123,990 | 23,990 | 19,460 |
| Health and Housing Committee | 411,000 | 386,020 | 175,826 | -235,174 | -210,194 |
| Total Capital Expenditure | 915,700 | 961,705 | 715,910 | -199,790 | -245,795 |
| Grants and Contributions | -311,000 | -438,600 | -271,020 | 39,980 | 167,580 |
| Borrowing | -175,000 | -4,530 | -4,526 | 170,474 | 4 |
| Earmarked Reserves | -429,700 | -518,575 | -440,364 | -10,664 | 78,211 |
| Total Resources | -915,700 | -961,705 | -715,910 | 199,790 | 245,795 |

5.22 As shown in the table above, comparing spend to budget, there is a variance of £245,795 between the revised capital programme and actual spend, after netting off a capital adjustment that is required for the treatment of Performance Reward Grants, the variance is increased to £271,906.

5.23 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 £271,906 variance £270,640 is accounted for as slippage in to the 2017/18 financial year, and is summarised below:

| Scheme Name | Slippage in to the 2017/18 Financial Year £ |
|--|--|
| Play Area Improvements | 6,780 |
| Ribblesdale Pool Improvement Work | 16,820 |
| Planning System Update and Portal Link | 30,200 |
| ICT Infrastructure Refresh | 6,650 |
| Disabled Facilities Grants | 170,130 |
| Landlord/Tenant Grants | 25,520 |
| Affordable Warmth Grants | 14,540 |
| Total Capital Slippage | 270,640 |

Balance Sheet

5.24 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.

5.25 The main movements on the balance sheet between 31 March 2016 and 31 March 2017 are summarised below:

- **Property, Plant and Equipment** has increased partly due to the revaluation of a number of assets following the annual desktop exercise undertaken by the Valuation Office and also due to the addition of assets through the capital programme.
- **Short Term Debtors** has increased mainly because of a one-off large debtor due from Lancashire County Council for Flood Resilience Grants.
- **Cash and Cash Equivalents** is higher at the 31 March 2017 due to a higher level of short term investments that were in place at year end (£8.370m) compared to 31 March 2016 (£6.030m)
- **Short Term Creditors** has increased for several reasons. Firstly, there was an increase of £780k in Business Rates and Council Tax related creditors due to Central Government and other Lancashire Precepting Authorities. In addition, £135k was due to Lancashire County Council for curatorial services and there was a £132k increase in Commuted Sums held by the Council.
- **Net Pension Liability** has increased and this is mainly due to a net loss on remeasurements, which impacts on the change in the benefit obligation (liabilities)

between the start and end of the year. Movements were experienced in the following areas under remeasurements:

| | £'000 |
|---|--------------|
| Remeasurements (liabilities) | |
| Experience Gain | -2,629 |
| Loss on Financial Assumptions | 11,379 |
| Gain on Demographic Assumptions | -412 |
| Remeasurements (assets) | -6,193 |
| Net movement from remeasurements | 2,145 |

- **Earmarked 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 £800,000 at 31 March 2017 compared to the previous year end.

5.26 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 general year-end review of all asset valuations and the addition of assets through the capital programme.

5.27 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 CONCLUSION

6.1 The final outturn of a **surplus of £38,000** means that we have added £46,000 **more** to general fund balances than was estimated when we prepared the Revised Estimates. There has also been £356,000 more (revenue only) added to earmarked reserves than forecast at revised estimate, which was largely due the accounting treatment required for grants received but yet to be spent.

6.2 In previous years we have experienced significant savings/extra income between the setting of the revised estimate and our outturn position which meant we have added large amounts to general fund balances/earmarked reserves.

6.3 However, for 2016/17 our net outturn is a variance of £46k which is very close to our predicted position when we set the revised estimate in January 2017.

7 RISK ASSESSMENT

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

- Resources – none as a direct result of this report.
- Technical, Environmental and Legal – The Code of Practice and all Financial Reporting Standards have been adhered to in the preparation of the Statement of Account
- Political – none.
- Reputation –The early completion of the audit and approval of the final audited Statement of Accounts at this meeting with minimal amendment can only be good for the Council's reputation.

- Equality and Diversity – none

8 RECOMMENDED THAT COMMITTEE

8.1 Approve the audited Statement of Accounts for 2016/17.

HEAD OF FINANCIAL SERVICES

DIRECTOR OF RESOURCES

PF13-17/LO/AC
17 July 2017



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



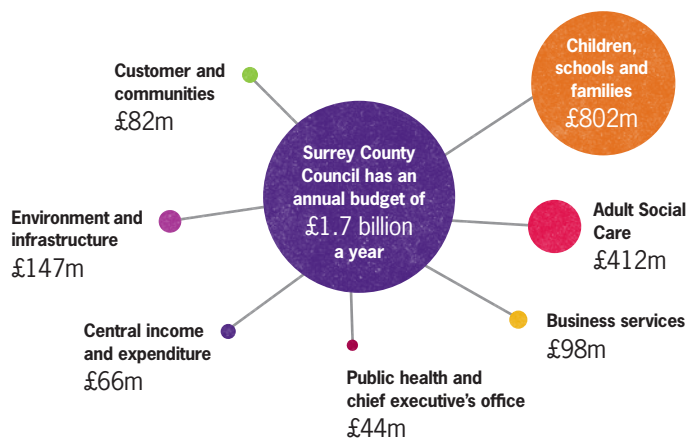
Explanatory foreword

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. |
|--|--|

| | |
|-----------------------|---|
| 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. |
|-----------------------|---|

| | |
|----------------------------|---|
| 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. |
|----------------------------|---|

| | |
|------------------------------|---|
| Long-term liabilities | Includes borrowings, any amounts owed for leases and private finance initiative (PFI) deals. There will also be an estimate for the cost of meeting the authority’s pension obligations earned by past and current members of the pension scheme. |
|------------------------------|---|

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

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

Challenge questions

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

Other statements

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

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

Challenge questions

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



Additional disclosures

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

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

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

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

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

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EPI1074





Statement of Accounts

[Audited]

2016/2017

Ribble Valley Borough Council

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

 01200 425111

 lawson.oddie@ribblevalley.gov.uk


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

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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 2016/17 (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 4 of the Local Audit and Accountability Act 2014.

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:

- Presentation of the Financial Statements – new formats and reporting requirements for the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement, together with the introduction of the new Expenditure and Funding Analysis as a result of the *Telling the Story* review of the presentation of local authority financial statements.
- Amendments to reflect the new requirements in the Accounts and Audit Regulations 2015 for English authorities for a Narrative Report.
- Additions to the definition of a related party in relation to related Party Disclosures to reflect the changes to IAS 24 *Related Party Disclosures* in relation to key management personnel.

2 RIBBLE VALLEY DEMOGRAPHICS AND ECONOMY

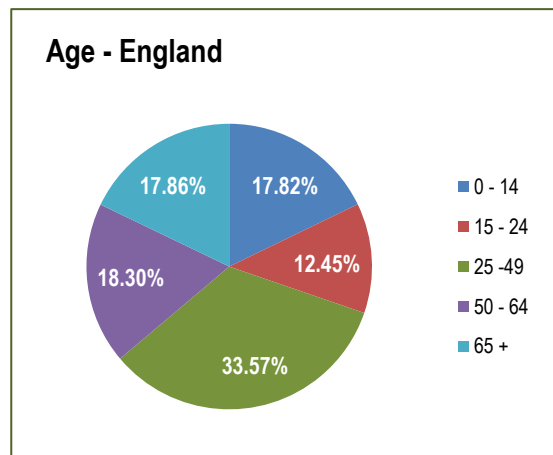
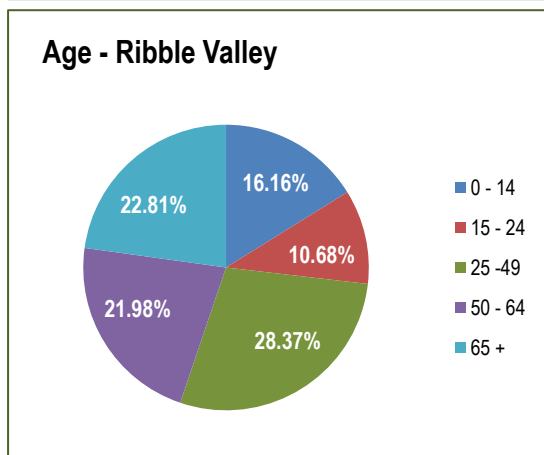
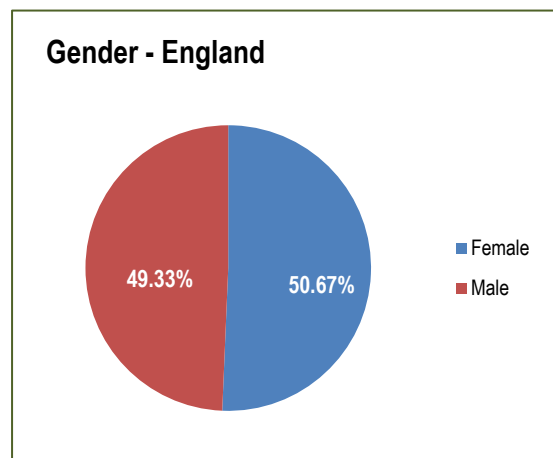
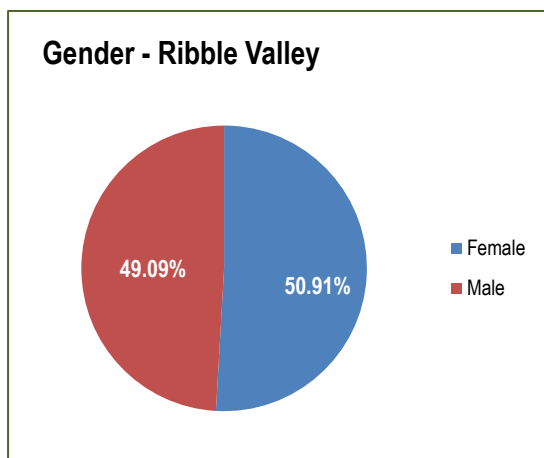
Locality

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.

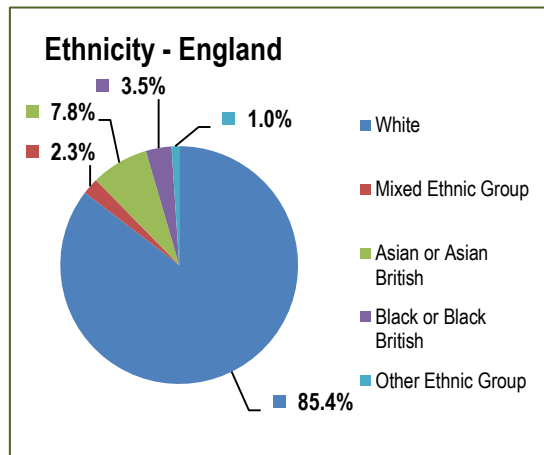
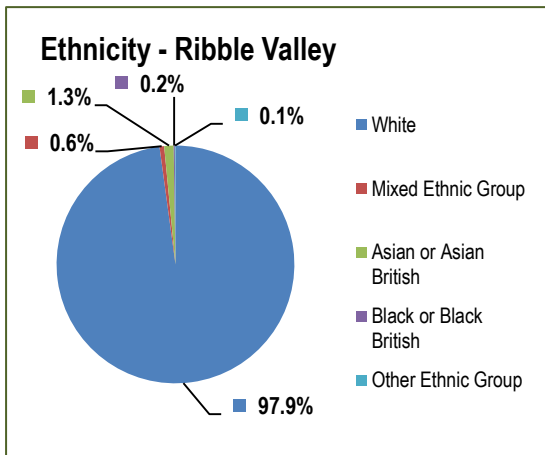
The remaining area is mainly rural, ranging from large villages to small hamlets. Some settlements are accessible along the A59 corridor; others are more remote from services and public transport. Along with ancient woodland, biological heritage sites, conservation areas and sites of special scientific 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 2015 Mid-Year Estimates for gender and age and March 2011 (Census) for Ethnicity. The total population for the borough, based on these statistics, is 58,480. The statistics for Ribble Valley are shown alongside those for England as a whole for comparison.



Narrative Report

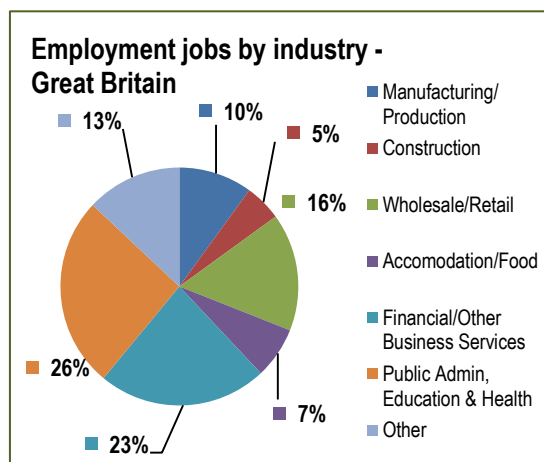
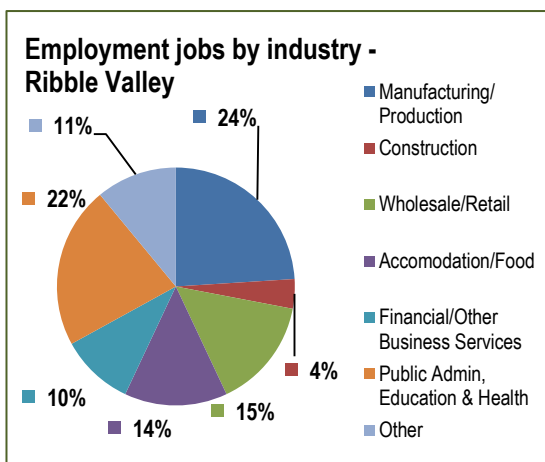


Local Economy and Business Information

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. Agriculture is reflected in the statistics below under manufacturing/production (summarised from Nomis Statistics).

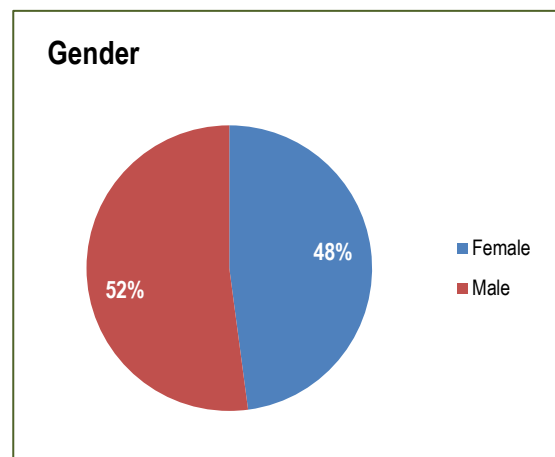
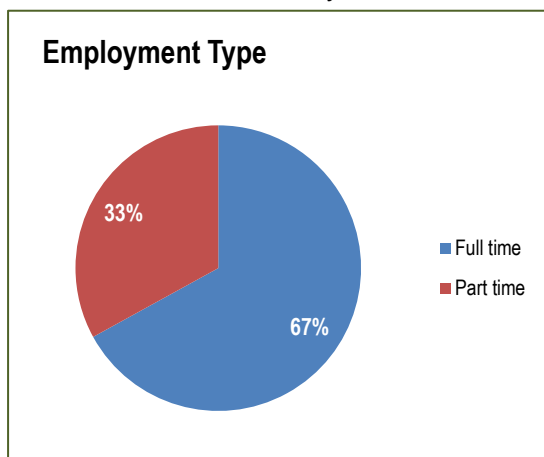


3 OUR EMPLOYEES

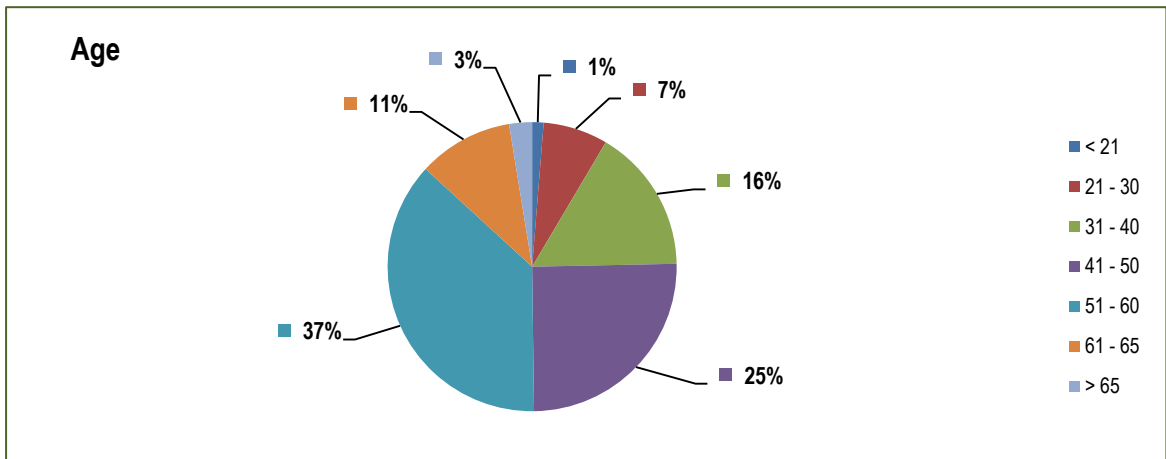
The organisational structure of the council is headed by the Corporate Management Team which consist of the Chief Executive, Director of Community Services and Director of Resources. Each member of the Corporate Management Team has responsibility for one of the council's 3 departments, as shown below.



As at the 31 March 2017 the council employed 235 members of staff. The overall establishment consisted of 234 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 2016/17 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 committee structure as at the 31 March 2017, and which operated throughout the 2016/17 financial year:



5 OUR FINANCIAL PERFORMANCE - REVENUE

Whilst the Comprehensive Income and Expenditure Statement is presented on the basis of our committee structure, it also includes a number of items that need adjusting for between accounting basis and funding basis under regulation (which are adjusted for under the Movement in Reserves Statement). The table below summarises the position after such adjustments have been made.

