

RIBBLE VALLEY BOROUGH COUNCIL REPORT TO ACCOUNTS AND AUDIT COMMITTEE

Agenda Item No 9

meeting date: 25 JULY 2018
title: APPROVAL OF AUDITED STATEMENT OF ACCOUNTS FOR 2017/18
submitted by: DIRECTOR OF RESOURCES
principal author: LAWSON ODDIE

1 PURPOSE

1.1 To seek Member approval of the Statement of Accounts for 2017/18, 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 2018 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 is the first where we were 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. We also matched these new deadlines in last year's closedown process in preparation for this year's new requirements.

2.5 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.

2.6 Whilst Policy and Finance Committee considered the overall outturn position at their June meeting, the 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 2019/20 financial year, and also in revising the estimate for the current financial year.

3 STATEMENT OF ACCOUNTS FOR 2017/18

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:

- Amendments to introduce key reporting principles for the Narrative Report
- Clarification on the reporting requirements for accounting policies and going concern reporting

3.2 Members will be taken through the full statement of accounts for 2017/18 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 '*Understanding Local Authority Financial Statements*' which is a document produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) to assist members.

3.4 Our external auditors have now completed their audit of our accounts and we are very pleased that there have been no amendments required to the Statement of Accounts.

4 GENERAL FUND OUTTURN POSITION 2017/18

4.1 Shown below is the final position for the 2017/18 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	3,336	3,429	3,507	171	78
Economic Development	215	234	223	8	-11
Health & Housing	924	839	793	-131	-46
Planning & Development	567	586	425	-142	-161
Policy & Finance	1,954	1,873	1,841	-113	-32
Committee Expenditure	6,996	6,961	6,789	-207	-172
Interest Payable	8	8	8	0	0
Parish Precepts	405	405	405	0	0
Interest Received	-16	-16	-21	-5	-5
Net Operating Expenditure	7,393	7,358	7,181	-212	-177
Precept from Collection Fund (including parish precepts)	-3,681	-3,681	-3,681	0	0
Collection Fund Surplus - Council Tax	-60	-60	-60	0	0
Transition Grant	-20	-20	-20	0	0
New Homes Bonus	-1,577	-1,577	-1,577	0	0

Committee	Original Estimate	Revised Estimate	Actual	Original Estimate Compared to Actual	Revised Estimate Compared to Actual
	£'000	£'000	£'000	£'000	£'000
Rural Areas Delivery Grant	-87	-87	-87	0	0
Revenue Support Grant	-304	-304	-304	0	0
Business Rates Baseline Funding	-1,265	-1,265	-1,265	0	0
Retained Rates Income	-448	-419	-419	29	0
10% Retained Business Rates Levy - Paid to LCC	50	54	66	16	12
S31 Grant	-591	-682	-903	-312	-221
Retained Rates - Renewable Energy	-29	-87	-100	-71	-13
Collection Fund Surplus - Business Rates	-45	-45	-45	0	0
Deficit/(Surplus) for year before Capital Adjustments and Transfers to/(from) Earmarked Reserves	-664	-815	-1,214	-550	-399
Depreciation	-876	-910	-910	-34	0
Minimum Revenue Provision	132	132	132	0	0
Net Transfer to/(from) earmarked reserves	1,658	1,876	2,175	517	299
Deficit/(Surplus) for Year	250	283	183	-67	-100

- 4.2 You will see we have made a deficit of £183,000 during the year, compared with the Revised Estimate which showed a deficit of £283,000, and the Original Estimate which showed a deficit of £250,000. When the Revised Estimates were considered in January we explained the main differences between the Original and Revised Estimates.

Final Position Compared to the Revised Estimate

- 4.3 During the 2017/18 financial year there were many variances that occurred which were 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	Impact on Earmarked Reserves	Net Variance
	£'000	£'000	£'000
<u>Expenditure Variations</u>			
Tuition Fees and Training Expenses	-26	0	-26
Business Rates payable on Council Properties	-11	0	-11
Vehicle Repairs and Maintenance	161	0	161
Other Vehicle Running Costs	-9	0	-9
Communications and computing	-20	4	-16

Variation	Committee Variance £'000	Impact on Earmarked Reserves £'000	Net Variance £'000
Council Tax Flood Discount	-64		-64
Promotional Activities and Statutory Notices	-19	0	-19
Printing, Stationery and Reference Books	-11	2	-9
Consultants	-10	14	4
Rent Allowance Payments	-81	0	-81
Grants Payable	-47	0	-47
Total Expenditure Variances	-137	20	-117
<u>Income Variations</u>			
Rent Allowances Grant	85		85
Storm Eva S31	64		64
Custom Self Build Grant	-30	30	0
Spring 2017 Business Rate Reliefs Grant	-12	0	-12
Various other Government Grants	-29	10	-19
Individual Electoral Registration Grant	-21	16	-5
VAT Shelter	75	-75	0
Other Grants, Reimbursements, Contributions	-16	6	-10
Planning Fees	-81		-81
Commercial Waste Income	-21	-3	-24
Edisford All Weather Pitch Income	-15		-15
Time Charged to Capital Projects	-11		-11
Elections Reserve Top-up		33	33
Flood Grants Reserve		20	20
Use of Restructuring Reserve		16	16
Total Income Variances	-12	53	41
Other Variations	-22	4	-18
Net Variation on Committee Expenditure	-171	77	-94
Impact of Corporate Variances on Earmarked Reserves		221	221
Net Variation after Corporate Movements on Earmarked Reserves	-171	298	127
Increased Interest Received			-5
Increased Retained Business Rates Levy – resulting in LCC 10% share increasing			12
Increased S31 Grants received in respect of business rates measures			-221
Retained Rates - Renewable Energy			-13
Decrease in amount to take from balances compared to Revised Estimate			-100

- 4.4 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

- 4.5 As mentioned earlier in the report, we had originally planned to take £250,000 from general fund balances to help finance the 2017/18 spending plans. However, this was revised later in the year to taking £282,890 from general fund balances. The final position shows that the council has taken £182,866 from general fund balances.

General Fund Balance	£'000
General Fund Balances: Brought forward at 1 April 2017	2,716,569
Deficit in 2017/18 taken from General Fund Balances	-182,866
General Fund Balances: Carried forward at 31 March 2018	2,533,703

Earmarked Reserves

- 4.6 With regard to earmarked reserves, in support of the revenue account and excluding capital transactions, we had originally planned to add £1,657,879. However, this was revised later in the year to adding £1,875,583 to earmarked reserves. The final position shows that the council has added £2,174,521 to earmarked reserves for revenue purposes.
- 4.7 For capital purposes we took £412,307 from earmarked reserves to fund the capital programme.
- 4.8 The overall net movement was £1,762,214 added to earmarked reserves. Full details of the movement on our earmarked reserves is shown at Annex 2

Earmarked Reserves	£
Earmarked Reserves: Brought forward at 1 April 2017	6,785,206
Net added to Earmarked Reserves for revenue purposes	2,174,521
Net taken from Earmarked Reserves for capital purposes	-412,307
Earmarked Reserves: Carried forward at 31 March 2018	8,547,420

- 4.9 Some of the larger in-year additions to earmarked reserves have been from unused in year receipt of New Homes Bonus (£783,911), Business Rates Volatility Reserve (£904,390), Business Rates Growth Reserve (£221,059) and VAT Shelter Reserve (£130,738). There have also been various other movements both in and out of our earmarked reserves.

Business Rates

- 4.10 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 potential impacts.