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 | 3,524 | 3,413 | 3,513 | -11 | 100 |
| Health & Housing | 935 | 860 | 663 | -272 | -197 |
| Planning & Development | 552 | 493 | 365 | -187 | -128 |
| Policy & Finance | 2,157 | 2,094 | 1,922 | -235 | -172 |
| Committee Expenditure | 7,168 | 6,860 | 6,463 | -705 | -397 |
| Interest Payable | 9 | 9 | 9 | 0 | 0 |
| Parish Precepts | 377 | 377 | 377 | 0 | 0 |
| Interest Received | -29 | -21 | -22 | 7 | -1 |
| Net Operating Expenditure | 7,525 | 7,225 | 6,827 | -698 | -398 |
| Precept from Collection Fund (including parish precepts) | -3,585 | -3,585 | -3,585 | 0 | 0 |
| Collection Fund Surplus - Council Tax | -48 | -48 | -48 | 0 | 0 |
| Localisation of Council Tax Support - Parish Payment | 6 | 6 | 6 | 0 | 0 |
| Transition Grant | -20 | -20 | -20 | 0 | 0 |
| New Homes Bonus | -1,367 | -1,367 | -1,367 | 0 | 0 |
| New Homes Bonus - Returned Funding | 0 | 0 | -3 | -3 | -3 |
| Rural Areas Delivery Grant | -107 | -107 | -107 | 0 | 0 |
| Revenue Support Grant | -623 | -623 | -623 | 0 | 0 |
| Business Rates Baseline Funding | -1,240 | -1,240 | -1,240 | 0 | 0 |
| Retained Rates Income | -339 | -339 | -339 | 0 | 0 |
| 10% Retained Business Rates Levy - Paid to LCC | 39 | 38 | 38 | -1 | 0 |
| S31 Grant | -528 | -458 | -462 | 66 | -4 |
| Retained Rates - Renewable Energy | 0 | -36 | -33 | -33 | 3 |
| Collection Fund Deficit - Business Rates | 420 | 420 | 420 | 0 | 0 |
| Deficit/(Surplus) for year | 133 | -134 | -536 | -669 | -402 |
| Depreciation | -838 | -856 | -856 | -18 | 0 |
| Minimum Revenue Provision | 135 | 134 | 134 | -1 | 0 |
| Net Transfer to/from earmarked reserves | 770 | 864 | 1,220 | 450 | 356 |
| Deficit/(Surplus) for year | 200 | 8 | -38 | -238 | -46 |

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 | 3,524 | 3,413 | 3,513 | -11 | 100 |
| Health & Housing | 935 | 860 | 663 | -272 | -197 |
| Planning & Development | 552 | 493 | 365 | -187 | -128 |
| Policy & Finance | 2,157 | 2,094 | 1,922 | -235 | -172 |
| Committee Expenditure | 7,168 | 6,860 | 6,463 | -705 | -397 |

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 | 6,238 | 6,209 | 6,277 | 39 | 68 |
| Premises Related | 1,515 | 1,549 | 1,603 | 88 | 54 |
| Transport Related | 1,586 | 1,520 | 1,679 | 93 | 159 |
| Supplies & Services | 1,759 | 1,855 | 1,786 | 27 | -69 |
| Third Party Payments | 382 | 378 | 368 | -14 | -10 |
| Transfer Payments | 7,365 | 7,965 | 7,823 | 458 | -142 |
| Support Services | 6,197 | 6,106 | 6,191 | -6 | 85 |
| Depreciation and Impairment | 838 | 856 | 856 | 18 | 0 |
| Total Expenditure | 25,880 | 26,438 | 26,583 | 703 | 145 |
| Government Grants | -7,275 | -7,351 | -7,604 | -329 | -253 |
| Other Grants and Contributions | -668 | -1,457 | -1,449 | -781 | 8 |
| Customer and Client Receipts | -2,708 | -2,839 | -2,927 | -219 | -88 |
| Recharges and Oncosts | -8,061 | -7,931 | -8,140 | -79 | -209 |
| Total Income | -18,712 | -19,578 | -20,120 | -1,408 | -542 |
| Net Expenditure | 7,168 | 6,860 | 6,463 | -705 | -397 |

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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 | -315 |
| Decrease in Interest Received | 8 |
| Decrease in Forecast 10% Retained Levy Payable to Lancashire County Council | -1 |
| Decrease in S31 Grants Receivable | 70 |
| Increase in retained Rates from Renewable Energy | -36 |
| Increase in amount removed for Depreciation | -18 |
| Reduction in Minimum Revenue Provision | -1 |
| Increase in amount set aside in Earmarked Reserves | 101 |
| Net decrease in amount to take from balances for the year | -192 |

How our revenue services are financed

As shown earlier our total actual net expenditure for committees was £6.463m. 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
- 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.
- The use of some of the capital receipts monies received in year from the sale of assets with a value of over £10,000. This is to fund the costs associated with disposing of the assets, which have been charged to revenue.

- 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 £7.238m 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 | -3,208 |
| Precept relating to all Parishes | -377 |
| Collection Fund Surplus | -48 |
| Total Net Council Tax Income | -3,633 |

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.

This Council is part of the Lancashire Business Rates Pool which began on 1 April 2016. In a Business Rate Pool, tariffs, top-ups, levies and safety nets can be combined. This can result in a significantly lower levy rate or even a zero levy rate meaning that more or all of the business rate growth can be retained within the pool area instead of being payable to the Government.

For this council, by being part of the Lancashire Business Rates Pool we were able to retain levy that would have otherwise been payable to central government of £376,130. Of this 10% (£37,613) was paid to Lancashire County Council under the governance arrangements of the pool, resulting in net retained levy of £338,517 for this council.

Finally, there was a deficit on the Collection fund for business rates, which the council is required to contribute to.

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| Business Rates Element | £'000 |
|---|---------------|
| Total Business Rates Income Forecast for 2016/17 | -14,850 |
| Less Payable to Central Government | 7,425 |
| Less Payable to Lancashire County Council | 1,337 |
| Less Payable to Lancashire Combined Fire Authority | 148 |
| Balance Retained by Ribble Valley Borough Council | -5,940 |
| Less Tariff Payable to Central Government | 4,361 |
| Baseline Business Rates Income of £1,240,000 plus Growth of £339,000 | -1,579 |
| Business Rates retained on Renewable Energy Schemes | -33 |
| Section 31 Grants | -462 |
| Less 10% Retained Business Rates Levy Payable to Lancashire County Council | 38 |
| Less Business Rates Collection Fund Deficit | 420 |
| Overall Net Retained Business Rates Related Income | -1,616 |

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 2016/17 we received £623,087 (2015/16 £1,011,321)

New Homes Bonus

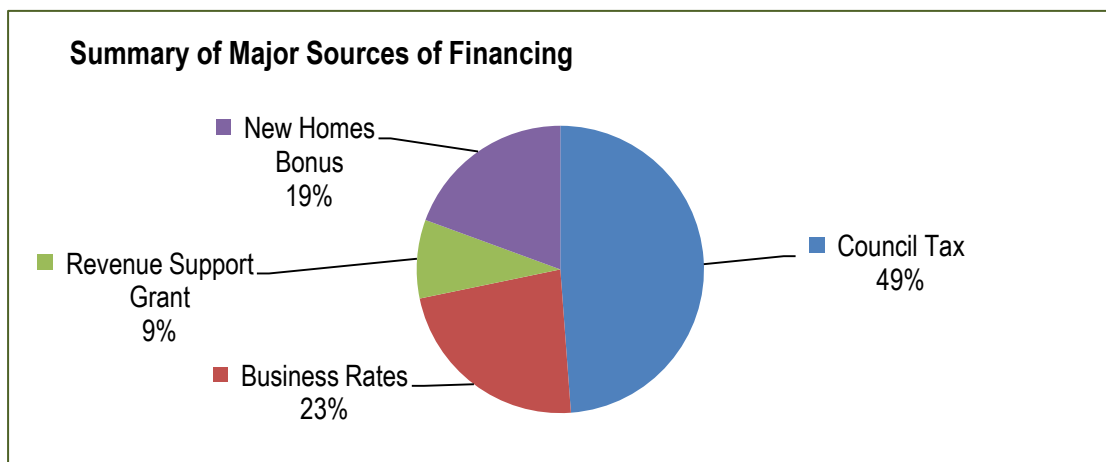
The New Homes Bonus commenced in April 2011 and is paid to the council by the Government for new homes and empty properties brought back in to use. The amount receivable is equivalent to the national average council tax for each property and is receivable every year for the following six years. The amount is also supplemented with an additional amount for affordable homes.

There are now new added pressures on this resource following the significant changes that have been announced in the tapering of the grant over the coming years.

- In 2017/18 allocations paid will reduce from 6 years to 5.
- In 2018/19 allocations paid will reduce from 5 years to 4.
- A new growth baseline of 0.4% has been set for 2017/18 below which the bonus will not be paid. The Government will announce each year what the growth baseline will be.
- From 2018/19 the Government will consider withholding New Homes Bonus from local authorities that are not planning effectively ie making positive decisions on planning applications and delivering housing growth. They will also consider withholding payments from homes built following an appeal.

Our allocation for 2016/17 was £1,366,883 and is shown in the table below (2015/16 £968,616)

| New Homes Bonus | £'000 |
|---|---------------|
| 2011/12 Allocation - last year payable is 2016/17 | -62 |
| 2012/13 Allocation - last year payable is 2016/17 | -118 |
| 2013/14 Allocation - last year payable is 2017/18 | -188 |
| 2014/15 Allocation - last year payable is 2017/18 | -227 |
| 2015/16 Allocation - last year payable is 2018/19 | -374 |
| 2016/17 Allocation - last year payable is 2019/20 | -398 |
| Total New Homes Bonus received in 2016/17 | -1,367 |



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

During 2016/17 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 follows (please note that favourable variances are denoted by figures with a minus symbol):

| Variation | £'000 |
|--|-------|
| <u>Expenditure Variations</u> | |
| Direct Employee Costs | 85 |
| Tuition Fees and Training | -14 |
| Electricity | 15 |
| Gas | -11 |
| Vehicle Repairs and Maintenance | 91 |
| Rural Areas Delivery Grant Expenditure | -107 |
| Purchase of Equipment and Materials | -14 |
| Purchase of wheeled bins for onward sale | 20 |

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| Variation | £'000 |
|--|-------------|
| Cost Sharing Paper Penalty Charge | 31 |
| Printing and Stationery | -12 |
| Postages | -18 |
| Software Maintenance | -11 |
| Subscriptions | -10 |
| Inspection Fees | -11 |
| Tipping Charges | 13 |
| Promotional Activities and Ribble Valley News | -18 |
| Council Tax Flood Discount | 70 |
| Contribution Towards General Fund Rent Rebates | -13 |
| Rent Allowance Payments | -32 |
| Grants | -14 |
| Grants to Individuals | -80 |
| Total Expenditure Variances | -40 |
| <u>Income Variations</u> | |
| HRA Rent Rebate Grant | 11 |
| Storm Eva Flood S31 Grant | -70 |
| DCLG Community Housing Grant | -158 |
| DCLG Custom and Self Build Grant | -15 |
| DCLG Brownfield Register and PIP Grant | -15 |
| Contributions and Donations Received | -17 |
| VAT Shelter Reimbursements | -43 |
| Flood Resilience Funding S31 Grant (via LCC) | 78 |
| Sale of Vehicles | -10 |
| Sale of Paper (see associated penalty charge above, under expenditure) | -31 |
| Sale of wheeled bins | -31 |
| Planning Fees | -35 |
| Commercial Trade Waste Collection | -23 |
| DCLG Property Searches New Burdens Grant | -5 |
| Land Rents | 14 |
| Total Income Variances | -348 |

| Variation | £'000 |
|---|-------------|
| Other Variations | -7 |
| Net Variation on Committee Expenditure | -397 |
| Increased Interest Received | -1 |
| Variation on Net Operating Expenditure | -398 |
| Increased New Homes Bonus Returned Funding | -3 |
| Increased S31 Grants | -4 |
| Retained Rates - Renewable Energy | 3 |
| Variation on Deficit/(Surplus) for Year | -402 |
| Extra Transfers to Earmarked Reserves (for Revenue) | 356 |
| Increase in amount to add to balances compared to Revised Estimate | -46 |

General Fund Balance and Earmarked Reserves

We had originally planned to take £200,000 from general fund balances to help finance the 2016/17 spending plans. However, this was revised later in the year to taking £8,070 from general fund balances. The final position shows that the council has added £37,737 to general fund balances.

| General Fund Balance | £'000 |
|--|------------------|
| General Fund Balances: Brought forward at 1 April 2016 | 2,678,832 |
| Surplus in 2016/17 added to General Fund Balances | 37,737 |
| General Fund Balances: Carried forward at 31 March 2017 | 2,716,569 |

With regard to earmarked reserves, in support of the revenue account and excluding capital transactions, we had originally planned to add £769,954. However, this was revised later in the year to adding £863,493 (after virements) to earmarked reserves. The final position shows that the council has added £1,220,067 to earmarked reserves for revenue purposes. For capital purposes we took £440,364 from earmarked reserves to fund the capital programme. The overall net movement was £779,703 added to earmarked reserves.

| Earmarked Reserves | £ |
|---|------------------|
| Earmarked Reserves: Brought forward at 1 April 2016 | 6,005,502 |
| Net added to Earmarked Reserves for revenue purposes | 1,220,067 |
| Net taken from Earmarked Reserves for capital purposes | -440,364 |
| Earmarked Reserves: Carried forward at 31 March 2017 | 6,785,205 |

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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 and plant.
- Awarding improvement grants for private sector renewal.

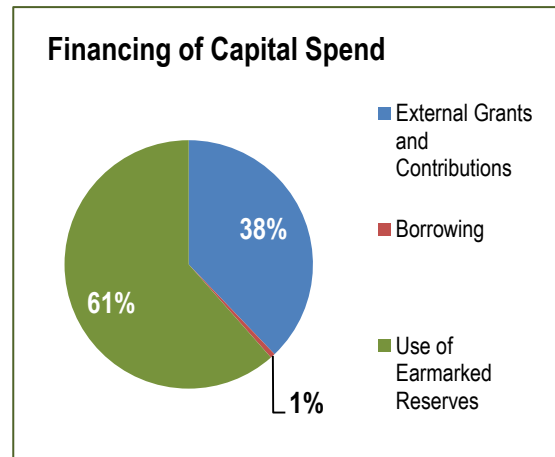
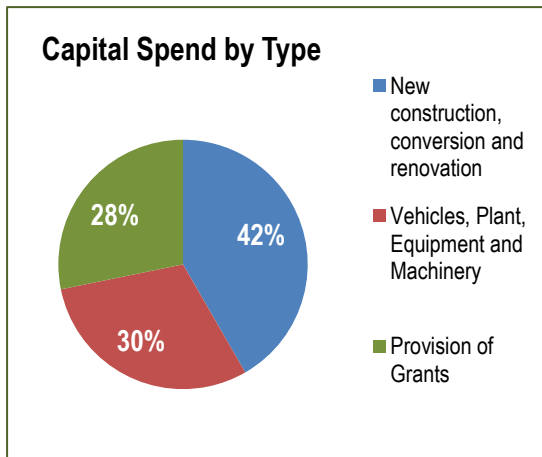
During the year the Council spent £715,910 on capital schemes. The main areas of expenditure included:

- Replacement Vehicles and Plant
- Improvement works at Ribblesdale Pool
- ICT Infrastructure Refresh
- Play Area Improvements
- Payment of Grants

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 | 374,500 | 440,955 | 416,094 | 41,594 | -24,861 |
| Planning and Development Committee | 30,200 | 30,200 | 0 | -30,200 | -30,200 |
| Policy and Finance Committee | 100,000 | 104,530 | 123,990 | 23,990 | 19,460 |
| Health and Housing Committee | 411,000 | 386,020 | 175,826 | -235,174 | -210,194 |
| Total Capital Expenditure | 915,700 | 961,705 | 715,910 | -199,790 | -245,795 |
| Grants and Contributions | -311,000 | -438,600 | -271,020 | 39,980 | 167,580 |
| Borrowing | -175,000 | -4,530 | -4,526 | 170,474 | 4 |
| Earmarked Reserves | -429,700 | -518,575 | -440,364 | -10,664 | 78,211 |
| Total Resources | -915,700 | -961,705 | -715,910 | 199,790 | 245,795 |

Shown below are summaries of the type of expenditure that is represented in the £715,910 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 £245,795 between the revised capital programme and actual spend, after netting off a capital adjustment that is required for the treatment of Performance Reward Grants, the variance is increased to £271,906. 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 £271,906 variance £270,640 is accounted for as slippage in to the 2017/18 financial year, and is summarised below:

| Scheme Name | Slippage in to the 2017/18 Financial Year £ |
|--|--|
| Play Area Improvements | 6,780 |
| Ribblesdale Pool Improvement Work | 16,820 |
| Planning System Update and Portal Link | 30,200 |
| ICT Infrastructure Refresh | 6,650 |
| Disabled Facilities Grants | 170,130 |
| Landlord/Tenant Grants | 25,520 |
| Affordable Warmth Grants | 14,540 |
| Total Capital Slippage | 270,640 |

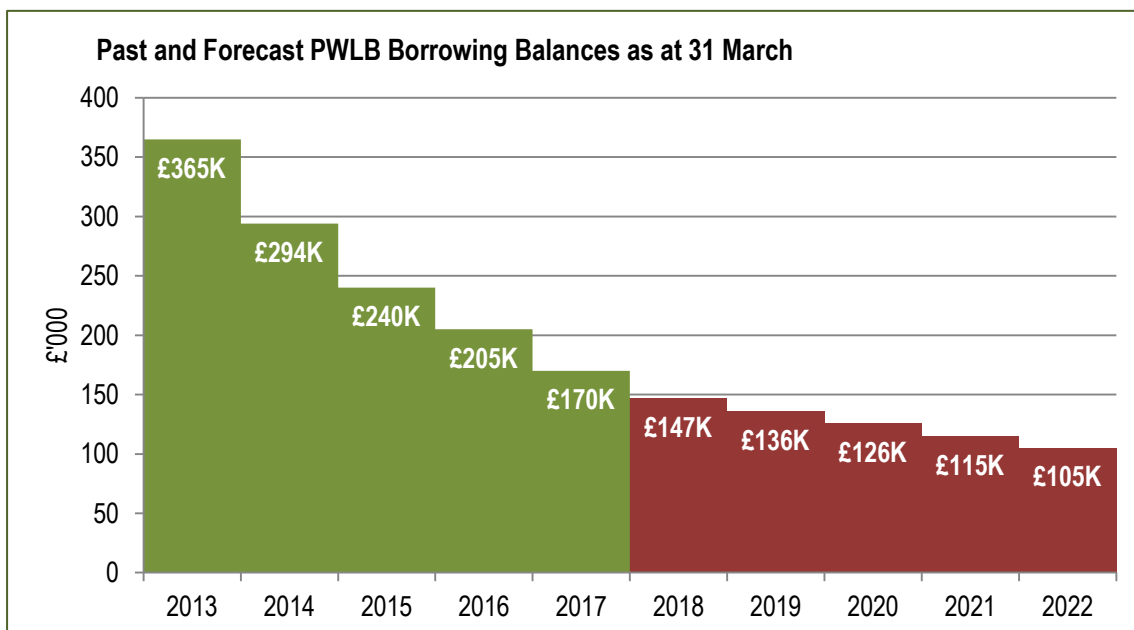
Within the resources used for financing the capital programme is internal borrowing. This is a resource generally used to finance assets of a longer life such as land and buildings. This is in order to minimise the level of impact on the revenue budget through the Minimum Revenue Provision, which is 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 2017 was £170k. 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 15 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.

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Past actuals shown in green, forecast (based on Public Works Loan Board loans held at 31 March 2017) shown in red

Further external borrowing may be required over the medium term in order to fulfil economic development objectives and planned capital works around car parking.

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.

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.

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Performance of the Collection fund for 2016/17 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 | 34,476 | 34,476 | 34,476 | 0 | 0 |
| Total Collection Fund Surplus distributed | 459 | 459 | 459 | 0 | 0 |
| Council Tax Benefit | 0 | 18 | 21 | 54 | 3 |
| Bad Debts Provision | 258 | 120 | 64 | -194 | -56 |
| Expenditure Subtotal - Council Tax | 35,193 | 35,073 | 35,020 | -140 | -53 |
| Business Rates - Expenditure | | | | | |
| Deficit Brought Forward | 1,052 | 920 | 920 | -132 | 0 |
| Cost of Collection | 90 | 90 | 90 | 0 | 0 |
| Enterprise Zones | 17 | 17 | 20 | 3 | 3 |
| Renewable Energy Schemes | 15 | 36 | 33 | 18 | -3 |
| Transitional Protection | 0 | 91 | 96 | 96 | 5 |
| Total Distribution of Business Rates | 14,850 | 14,850 | 14,850 | 0 | 0 |
| Appeals Provision | 238 | 102 | 97 | -141 | -5 |
| Bad Debts Provision | 154 | 130 | 86 | -68 | -44 |
| Expenditure Subtotal - Business Rates | 16,416 | 16,236 | 16,192 | -224 | -44 |
| Total Expenditure | 51,609 | 51,309 | 51,212 | -364 | -97 |
| Council Tax - Income | | | | | |
| Surplus Brought Forward | 459 | 598 | 598 | 139 | 0 |
| Council Tax Income | 34,734 | 35,047 | 35,025 | 291 | -22 |
| Council Tax Benefit | 0 | 1 | 1 | 1 | 0 |
| Flood Relief - Chargeable to Revenue | 0 | 0 | 98 | 98 | 98 |
| DCLG Grant | 0 | 0 | 4 | 4 | 4 |
| Income Subtotal - Council Tax | 35,193 | 35,646 | 35,726 | 533 | 80 |
| Business Rates - Income | | | | | |
| Net Rates Payable (before appeals) | 15,364 | 15,297 | 15,227 | -137 | -70 |
| Total Collection Fund Deficit recovered | 1,052 | 1,052 | 1,052 | 0 | 0 |
| Income Subtotal - Business Rates | 16,416 | 16,349 | 16,279 | -137 | -70 |
| Total Income | 51,609 | 51,995 | 52,005 | 396 | 10 |
| Council Tax (Surplus)/Deficit carried forward | 0 | -573 | -706 | -706 | -133 |
| Business Rates (Surplus)/Deficit carried forward | 0 | -113 | -87 | -87 | 26 |
| Total Net (Surplus)/Deficit carried forward | 0 | -686 | -793 | -793 | -107 |

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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:** 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 continues to work with the Alzheimer's Society and several businesses, community groups and public sector organisations to promote the area as a centre of excellence in dementia awareness. The refurbishment work has been completed at Ribblesdale Pool which has improved the reception area and the changing room facilities, providing improved disabled access.
- **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 areas that have been designated. Of these one area has submitted its plan for examination and another area is close to formal submission. We are also supporting the Village Halls Association by providing a secretariat. The Association promotes strong and inclusive communities and helps improve access to services.
- **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 are still working towards securing an appropriate town centre redevelopment to support business and local services.

- **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. We also continue to support the Clitheroe Interchange.
- **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:** The refurbishment work has been completed at Ribblesdale Pool which has improved the facility and will see an increase in user numbers in line with targets set with Sport England. We supported the Ribble Valley Cycle Festival in partnership with other local organisations and businesses with an interest in cycling development.
- **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. We co-ordinated a summer activity programme for young people which saw over 5,000 attendees accessing the activities.
- **To ensure that Ribble Valley remains a safe place to live:** According to the British Crime Survey Ribble Valley is the safest place to live in Lancashire and one of the safest places in the UK. 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. We support a number of initiatives such as the volunteer mounted police who provide a visual crime prevention presence and Home Wise who provide home security checks as part of a package to support older and more vulnerable people in the borough. Through the Community Safety Partnership the Council supports targeting road safety information to young drivers in order to reduce the number of serious and fatal accidents. This included attendance for all year 12 and 13 students at a Road Safety Conference.

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- **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 'Up and Active' schemes and cardiac rehabilitation. There are a number of schemes which fall under the umbrella of 'Up and Active' 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. We are working to improve the private rented sector housing stock through the Housing Health and Safety Rating System (HHSRS system).

- **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.

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. The next survey is due to be carried out during the 2017/18 financial year.

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

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- 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

Within the 2016/17 financial year we have seen a refurbishment of our Ribblesdale Pool facilities, which was part funded by grant monies from Sport England. The scheme comprised modernisation work to the reception and changing areas and pool viewing balcony, and the creation of separate disability changing area provision with access from reception and straight to the pool hall.

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 continue to work 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.

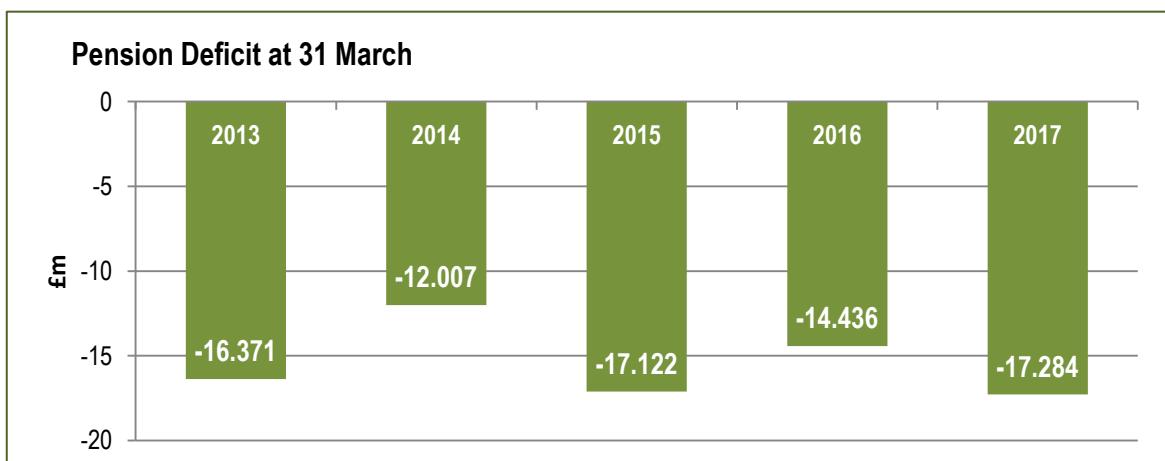
The net pension asset/liability in respect of the surplus/deficit on the pension fund, as calculated by the fund's actuary, is included in the council's balance sheet. In Ribble Valley Borough Council's case the net liability as at 31 March 2017 increased to £17.284m (31 March 2016 £14.436m).

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

Movements were experienced in the following areas under remeasurements:

| | £'000 |
|---|--------------|
| Remeasurements (liabilities) | |
| Experience Gain | -2,629 |
| Loss on Financial Assumptions | 11,379 |
| Gain on Demographic Assumptions | -412 |
| Remeasurements (assets) | -6,193 |
| Net movement from remeasurements | 2,145 |

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 2016.



Narrative Report

10 CURRENT ECONOMIC CLIMATE AND OUTLOOK

In October 2016 this Council submitted an Efficiency Plan to the Government in order to secure a multi-year finance settlement. We were notified in November 2016 that we were formally on the multi-year settlement and could expect to receive the allocations published as part of the 2016/17 local government finance settlement in 2017/18, 2018/19 and 2019/20.

Key funding streams are to disappear in future years such as Revenue Support Grant whilst others will reduce substantially, following recent consultation, namely New Homes Bonus.

With regard to the proposals for the 100% retention of Business Rates, there is to be a further government consultation on the design and implementation of the new scheme.

The council's medium term financial strategy for the period 2017/2021 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.

| | 2017/18 Forecast £ | 2018/19 Forecast £ | 2019/20 Forecast £ | 2020/21 Forecast £ |
|-----------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Net Expenditure | 6,381,670 | 6,743,911 | 6,892,367 | 7,043,865 |
| Interest Receipts | -15,660 | -30,000 | -50,000 | -70,000 |
| Use of Superannuation Reserve | -36,512 | -36,512 | -36,512 | -36,512 |
| Rural Services Grant | -86,603 | -66,618 | -86,603 | -86,603 |
| Use of Business Rates Growth | -275,514 | -275,514 | -275,514 | -275,514 |
| Use of New Homes Bonus | -793,079 | -793,079 | -793,079 | -793,079 |
| (Use of)/Contribution to Balances | -250,000 | -250,000 | -250,000 | -250,000 |
| Savings Required | 0 | -414,046 | -544,478 | -674,027 |
| Budget Requirement | 4,924,302 | 4,878,142 | 4,856,181 | 4,858,130 |
| Government Funding | -1,589,488 | -1,414,666 | -1,243,088 | -1,092,771 |
| Collection Fund (Deficit)/Surplus | -59,557 | -25,000 | -25,000 | -25,000 |
| Precept | 3,275,257 | 3,438,476 | 3,588,093 | 3,740,359 |
| Taxbase | 22,481 | 22,818 | 23,046 | 23,277 |
| Band D Council Tax | £145.69 | £150.69 | £155.69 | £160.69 |
| Projected Council Tax increase | 0% | £5 max | £5 max | £5 max |

A balanced budget has been set for the 2017/18 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

Narrative Report

Business Rates Retention Scheme

- Radical changes planned
- Risk of large appeals
- Recession

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 2017 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 2016/17 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.

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.

Narrative Report

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

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 2017.

Jane L Pearson
Director of Resources CPFA
17 July 2017

Approval of the Statement of Accounts

Approval of the Statement of Accounts

I confirm that these accounts, including the Comprehensive Income and Expenditure Statement on page 59 and the Balance Sheet on page 63, were approved by the Accounts and Audit Committee at its meeting held on 26 July 2017.

Signed by:

Cllr Stuart Hirst
Chairman of Accounts and Audit Committee
26 July 2017

Statement of Accounting Policies

1 GENERAL PRINCIPLES

The Statement of Accounts summarises the Council's transactions for the 2016/17 financial year and its position at the year-end of 31 March 2017. 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 2016/17*, 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 – in the case of the depot general stores, 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.

6 COUNCIL TAX AND NON-DOMESTIC RATES (NDR)

Billing authorities act as agents, collecting council tax and non-domestic rates on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (ie the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

Accounting for Council Tax and NDR

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the council's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the council's General Fund. Therefore the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the council's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

7 EMPLOYEE BENEFITS

Benefits Payable during Employment

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

Statement of Accounting Policies

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 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 2.5% (3.5% 31 March 2016) 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

Statement of Accounting Policies

- 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.
 - Net Interest on the Net Defined Benefit Liability (Asset) – i.e. net interest expense for the Council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
- **Remeasurements comprising:**
 - The Return of Plan Assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
 - Actuarial Gains and Losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
- **Contributions:**
 - Contributions paid to the Lancashire County Pension Fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards.

Statement of Accounting Policies

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.

8 EVENTS AFTER THE REPORTING PERIOD

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

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

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

9 FINANCIAL INSTRUMENTS

Financial Liabilities

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

Statement of Accounting Policies

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

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

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

Financial Assets

Financial assets are classified into two types:

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

Loans and Receivables

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

Should the Council make loans at less than market rates (soft loans), a loss would be recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal.

Statement of Accounting Policies

Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a higher effective rate of interest than the rate that would be receivable from the soft loan, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement. The Council has made no material soft loans.

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

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

Available-for-sale Assets

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

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

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted market prices – multiple valuation techniques (which include market approach, income approach and cost approach).

Statement of Accounting Policies

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).

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

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

10 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.

Statement of Accounting Policies

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.

11 HERITAGE ASSETS

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

Heritage Assets are

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

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

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

The Castle Keep at Clitheroe

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

Statement of Accounting Policies

- The Council maintains and preserves the Castle Keep and last undertook substantial work over the period 2006 to 2009. The Keep is open to the general public without charge and the council retains detailed information about its history much of which can be seen with chargeable admission to the Clitheroe Castle Museum.

The Clitheroe Castle Museum Collection

- The Clitheroe Castle Museum Collection principally includes archaeological artifacts, geological collections, militaria and items of local social historical interest. Due to the diverse nature of the museum collection, and without accurate valuation information on any individual asset within the collection, the council has included the collection at insurance value as provided by the Lancashire County Museum Service.
- The Clitheroe Castle Museum collection is maintained and managed by the Lancashire County Museum Service who act as custodians on behalf of the Council. A full list of the collection is retained by both the Council and Lancashire County Museum Service. Not all of the collection is on display at the Clitheroe Castle Museum due to the volume and nature of some of the items within the collection. However, those items on display at the Clitheroe Castle Museum can be seen with chargeable admission to the Museum. At this premises the collection is interspersed with items under the ownership of Lancashire County Museum Service.
- Any acquisitions to the collection would generally be made by donation; however the collection has remained relatively static over recent years. Any donation of note would be recognised at valuation ascertained by the museum's curator or at insurance valuation.

Civic Regalia

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

Statement of Accounting Policies

- General maintenance of the site is undertaken by the Council on a routine basis; however, no preservation works have recently been undertaken. The council would look to work together with third parties in undertaking any such works.
- Access to the site is open to the general public without charge.

Heritage Assets - General

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment – see *Accounting Policy 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)

12 INTANGIBLE ASSETS

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

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

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

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

Statement of Accounting Policies

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

13 INVENTORIES AND LONG TERM CONTRACTS

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

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

14 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.

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.

Statement of Accounting Policies

15 OVERHEADS AND SUPPORT SERVICES

The costs of overheads and support services are charged to service segments in accordance with the council's arrangements for accountability and financial performance.

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.

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.

Statement of Accounting Policies

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 current 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 current value.

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

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

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

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

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

| Property, Plant and Equipment Classification | 31 March 2017 | |
|--|--|--|
| | Revalued Amount in Balance Sheet £ | Equivalent Carrying Amount Under Cost Model £ |
| Other Land and Buildings | 13,371,200 | 7,026,990 |
| Vehicles, Plant, Furniture and Equipment | 1,640,270 | 1,640,271 |
| Infrastructure Assets | 306,084 | 306,084 |
| Community Assets | 1,572,881 | 1,559,340 |
| Surplus Assets (Not for Sale) | 74,767 | 68,154 |
| Total | 16,965,202 | 10,600,839 |

Statement of Accounting Policies

Impairments

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

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

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

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

Depreciation

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

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

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

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.

Statement of Accounting Policies

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

Disposals and Non-current Assets Held for Sale

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

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

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

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

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

Statement of Accounting Policies

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.

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.

Statement of Accounting Policies

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.

19 REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

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.