- 4.11 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.
- 4.12 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.
- 4.13 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 £661,344. Of this 10% (£66,134) was paid to Lancashire County Council under the governance arrangements of the pool, resulting in net retained levy of £595,210 for this council.
- 4.14 Finally, there was a surplus on the Collection fund for business rates of £45,369, which the council received a share of.
- 4.15 The table below sets out the Business Rates income forecast for the year, grants received, amounts used to fund our budget and also amounts unused which have been set aside in our earmarked reserves.

Business Rates Element	£'000
Total Business Rates Income Forecast for 2017/18	-14,275
Less Payable to Central Government	7,137
Less Payable to Lancashire County Council	1,285
Less Payable to Lancashire Combined Fire Authority	143
Balance Retained by Ribble Valley Borough Council	-5,710
Less Tariff Payable to Central Government	4,026
Baseline Business Rates Income of £1,265,000 plus Growth of £419,000	-1,684
Business Rates retained on Renewable Energy Schemes	-100
Section 31 Grants	-903
Less 10% Retained Business Rates Levy Payable to Lancashire County Council	66
Plus Business Rates Collection Fund Surplus	-45
Overall Net Retained Business Rates Related Income	-2,666
Business Rates Income Used In-Year	
Baseline Business Rates Income	1,265
Use of Business Rates Growth	276
Total Business Rates Income Used In-Year	1,541
Business Rates Unused in year of which:	1,125
- Balance set aside in the Business Rates Volatility Earmarked Reserve	904
- Balance set aside in the Business Rates Growth Earmarked Reserve	221

- 4.16 You will see above that funds have been set aside in the Business Rates Growth Reserve in addition to the Business Rates Volatility Earmarked Reserve. At the time of setting the 2018/19 budget it was agreed that once the Business Rates Volatility Reserve reached a level equal to the Safety Net (that would have been receivable had we not been part of the pool), then any further resources not used in year would be set aside in a Business Rates Growth Reserve
- 4.17 The Business Rates Volatility Reserve has now reached the equivalent of the Safety Net Level and so we have been able to start setting aside resources in the Business Rates Growth Reserve earlier than anticipated. This will be used to support revenue expenditure and the capital programme.

Collection Fund

- 4.18 As billing authority, the council maintain a separate collection fund for the collection of and distribution of council tax and business rates.
- 4.19 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.
- 4.20 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.

Full details of the Collection Fund position can be seen on page 133 of the Statement of Accounts.

Capital

- 4.21 During the year the Council spent £723,401 on capital schemes. The main areas of expenditure included:
- Replacement Vehicles and Plant.
 - Improvement Works at the Council Chambers.
 - Refurbishment of Windows at the Castle Museum.
 - Play Area Improvements.
 - Payment of Grants.
- 4.22 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	447,610	457,630	353,871	-93,739	-103,759
Economic Development Committee	100,000	0	0	-100,000	0
Planning and Development Committee	0	30,200	0	0	-30,200
Policy and Finance Committee	194,700	147,700	72,272	-122,428	-75,428
Health and Housing Committee	386,000	638,690	297,258	-88,742	-341,432
Total Capital Expenditure	1,128,310	1,274,220	723,401	-404,909	-550,819
Grants and Contributions	-161,000	-536,500	-247,092	-86,092	289,408
Capital Receipts	0	0	-25,000	-25,000	-25,000
Borrowing	-250,010	-75,010	-39,003	211,007	36,007
Earmarked Reserves	-717,300	-662,710	-412,306	304,994	250,404
Total Resources	-1,128,310	-1,274,220	-723,401	404,909	550,819

4.23 As shown in the table above, comparing spend to budget, there is a variance of £550,819 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 £564,636.

4.24 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 £564,636 variance, £551,090 is accounted for as slippage in to the 2018/19 financial year, and is summarised below:

Scheme Name	Slippage in to the 2018/19 Financial Year £
Play Area Improvements	12,940
Off-Street Car Parks - Upgrade of Payment System	16,340
Castle Museum - Refurbishment of Windows	36,000
Replacement Vehicles	21,590
Ribblesdale Pool Improvement Works	6,450
Planning System Update and Portal Link	30,200
Replacement Server for Revenues and Benefits	13,500
New Council Telephone System	45,000
Civic Suite Upgrade	27,640
Disabled Facilities Grants	271,530
Landlord/Tenant Grants	49,020
Affordable Warmth Grants	20,880
Total Capital Slippage	551,090

Balance Sheet

4.25 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.

4.26 The main movements on the balance sheet between 31 March 2017 and 31 March 2018 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 to a lesser extent due to the addition of assets through the capital programme.
- **Short Term Debtors** has increased mainly due to Section 31 grants that were due from the Government to the council in respect of Business Rates at the year end, but which had not been physically received.
- **Cash and Cash Equivalents** is higher at the 31 March 2018 due to a higher level of short term investments that were in place at year end (£10.151m) compared to 31 March 2017 (£8.570m)
- **Net Pension Liability** has decreased and this is mainly due to a net gain on remeasurements, which impacts on the change in the benefit obligation (liabilities) between the start and end of the year.

	£'000
Remeasurements (liabilities)	
Gain on Financial Assumptions	-2,421
Remeasurements (assets)	-509
Net movement from remeasurements	-2,930

- **Earmarked Reserves** are held for numerous reasons with some of the larger balances being in relation to New Homes Bonus, Business Rates and VAT Shelter and reflect future spending pressures or uncertainties for both revenue and capital. The Council continues to review the level of its earmarked reserves in order to meet its future financial pressures and also maintains a healthy level of general fund balances in light of future funding uncertainties. Earmarked reserves have increased by £1.762m at 31 March 2018 compared to the previous year end.

4.27 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.

4.28 The council has always worked to minimise the impacts of reduced government funding and will continue work to minimise the impact of future forecast reductions in government funding through the work of the Budget Working Group.

5 CONCLUSION

5.1 The final outturn of a **deficit of £183,000** means that we have taken £100,000 **less** from general fund balances than was estimated when we prepared the Revised Estimates.

5.2 There has also been £299,000 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, but also results from the increase in S31 grants around business rates and the set aside in the new Business Rates Growth Reserve .

5.3 In previous years our final outturn position has been such that we have added to our general fund balance. However, for 2017/18 we have needed to take £183,000 from our general fund balances

6 RISK ASSESSMENT

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

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

7 RECOMMENDED THAT COMMITTEE

7.1 Approve the audited Statement of Accounts for 2017/18.

HEAD OF FINANCIAL SERVICES

DIRECTOR OF RESOURCES

AA12-18/LO/AC

13 July 2018

understanding local authority financial statements

2016

\ introduction

Local authority financial statements have a key part to play in accountability to taxpayers and other stakeholders as to how public money is used. However, the complexity of the financial statements has not always helped this accountability, particularly allowing the amounts in the statements to be easily reconciled to management accounting and in-year monitoring of budgets.

The introduction of the Expenditure and Funding Analysis to the 2016/17 Code is intended to allow a clear link to be made between in-year monitoring and General Fund information and final outturn as set out in the audited financial statements, thus closing the accountability loop from budgets through to outturn.

A key to achieving the aims of the changes will be to use the information not just in the narrative section of the financial statements to explain performance during the year, but more widely to all stakeholders, including elected members as citizens' representatives, in a range of formats and media to provide a definitive position on financial performance. Local authorities are also urged to look to their balance sheets as a part of this explanation and the key messages that can be drawn out.