Comprehensive Income and Expenditure Statement

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and 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

| 2015/16 - Restated | | | 2016/17 | | | | |
|------------------------|--------------------|----------------------|---|------------------------|--------------------|----------------------|--------------|
| Gross Expenditure £ | Gross Income £ | Net Expenditure £ | | Gross Expenditure £ | Gross Income £ | Net Expenditure £ | Note |
| 7,013,803 | -3,521,669 | 3,492,134 | Community Services Committee | 7,994,500 | -4,360,363 | 3,634,137 | |
| 8,614,744 | -7,787,850 | 826,894 | Health and Housing Committee | 8,129,578 | -7,507,865 | 621,713 | |
| 1,359,095 | -839,654 | 519,441 | Planning and Development Committee | 1,292,895 | -901,921 | 390,974 | |
| 3,715,763 | -1,432,313 | 2,283,450 | Policy and Finance Committee | 4,008,377 | -2,009,047 | 1,999,330 | |
| 20,703,405 | -13,581,486 | 7,121,919 | Cost of Services | 21,425,350 | -14,779,196 | 6,646,154 | 1/2 |
| | | | Other Operating Expenditure | | | | |
| | | 363,992 | Payment of Precepts to Parishes | | | 376,779 | |
| | | 18,000 | Pensions Administration Expenses | | | 23,000 | 32 |
| | | 11,500 | Payment of Localisation of Council Tax Support Grant to Parishes | | | 5,750 | |
| | | -133,513 | Gains/Losses on the Disposal of non-Current Assets | | | -59,851 | |
| | | 133 | Payment of Housing Capital Receipts to Government Pool | | | 0 | |
| | | | Financing and Investment Income and Expenditure | | | | |
| | | 11,141 | Interest Payable on Debt | | | 9,484 | |
| | | -34,184 | Investment Interest Income | | | -22,308 | |
| | | 533,000 | Net Interest on the net defined benefit liability (asset) | | | 489,000 | 32 |
| | | -45,797 | (Gain)/Loss on Trading Accounts | | | -44,948 | |
| | | | Taxation and Non-Specific Grant Income | | | | |
| | | -3,467,871 | Council Tax | | | -3,644,042 | 8 |
| | | -870,353 | Non Domestic Rates Income and Expenditure | | | -1,555,836 | 8/11 |
| | | -1,011,321 | Revenue Support Grant (RSG) | | | -623,087 | 8 |
| | | -26,500 | Capital Grants and Contributions | | | -153,000 | 8 |
| | | -1,697,863 | Other Non-Specific Grants | | | -1,959,674 | 8 |
| | | 772,283 | (Surplus) or Deficit on Provision of Services | | | -512,579 | 1/2/4 |
| | | -773,857 | (Surplus) or Deficit on Revaluation of Property, Plant and Equipment Assets | | | -1,163,694 | |
| | | -3,550,000 | Actuarial (Gains)/Losses on Pensions Assets/Liabilities | | | 2,145,000 | 32 |
| | | -4,323,857 | Other Comprehensive Income and Expenditure | | | 981,306 | |
| | | -3,551,574 | Total Comprehensive Income and Expenditure | | | 468,727 | |

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 'unusable' reserves.

It shows how the movements in year of the council's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year.

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 2016/17 | General Fund Balance £ | Earmarked General Fund Reserves £ | Total General Fund Balance £ | Capital Grants Unapplied £ | Usable Capital Receipts Reserve £ | Total Usable Reserves £ | Unusable Reserves £ | Total Council Reserves £ |
|--|---------------------------|--------------------------------------|---------------------------------|-------------------------------|--------------------------------------|----------------------------|------------------------|-----------------------------|
| Balance as at 31 March 2016 | 2,678,832 | 6,005,502 | 8,684,334 | 27,110 | 745,046 | 9,456,490 | -1,410,685 | 8,045,805 |
| Total Comprehensive Income and Expenditure | -267,125 | 779,704 | 512,579 | | | 512,579 | -981,306 | -468,727 |
| Adjustments between Accounting Basis and Funding Basis Under Regulations <i>See Note 10</i> | 304,862 | | 304,862 | 170,577 | 59,233 | 534,672 | -534,672 | 0 |
| Increase/Decrease in Year | 37,737 | 779,704 | 817,441 | 170,577 | 59,233 | 1,047,251 | -1,515,978 | -468,727 |
| Balance at 31 March 2017 Carried Forward | 2,716,569 | 6,785,206 | 9,501,775 | 197,687 | 804,279 | 10,503,741 | -2,926,663 | 7,577,078 |

| Movements in 2015/16 | General Fund Balance £ | Earmarked General Fund Reserves £ | Total General Fund Balance £ | Capital Grants Unapplied £ | Usable Capital Receipts Reserve £ | Total Usable Reserves £ | Unusable Reserves £ | Total Council Reserves £ |
|--|---------------------------|--------------------------------------|---------------------------------|-------------------------------|--------------------------------------|----------------------------|------------------------|-----------------------------|
| Balance as at 31 March 2015 | 2,103,114 | 5,941,467 | 8,044,581 | 13,822 | 458,239 | 8,516,642 | -4,022,411 | 4,494,231 |
| Total Comprehensive Income and Expenditure | -836,318 | 64,035 | -772,283 | | | -772,283 | 4,323,857 | 3,551,574 |
| Adjustments between Accounting Basis and Funding Basis Under Regulations <i>See Note 10</i> | 1,412,036 | | 1,412,036 | 13,288 | 286,807 | 1,712,131 | -1,712,131 | 0 |
| Increase/Decrease in Year | 575,718 | 64,035 | 639,753 | 13,288 | 286,807 | 939,848 | 2,611,726 | 3,551,574 |
| Balance at 31 March 2016 Carried Forward | 2,678,832 | 6,005,502 | 8,684,334 | 27,110 | 745,046 | 9,456,490 | -1,410,685 | 8,045,805 |

Balance Sheet

Balance Sheet

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

Reserves are reported in two categories:

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

Balance Sheet

| 31 March 2016 £ | | 31 March 2017 £ | Note |
|------------------------------|------------------------------------|--------------------|---------|
| <i>Long Term Assets</i> | | | |
| 16,147,730 | Property, Plant and Equipment | 16,965,202 | 13 |
| 892,392 | Heritage Assets | 892,392 | 14 |
| 52,558 | Intangible Assets | 23,420 | |
| 303,372 | Long Term Debtors | 294,155 | 15 |
| 17,396,052 | Total Long Term Assets | 18,175,169 | |
| <i>Current Assets</i> | | | |
| 10,000 | Financial Asset Held for Sale | 10,000 | 15 |
| 75,746 | Inventories | 57,587 | |
| 1,395,978 | Short Term Debtors | 1,768,618 | 6/15/16 |
| 6,231,486 | Cash and Cash Equivalents | 8,570,278 | 15/17 |
| 7,713,210 | Total Current Assets | 10,406,483 | |
| <i>Current Liabilities</i> | | | |
| -42,894 | Short Term Borrowing | -30,393 | |
| -1,946,976 | Short Term Creditors | -3,036,527 | 15/18 |
| -468,600 | Provisions | -507,560 | 6/19 |
| -2,458,470 | Total Current Liabilities | -3,574,480 | |
| <i>Long Term Liabilities</i> | | | |
| -169,663 | Long Term Borrowing | -146,770 | |
| -14,435,324 | Net Pensions Liability | -17,283,324 | 6 |
| -14,604,987 | Total Long Term Liabilities | -17,430,094 | |
| 8,045,805 | Net Assets | 7,577,078 | |
| <i>Usable Reserves</i> | | | |
| 2,678,832 | General Fund Balance | 2,716,569 | 20 |
| 6,005,502 | Earmarked General Fund Reserves | 6,785,206 | 12 |
| 745,046 | Usable Capital Receipts Reserve | 804,279 | |
| 27,110 | Capital Grants Unapplied | 197,687 | |
| 9,456,490 | Total Usable Reserves | 10,503,741 | |
| <i>Unusable Reserves</i> | | | |
| 7,119,622 | Capital Adjustment Account | 7,044,683 | 21 |
| -305,678 | Collection Fund Adjustment Account | 107,926 | |
| 6,263,401 | Revaluation Reserve | 7,256,758 | |
| -14,435,324 | Pension Reserve | -17,283,324 | |
| -52,706 | Accumulated Absences Account | -52,706 | |
| -1,410,685 | Total Unusable Reserves | -2,926,663 | |
| 8,045,805 | Total Reserves | 7,577,078 | |

Cash Flow Statement

Cash Flow Statement

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

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

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

| 2015/16 £ | | 2016/17 £ | Note |
|------------------|---|-------------------|-----------|
| 772,283 | Net (Surplus) or Deficit on the Provision of Services | -512,579 | |
| -1,533,328 | Adjustments to Net Surplus or Deficit on the Provision of Services for Non-Cash Movements | -859,138 | 22 |
| 286,807 | Adjustments for Items Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities | 59,233 | 22 |
| -474,238 | Net Cash Flows from Operating Activities | -1,312,484 | 22 |
| -180,656 | Investing Activities | -64,631 | 23 |
| -147,869 | Financing Activities | -961,677 | 24 |
| -802,763 | Net Increase or decrease in Cash and Cash Equivalents | -2,338,792 | |
| 5,428,723 | Cash and Cash Equivalents 1 April | 6,231,486 | |
| 6,231,486 | Cash and Cash Equivalents 31 March | 8,570,278 | 17 |

Notes to the Core Financial Statements

1 EXPENDITURE AND FUNDING ANALYSIS

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by the council in comparison with those resources consumed or earned by the council in accordance with generally accepted accounting practices.

It also shows how this expenditure is allocated for decision making purposes between the council's committee structure. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

| 2016/17 | Net Expenditure Chargeable to the General Fund £'000 | Adjustments between the Funding and Accounting Basis £'000 | Net Expenditure in the Comprehensive Income and Expenditure Statement £'000 |
|---|---|--|---|
| Community Services Committee | 3,512,680 | 121,457 | 3,634,137 |
| Health and Housing Committee | 663,537 | -41,824 | 621,713 |
| Planning and Development Committee | 364,878 | 26,096 | 390,974 |
| Policy and Finance Committee | 1,922,495 | 76,835 | 1,999,330 |
| Net Cost of Services | 6,463,590 | 182,564 | 6,646,154 |
| Other Income and Expenditure | -7,281,031 | 122,298 | -7,158,733 |
| (Surplus) or Deficit | -817,441 | 304,862 | -512,579 |
| Opening General Fund Balance at 31 March 2016 | -8,684,334 | | |
| Closing General Fund Balance as at 31 March 2017 | -9,501,775 | | |

Notes to the Core Financial Statements

| 2015/16 | Net Expenditure Chargeable to the General Fund £'000 | Adjustments between the Funding and Accounting Basis £'000 | Net Expenditure in the Comprehensive Income and Expenditure Statement £'000 |
|---|---|---|--|
| Community Services Committee | 3,303,589 | 188,545 | 3,492,134 |
| Health and Housing Committee | 678,252 | 148,641 | 826,893 |
| Planning and Development Committee | 473,352 | 46,089 | 519,441 |
| Policy and Finance Committee | 2,046,386 | 237,065 | 2,283,451 |
| Net Cost of Services | 6,501,579 | 620,340 | 7,121,919 |
| Other Income and Expenditure | -7,141,332 | 791,696 | -6,349,636 |
| (Surplus) or Deficit | -639,753 | 1,412,036 | 772,283 |
| Opening General Fund Balance at 31 March 2016 | -8,044,581 | | |
| Closing General Fund Balance as at 31 March 2017 | -8,684,334 | | |

2 NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

This note explains the main adjustments from Net Expenditure Chargeable to the General Fund to arrive at the amounts in the Comprehensive Income and Analysis Statement.

| 2016/17 | Net Expenditure Chargeable to the General Fund £ | Adjustments for Capital Purposes £ | Net Change for the Pensions Adjustment £ | Other Adjustments £ | Net Expenditure in the Comprehensive Income and Expenditure Statement £ |
|------------------------------------|---|---------------------------------------|---|------------------------|--|
| Community Services Committee | 3,512,680 | 33,279 | 88,178 | 0 | 3,634,137 |
| Health and Housing Committee | 663,537 | -112,773 | 26,001 | 44,948 | 621,713 |
| Planning and Development Committee | 364,878 | 0 | 26,097 | 0 | 390,975 |
| Policy and Finance Committee | 1,922,495 | 26,110 | 50,724 | 0 | 1,999,329 |
| Net Cost of Services | 6,463,590 | -53,384 | 191,000 | 44,948 | 6,646,154 |
| Other Income and Expenditure | -7,281,031 | 68,849 | 512,000 | -458,551 | -7,158,733 |
| (Surplus) or Deficit | -817,441 | 15,465 | 703,000 | -413,603 | -512,579 |

Notes to the Core Financial Statements

| 2015/16 | Net Expenditure Chargeable to the General Fund £ | Adjustments for Capital Purposes £ | Net Change for the Pensions Adjustments £ | Other Adjustments £ | Net Expenditure in the Comprehensive Income and Expenditure Statement £ |
|------------------------------------|---|---------------------------------------|--|------------------------|--|
| Community Services Committee | 3,303,589 | 28,222 | 161,200 | -877 | 3,492,134 |
| Health and Housing Committee | 678,252 | 81,862 | 21,763 | 45,017 | 826,894 |
| Planning and Development Committee | 473,352 | | 48,305 | -2,216 | 519,441 |
| Policy and Finance Committee | 2,046,386 | 159,357 | 80,732 | -3,025 | 2,283,450 |
| Net Cost of Services | 6,501,579 | 269,441 | 312,000 | 38,899 | 7,121,919 |
| Other Income and Expenditure | -7,141,332 | 35,949 | 551,000 | 204,747 | -6,349,636 |
| (Surplus) or Deficit | -639,753 | 305,390 | 863,000 | 243,646 | 772,283 |

Adjustments for Capital Purposes

This column adds in depreciation and impairment and revaluation gains and losses in the service line, and for:

- **Other Operating Expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- **Financing and Investment Income and Expenditure** – the statutory charges for capital financing ie Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- **Taxation and Non-Specific Grant Income and Expenditure** – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in year without conditions or for which conditions were satisfied in the year.

Net Change for the Pensions Adjustments

Net change for the removal of pension contributions and the addition of IAS19 *Employee Benefits* pension related expenditure and income:

- **For services** this represents the removal of the employer pension contributions made by the council as allowed by statute and the replacement with current service costs and past service costs.
- **For Financing and Investment Income and Expenditure** – the net interest on the defined benefit liability is charged to the Comprehensive Income and Expenditure Statement.

Notes to the Core Financial Statements

Other Adjustments

Other adjustments between amounts debited /credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute.

- The charge under **Taxation and non-specific grant income and expenditure** represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

3 PRIOR PERIOD RESTATEMENT OF SERVICE EXPENDITURE AND INCOME

Expenditure on services and income relating to or derived from these services is classified in the Comprehensive Income and Expenditure Statement in accordance with the CIPFA Code of Local Authority Accounting in the UK. The 2016/17 Code requires that authorities present expenditure and income on services on the basis of its reportable segments. These reportable segments are based on the council's internal management reporting structure. This is a change from the previous requirement to present expenditure and income in accordance with the Service Reporting Code of Practice (SeRCOP). This note shows how the net expenditure and income has been restated.

| As Reported in the Comprehensive Income and Expenditure Statement 2015/16 | | | |
|---|--------------------|------------------|---------------------------------------|
| Gross Expenditure | Gross Income | Net Expenditure | |
| £ | £ | £ | |
| 1,532,393 | -732,276 | 800,117 | Central Services to the Public |
| 2,751,726 | -1,261,748 | 1,489,978 | Cultural and Related Services |
| 3,831,574 | -1,300,512 | 2,531,062 | Environmental and Regulatory Services |
| 1,652,537 | -903,957 | 748,580 | Planning Services |
| 1,347,486 | -1,369,692 | -22,206 | Highways and Transport Services |
| 7,914,898 | -7,533,905 | 380,993 | Other Housing Services |
| 10,586 | -5,491 | 5,095 | Adult Social Care |
| 1,552,369 | -473,905 | 1,078,464 | Corporate and Democratic Core |
| 109,836 | 0 | 109,836 | Non Distributed Costs |
| 20,703,405 | -13,581,486 | 7,121,919 | Cost of Services |

Notes to the Core Financial Statements

| As Restated for 2015/16 | | | |
|-------------------------|--------------------|----------------------|------------------------------------|
| Gross Expenditure £ | Gross Income £ | Net Expenditure £ | |
| 7,013,803 | -3,521,669 | 3,492,134 | Community Services Committee |
| 8,614,744 | -7,787,850 | 826,894 | Health and Housing Committee |
| 1,359,095 | -839,654 | 519,441 | Planning and Development Committee |
| 3,715,763 | -1,432,313 | 2,283,450 | Policy and Finance Committee |
| 20,703,405 | -13,581,486 | 7,121,919 | Cost of Services |

4 EXPENDITURE AND INCOME ANALYSED BY NATURE

| 2015/16 £ | | 2016/17 £ |
|--------------------|--|--------------------|
| <i>Expenditure</i> | | |
| 6,958,183 | Employee Expenditure | 7,043,441 |
| 13,284,930 | Other Service Expenses | 13,893,477 |
| 1,124,835 | Depreciation, Amortisation and Impairment | 802,690 |
| 11,500 | Payment of Localisation of Council Tax Support to Parishes | 5,750 |
| 18,000 | Pensions Administration Costs | 23,000 |
| 133 | Payments to Housing Capital Receipts Pool | 0 |
| 11,141 | Interest Payments | 9,484 |
| 363,992 | Precepts and Levies | 376,779 |
| 21,772,714 | Total Expenditure | 22,154,621 |
| <i>Income</i> | | |
| -4,707,470 | Fees and Charges and Other Service Income | -5,291,274 |
| -133,513 | Gain or Loss on Disposal of Non-Current Assets | -59,851 |
| -4,338,224 | Income from Council Tax and Business Rates | -5,199,878 |
| -11,787,040 | Government Grants, Contributions and Donations | -12,093,889 |
| -34,184 | Interest and Investment Income | -22,308 |
| -21,000,431 | Total Income | -22,667,200 |
| 772,283 | (Surplus) or Deficit on Provision of Services | -512,579 |

Notes to the Core Financial Statements

5 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 the medium to long term and also the impact of the decision for Britain to leave the European Union remains unclear.

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.

6 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 2017 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 2017 was £17.284m. 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 2017: deficit would be £16.220m +0.1% p.a. inflation as at 31 March 2017: deficit would be £18.365m +0.1% p.a. pay growth as at 31 March 2017: deficit would be £17.500m 1 year addition to members' life expectancy as at 31 March 2017: deficit would be £18.545m |

Notes to the Core Financial Statements

| Item | Uncertainties | Effect if Actual Results Differ from Assumptions |
|---|--|---|
| Arrears | At 31 March 2017, the Council had a balance of sundry debtors of £961,540 (including overpaid housing benefits). A review of significant balances suggested that an impairment of doubtful debts of £168,478 (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 £16,848 |
| Business Rates Appeals Provision | At the 31 March the Council made a provision on the Collection Fund of £1,268,900 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 £507,560 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 £126,890 in total or a £50,756 share for this council. |

7 MATERIAL ITEMS OF INCOME AND EXPENSE

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 2016/17 £6.91m was paid out (£7.25m in 2015/16), after taking into account reimbursements from claimants for any overpayments made. The Council receives subsidy grant from the Department for Work and Pensions to cover the payments made. Subsidy grant of £6.97m was received from the Department for Work and Pensions in 2016/17 (£7.3m in 2015/16).

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 2016/17 the Council received £430,341 cost sharing income which was reduced by £121,491 due to the paper and cardboard penalty. This resulted in net cost sharing income of £308,850 (In 2015/16 - £430,431 cost sharing income which was reduced by £70,098 due to the paper and card penalty, resulting in net cost sharing income of 360,243).

Notes to the Core Financial Statements

Car Parking Pay and Display Income

The council maintains numerous public car parks throughout the borough of which 16 are chargeable. Car parking charges are operated in Longridge, Clitheroe, Slaidburn, Ribchester, Sabden and Chipping. The council, through committee, have full control of the level of the car parking charges that are set.

In 2016/17 the council received £339,652 in income from chargeable car parks (in 2015/16 chargeable car park income was £308,437). This income excludes that received from parking fines.

Flood Resilience Grants

Following the floods of December 2015 (Storm Desmond and Storm Eva) the Government announced a scheme, administered by local authorities, to provide grants of up to £5,000 to homeowners and businesses that had been flooded as a result of storms Desmond and/or Eva to help fund additional flood resilience or resistance measures. The grants are intended to fund measures which improve the property's resilience or resistance to flooding, over and above repairs that would normally be covered by insurance.

The funding of the distributed grants was from DCLG, via Lancashire County Council. In 2016/17 the council paid grants totalling £553,564 to householders and £81,560 to businesses under the scheme. No payments were paid under the scheme in 2015/16.

Planning application fees

Local government administer much of the planning system with district councils responsible for most planning matters, other than transport and minerals and waste planning which are typically functions of the county council. A planning application is only required in certain circumstances. If a planning application is required the council requires that the application is accompanied with a fee. In 2016/17 the council received £586,601 in planning application fees, which help fund the provision of the service. (£593,017 in 2015/16).

8 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

| | 2015/16 £ | 2016/17 £ |
|--|-------------------|-------------------|
| Ribble Valley Borough Council Precept | -3,053,395 | -3,208,677 |
| Precept Relating to Parishes | -363,992 | -376,779 |
| Surplus Received in Year (Declared January Prior to Start of Year) | -22,004 | -47,809 |
| Movement on Collection Fund (Surplus) at Year End | -28,480 | -10,777 |
| Total Council Tax | -3,467,871 | -3,644,042 |

Notes to the Core Financial Statements

Non-Domestic Rates Income and Expenditure

| | 2015/16 £ | 2016/17 £ |
|--|-----------------|-------------------|
| Ribble Valley Borough Council Share of Business Rates Income | -5,803,790 | -5,940,126 |
| Less Tariff Payable to Central Government | 4,325,447 | 4,361,492 |
| Business Rates Growth Levy Payable to Central Government | 294,424 | 0 |
| 10% Retained Levy Payable to Lancashire County Council under Business Rates Pooling Arrangements | 0 | 37,613 |
| (Surplus)/Deficit Payment in Year (Declared January Prior to Start of Year) | 46,136 | 420,692 |
| Movement on Collection Fund Deficit/(Surplus) at Year End | 279,025 | -402,826 |
| Business Rates Retained on Renewable Energy Schemes | -11,595 | -32,681 |
| Overall Net Retained Business Rates Related Income | -870,353 | -1,555,836 |

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 2016/17 we received £623,087 (2015/16 £1,011,321).

Capital Grants and Contributions

| | 2015/16 £ | 2016/17 £ |
|---|----------------|-----------------|
| Sport England | -23,500 | -150,000 |
| Longridge Town Council | -3,000 | -3,000 |
| Total Capital Grants and Contributions | -26,500 | -153,000 |

Notes to the Core Financial Statements

Other Non-Specific Grants

| | 2015/16 £ | 2016/17 £ |
|--|-------------------|-------------------|
| Council Tax Freeze Grant | -32,380 | 0 |
| New Homes Bonus | -968,616 | -1,366,884 |
| New Homes Bonus - Returned Funding | -4,002 | -2,862 |
| Rural Areas Delivery Grant | 0 | -107,254 |
| Transition Grant | 0 | -20,424 |
| Business Rates Section 31 Grants | | |
| Small Business Rates Relief (SBRR) Scheme | -410,394 | -420,254 |
| SBRR on Existing Properties where 2nd Property is Occupied | -5,570 | -3,352 |
| 'New Empty' Properties | -1,982 | 0 |
| 'Long Term Empty' Properties | -11,968 | -7,725 |
| Retail Relief | -215,375 | 474 |
| Flooding Relief | -22,346 | -3,234 |
| In Lieu of transitional Relief | -7,989 | -4,830 |
| Multiplier Cap | -17,241 | -23,329 |
| Total Council Tax | -1,697,863 | -1,959,674 |

9 EVENTS AFTER THE REPORTING PERIOD

The Statement of Accounts was authorised for issue on the 31 May 2017. 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 2017, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

10 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.

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 2016/17 | Usable Reserves | | | Movement in Unusable Reserves £ |
|--|---------------------------|-------------------------------|-------------------------------|------------------------------------|
| | General Fund Balance £ | Capital grants Unapplied £ | Capital Receipts Reserve £ | |
| 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 | 826,917 | | | -826,917 |
| Revaluation losses on Property Plant and Equipment (Charged to surplus or Deficit on Provision of Services) | 33,279 | | | -33,279 |
| Amortisation of Intangible Assets | 29,138 | | | -29,138 |
| Capital Grants and Contributions Applied | -256,933 | | | 256,933 |
| Revenue Expenditure Funded from Capital Under Statute | 201,936 | | | -201,936 |
| 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 | 0 | | | 0 |
| <u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Account</u> | | | | |
| Statutory Provision for the Financing of Capital investment | -134,610 | | | 134,610 |
| Capital expenditure charged against General Fund Balances | -440,364 | | | 440,364 |
| Adjustments primarily involving the Capital Grants Unapplied Account | | | | |
| Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement | -184,664 | 184,664 | | |
| Application of grants to capital financing transferred to the Capital Adjustment Account | | -14,087 | | 14,087 |
| 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 | -59,851 | | 59,851 | |
| Contribution from the Capital Receipts Reserve towards administrative cost of Non-Current asset disposals | 618 | | -618 | |
| Contribution from the Capital receipts Reserve to finance the payments to the Government Capital receipts pool | 0 | | 0 | |
| Transfer from deferred capital receipts reserve upon receipt of cash | | | 0 | 0 |

Notes to the Core Financial Statements

| Movements in 2016/17 | Usable Reserves | | | Movement in Unusable Reserves £ |
|--|------------------------------|----------------------------------|----------------------------------|------------------------------------|
| | General Fund Balance £ | Capital grants Unapplied £ | Capital Receipts Reserve £ | |
| Adjustments primarily involving the Pensions Reserve | | | | |
| Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement | 1,636,000 | | | -1,636,000 |
| 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 and business rates income collected for the year in accordance with statutory requirements | -413,604 | | | 413,604 |
| 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 | | 0 | | 0 |
| Total Adjustments | 304,862 | 170,577 | 59,233 | -534,672 |

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 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 |
| 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 |
| 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 | |
| Contribution from the Capital Receipts Reserve towards administrative cost of Non-Current asset disposals | 0 | | 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 |

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 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 and business rates 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

11 LANCASHIRE BUSINESS RATES POOL

This Council is part of the Lancashire Business Rates Pool which began on 1 April 2016. In a Business Rate Pool, tariffs, top-ups, levies and safety nets can be combined. This can result in a significantly lower levy rate or even a zero levy rate meaning that more or all of the business rate growth can be retained within the pool area instead of being payable to the Government.

The Lancashire Business Rates Pool, which includes most but not all of the local authorities in Lancashire, has been designated by the Secretary of State for Communities and Local Government and the retained levy in Lancashire has been distributed as follows:

- Lancashire County Council is paid 10% of the overall retained levy;
- Each district within the pool retains 90% of their levy.

With regard to this council, the retained levy would be £376,131, hence under pooling we have benefitted from extra income of £338,518. Lancashire County Council has received the remaining 10% of retained levy.

As part of the pool arrangements, one authority must be designated as lead authority, which in the case of the Lancashire Business Rates Pool is Ribble Valley Borough Council. As part of this arrangement a fee of £2,000 is payable by each pool member to Ribble Valley Borough Council in their role as lead.

In the Lancashire Business Rates Pool each council bears its own risk and takes its own reward under the pool agreement, i.e. no sharing of a volatility reserve.

Below is a summary of the Lancashire Business Rates Pool members and relevant transactions.

| Lancashire Business Rates Pool Members 2016/17 | Authority Type | In-Year Transactions Relating to Tariffs and Top-Ups £ | Retained Levy on Growth 2016/17 £ | 10% Retained Levy Payable to/received by Lancashire County Council £ | Net Retained Levy 2016/17 £ |
|--|----------------|---|--------------------------------------|---|--------------------------------|
| Burnley Borough Council | Tariff | 7,173,471 | -678,064 | 67,806 | -610,258 |
| Chorley Borough Council | Tariff | 7,856,662 | -918,171 | 91,817 | -826,354 |
| Hyndburn Borough Council | Tariff | 5,063,238 | -305,161 | 30,516 | -274,645 |
| Pendle Borough Council | Tariff | 4,093,827 | -530,870 | 53,087 | -477,783 |
| Ribble Valley Borough Council | Tariff | 4,361,492 | -376,131 | 37,613 | -338,518 |
| Rosendale Borough Council | Tariff | 3,305,780 | -400,847 | 40,085 | -360,762 |
| South Ribble Borough Council | Tariff | 11,954,757 | -1,116,335 | 111,633 | -1,004,702 |
| West Lancashire Borough Council | Tariff | 9,633,376 | -482,066 | 48,207 | -433,859 |
| Wyre Borough Council | Tariff | 7,352,522 | -319,521 | 31,952 | -287,569 |
| Lancashire County Council | Top-Up | -140,072,421 | 0 | -512,716 | -512,716 |
| Central Government | - | 79,277,296 | 0 | 0 | 0 |
| Total | | 0 | -5,127,166 | 0 | -5,127,166 |

Notes to the Core Financial Statements

The Net Retained Levy for the council is shown within Business Rates Retention income on the Comprehensive Income and Expenditure Statement, along with the council's own share of growth achieved in the year.

12 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 2016/17.

| General Fund | Balance at 31 March 2015 £ | Transfers In 2015/16 £ | Transfers Out 2015/16 £ | Balance at 31 March 2016 £ | Transfers In 2016/17 £ | Transfers Out 2016/17 £ | Balance at 31 March 2017 £ |
|---|--|---------------------------------|----------------------------------|--|---------------------------------|----------------------------------|-------------------------------------|
| Reserves for Shorter Term Service Commitments | | | | | | | |
| Local Recreation Grants Fund <i>Used to fund various Community Services Committee grants</i> | 12,686 | 16,240 | | 28,926 | 8,943 | | 37,869 |
| Audit Reserve Fund <i>Used for computer audit</i> | 12,335 | | | 12,335 | | | 12,335 |
| Christmas Lights/RV in Bloom <i>Available to fund contributions towards Christmas Lights and Ribble Valley in Bloom</i> | 1,186 | | -350 | 836 | | -836 | 0 |
| Community Enhancement <i>Used to fund grants to local organisations</i> | 11,419 | | -11,419 | 0 | | | 0 |
| Conservation Reserve <i>To fund conservation schemes completed after the financial year end</i> | 6,210 | | -6,210 | 0 | | | 0 |
| Market Town Enhancement <i>To fund grants under Market Towns Enhancement Scheme</i> | 8,372 | | -8,372 | 0 | | | 0 |
| Refuse Collection <i>To fund refuse collection costs of bin replacements and other cost pressures</i> | 147,203 | 19,100 | -115,984 | 50,319 | 17,955 | -8,546 | 59,728 |
| Clean Air Reserve <i>To fund clean air survey work</i> | 2,681 | | -2,681 | 0 | | | 0 |
| Promotional Activities Reserve <i>To fund planned publicity and promotional activities</i> | 9,260 | | -9,260 | 0 | | | 0 |
| Core Strategy Reserve <i>To fund the production of the Core Strategy</i> | 22,453 | | -1,920 | 20,533 | | -20,533 | 0 |

Notes to the Core Financial Statements

| General Fund | Balance at 31 March 2015 £ | Transfers In 2015/16 £ | Transfers Out 2015/16 £ | Balance at 31 March 2016 £ | Transfers In 2016/17 £ | Transfers Out 2016/17 £ | Balance at 31 March 2017 £ |
|--|--|---------------------------------|----------------------------------|--|---------------------------------|----------------------------------|-------------------------------------|
| Human Resource Development <i>To provide for staff training commitments</i> | 27,500 | | -27,500 | 0 | | | 0 |
| Clitheroe Food Festival <i>Resources set aside to help support the costs associated with the Clitheroe Food Festival</i> | 6,204 | 13,653 | | 19,857 | 6,056 | | 25,913 |
| Tour of Britain Reserve <i>To fund the potential cost of hosting a stage of the Tour of Britain Cycle Race</i> | 89,826 | | -89,826 | 0 | | | 0 |
| Total Reserves for Shorter Term Service Commitments | 357,335 | 48,993 | -273,522 | 132,806 | 32,954 | -29,915 | 135,845 |
| Reserves to Smooth the Revenue Impact of Longer Term Cyclical Costs | | | | | | | |
| Elections Fund <i>Used to fund borough elections held once every four years</i> | 78,689 | 21,880 | -81,493 | 19,076 | 22,448 | -5,195 | 36,329 |
| Revaluation of Assets Reserve <i>To contribute towards the revaluation of the Council's assets every five years.</i> | 1,200 | 2,000 | | 3,200 | 2,030 | | 5,230 |
| Total Reserves to Smooth the Revenue Impact of Longer Term Cyclical Costs | 79,889 | 23,880 | -81,493 | 22,276 | 24,478 | -5,195 | 41,559 |
| Reserves for Trading or Business Units | | | | | | | |
| Building Control Fund <i>Available to equalise net expenditure over a three year period</i> | -103,006 | | -2,001 | -105,007 | 61,175 | | -43,832 |
| Total Reserves for Trading or Business Units | -103,006 | 0 | -2,001 | -105,007 | 61,175 | 0 | -43,832 |
| Reserves for Sums Set Aside for Major Schemes such as Capital Projects | | | | | | | |
| Capital <i>Used to fund the capital programme</i> | 692,623 | 598,921 | -526,722 | 764,822 | 499,444 | -442,845 | 821,421 |
| Clitheroe Cemetery Reserve <i>To finance any future liabilities from the cemetery extension</i> | 3,640 | | -3,640 | 0 | | | 0 |
| Civic Suite Reserve <i>Resources set aside to fund future capital spend on the council chamber.</i> | 11,420 | | -11,420 | 0 | | | 0 |

Notes to the Core Financial Statements

| General Fund | Balance at 31 March 2015 £ | Transfers In 2015/16 £ | Transfers Out 2015/16 £ | Balance at 31 March 2016 £ | Transfers In 2016/17 £ | Transfers Out 2016/17 £ | Balance at 31 March 2017 £ |
|--|--|---------------------------------|----------------------------------|--|---------------------------------|----------------------------------|-------------------------------------|
| ICT Repairs and Renewals <i>To fund future software and hardware upgrades</i> | 169,903 | | -7,614 | 162,289 | 15,910 | -6,800 | 171,399 |
| Vehicle & Plant Repairs and Renewals Reserve <i>Resources set aside to fund a repairs and renewals fund for the replacement of Vehicles and Plant</i> | 300,000 | 46,000 | | 346,000 | 46,000 | | 392,000 |
| Total Reserves for Sums Set Aside for Major Schemes such as Capital Projects | 1,177,586 | 644,921 | -549,396 | 1,273,111 | 561,354 | -449,645 | 1,384,820 |
| Reserves for Longer Term Strategic or Corporate Items | | | | | | | |
| VAT Shelter Reserve <i>Funds received from the post LSVT VAT Shelter arrangements, partly used to contribute towards the future financing of the capital programme</i> | 1,610,053 | 158,431 | -392,204 | 1,376,280 | 200,561 | -276,526 | 1,300,315 |
| Fleming VAT Claim <i>VAT recovered from 'Fleming' claim challenge to HMRC</i> | 234,903 | | -39,106 | 195,797 | | -123,585 | 72,212 |
| Insurance <i>Available to meet any costs following demise of Municipal Mutual Insurance Company</i> | 16,748 | | -2,167 | 14,581 | | | 14,581 |
| Repairs and Maintenance <i>To fund emergency repairs and maintenance items, including legionella and asbestos abatement</i> | 34,299 | 8,570 | -5,000 | 37,869 | | -8,570 | 29,299 |
| Post LSVT <i>To fund any costs post LSVT which may arise, such as pension fund liabilities</i> | 328,613 | | -36,513 | 292,100 | | -36,512 | 255,588 |
| Restructuring Reserve <i>To fund costs resulting from restructuring reviews</i> | 227,541 | | | 227,541 | | | 227,541 |
| Equipment Reserve <i>To fund essential and urgent equipment requirements</i> | 93,560 | 41,053 | -11,863 | 122,750 | 26,916 | -34,533 | 115,133 |