At the same time it is important that opportunities are taken to cut the clutter and remove immaterial disclosures or through the use of technical appendices to separate out the more complex disclosures. Working in partnership CIPFA/LASAAC will itself continue to review opportunities for improvement and explore links with other published information to ensure that the definitive position remains clear.

This briefing note is intended to help chief financial officers and other senior staff to present the financial statements to members and other stakeholders by explaining how the formats can be used to convey key information. It is also designed to give elected members and stakeholders an introduction to the format of the accounts and provide them with key questions on the financial statements.

An important element of financial reporting which will assist local authorities to tell the story of their financial performance is the narrative report (management commentary in Scotland). This report accompanies the financial statements and should provide a commentary on how the authority has used its resources to achieve desired outcomes in line with its objectives and strategies. It should provide an explanation of the main messages of financial performance, financial position and cash flows in the financial statements.

This publication includes extract financial statements to demonstrate key issues. It is important to note that the Code sets out the minimum requirements for the financial statements of the authority, but authorities are free to include more detail if they think it will help them to explain the accounts to members and other stakeholders.

This publication also highlights the opportunities to simplify presentation and make the messages clearer in a number of areas:

- comparisons with budgets (General Fund and Housing Revenue Account performance)
- reserves position, and
- cash flows.

comparisons with budgets

For members, probably the most important issue will be whether the authority has a surplus or deficit on General Fund or Housing Revenue Account (HRA) balances against its budget for the year.

The financial statements will enable individual authorities to demonstrate performance both in the way in which they organise themselves and, more importantly, in how they budget against the General Fund to provide services.

The introduction of the new expenditure and funding analysis

The financial statements primarily follow accounting standards rather than local government legislation. Although some information is provided on General Fund and HRA balances this hasn't always been easy to identify in the past. However, the new Expenditure and Funding Analysis provides users of the financial statements with more information to make that analysis (for example, by comparison with their budget reports).

The Expenditure and Funding Analysis brings together local authority performance reported on the basis of expenditure measured under proper accounting practices with statutorily defined charges to the General Fund (including the HRA).

Proper accounting practices measure the resources that have been generated and consumed in the year including such things as the use of property (depreciation) and the value of pensions benefits earned by the employees. Statutory provisions determine how much of the authority's expenditure needs to be met from council tax each year.

The Expenditure and Funding Analysis:

- shows for each of the authority's services or directorates a comparison of the net resources applied and the net charge against council tax, and
- provides an opportunity to explain significant differences between the two within the authority's framework for accountability.

The Expenditure and Funding Analysis promotes accountability and stewardship by providing a more direct link with the annual decision making process of the authority and its budget ie the General Fund. The changes are more transparent and follow the performance framework of the authority.

The Expenditure and Funding Analysis takes the net expenditure that is chargeable to taxation and rents and reconciles it to the Comprehensive Income and Expenditure Statement. To demonstrate accountability and to meet segmental reporting requirements it is necessary to reconcile to the statutory position on the General Fund balance. The service analysis for both the Expenditure and Funding Analysis and the Comprehensive Income and Expenditure Statement are now both provided in the way in which an authority organises itself and manages financial performance.

The Expenditure and Funding Analysis needs to be positioned in the financial statements where it is most accessible and relevant to its users. This means it could be placed before the main statements, to accompany the Comprehensive Income and Expenditure Statement, or even included as the first note. An authority will be able to decide for itself.

Expenditure and Funding Analysis (extract)

The Expenditure and Funding Analysis analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's directorates/services/departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

20X0/20X1	Net Expenditure Chargeable to the General Fund and HRA Balances £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income and Expenditure Statement £000
People Directorate	47,385	898	48,283
Neighbourhoods	5,929	13,608	19,537
Business Change	30	224	254
Corporate and Central Services	19,358	833	20,191
Net Cost of Services	72,702	15,563	88,265
Other Income and Expenditure	(72,658)	(1,019)	(73,677)
Surplus or Deficit	44	14,544	14,588
Opening General Fund and HRA Balance at 31 March 20X0	(25,247)		
Less Deficit on General Fund and HRA Balance in Year	44		
Closing General Fund and HRA Balance at 31 March 20x1*	(25,203)		

*for a split of this balance between the General Fund and the HRA – see the Movement in Reserves Statement

comprehensive income and expenditure statement

The Comprehensive Income and Expenditure Statement shows how resources have been generated and expended in accordance with International Financial Reporting Standards. It shows whether the authority's operations resulted in a surplus or deficit. The key lines that summarise performance are highlighted below.

Comprehensive Income and Expenditure Statement (extract)

The Comprehensive Income and Expenditure 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 [or rents]. Authorities raise taxation [and rents] 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.

Comprehensive Income and Expenditure Statement 20X0/X1	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
People Directorate	74,297	(26,014)	48,283
Neighbourhoods	58,225	(38,688)	19,537
Business Change	11,624	(11,370)	254
Corporate and Central Services	24,021	(3,830)	20,191
Cost of Services	168,167	(79,902)	88,265
Other Operating Expenditure (Note 9)	2,218	–	2,218
Financing and Investment Income and Expenditure (Note 10)	11,340	(2,359)	8,981
Taxation and Non-specific Grant Income and Expenditure (Note 11)	–	(84,876)	(84,876)
(Surplus) or Deficit on Provision of Services			14,588
(Surplus) or Deficit on Revaluation of Property, Plant and Equipment Assets			(36,597)
(Surplus) or Deficit on Revaluation of Available-for-Sale Financial Assets			(101)
Remeasurement of the Net Defined Benefit Liability (Asset)			(8,444)
Other Comprehensive Income and Expenditure			(45,142)
Total Comprehensive Income and Expenditure			(30,554)

Expenditure of continuing operations, analysed by service segment, these lines are reconciled to the General Fund in the Expenditure and Funding Analysis

Operational costs of providing the services of the authority.

Total income and expenditure of the authority for the year, this line is also reconciled to the General Fund in the Expenditure and Funding Analysis

From 2016/17 local authorities are required to report their service segments based on the way in which they operate and manage services. There is no longer a requirement for that service analysis to be based on the definition of total cost or the service expenditure analysis in the *Service Reporting Code of Practice* in the financial statements. This new format means that the service section of the Comprehensive Income and Expenditure Statement supports accountability and transparency as it reflects the way in which services operate and performance is managed.

Where an authority uses alternative service reporting formats it will need to select the presentation most commonly used by the individual or group within the authority who has the most significant role in allocating resources and assessing performance of services when considering the allocation of resources.

This format of the Comprehensive Income and Expenditure Statement is also more meaningful for both local authority members and users of the financial statements as it follows their budget and performance monitoring and other key documents such as their council tax leaflets.

Treatment of overheads will depend on an authority's arrangements for accountability. If an authority operates and manages some or all of its corporate and support services separately then these service segments would be shown separately on the face of the Comprehensive Income and Expenditure Statement and not apportioned.

The test is whether the expenditure relating to these activities is reported to key decision makers as separate activities or spread across services as overheads for the financial statements. Therefore, there is no longer an absolute requirement to apportion support service overheads to services. However, local authorities will not need to change any of their financial reporting requirements for internal management processes. Whatever you are doing internally determines the structure for external reporting statements.

The Comprehensive Income and Expenditure Statement is then split into two parts.

The first part reflects the full economic cost of providing the services of the authority with the results summarised at the Surplus or Deficit on the Provision of Services line, highlighted above. It represents the operating costs of providing the services of the authority in the year. In the private sector this would be equivalent to the profit or loss of a company.

The second part, other comprehensive income and expenditure, shows the gains or losses in the measurement of the assets and liabilities of the authority. These gains or losses arise as a result of changes in market valuations, interest rates or changes in measurement assumptions in relation to pensions assets and liabilities.

movement in reserves statement

The Comprehensive Income and Expenditure Statement shows the income and expenditure on the authority's services in the year in accordance with International Financial Reporting Standards as adopted by the Code. However, the amount chargeable to council tax and an authority's General Fund is limited by statutory requirements and requires a number of adjustments. The statutory adjustments largely relate to arrangements for funding local authority capital expenditure or the timing with which some items are charged to council tax. The reserves of the authority represent its net worth; the usable reserves show the resources currently available to spend on services.

The movements in the financial position of the authority are summarised in the Movement in Reserves Statement.

The Movement in Reserves Statement shows how:

- the authority has generated and expended resources in the year; and
- the resourcing position is adjusted under statutory rules to show the funds available to be spent at year end.

The Movement in Reserves Statement prescriptions have been reduced to the absolute minimum in the Code. Authorities can provide additional rows to these minimum requirements if they consider that they need to do so to provide a true and fair presentation of their reserves.

Movement in Reserves Statement (extract)

The Movement in Reserves Statement shows the movement from the start of the year to the end on the different reserves held by the authority, analysed into 'usable reserves' (ie those that can currently be used to fund expenditure or reduce local taxation) and other 'unusable' reserves. It shows how the movements in year of the authority'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 [or rents] for the year. The Net Increase/Decrease line shows the statutory General Fund balance and Housing Revenue Account balance movements in the year following those adjustments.

	General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve* £000	Major Repairs Reserve** £000	Capital Grants Unapplied Account £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31 March 20X0	22,118	3,129	10,065	1,600	450	37,362	1,350,567	1,387,929
Movement in reserves during 20X0/X1								
Total Comprehensive Income and Expenditure	(14,983)	395	–	–	–	(14,588)	45,142	30,554
Adjustments from income & expenditure charged under the accounting basis to the funding basis	14,835	(291)	(750)	–	–	13,794	(13,794)	–
Increase or (decrease) in 20X0/X1	(148)	104	(750)	–	–	(794)	31,348	30,554
Balance at 31 March 20X1 carried forward	21,970	3,233	9,315	1,600	450	36,568	1,381,915	1,418,483

* Capital Fund Scotland

** Applicable in England Only

An overall increase in usable reserves can arise despite a loss being shown in the Comprehensive Income and Expenditure Statement where statutory provisions allow a different charge to revenue from the authority expenditure incurred (eg replacement of depreciation by minimum revenue provision (MRP)). The adjustment to usable reserves is balanced by a movement in unusable reserves.

Unusable reserves such as the Capital Adjustment Account and the Pensions Reserve with debit balances will need to be funded in the future, even if it is over a long period, so increases in these balances show an increasing burden on future taxpayers.

balance sheet

The balance sheet in local authorities is very similar to other public sector or private sector balance sheets. The balance sheet presents an authority's financial position, ie its net resources at the financial year end. The balance sheet is composed of two main balancing parts: its net assets and its total reserves. The net assets part shows the assets the authority would have control of after settling all its liabilities. The balance of these assets and liabilities is then shown as being attributable to the various reserves of the authority.

For local authorities balance sheet presentation is split between the usable reserves and unusable reserves. Usable reserves are those which the authority can utilise to support future service provision. Unusable reserves cannot be used to support services and include gains and losses where amounts can only become available to support services if the assets are sold. These gains and losses are referred to as unrealised.

Balance sheet (extract)

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, ie those reserves that the authority 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 the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves represents those that the authority 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	Notes	31 March 20X1 £000	
Property, plant and equipment	12	628,924	The authority's property portfolio
Highways Network Asset	13	1,028,700	The Highways Network Asset (not applicable to district councils). This will be the largest asset balance in a local highways authority balance sheet
Heritage assets	14	3,379	
Investment property	15	4,020	
Intangible assets	16	709	
Long-term investments	17	948	Long term assets ie those expected to provide benefits to the authority beyond 12 months
Long-term debtors	17	3,798	
Long-term assets		1,670,478	
Short-term investments	17	24,060	Current assets ie those anticipated to be consumed in 12 months – the normal operating cycle for the authority
Assets held for sale	22	1,409	
Inventories	18	1,769	
Short-term debtors	20	15,351	
Current assets		42,589	Reconciles to the cash and cash equivalents balance in the cash flow statement
Bank overdraft		(13,767)	
Short-term borrowing	17	(9,500)	Current liabilities ie those liabilities anticipated to be settled within 12 months
Short-term creditors	23	(21,960)	
Current liabilities		(45,227)	
Provisions	24	(4,297)	Long-term liabilities ie those liabilities that are anticipated to be settled beyond 12 months
Long-term borrowing	17	(89,733)	
Other long-term liabilities	17	(155,327)	
Long-term liabilities		(249,357)	
Net assets		1,418,483	Total assets less total liabilities

\ reserves

Reserves – including the General Fund and (where relevant) the Housing Revenue Account – are an indication of the resources available to an authority to deliver services at the balance sheet date. The key messages that members will be looking for in terms of reserves – especially the General Fund and the HRA – are how the balances have changed over the year, whether the balances are still adequate, and what the balances mean in terms of future budgets and services.

Information on the level of reserves can be found in the balance sheet and related notes, and in the Movement in Reserves Statement (and related notes). This latter statement will be more useful in explaining the changes that have taken place during the year.

	Notes	31 March 20X1 £'000
Usable reserves	24	36,568
Unusable Reserves	25	1,381,915
		<u>1,418,483</u>

The minimum requirement in presenting resources is to include only two lines – usable reserves (such as General Fund) and unusable reserves (such as the Revaluation Reserve and the Capital Adjustment Account).

If there are some reserves you do want to show on the balance sheet, that's fine, as long as these totals are shown.

While the balance sheet aims to show those reserves over which members have control, don't forget that some of the unusable reserves will become a charge against the revenue account – or usable reserves – over time. And in some cases, such as the Unequal Pay Back Pay Account, this might be within a year or two.

As indicated above, not all reserves can be used to deliver services, and the Code reflects this by reporting reserves in two groups – 'usable' and 'unusable' reserves. Usable reserves such as the General Fund are those where members will be involved in deciding on the levels maintained, and their use. Unusable reserves such as the Revaluation Reserve and the Capital Adjustment Account are not subject to such member influence.

cash flows

The final statement required by the Code is the cash flow statement.¹ The cash flow statement shows changes in cash flows of the authority during the financial year. It shows net cash flows split into three activities: operating, investing and financing. The cash flow statement shows the resulting movement in the authority's cash and cash equivalents. Cash and cash equivalents include short term investments that are readily convertible and which are subject to only insignificant risk of changes in value.

Cash Flow Statement (extract)

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority 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 authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (ie borrowing) to the authority.