Notes to the Core Financial Statements

| General Fund | Balance at 31 March 2015 £ | Transfers In 2015/16 £ | Transfers Out 2015/16 £ | Balance at 31 March 2016 £ | Transfers In 2016/17 £ | Transfers Out 2016/17 £ | Balance at 31 March 2017 £ |
|--|--|---------------------------------|----------------------------------|--|---------------------------------|----------------------------------|-------------------------------------|
| <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> | 215,942 | | -59,204 | 156,738 | | -8,193 | 148,545 |
| <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> | 314,751 | 350,043 | | 664,794 | 338,518 | -225,702 | 777,610 |
| <u>New Homes Bonus Reserve</u> <i>To help finance future economic development capital schemes</i> | 505,415 | 292,551 | -35,662 | 762,304 | 579,923 | -63,749 | 1,278,478 |
| Total Reserves for Longer Term Strategic or Corporate Items | 3,931,825 | 850,648 | -581,719 | 4,200,754 | 1,145,918 | -777,370 | 4,569,302 |
| <i>Reserves for External Funding where Expenditure has yet to be Incurred</i> | | | | | | | |
| <u>Performance Reward Grant</u> <i>Performance Reward Grant received and to be used to finance Partnership posts</i> | 214,682 | | -139,565 | 75,117 | | -7,540 | 67,577 |
| <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 | 0 | | | 0 |
| <u>Land Charges Reserve</u> <i>To fund any potential restitution claims for personal search fees</i> | 4,474 | 72,406 | -28,321 | 48,559 | 5,172 | -6,937 | 46,794 |
| <u>Pendle Hill User Reserve</u> <i>To fund improvement schemes on Pendle Hill</i> | 13,647 | 30,337 | -11,465 | 32,519 | 14,000 | -2,450 | 44,069 |
| <u>Crime Reduction Partnership Reserve</u> <i>To fund cost of crime reduction initiatives</i> | 19,105 | 5,070 | | 24,175 | 5,702 | | 29,877 |

Notes to the Core Financial Statements

| General Fund | Balance at 31 March 2015 £ | Transfers In 2015/16 £ | Transfers Out 2015/16 £ | Balance at 31 March 2016 £ | Transfers In 2016/17 £ | Transfers Out 2016/17 £ | Balance at 31 March 2017 £ |
|---|--|---------------------------------|----------------------------------|--|---------------------------------|----------------------------------|-------------------------------------|
| <u>Wellbeing and Health Equality</u> <i>To fund expenditure on Wellbeing and Health</i> | 47,428 | | -47,428 | 0 | | | 0 |
| <u>Exercise Referral Reserve</u> <i>To fund potential residual staffing costs</i> | 20,183 | 790 | -4,572 | 16,401 | | -2,040 | 14,361 |
| <u>Housing Related Grants Reserve</u> <i>Residual grant received, to be committed to future grant schemes</i> | 26,480 | 54,460 | -22,930 | 58,010 | 157,532 | -28,138 | 187,404 |
| <u>Planning Related Grants Reserve</u> <i>Residual grant received, to be committed to future grant schemes</i> | 0 | | | 0 | 35,495 | | 35,495 |
| <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> | 46,224 | | | 46,224 | | -1,100 | 45,124 |
| <u>Grant Funded Sports Development</u> <i>To finance future Sports Development grant funded expenditure</i> | 3,500 | 2,010 | | 5,510 | | -4,910 | 600 |
| <u>Whalley Moor Reserve</u> <i>Grant received towards work at Whalley Moor Woodland</i> | 4,970 | | -450 | 4,520 | | | 4,520 |
| <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> | 23,288 | 19,880 | -25,266 | 17,902 | 12,977 | -22,676 | 8,203 |
| <u>Rural Services Reserve</u> <i>Grant received with the purpose of supporting rural services</i> | 0 | | | 0 | 105,544 | | 105,544 |
| <u>Neighbourhood Planning Reserve</u> <i>DCLG Neighbourhood Planning Grant received to fund future related expenditure</i> | 10,000 | 5,000 | | 15,000 | | | 15,000 |

Notes to the Core Financial Statements

| General Fund | Balance at 31 March 2015 £ | Transfers In 2015/16 £ | Transfers Out 2015/16 £ | Balance at 31 March 2016 £ | Transfers In 2016/17 £ | Transfers Out 2016/17 £ | Balance at 31 March 2017 £ |
|--|--|---------------------------------|----------------------------------|--|---------------------------------|----------------------------------|-------------------------------------|
| Repossession Prevention Fund Reserve | | | | | | | |
| <i>Ring-fenced DCLG funded reserve to help prevent repossessions and homelessness.</i> | 34,211 | | -5,720 | 28,491 | | | 28,491 |
| Parish Grant Reserve | | | | | | | |
| <i>PRG resources set aside to fund the Parish Grant Scheme</i> | 0 | 109,134 | | 109,134 | | -44,682 | 64,452 |
| Total Reserves for External Funding where Expenditure has yet to be Incurred | 497,838 | 299,087 | -315,363 | 481,562 | 336,422 | -120,473 | 697,511 |
| Total of all Earmarked Reserves | 5,941,467 | 1,867,529 | -1,803,494 | 6,005,502 | 2,162,301 | -1,382,598 | 6,785,206 |

Notes to the Core Financial Statements

13 PROPERTY, PLANT AND EQUIPMENT

| Movements in 2016/17 | Other Land and Buildings £'000 | Vehicles, Plant, Furniture and Equipment £'000 | Infra-Structure Assets £'000 | Community Assets £'000 | Surplus Assets (Not Held for Sale) £'000 | Total Property, Plant and Equipment £'000 |
|--|-----------------------------------|---|---------------------------------|---------------------------|---|--|
| <i>Cost or Valuation</i> | | | | | | |
| At 1 April 2016 | 12,342 | 4,347 | 359 | 1,593 | 77 | 18,718 |
| Additions/Acquisitions | 265 | 249 | | | | 514 |
| Derecognition - Disposal | | -75 | | | | -75 |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve | 811 | | | | | 811 |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | -33 | | | | | -33 |
| At 31 March 2017 | 13,385 | 4,521 | 359 | 1,593 | 77 | 19,935 |
| <i>Accumulated Depreciation and Impairments</i> | | | | | | |
| At 1 April 2016 | 0 | -2,510 | -43 | -17 | 0 | -2,570 |
| Derecognition - Disposal | | 75 | | | | 75 |
| Depreciation Charge | -366 | -446 | -10 | -3 | -2 | -827 |
| Depreciation written out to the Revaluation Reserve | 352 | | | | | 352 |
| At 31 March 2017 | -14 | -2,881 | -53 | -20 | -2 | -2,970 |
| <i>Net Book Value</i> | | | | | | |
| at 31 March 2016 | 12,342 | 1,837 | 316 | 1,576 | 77 | 16,148 |
| at 31 March 2017 | 13,371 | 1,640 | 306 | 1,573 | 75 | 16,965 |

Notes to the Core Financial Statements

| 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 |
|--|-----------------------------------|---|---------------------------------|---------------------------|---|--|
| <i>Cost or Valuation</i> | | | | | | |
| At 1 April 2015 | 11,797 | 4,090 | 357 | 1,593 | 117 | 17,954 |
| Additions/Acquisitions | 239 | 439 | 2 | | | 680 |
| Derecognition - Disposal | | -182 | | | | -182 |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve | 448 | | | | -12 | 436 |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | -142 | | | | -28 | -170 |
| At 31 March 2016 | 12,342 | 4,347 | 359 | 1,593 | 77 | 18,718 |
| <i>Accumulated Depreciation and Impairments</i> | | | | | | |
| At 1 April 2015 | | -2,216 | -34 | -14 | | -2,264 |
| Derecognition - Disposal | | 182 | | | | 182 |
| Depreciation Charge | -334 | -476 | -9 | -3 | -4 | -826 |
| Depreciation written out to the Revaluation Reserve | 334 | | | | 4 | 338 |
| At 31 March 2016 | 0 | -2,510 | -43 | -17 | 0 | -2,570 |
| <i>Net Book Value</i> | | | | | | |
| at 31 March 2015 | 11,797 | 1,874 | 323 | 1,579 | 117 | 15,690 |
| at 31 March 2016 | 12,342 | 1,837 | 316 | 1,576 | 77 | 16,148 |

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 2017 and 31 March 2016, the Council had no major capital commitments.

Effects of Changes in Estimates

In 2016/17 the Council made no material changes to its accounting estimates for Property, Plant and Equipment.

Revaluations

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

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.

14 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 2015 | 827 | 65 | 892 |
| At 31 March 2016 | 827 | 65 | 892 |
| <i><u>Cost or Valuation</u></i> | | | |
| At 1 April 2016 | 827 | 65 | 892 |
| At 31 March 2017 | 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 2016/17 or 2015/16 financial years.

Notes to the Core Financial Statements

15 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 2016 £ | 31 March 2017 £ | 31 March 2016 £ | 31 March 2017 £ |
| <u>Investments</u> | | | | |
| Financial Asset Held for Sale | 0 | 0 | 10,000 | 10,000 |
| Loans and receivables | 0 | 0 | 6,231,526 | 8,570,278 |
| Total Investments | 0 | 0 | 6,241,526 | 8,580,278 |
| <u>Debtors</u> | | | | |
| Loans and receivables | 303,372 | 294,155 | | |
| Financial assets carried at contract amount | 0 | 0 | 1,115,251 | 1,482,486 |
| Total Debtors | 303,372 | 294,155 | 1,115,251 | 1,482,486 |
| <u>Borrowings</u> | | | | |
| Financial liabilities at amortised cost | -169,664 | -146,770 | -35,393 | -22,893 |
| Total Borrowings | -169,664 | -146,770 | -35,393 | -22,893 |
| <u>Creditors</u> | | | | |
| Financial liabilities carried at contract amount | 0 | 0 | -613,783 | -775,484 |
| Total Creditors | 0 | 0 | -613,783 | -775,484 |

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

| | 2015/16 | | 2016/17 | |
|-------------------|--|---|--|---|
| | Financial Liabilities measured at amortised cost | Financial Assets: Loans and receivables | Financial Liabilities measured at amortised cost | Financial Assets: Loans and receivables |
| | £ | £ | £ | £ |
| Interest expenses | 11,141 | 13,847 | 9,484 | 16,234 |
| Interest Income | 0 | -48,031 | 0 | -38,542 |
| Total | 11,141 | -34,184 | 9,484 | -22,308 |

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 2016 and 31 March 2017 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 2016 | | 31 March 2017 | |
|-----------------------|-----------------|------------|-----------------|------------|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| | £ | £ | £ | £ |
| Financial Liabilities | 205,057 | 256,060 | 169,664 | 220,010 |

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 2016 | | 31 March 2017 | |
|-------------------|-----------------|------------|-----------------|------------|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| | £ | £ | £ | £ |
| Long-term debtors | 303,372 | 303,372 | 294,155 | 294,155 |

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

Notes to the Core Financial Statements

16 DEBTORS

| | 31 March 2016 | 31 March 2017 |
|---------------------------------------|------------------|------------------|
| | £ | £ |
| Central government bodies | 218,327 | 293,873 |
| Other local authorities | 170,600 | 497,897 |
| NHS Bodies | 5,347 | 0 |
| Public corporations and trading funds | 5,059 | 10 |
| Other entities and individuals | | |
| - Sundry Debtors | 787,441 | 766,605 |
| - Business Rates | 265,394 | 209,575 |
| - Council Tax | 182,810 | 193,528 |
| - Prepayments | 126,664 | 158,251 |
| - Impairment | -365,664 | -351,121 |
| Total | 1,395,978 | 1,768,618 |

17 CASH AND CASH EQUIVALENTS

| | 31 March 2016 | 31 March 2017 |
|--------------------------|------------------|------------------|
| | £ | £ |
| Cash held by the Council | 5,565 | 3,901 |
| Bank Current Accounts | 195,921 | 196,377 |
| Short Term Investments | 6,030,000 | 8,370,000 |
| Total | 6,231,486 | 8,570,278 |

18 CREDITORS

| | 31 March 2016 | 31 March 2017 |
|---------------------------------------|-------------------|-------------------|
| | £ | £ |
| Central government bodies | -529,771 | -907,366 |
| Other local authorities | -638,280 | -1,161,463 |
| Public corporations and trading funds | -32,595 | -38,996 |
| Other entities and individuals | | |
| - Sundry Creditors | -396,251 | -379,181 |
| - Business Rates | -38,211 | -55,978 |
| - Council Tax | -48,988 | -123,622 |
| - Commuted Sums | -178,816 | -311,440 |
| - Refundable Deposits | -12,583 | -9,624 |
| - Receipts in Advance | -71,481 | -48,857 |
| Total | -1,946,976 | -3,036,527 |

Notes to the Core Financial Statements

19 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. The timing of the fulfilment of such liabilities is unknown as these appeals have been lodged with the Valuation Office Agency by the individual ratepayers and relies on when the Valuation Office Agency reviews each appeal.

The provision is calculated based on past experience of the success of appeals and the amount of reduction in rateable value made. As a consequence there is a level of uncertainty around the estimation of this provision as referred to in note 6.

| Business Rates Appeals Provision | 2015/16 £ | 2016/17 £ |
|--|----------------|----------------|
| Balance at 1 April | 186,880 | 468,600 |
| Additional provisions made in the year | 281,720 | 38,960 |
| Balance at 31 March | 468,600 | 507,560 |

20 USABLE RESERVES

Movements in the Council's usable reserves are detailed in this note, the Movement in Reserves Statement and Note 10.

In summary the Usable Reserves are shown below. Detailed analysis of the council's earmarked reserves is available in Note 12.

| 31 March 2016 £ | 31 March 2017 £ |
|---|--------------------|
| 2,678,832 General Fund Balance | 2,716,569 |
| 6,005,502 Earmarked General Fund Reserves | 6,785,206 |
| 745,046 Usable Capital Receipts Reserve | 804,279 |
| 27,110 Capital Grants Unapplied | 197,687 |
| 9,456,490 Total Usable Reserves | 10,503,741 |

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.

| 2015/16 £ | 2016/17 £ |
|---|------------------|
| 2,103,114 Opening General Fund Balance | 2,678,832 |
| 575,718 Net amount added to (taken from) General Fund Balance | 37,737 |
| 2,678,832 Closing General Fund Balance | 2,716,569 |

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 12.

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

| 2015/16 £ | 2016/17 £ |
|---|------------------|
| 5,941,467 Opening Earmarked General Fund Reserves | 6,005,502 |
| 1,867,529 Amounts added to Earmarked General Fund Reserves | 2,162,301 |
| -1,803,494 Amounts taken from Earmarked General Fund Reserves | -1,382,597 |
| 6,005,502 Closing Earmarked General Fund Reserves | 6,785,206 |

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.

| 2015/16 £ | 2016/17 £ |
|--|----------------|
| 13,822 Opening Capital Grants Unapplied | 27,110 |
| 14,088 Amounts added to Capital Grants Unapplied | 184,664 |
| -800 Amounts taken from Capital Grants Unapplied | -14,087 |
| 27,110 Closing Capital Grants Unapplied | 197,687 |

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.

| 2015/16 £ | 2016/17 £ |
|--|----------------|
| 458,239 Opening Usable Capital Receipts Reserve | 745,046 |
| 286,807 Amounts added to the Usable Capital Receipts Reserve | 59,851 |
| 0 Amounts taken from the Usable Capital Receipts Reserve | -618 |
| 745,046 Closing Usable Capital Receipts Reserve | 804,279 |

21 UNUSABLE RESERVES

| 31 March 2016 £ | | 31 March 2017 £ |
|--------------------|------------------------------------|--------------------|
| 7,119,622 | Capital Adjustment Account | 7,044,683 |
| -305,678 | Collection Fund Adjustment Account | 107,926 |
| 6,263,401 | Revaluation Reserve | 7,256,758 |
| -14,435,324 | Pension Reserve | -17,283,324 |
| -52,706 | Accumulated Absences Account | -52,706 |
| -1,410,685 | Total Unusable Reserves | -2,926,663 |

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 10 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

| 2015/16 £ | | 2016/17 £ | £ |
|-------------------|--|--------------|-------------------|
| 7,446,267 | Balance at 1 April | | 7,119,622 |
| | Reversal of items relating to capital expenditure debited or credited to the Comprehensive income and Expenditure statement | | |
| -826,228 | - Charges for depreciation and impairment of non-current assets | -826,917 | |
| -170,238 | - Revaluation losses on Property, Plant and Equipment | -33,279 | |
| -29,138 | - Amortisation of intangible assets | -29,138 | |
| -260,098 | - Revenue expenditure funded from capital under statute | -201,936 | |
| -153,250 | - 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 | 0 | |
| -1,438,952 | | | -1,091,270 |
| 278,662 | Adjusting amounts written out of the Revaluation Reserve | | 170,337 |
| 6,285,977 | Net written out amount of the cost of non-current assets consumed in the year | | 6,198,689 |
| | Capital financing applied in the year | | |
| 173,308 | - Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing | 256,933 | |
| 800 | - Application of grants to capital financing from the Capital Grants Unapplied Account | 14,087 | |
| 132,815 | - Statutory provision for the financing of capital investment charged against the General Fund | 134,610 | |
| 526,722 | - Capital expenditure charged against the General Fund balance | 440,364 | |
| 833,645 | | | 845,994 |
| 7,119,622 | Balance at 31 March | | 7,044,683 |

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.

| 2015/16 £ | | 2016/17 £ |
|--------------|--|--------------|
| -55,133 | Balance at 1 April | -305,678 |
| 28,480 | 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 | 10,777 |
| -279,025 | 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 | 402,827 |
| -305,678 | Balance at 31 March | 107,926 |

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.

| 2015/16 £ | | 2016/17 £ |
|--------------|--|--------------|
| 5,768,206 | Balance at 1 April | 6,263,401 |
| 896,506 | Upward revaluation of assets | 1,164,565 |
| -122,649 | Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services | -871 |
| 773,857 | Surplus or Deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services | 1,163,694 |
| -143,470 | Difference between fair value depreciation and historical cost depreciation | -170,337 |
| -135,192 | Accumulated gains on assets sold or scrapped | 0 |
| -278,662 | Amount written off to the Capital Adjustment Account | -170,337 |
| 6,263,401 | Balance at 31 March | 7,256,758 |

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.

| 2015/16 £ | 2016/17 £ |
|---|--------------|
| 178 | 0 |
| Balance at 1 April | |
| -178 | 0 |
| Transfer to the Capital Receipts Reserve upon receipt of cash | |
| 0 | 0 |
| Balance at 31 March | |

Pension Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs.