	20X0/X1 £000	
Net (surplus) or deficit on the provision of services	14,588	Surplus or deficit taken from the Comprehensive Income and Expenditure Statement
Adjustments to net surplus or deficit on the provision of services for non-cash movements	(36,267)	
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	11,523	Three groups of transactions: <ul style="list-style-type: none"> ■ Operating ■ Investing ■ Financing
Net cash flows from Operating Activities (Note 26)	(10,156)	
Investing Activities (Note 27)	(24,585)	
Financing Activities (Note 28)	35,140	
Net increase or decrease in cash and cash equivalents	399	
Cash and cash equivalents at the beginning of the reporting period	(14,166)	
Cash and cash equivalents at the end of the reporting period (Note 19)	(13,767)	Cash and cash equivalents figure in the balance sheet

¹ Note the format of the cash flow statement shown is produced under the indirect method.

a checklist of questions to ask about a local authority's financial statements

To assist with the understanding of local authority financial statements a checklist about the core financial statements and the Expenditure and Funding Analysis has been included below.

Checklist	
Expenditure and Funding Analysis	
1	Have any significant differences between budget reports and net expenditure chargeable to General Fund and Housing Revenue Account balances been explained?
2	Are the major statutory adjustments clearly explained and easily understood?
Comprehensive Income and Expenditure Statement	
3	Is the purpose of the Comprehensive Income and Expenditure Statement clear (ie does it show actual financial performance under accounting standards before fiscal adjustments)?
4	Do the service net expenditure figures clearly demonstrate the financial performance of the services on the face of the Comprehensive Income and Expenditure Statement during the year?
5	Are the material items of income and expenditure in the Comprehensive Income and Expenditure Statement presented separately on the face of the Statement or explained in the notes?
6	Do the notes to the Comprehensive Income and Expenditure Statement provide easily understandable information relating to the Statement (or lines within the Statement)?
7	Are there any unexplained significant variances between current and previous year information?
Movement in Reserves Statement	
8	Can the major movements in net worth that occur within the Movement in Reserves Statement be easily identified? Are these explained within the financial statements or Narrative Report?
9	Do the opening balances in the Movement in Reserves Statement match with the closing balances of the preceding year? Are any adjustments to opening balances explained on the face of the Statement and/or in the notes?
10	Is there a clear explanation of the statutory adjustments in the adjustments from income and expenditure charged under the accounting basis to the funding basis line in the Movement in Reserves Statement? (Note this may be linked with the Expenditure and Funding Analysis.)
11	Do the entries on the statutory adjustment line net to nil?
12	Do the related notes on reserves clearly explain the line or columnar items not explained in the Statement?

Checklist

13	Does the Total Comprehensive Income and Expenditure line in the Movement in Reserves Statement agree with the information in the Comprehensive Income and Expenditure Statement?
14	How have the balances of usable reserves moved during the year? Are these balances sufficient to support an authority's financial plans in the immediate future and over the medium term?
Balance Sheet	
15	Does the property, plant and equipment information tell the story of the authority's property portfolio during the year (including the major movements in that portfolio ie major disposals and acquisitions)? Do these balances reflect the authority's asset management strategy? (Note the same question can be asked for local authorities with substantial portfolios of investment properties.)
16	For highways authorities – do the movements in the Highways Network Asset represent the transport management/investment decisions of the authority?
17	Has there been any substantial movement in the pension asset or liability? If yes, has the reason for such a movement been explained and the subsequent consequences described in the financial statements or the Narrative Report?
18	Have there been any new provisions or significant movements in provisions in the year? If yes, have the reasons for making these provisions been set out in the financial statements or any material movements been explained?
19	Have there been any significant movements in the authority's borrowings during the year? Are these movements reflected in your council's borrowing strategy and what impact will this have on the prudential indicators or future investment plans?
20	Are there any significant movements in an authority's investment portfolio? Do these agree with the plans in the authority's treasury management strategies and statutory investment plans?
21	Are there any other significant movements in balances in the balance sheet that are not clearly explained?
22	Do the balance sheet reserves agree with the totals in the Movement in Reserves Statement?
Cash Flow Statement	
23	Do the cash balances in the cash flow statement agree with the relevant balances in the balance sheet?
24	Are the council's cash balances reflected adequately in the council's treasury management strategies?

reminders and questions raised on the IFRS-based code

IFRS – what is it?

International Financial Reporting Standards (IFRSs) are a suite of accounting standards used across the world. The Code of Practice on Local Authority Accounting is based on IFRS standards as adapted or interpreted for local authority circumstances.

The pension deficit is meaningless – why do we have to show it?

The deficit doesn't have to be funded from this year's budget, but it's still a true cost estimated by actuaries – it represents the amount that will need to be found from future budgets to pay for pension entitlements already incurred in delivering services. So it's a real call on future funding arising from past activity. Not showing this would hide the liability that the authority has incurred.

This also applies to other reserves. Like the Pension Reserve, the Capital Adjustment Account, the Unequal Pay Back Pay Account and similar reserves all do one thing: they hold expenditure that the authority has incurred but not yet financed. Think of them as being a bit like a credit card balance – these amounts will have to be funded in future, either from taxation or from usable reserves.

Concerns have been expressed that all these reserves make the balance sheet incomprehensible. But all that needs to be shown on the balance sheet itself are 'usable reserves' and 'unusable reserves' – the details can all go in a note. This will help to declutter the balance sheet.

The financial statements do not clearly demonstrate traditional measures of local authority performance ie General Fund and HRA balances

The IFRS-based Code sets out that local authority financial statements are intended to be used for assessing the stewardship of local authority resources and for making economic decisions. Thus the information is intended for two purposes. The Comprehensive Income and Expenditure Statement presents information on the real economic cost of providing services in the year and it does not show the movement in General Fund and HRA balances. This reconciliation is provided in the Movement in Reserves Statement, whose bottom line shows the General Fund and HRA resources available at year end. CIPFA has reviewed options for making this even clearer. The new Expenditure and Funding Analysis brings together both the accounting measures of performance and the performance against General Fund for council tax setting purposes.

The accounts are too long!

Yes, the accounts can be long, but local authorities have a complex story to tell. But notes only need to be produced if they are material – leaving out notes that aren't material or required by legislation is a good start. CIPFA/LASAAC as standard setter is continuously challenging the need to introduce disclosures and reporting requirements for local government.

What changes were made to the 2016/17 Code?

CIPFA and CIPFA/LASAAC consulted widely in preparation for these changes, particularly the Telling the Story consultation in the summer of 2015. CIPFA also engaged a working group to consider a wide range of proposals for change. Following feedback from consultations from local authority accounts preparers and the work of the Working Group, the Telling the Story consultation set out proposals for change that CIPFA/LASAAC considers will reconnect the financial statements of local authorities with the way those authorities are both organised and funded.

The changes to the 2016/17 Code therefore have two main strands:

- to allow local authorities to report on the same basis as they are organised by breaking the formal link between the Service Reporting Code of Practice (SeRCOP) and the Comprehensive Income and Expenditure Statement
- to introduce a new Expenditure and Funding Analysis which provides a direct reconciliation between the way local authorities are funded and prepare their budget and the Comprehensive Income and Expenditure Statement in a way that is accessible to the lay reader. This analysis is supported by a streamlined Movement in Reserves Statement and replaces the current segmental reporting note.

The changes to the Code will for the first time allow local authorities to bring together the funding framework and the accounting framework in one analysis.

further reading

Financial Statements: A Good Practice Guide for Local Authorities (CIPFA, 2013)

Clear out the Clutter (Public Finance, April 2014)

Simplified Accounts: Small Isn't Always Beautiful (Public Finance, September 2015)

Code of Practice on Local Authority Accounting in the United Kingdom (CIPFA, issued annually)

Code of Practice on Local Authority Accounting in the United Kingdom: Guidance Notes for Practitioners
(CIPFA, issued annually)



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Statement of Accounts

[Audited]

2017/2018

Ribble Valley Borough Council

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

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Independent Auditors' Report to Members

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Narrative Report

1 INTRODUCTION

Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (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:

- Amendments to introduce key reporting principles for the Narrative Report.
- Clarification on the reporting requirements for accounting policies and going concern reporting.

2 RIBBLE VALLEY DEMOGRAPHICS AND ECONOMY

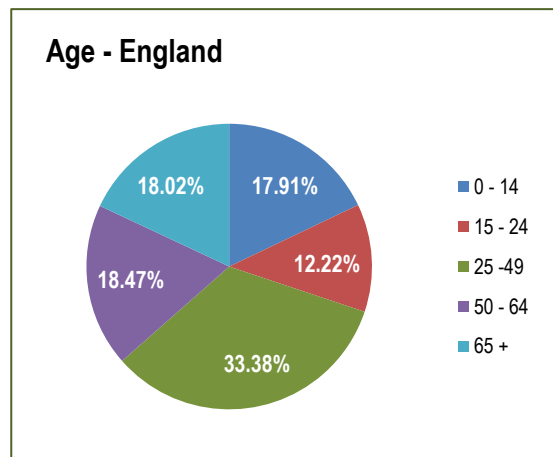
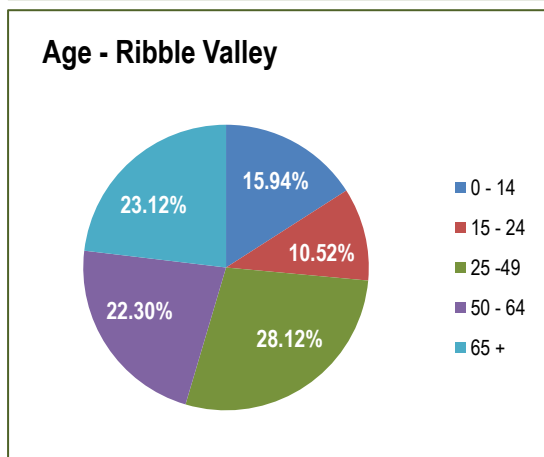
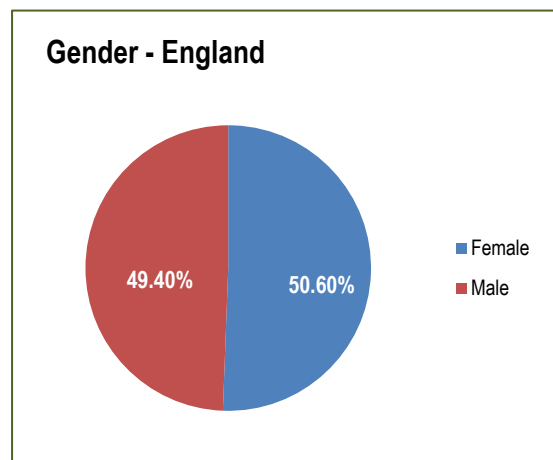
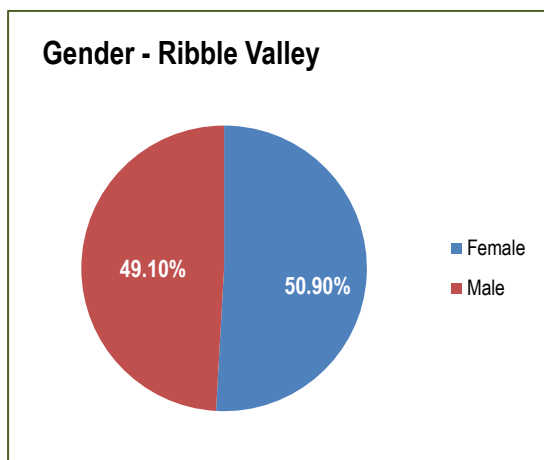
Locality

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.

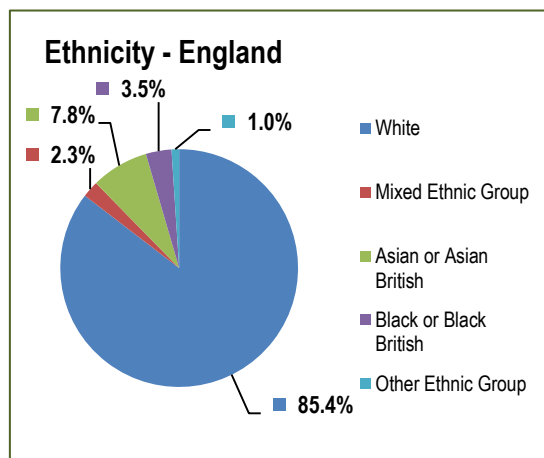
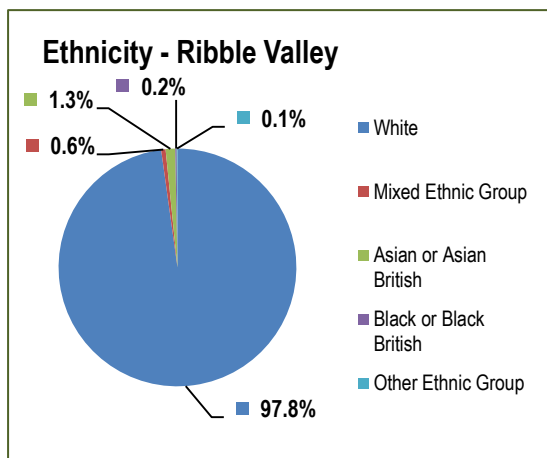
The remaining area is mainly rural, ranging from large villages to small hamlets. Some settlements are accessible along the A59 corridor; others are more remote from services and public transport. Along with ancient woodland, biological heritage sites, conservation areas and sites of special scientific 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 2016 Mid-Year Estimates for gender and age and March 2011 (Census) for Ethnicity. The total population for the borough, based on these statistics, is 58,826. The statistics for Ribble Valley are shown alongside those for England as a whole for comparison.



Narrative Report

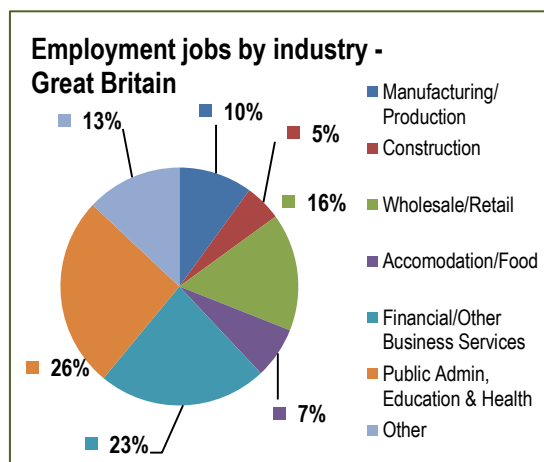
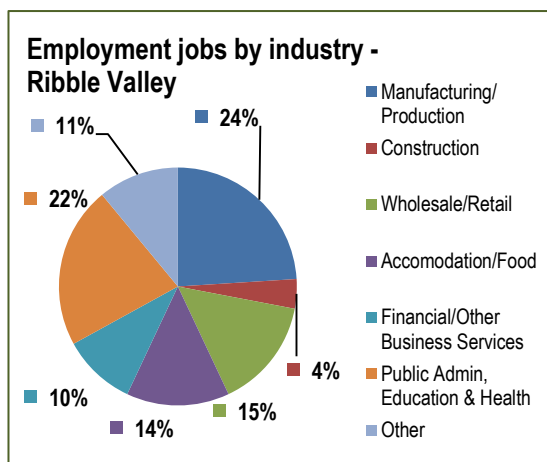


Local Economy and Business Information

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: Employment Jobs by Industry 2016).