However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to the pension fund or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

| 2015/16 £ | 2016/17 £ |
|--|--------------------|
| -17,122,324 | -14,435,324 |
| Balance at 1 April | |
| 3,550,000 | -2,145,000 |
| Remeasurements of the net defined benefit liability/(asset) | |
| -1,796,000 | -1,636,000 |
| 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 | |
| 933,000 | 933,000 |
| Employer's pensions contributions and direct payments to pensioners payable in the year | |
| -14,435,324 | -17,283,324 |
| Balance at 31 March | |

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.

| 2015/16 £ | | 2016/17 £ |
|--------------|---|--------------|
| -59,605 | Balance at 1 April | -52,706 |
| 59,605 | Settlement or cancellation of accrual made at the end of the preceding year | 52,706 |
| -52,706 | Amounts accrued at the year end of the current year | -52,706 |
| 6,899 | 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 | 0 |
| -52,706 | Balance at 31 March | -52,706 |

22 CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

| 2015/16 £ | | 2016/17 £ |
|--------------|-------------------|--------------|
| -34,184 | Interest received | -22,308 |
| 11,141 | Interest paid | 9,484 |
| -23,043 | Net Interest | -12,824 |

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

| 2015/16 £ | | 2016/17 £ |
|--------------|---|--------------|
| 286,807 | Proceeds from the sale of property, plant and equipment and intangible assets | 59,233 |
| 286,807 | | 59,233 |

Notes to the Core Financial Statements

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

| 2015/16 £ | 2016/17 £ |
|--|-----------------|
| -826,228 Depreciation | -826,917 |
| -170,238 Impairment and downward valuations | -33,279 |
| -29,138 Amortisation | -29,138 |
| 180,547 Increase/decrease in creditors | -103,133 |
| 140,426 Increase/decrease in debtors | 213,423 |
| 8,355 Increase/decrease in inventories | -18,159 |
| -281,720 Increase/decrease in provisions | -38,960 |
| -863,000 Movement in pension liability | -703,000 |
| -153,250 Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised | 0 |
| 173,307 Capital Grants and Contributions Applied | 256,932 |
| -260,098 Revenue Expenditure Funded from Capital Under Statute | -201,936 |
| 526,722 Capital Expenditure Charged against General Fund Balances | 440,364 |
| 14,088 Capital Grants and Contributions Unapplied Credited to the Comprehensive Income and Expenditure Statement | 184,665 |
| 6,899 Accumulated Absences Account | 0 |
| -1,533,328 | -859,138 |

23 CASH FLOW STATEMENT – INVESTING ACTIVITIES

| 2015/16 £ | 2016/17 £ |
|---|----------------|
| 820,268 Purchase of property, plant and equipment, investment property and intangible assets | 726,563 |
| -286,807 Proceeds from the sale of property, plant and equipment, investment property and intangible assets | -59,233 |
| -714,117 Other receipts from investing activities | -731,961 |
| -180,656 Net cash flows from investing activities | -64,631 |

24 CASH FLOW STATEMENT – FINANCING ACTIVITIES

| 2015/16 £ | 2016/17 £ |
|--|-----------------|
| 35,393 Repayments of short- and long-term borrowing | 35,394 |
| -183,262 Other payments for financing activities | -997,071 |
| -147,869 Net cash flows from financing activities | -961,677 |

Notes to the Core Financial Statements

25 MEMBERS' ALLOWANCES

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

| | 2015/16 £ | 2016/17 £ |
|-----------------------------------|----------------|----------------|
| Basic Allowance | 132,694 | 141,400 |
| Special Responsibility Allowances | 73,362 | 67,165 |
| Expenses | 5,096 | 5,111 |
| | 211,152 | 213,676 |

26 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 |
|--|----------------|------------------|--|----------------|------------------|--|
| | 2015/16 £ | 2015/16 £ | 2015/16 £ | 2016/17 £ | 2016/17 £ | 2016/17 £ |
| Chief Executive ¹ | 111,927 | 9,663 | 121,590 | 104,110 | 8,042 | 112,152 |
| Director of Community Services | 79,621 | 8,770 | 88,391 | 79,629 | 10,142 | 89,771 |
| Director of Resources | 79,621 | 8,403 | 88,024 | 79,629 | 9,066 | 88,695 |
| Head of Financial Services | 51,601 | 6,072 | 57,673 | 52,116 | 5,550 | 57,666 |
| Head of Planning Services | 51,601 | 4,889 | 56,490 | 52,113 | 5,355 | 57,468 |
| Head of Legal and Democratic Services ² | 41,281 | 3,060 | 44,341 | 41,693 | 3,348 | 45,041 |
| | 415,652 | 40,857 | 456,509 | 409,290 | 41,503 | 450,793 |

¹ The values for the Chief Executive include Acting Returning Officer Fees, which fluctuate from year to year depending on the elections called. (2016/17 £3,844 (£94 of which was pensionable) - EU Referendum, Police & Crime Commissioner and a By-Election and 2015/16 £11,671 - Parliamentary and Borough Wide District/Parish 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 £52,116 in 2016/17 (£51,601 in 2015/16) 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 2015/16 and 2016/17 financial years. The band that an employee falls within is determined by reference to the actual pensionable pay received, not the full time equivalent rate of pay.

| Salary Banding 2015/16 | Salary Banding 2016/17 | Employee Contribution Rate |
|------------------------|------------------------|----------------------------|
| £0 - £13,600 | £0 - £13,600 | 5.50% |
| > £13,600 - £21,200 | > £13,600 - £21,200 | 5.80% |
| > £21,200 - £34,400 | > £21,200 - £34,400 | 6.50% |
| > £34,400 - £43,500 | > £34,400 - £43,500 | 6.80% |
| > £43,500 - £60,700 | > £43,500 - £60,700 | 8.50% |
| > £60,700 - £86,000 | > £60,700 - £86,000 | 9.90% |
| > £86,000 - £101,200 | > £86,000 - £101,200 | 10.50% |
| > £101,200 - £151,800 | > £101,200 - £151,800 | 11.40% |
| > £151,800 | > £151,800 | 12.50% |

In 2016/17 and 2015/16, 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 | 2015/16 | 2016/17 |
|-----------------------------------|----------|----------|
| Percentage Contribution Rate | 14.0% | 14.0% |
| Lump Sum Payment from the Council | £203,904 | £212,304 |

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 2015/16 £ | Pension Contributions 2015/16 £ | Total Remuneration including Pension Contributions 2015/16 £ | Total Remuneration excluding Pension Contributions 2016/17 £ | Pension Contributions 2016/17 £ | Total Remuneration including Pension Contributions 2016/17 £ |
|--|--|--|--|--|--|--|
| Chief Executive ¹ | 121,590 | 15,670 | 137,260 | 112,152 | 14,050 | 126,202 |
| Director of Community Services | 88,391 | 11,147 | 99,538 | 89,771 | 11,148 | 100,919 |
| Director of Resources | 88,024 | 11,147 | 99,171 | 88,695 | 11,148 | 99,843 |
| Head of Financial Services | 57,673 | 7,224 | 64,897 | 57,666 | 7,296 | 64,962 |
| Head of Planning Services | 56,490 | 7,224 | 63,714 | 57,468 | 7,296 | 64,764 |
| Head of Legal and Democratic Services ² | 44,341 | 5,779 | 50,120 | 45,041 | 5,837 | 50,878 |
| | 456,509 | 58,191 | 514,700 | 450,793 | 56,775 | 507,568 |

¹ The values for the Chief Executive include Acting Returning Officer Fees, which fluctuate from year to year depending on the elections called. (2016/17 £3,844 (£94 of which was pensionable) - EU Referendum, Police & Crime Commissioner and a By-Election and 2015/16 £11,671 - Parliamentary and Borough Wide District/Parish 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 £52,116 in 2016/17 (£51,601 in 2015/16) 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:

| | 2015/16 | 2016/17 |
|---------------------|---------|---------|
| £50,000 - £54,999 | **1 | |
| £55,000 - £59,999 | 2 | **3 |
| £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 | | |
| £110,000 - £114,999 | | *1 |
| £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. (2016/17 £3,844 (£94 of which was pensionable) - EU Referendum, Police & Crime Commissioner and a By-Election and 2015/16 £11,671 - Parliamentary and Borough Wide District/Parish 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 £52,116 in 2016/17 (£51,601 in 2015/16) and therefore this officer is required to be disclosed in this note.

There were no redundancy payments made in 2016/17 or 2015/16.

Notes to the Core Financial Statements

27 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:

| | 2015/16 £ | 2016/17 £ |
|--|---------------|---------------|
| Fees Payable to Grant Thornton UK LLP with regard to external audit services carried out by the appointed auditor for the year | 40,202 | 40,202 |
| Fees payable to Grant Thornton UK LLP for the certification of grant claims and returns for the year. | 8,920 | 10,560 |
| Total | 49,122 | 50,762 |

28 GRANT INCOME

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2016/17 and 2015/16:

| | 2015/16 £ | 2016/17 £ |
|--|-------------------|-------------------|
| <i>Credited to Taxation and Non Specific Grant Income</i> | | |
| Revenue Support Grant | -1,011,321 | -623,087 |
| New Homes Bonus | -968,616 | -1,366,884 |
| New Homes Bonus Adjustment Grant | -4,002 | -2,862 |
| Business Rates S31 Grant | -692,865 | -462,250 |
| Council Tax Freeze Grant | -32,380 | 0 |
| Rural Areas Delivery Grant | 0 | -107,254 |
| Transition Grant | 0 | -20,424 |
| Capital Grants | -26,500 | -153,000 |
| Total Credited to Taxation and Non Specific Grant Income | -2,735,684 | -2,735,761 |
| <i>Credited to Services</i> | | |
| <i>Grants Received for Capital Purposes</i> | | |
| Disabled Facilities Grant | -160,895 | -273,220 |
| LCC Affordable Warmth Grant | 0 | -15,378 |
| Total Grants Received for Capital Purposes | -160,895 | -288,598 |

Notes to the Core Financial Statements

| | 2015/16 £ | 2016/17 £ |
|--|-------------------|-------------------|
| <u>Grants Received for Revenue Purposes</u> | | |
| NNDR Administration | -90,494 | -89,974 |
| Lancashire Highways Partnership | -15,324 | -11,625 |
| East Lancashire CCG (Best Foot Forward and Cardiac Rehabilitation) | -23,887 | 0 |
| Lancashire County Council | -68,977 | 0 |
| DWP - Rent Allowance and Rent Rebate Subsidy | -7,298,594 | -6,974,565 |
| DWP and DCLG Council Tax and Housing Benefit Administration Grant | -165,338 | -143,162 |
| DCLG - New Burdens Grant - Localising Support for Council Tax | -11,229 | 0 |
| Ribble Valley Community Safety Partnership | -8,500 | -14,553 |
| Affordable Warmth Public Health Grant (LCC) | -16,833 | 0 |
| DWP LA Data Sharing IT Costs Funding | -7,416 | -19,358 |
| Individual Electoral Registration Grant | -19,880 | -12,979 |
| DCLG - Single Homelessness Initiative Funding | -25,000 | 0 |
| DWP - Discretionary Housing Payments Fund | -27,729 | -33,252 |
| Home and Communities Grant | -20,000 | 0 |
| Storm Desmond and Storm Eva Council Tax Relief Grant | -89,401 | -98,215 |
| Flood Resilience Grants | -11,500 | -635,124 |
| DCLG - Property Searches | -72,406 | -5,172 |
| DCLG Bellwin Flood Scheme | -50,903 | 0 |
| LCC - Domestic Abuse Additional Support Services Grant | -28,375 | 0 |
| DCLG - Community Housing Fund | 0 | -157,532 |
| DCLG - Custom and Self Build Grant | 0 | -15,000 |
| DCLG - Brownfield Register | 0 | -14,645 |
| Other Grants | -27,953 | -47,717 |
| Total Grants Received for Revenue Purposes | -8,079,739 | -8,272,873 |
| Total Credited to Services | -8,240,634 | -8,561,471 |

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.

29 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 28 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 25.

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 2016/17 financial year, the council received income from one organisation which was financially significant to that organisation and a Member had disclosed an interest. This was in respect of £22,741 income received by the council from Longridge Town Council. This included £14,676 for one-off public conveniences refurbishment work and £8,065 for other goods and services.

The Member declaring an interest in Longridge Town Council did not take part in bidding for or pricing up the work for the public conveniences refurbishment and had no involvement in providing the other goods and services on behalf of the council.

Notes to the Core Financial Statements

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.

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 2016/17 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 2015/16.

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 127.
- Other standard business transactions between the Council and Lancashire County Council, such as superannuation payments to Lancashire Pension Fund - see Note 32.
- The Lancashire Business Rates Pool was operational for the first time during 2016/17. Full details of the operation of the business rates pool and the role of this council are included under Note 11.

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
- Mersey Care NHS Foundation Trust (regarding Calderstones Hospital)
- 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.

30 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

| | 2015/16 £ | 2016/17 £ |
|---|------------------|------------------|
| Opening Capital Financing Requirement | 3,602,707 | 3,709,657 |
| <u>Capital Investment</u> | | |
| Property, Plant and Equipment | 680,497 | 513,974 |
| Revenue Expenditure Funded from Capital Under Statute | 260,098 | 201,936 |
| <u>Sources of Finance:</u> | | |
| Grants and Other Contributions | -174,107 | -271,020 |
| Sums set aside from revenue: | | |
| - Revenue Contributions | -526,722 | -440,364 |
| - Minimum Revenue Provision | -132,816 | -134,610 |
| Closing Capital Financing Requirement | 3,709,657 | 3,579,573 |
| <u>Explanation of Movements in Year</u> | | |
| Increase/(Decrease) in Underlying Need to Borrow (Unsupported by Government Financial Assistance) | 106,950 | -130,084 |
| Increase/(Decrease) in Capital Financing Requirement | 106,950 | -130,084 |

31 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:

| | 31 March 2016 £ | 31 March 2017 £ |
|---|--------------------|--------------------|
| Not later than one year | 92,399 | 92,550 |
| Later than one year and not later than five years | 190,243 | 202,249 |
| Later than five years | 607,644 | 566,247 |
| | 890,286 | 861,046 |

The expenditure charged to the Cost of Services in the Comprehensive Income and Expenditure Statement in relation to the above leases was £110,202 (£97,870 in 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:

| | 31 March 2016 £ | 31 March 2017 £ |
|---|--------------------|--------------------|
| Not later than one year | -89,613 | -75,399 |
| Later than one year and not later than five years | -263,478 | -177,034 |
| Later than five years | -622,024 | -552,039 |
| | -975,115 | -804,472 |

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 2016/17 income included under the Cost of Services in the Comprehensive Income and Expenditure Statement in relation to the above leases was £82,974. (£82,367 in 2015/16).

32 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 2016, and at that date showed a funding level of 90% (assets of £6.0bn against accrued liabilities of about £6.7bn). The weighted average duration of the liabilities of the Fund as a whole is 16 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 | |
|--|---------------------------------|------------------|
| | 2015/16 £'000 | 2016/17 £'000 |
| Comprehensive Income and Expenditure Statement | | |
| Cost of Services | | |
| - current service costs | 1,245 | 1,124 |
| Other Operating Expenditure | | |
| - administration expenses | 18 | 23 |
| Financing and Investment Income and Expenditure | | |
| - net interest expense | 533 | 489 |
| Total Post employment Benefit Charged to the Surplus or Deficit on the Provision of Services | 1,796 | 1,636 |
| 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) | -621 | -6,193 |
| - actuarial gain and losses arising on changes in demographic assumptions | 0 | -412 |
| - actuarial gains and losses arising on changes in financial assumptions | -2,929 | 11,379 |
| - experience gain | 0 | -2,629 |
| Total Post employment Benefit Charged to the Comprehensive Income and Expenditure Account | -1,754 | 3,781 |
| 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 | -1,796 | -1,636 |
| Actual amount charged against the General Fund Balance for pensions in the year: | | |
| - employers' contributions payable to the scheme | 933 | 933 |

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2017 is a loss of £2,145,000 (31 March 2016 gain of £3,550,000).