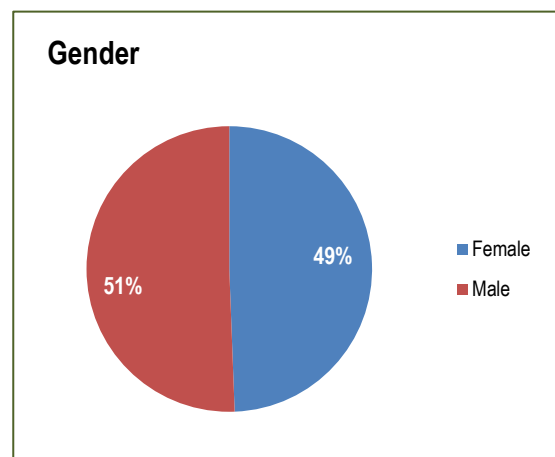
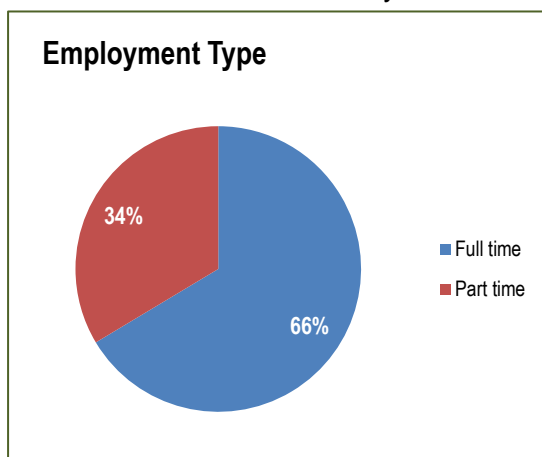


3 OUR EMPLOYEES

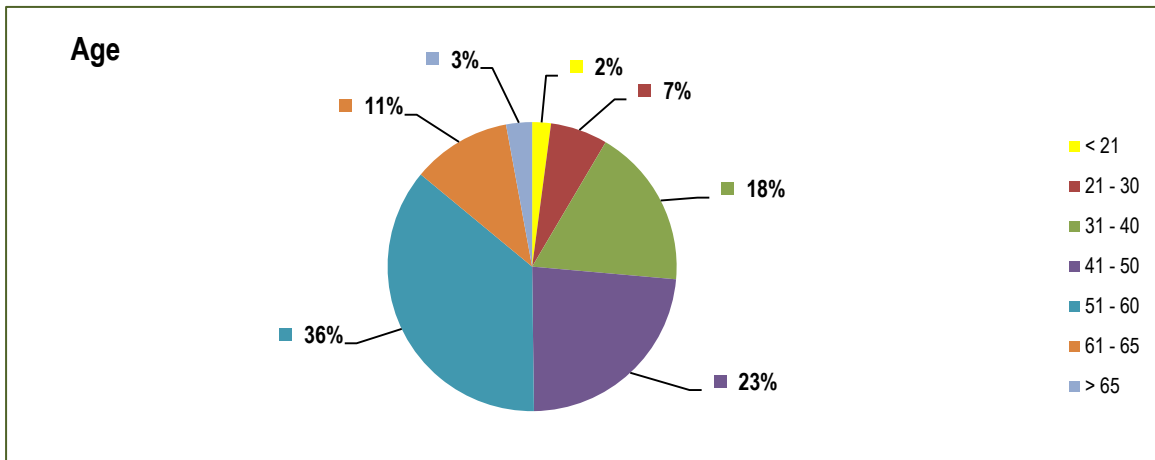
The organisational structure of the council is headed by the Corporate Management Team which consists of the Chief Executive, Director of Community Services, Director of Resources and the yet to be appointed Director of Economic Development and Planning. Each member of the Corporate Management Team has responsibility for one of the council's 4 departments. However, pending restructuring for the new Economic Development and Planning Department, staff currently sit only within the three departments of Chief Executive's Department, Community Services Department and Resources Department.



As at the 31 March 2018 the council employed 235 members of staff. The overall establishment consisted of 233 posts, of which 12 were vacant posts at 31 March. The tables below provide some information on the profile of our employees as at the end of the 2017/18 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 a Committee System.

Narrative Report

The diagram below shows the committee structure as at the 31 March 2018, and which operated throughout the 2017/18 financial year. The new Economic Development Committee first met on the 21 September 2017.



Narrative Report

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; and
- 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	3,336	3,429	3,507	171	78
Economic Development	215	234	223	8	-11
Health & Housing	924	839	793	-131	-46
Planning & Development	567	586	425	-142	-161
Policy & Finance	1,954	1,873	1,841	-113	-32
Committee Expenditure	6,996	6,961	6,789	-207	-172
Interest Payable	8	8	8	0	0
Parish Precepts	405	405	405	0	0
Interest Received	-16	-16	-21	-5	-5
Net Operating Expenditure	7,393	7,358	7,181	-212	-177
Precept from Collection Fund (including parish precepts)	-3,681	-3,681	-3,681	0	0
Collection Fund Surplus - Council Tax	-60	-60	-60	0	0
Transition Grant	-20	-20	-20	0	0
New Homes Bonus	-1,577	-1,577	-1,577	0	0
Rural Areas Delivery Grant	-87	-87	-87	0	0
Revenue Support Grant	-304	-304	-304	0	0
Business Rates Baseline Funding	-1,265	-1,265	-1,265	0	0
Retained Rates Income	-448	-419	-419	29	0
10% Retained Business Rates Levy - Paid to LCC	50	54	66	16	12
S31 Grant	-591	-682	-903	-312	-221
Retained Rates - Renewable Energy	-29	-87	-100	-71	-13
Collection Fund Surplus - Business Rates	-45	-45	-45	0	0
Deficit/(Surplus) for year before Capital Adjustments and Transfers to/(from) Earmarked Reserves	-664	-815	-1,214	-550	-399
Depreciation	-876	-910	-910	-34	0
Minimum Revenue Provision	132	132	132	0	0
Net Transfer to/(from) earmarked reserves	1,658	1,876	2,175	517	299
Deficit/(Surplus) for Year	250	283	183	-67	-100

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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	3,336	3,429	3,507	171	78
Economic Development	215	234	223	8	-11
Health & Housing	924	839	793	-131	-46
Planning & Development	567	586	425	-142	-161
Policy & Finance	1,954	1,873	1,841	-113	-32
Committee Expenditure	6,996	6,961	6,789	-207	-172

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	6,437	6,502	6,480	43	-22
Premises Related	1,547	1,618	1,616	69	-2
Transport Related	1,559	1,579	1,881	322	302
Supplies & Services	1,680	1,860	1,712	32	-148
Third Party Payments	352	404	402	50	-2
Transfer Payments	7,016	7,310	7,185	169	-125
Support Services	6,235	6,281	6,238	3	-43
Depreciation and Impairment	876	910	910	34	0
Total Expenditure	25,702	26,464	26,424	722	-40
Government Grants	-6,966	-7,174	-7,097	-131	77
Other Grants and Contributions	-673	-1,173	-1,135	-462	38
Customer and Client Receipts	-2,929	-2,958	-3,084	-155	-126
Recharges and Oncosts	-8,138	-8,198	-8,319	-181	-121
Total Income	-18,706	-19,503	-19,635	-929	-132
Net Expenditure	6,996	6,961	6,789	-207	-172

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	-35
Decrease in Retained Rates Income	29
Increase in Forecast 10% Retained Levy Payable to Lancashire County Council	4
Increase in S31 Grants Receivable	-91
Increase in retained Rates from Renewable Energy	-58
Increase in amount removed for Depreciation	-34
Increase in amount set aside in Earmarked Reserves	218
Net increase in amount to take from balances for the year	33

How our revenue services are financed

As shown earlier our total actual net expenditure for committees was £6.789m. 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.
- 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.