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 | 2015/16 £'000 | 2016/17 £'000 |
|--|------------------|------------------|
| Present value of the defined benefit obligation | 54,250 | 64,082 |
| Fair value of plan assets | -39,814 | -46,798 |
| Net liability arising from defined benefit obligation | 14,436 | 17,284 |

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

| Local Government Pension Scheme | 2015/2016 £'000 | 2016/17 £'000 |
|--|--------------------|------------------|
| Opening fair value of scheme assets | 38,455 | 39,814 |
| Interest Income | 1,223 | 1,384 |
| Remeasurements gain/(loss): | | |
| - the return on plan assets, excluding the amount included in the net interest expense | 621 | 6,193 |
| Administration Expenses | -18 | -23 |
| Contributions from employer | 933 | 933 |
| Contributions from employees into the scheme | 295 | 296 |
| Benefits/transfers paid | -1,695 | -1,799 |
| Closing fair value of scheme assets | 39,814 | 46,798 |

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

| Local Government Pension Scheme | 2015/16 £'000 | 2016/17 £'000 |
|--|------------------|------------------|
| Opening balance at 1 April | 55,578 | 54,250 |
| Current service cost | 1,245 | 1,124 |
| Interest Cost | 1,756 | 1,873 |
| Contributions from scheme participants | 295 | 296 |
| Remeasurement (gains) and losses: | | |
| - Experience (gain)/loss | 0 | -2,629 |
| - Actuarial (gains)/losses arising from changes in demographic assumptions | 0 | 11,379 |
| - Actuarial (gains)/losses arising from changes in financial assumptions | -2,929 | -412 |
| Benefits/transfers paid | -1,695 | -1,799 |
| Closing balance at 31 March | 54,250 | 64,082 |

Notes to the Core Financial Statements

Local Government Pension Scheme Assets Comprised:

| Local Government Pension Scheme | Quoted | 31 March 2016 | 31 March 2017 |
|---|--------|---------------|---------------|
| Fair value of scheme assets | Y/N | £'000 | £'000 |
| <i>Cash</i> | | | |
| - Cash and Cash Equivalents | N | 1,345 | 486 |
| - Net Current Assets | N | 24 | 0 |
| Subtotal Cash | | 1,369 | 486 |
| <i>Equity Instruments by Industry Type</i> | | | |
| - Consumer discretionary | Y | 2,026 | 0 |
| - Consumer staples | Y | 2,301 | 0 |
| - Energy | Y | 171 | 0 |
| - Financials | Y | 2,415 | 0 |
| - Healthcare | Y | 1,445 | 0 |
| - Industrials | Y | 1,725 | 0 |
| - Information technology | Y | 2,450 | 0 |
| - Materials | Y | 493 | 0 |
| - Telecommunication services | Y | 330 | 0 |
| - Utilities | Y | 330 | 0 |
| Subtotal Equities | | 13,686 | 0 |
| <i>Bonds</i> | | | |
| - UK corporate | Y | 572 | 171 |
| - Overseas corporate | Y | 239 | 598 |
| - UK Fixed gilts | Y | 0 | 90 |
| - UK index linked | Y | 800 | 837 |
| Subtotal Bonds | | 1,611 | 1,696 |
| <i>Property</i> | | | |
| - Offices | N | 805 | 864 |
| - Offices/warehouse | N | 82 | 86 |
| - Industrial/warehouse | N | 940 | 1,155 |
| - Shops | N | 477 | 407 |
| - Retail warehouse | N | 688 | 678 |
| - Shopping centre | N | 198 | 189 |
| - Multi let commercial building | N | 636 | 744 |
| Subtotal Property | | 3,826 | 4,123 |
| <i>Alternatives</i> | | | |
| - UK private equity | N | 649 | 531 |
| - Overseas private equity | N | 1,748 | 2,481 |
| - Infrastructure | N | 3,181 | 5,647 |
| - Credit funds | N | 10,019 | 10,487 |
| - Indirect property funds | N | 550 | 660 |
| - Overseas pooled equity funds | N | 3,175 | 20,687 |
| Subtotal Alternatives | | 19,322 | 40,493 |
| Total | | 39,814 | 46,798 |

Notes to the Core Financial Statements

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit 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 2016.

The significant assumptions used by the actuary have been:

| Local Government Pension Scheme | 2015/16 | 2016/17 |
|--|------------|------------|
| Mortality Assumptions | | |
| Longevity at 65 for current pensioners: | | |
| Men | 23.0 years | 22.6 years |
| Women | 25.6 years | 25.2 years |
| Longevity at 65 for future pensioners: | | |
| Men | 25.2 years | 24.9 years |
| Women | 27.9 years | 27.9 years |
| Rate of CPI Inflation | 2.0% | 2.3% |
| Rate of increase in salaries (<i>adjustment made for short term pay restraint in line with the latest actuarial valuation</i>) | 3.5% | 3.8% |
| Rate of increase in pensions | 2.0% | 2.3% |
| Rate for discounting scheme liabilities | 3.5% | 2.5% |

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 | Increase in Assumption |
|--|------------------------|
| Impact on the Defined Benefit Obligation in the Scheme | £'000 |
| Longevity (1 year increase in life expectancy) | 1,261 |
| Rate of inflation (+0.1% per annum) | 1,081 |
| Rate of increase in salaries (+0.1% per annum) | 216 |
| Rate of discounting scheme liabilities (+0.1% per annum) | -1,064 |

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 16 years. Funding levels are monitored on an annual basis. The next triennial valuation is due to be completed on 31 March 2019.

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.

It is projected that the council will pay £1,010,000 in employer contributions to the scheme in 2017/18.

The weighted average duration of the defined benefit obligation for scheme members is 17 years (based on latest of 31 March 2016 and admission date)

Scheme History

| Local Government Pension Scheme | 2012/13 | 2013/14 | 2014/15 | 2015/16 | 2016/17 |
|---------------------------------|---------------|---------------|---------------|---------------|---------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Present Value of Liabilities | 49,987 | 46,474 | 55,578 | 54,250 | 64,082 |
| Fair Value of Assets | -33,615 | -34,466 | -38,455 | -39,814 | -46,798 |
| Deficit in the scheme | 16,372 | 12,008 | 17,123 | 14,436 | 17,284 |

The liabilities show the underlying commitments that the council has in the long run to pay post-employment (retirement) benefits. The total liability of £17.284m 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 2016, which showed a shortfall of assets against liabilities of £0.69 billion as at that date, equivalent to a funding level of 90%. The fund's employers are paying additional contributions over a period of 16 years in order to meet the shortfall. The weighted average duration of the authority's defined obligation is 17 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.

33 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.

Notes to the Core Financial Statements

34 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. The Council's share of total reclaimable VAT received each year will depend on the actual amount of qualifying capital expenditure incurred by Ribble Valley Homes Ltd each year.

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.

35 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.

Credit risk

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

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

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

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

Notes to the Core Financial Statements

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 2017 can be analysed by age as shown in the table below. Note 16 to the accounts shows a total provision for the impairment of debts of £351,121 of which £13,299 relates to sundry debts (£168,478 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 2017 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 2017 | Historical experience of default | Historical experience adjusted for market conditions at 31 March 2017 | Estimated maximum exposure to default and uncollectability at 31 March 2017 | Estimated maximum exposure at 31 March 2016 |
|--|----------------------------|--|--|--|--|
| | £ A | % B | % C | £ (A x C) | £ |
| Deposits with banks and building societies | 8,370,000 | 0.00% | 0.00% | 0 | 0 |
| Customers (Sundry Debt including overpaid Housing Benefits recovered from ongoing benefit) | 961,540 | 4.81% | 17.52% | 168,478 | 168,864 |

The council expects settlement terms from debtors of no greater than 14 days. On this basis £317,986 of the sundry debtor balance at 31 March 2017 is past its due date for payment (£341,002 at 31 March 2016); 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:

Notes to the Core Financial Statements

| Aged Sundry Debt | As at 31 March 2016 £'000 | As at 31 March 2017 £'000 |
|---------------------|---------------------------------|---------------------------------|
| Less than 30 days | 152 | 511 |
| 30 days to 59 days | 35 | 40 |
| 60 days to 89 days | 1 | 15 |
| 90 days to 119 days | 6 | 1 |
| 120 days + | 284 | 258 |
| | 478 | 825 |

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 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 2016 £'000 | 31 March 2017 £'000 |
|--|------------------------|------------------------|
| Less than one year | 35 | 23 |
| Between 1 and 2 years | 23 | 10 |
| Between 2 and 5 years | 31 | 31 |
| Between 5 and 10 years | 51 | 50 |
| More than 10 years | 65 | 55 |
| | 205 | 169 |

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 2016, are as follows:

| Limits in Interest Rate Exposure | 2016/17 Upper | 2017/18 Upper | 2018/19 Upper |
|---|------------------|------------------|------------------|
| Maximum Principal Sums Borrowed >364 Days | £6.764m | £6.653m | £6.956m |
| 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 £107,484. 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 2016/17

Collection Fund

| 2015/16 Total £'000 | | 2016/17 Council Tax £'000 | 2016/17 Business Rates £'000 | 2016/17 Total £'000 | Notes |
|---|--|---------------------------------|---------------------------------------|---------------------------|-------|
| Income | | | | | |
| 33,345 | Income from Council Tax Payers | 35,025 | | 35,025 | |
| 11 | Transfers From General Fund - Council Tax Benefits | 1 | | 1 | |
| 90 | Transfers From General Fund - Flood Relief | 98 | | 98 | |
| 2 | Family Annexes Discount Grant (DCLG) | 4 | | 4 | |
| 14,677 | Income from Business Ratepayers | | 15,228 | 15,228 | 1 |
| | Share of Estimated Deficit | | | | |
| 58 | - Central Government | | 526 | | |
| 10 | - Lancashire County Council | | 95 | 95 | |
| 46 | - Ribble Valley Borough Council | | 420 | 420 | |
| 1 | - Lancashire Combined Fire Authority | | 10 | 10 | |
| 48,240 | | 35,128 | 16,279 | 50,881 | |
| Expenditure | | | | | |
| | Precepts and Demands: | | | | 3 |
| 24,519 | - Lancashire County Council | 25,875 | | 25,875 | |
| 3,417 | - Ribble Valley Borough Council (including parishes) | 3,585 | | 3,585 | |
| 3,452 | - Police and Crime Commissioner (PCC) for Lancashire | 3,573 | | 3,573 | |
| 1,408 | - Lancashire Combined Fire Authority | 1,443 | | 1,443 | |
| | Business Rates | | | | |
| 7,255 | - Central Government | | 7,425 | 7,425 | |
| 1,306 | - Lancashire County Council | | 1,336 | 1,336 | |
| 5,804 | - Ribble Valley Borough Council | | 5,940 | 5,940 | |
| 145 | - Lancashire Combined Fire Authority | | 149 | 149 | |
| | Share of Estimated Surplus: | | | | |
| 155 | - Lancashire County Council | 343 | | 343 | |
| 22 | - Ribble Valley Borough Council | 48 | | 48 | |
| 9 | - Lancashire Combined Fire Authority | 20 | | 20 | |
| 22 | - Police and Crime Commissioner (PCC) for Lancashire | 48 | | 48 | |
| 54 | Transfers to General Fund - Council Tax Benefits | 21 | | 21 | |
| 90 | Costs of Collection | | 90 | 90 | |
| 11 | Renewable Energy Schemes | | 33 | 33 | |
| 256 | Provision for Bad/Doubtful Debts | 64 | 86 | 150 | 4 |
| 18 | Enterprise Zone | | 20 | 20 | |
| 13 | Transitional Protection Payments | | 96 | 96 | |
| 704 | Provision for Appeals | | 97 | 97 | 5 |
| 48,660 | | 35,020 | 15,272 | 50,292 | |
| -420 (Deficit)/Surplus for the Year | | 108 | 1,007 | 589 | |
| 98 | (Deficit)/Surplus Brought Forward | 598 | -920 | -322 | |
| -322 (Deficit)/Surplus Carried Forward | | 706 | 87 | 267 | |
| Allocated to | | | | | |
| -460 | - Central Government | | 43 | 43 | 6 |
| 364 | - Lancashire County Council | 530 | 8 | 538 | |
| -306 | - Ribble Valley Borough Council | 73 | 35 | 108 | |
| 63 | - Police and Crime Commissioner (PCC) for Lancashire | 73 | | 73 | |
| 17 | - Lancashire Combined Fire Authority | 30 | 1 | 31 | |
| -322 | | 706 | 87 | 793 | |

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 2016/17 were estimated before the start of the financial year as £7.425m to Central Government, £1.336m to Lancashire County Council, £0.149m to Lancashire Combined Fire Authority and £5.940m to Ribble Valley Borough Council. These sums have been paid in 2016/17 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 £4.361m from the general fund.

The total income from business rate payers collected in 2016/17 was £15.228m (£14.677m in 2015/16).

For the 2016/17 financial year this council was part of the Lancashire Business Rates Pool, which began on 1 April 2016. In a Business Rate Pool, tariffs, top-ups, levies and safety nets can be combined. This can result in a significantly lower levy rate (the levy payment being due where a council experiences any growth above the baseline amount) or even a zero levy rate meaning that more or all of the business rate growth can be retained within the pool area instead of being payable to the Government.

The Lancashire Business Rates Pool, which includes most but not all of the local authorities in Lancashire, has been designated by the Secretary of State for Communities and Local Government and the retained levy in Lancashire has been distributed as follows:

- Lancashire County Council is paid 10% of the overall retained levy;
- Each district within the pool retains 90% of their levy.

With regard to this council, the retained levy would be £376,131, hence under pooling we have benefitted from extra income of £338,518. Lancashire County Council has received the remaining 10% of retained levy.

As part of the pool arrangements, one authority must be designated as lead authority, which in the case of the Lancashire Business Rates Pool is Ribble Valley Borough Council. As part of this arrangement a fee of £2,000 is payable by each pool member to Ribble Valley Borough Council in their role as lead.

Collection Fund

The transactions listed above relating to the levy, retained levy, tariff and Business Rate Pool Management Fee are all transactions that operate outside of the Collection Fund but are referred to here for completeness and context.

In the Lancashire Business Rates Pool each council bears its own risk and takes its own reward under the pool agreement, i.e. no sharing of a volatility reserve.

For this council, by being part of the Lancashire Business Rates Pool we were able to retain levy that would have otherwise been payable to central government of £376,130. Of this 10% (£37,613) was paid to Lancashire County Council under the governance arrangements of the pool, resulting in net retained levy of £338,517 for this council.

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 2017. 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 2017 has been calculated at £1.269m (31 March 2016 £1.172m)

The total non-domestic rateable value at 31 March 2017 was £38,835,543 compared to £38,396,529 at 31 March 2016 based on the 2010 listing. The non-domestic rateable value at 31 March 2017 on the 2017 listing was £40,274,087.

The national non-domestic multiplier (rate in the pound) for the year 2016/17 was 49.7 pence compared to 49.3 pence in the year 2015/16.

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 £1,548.27 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 | 10 | 9.3 | 5.1 |
| A | 6/9 | 3,560 | 2,956.7 | 1,971.1 |
| B | 7/9 | 4,919 | 4,334.9 | 3,371.6 |
| C | 8/9 | 4,892 | 4,404.3 | 3,914.9 |
| D | 1 | 4,479 | 4,131.3 | 4,131.3 |
| E | 11/9 | 3,356 | 3,148.4 | 3,848.0 |
| F | 13/9 | 2,090 | 1,979.4 | 2,859.1 |
| G | 15/9 | 1,865 | 1,768.8 | 2,947.9 |
| H | 18/9 | 199 | 188.7 | 377.4 |
| Totals | | 25,370 | 22,921.80 | 23,426.4 |
| | | | Adjustments | -1,236.0 |
| | | | Adjustment for Collection Rate | -166.4 |
| | | | Council Tax Base | 22,024 |

Collection Fund

3 BAND D COUNCIL TAX

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

| | 2015/16 £ | 2016/17 £ |
|--|-------------------|-------------------|
| Lancashire County Council Precept | 24,519,615 | 25,875,117 |
| Police and Crime Commissioner (PCC) for Lancashire Precept | 3,452,079 | 3,572,733 |
| Lancashire Combined Fire Authority Precept | 1,407,657 | 1,442,572 |
| Ribble Valley Borough Council Demand (excluding Parishes) | 3,053,395 | 3,208,677 |
| Total to be Met From Council Tax | 32,432,746 | 34,099,099 |
| Divided by Council Tax Base (Band D Equivalent Dwellings) | 21,703 | 22,024 |
| Band D Council Tax (Average excluding Parishes) | £1,494.39 | £1,548.27 |

4 PROVISION FOR LOSSES

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

| | Council Tax £ | NNDR £ | Total £ |
|--------------------------------------|------------------|----------------|----------------|
| Opening Balance 1 April 2016 | 450,000 | 375,000 | 825,000 |
| Write Offs in Year | -14,417 | -130,947 | -145,364 |
| Increase to Provision | 64,417 | 85,947 | 150,364 |
| Closing Balance 31 March 2017 | 500,000 | 330,000 | 830,000 |

5 PROVISION FOR BUSINESS RATES APPEALS

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

| | 2015/16 £ | 2016/17 £ |
|--|------------------|------------------|
| Balance at 1 April | 467,200 | 1,171,500 |
| Additional provisions made in the year | 704,300 | 97,400 |
| Balance at 31 March | 1,171,500 | 1,268,900 |

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.

| 2015/16 | | | 2016/17 | |
|---------------|--|--|---------------|--|
| Precept | Share of 31 March (Deficit) or Surplus | | Precept | Share of 31 March (Deficit) or Surplus |
| £'000 | £'000 | | £'000 | £'000 |
| 24,519 | 447 | Lancashire County Council | 25,875 | 530 |
| 3,452 | 63 | Police and Crime Commissioner for Lancashire | 3,573 | 73 |
| 1,408 | 26 | Lancashire Combined Fire Authority | 1,443 | 30 |
| 3,417 | 62 | Ribble Valley Borough Council | 3,585 | 73 |
| 32,796 | 598 | Total | 34,476 | 706 |

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.

| 2015/16 | | | 2016/17 | |
|---------------------------|--|------------------------------------|---------------------------|--|
| 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 |
| 7,255 | -460 | Central Government | 7,425 | 43 |
| 1,306 | -83 | Lancashire County Council | 1,337 | 8 |
| 145 | -9 | Lancashire Combined Fire Authority | 148 | 1 |
| 5,804 | -368 | Ribble Valley Borough Council | 5,940 | 35 |
| 14,510 | -920 | Total | 14,850 | 87 |

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 2016 and January 2017 are shown in the table below.

| (Deficit) or Surplus Declared January 2016 | | | | (Deficit) or Surplus Declared January 2017 | | |
|---|-------------------------|----------------|--|---|-------------------------|----------------|
| Business Rates £'000 | Council Tax £'000 | Total £'000 | | Business Rates £'000 | Council Tax £'000 | Total £'000 |
| -526 | | -526 | Central Government | 57 | | 57 |
| -95 | 343 | 248 | Lancashire County Council | 10 | 430 | 440 |
| | 48 | 48 | Police and Crime Commissioner for Lancashire | | 59 | 59 |
| -11 | 20 | 9 | Lancashire Combined Fire Authority | 1 | 24 | 25 |
| -421 | 48 | -373 | Ribble Valley Borough Council | 45 | 59 | 104 |
| -1,053 | 459 | -594 | Total | 113 | 572 | 685 |

Glossary of Terms

Accounting Period

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

Accounting Policies

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

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

Accounting policies do not include estimation techniques.

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

Accruals

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

Accruals Basis

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

Actuarial Gains and Losses

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

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

Amortisation

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

Glossary of Terms

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.

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.

Glossary of Terms

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.

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.

Glossary of Terms

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.

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.

Glossary of Terms

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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