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- 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.

Allowing for the above movements, the council was left with net expenditure of £8.288m 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	-3,276
Precept relating to all Parishes	-405
Collection Fund Surplus	-60
Total Net Council Tax Income	-3,741

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 £661,344. Of this 10% (£66,134) was paid to Lancashire County Council under the governance arrangements of the pool, resulting in net retained levy of £595,210 for this council.

Finally, there was a surplus on the Collection fund for business rates, which the council receives a share of.

Business Rates Element	£'000
Total Business Rates Income Forecast for 2017/18	-14,275
Less Payable to Central Government	7,137
Less Payable to Lancashire County Council	1,285
Less Payable to Lancashire Combined Fire Authority	143
Balance Retained by Ribble Valley Borough Council	-5,710
Less Tariff Payable to Central Government	4,026
Baseline Business Rates Income of £1,265,000 plus Growth of £419,000	-1,684
Business Rates retained on Renewable Energy Schemes	-100
Section 31 Grants	-903
Less 10% Retained Business Rates Levy Payable to Lancashire County Council	66
Plus Business Rates Collection Fund Surplus	-45
Overall Net Retained Business Rates Related Income	-2,666

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 2017/18 we received £304,319 (2016/17 £623,087)

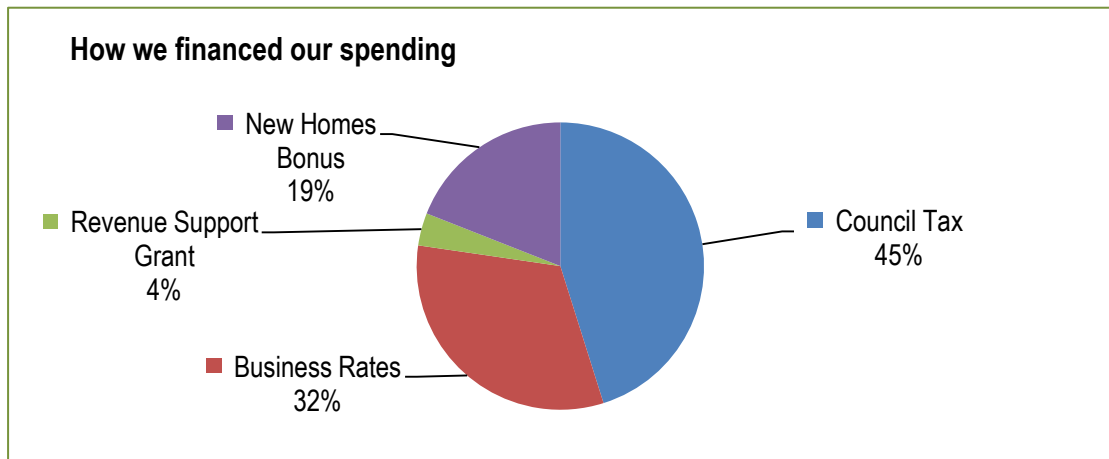
New Homes Bonus

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.

Our allocation for 2017/18 was £1,576,990 and is shown in the table below (2016/17 £1,366,883)

New Homes Bonus	£'000
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
2017/18 Allocation - last year payable is 2020/21	-390
Total New Homes Bonus received in 2017/18	-1,577

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

During 2017/18 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>	
Tuition Fees and Training Expenses	-26
National Non Domestic Rates	-11
Vehicle Repairs and Maintenance	161
Other Vehicle Running Costs	-9
Communications and computing	-20
Council Tax Flood Discount	-64
Promotional Activities and Statutory Notices	-19
Printing, Stationery and Reference Books	-11
Consultants	-10
Rent Allowance Payments	-81
Grants	-47
Total Expenditure Variances	-137
<u>Income Variations</u>	
Rent Allowances Grant	85
Storm Eva S31	64
Custom Self Build Grant	-30

Variation	£'000
Spring 2017 Business Rate Reliefs Grant	-12
Various other Government Grants	-29
Individual Electoral Registration Grant	-21
VAT Shelter	75
Other Grants, Reimbursements, Contributions	-16
Planning Fees	-81
Commercial Waste Income	-21
Edisford All Weather Pitch Income	-15
Time Charged to Capital Projects	-11
Total Income Variances	-12
Other Variations	-23
Net Variation on Committee Expenditure	-172
Increased Interest Received	-5
Variation on Net Operating Expenditure	-177
Increased Retained Business Rates Levy – resulting in LCC 10% share increasing	12
Increased S31 Grants	-221
Retained Rates - Renewable Energy	-13
Variation on Deficit/(Surplus) for Year	-399
Extra Transfers to Earmarked Reserves (for Revenue)	299
Reduction in amount to take from balances compared to Revised Estimate	-100

General Fund Balance and Earmarked Reserves

We had originally planned to take £250,000 from general fund balances to help finance the 2017/18 spending plans. However, this was revised later in the year to taking £282,890 from general fund balances. The final position shows that the council has taken £182,866 from general fund balances.

General Fund Balance	£'000
General Fund Balances: Brought forward at 1 April 2017	2,716,569
Deficit in 2017/18 taken from General Fund Balances	-182,866
General Fund Balances: Carried forward at 31 March 2018	2,533,703

With regard to earmarked reserves, in support of the revenue account and excluding capital transactions, we had originally planned to add £1,657,879. However, this was revised later in the year to adding £1,875,583 to earmarked reserves.

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The final position shows that the council has added £2,174,521 to earmarked reserves for revenue purposes. For capital purposes we took £412,307 from earmarked reserves to fund the capital programme. The overall net movement was £1,762,214 added to earmarked reserves.

Earmarked Reserves	£
Earmarked Reserves: Brought forward at 1 April 2017	6,785,206
Net added to Earmarked Reserves for revenue purposes	2,174,521
Net taken from Earmarked Reserves for capital purposes	-412,307
Earmarked Reserves: Carried forward at 31 March 2018	8,547,420

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 £723,401 on capital schemes. The main areas of expenditure included:

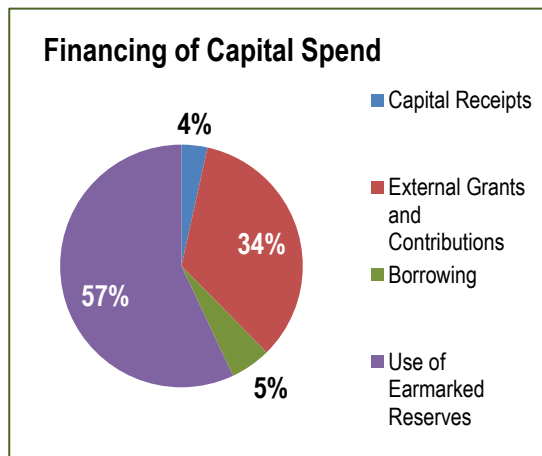
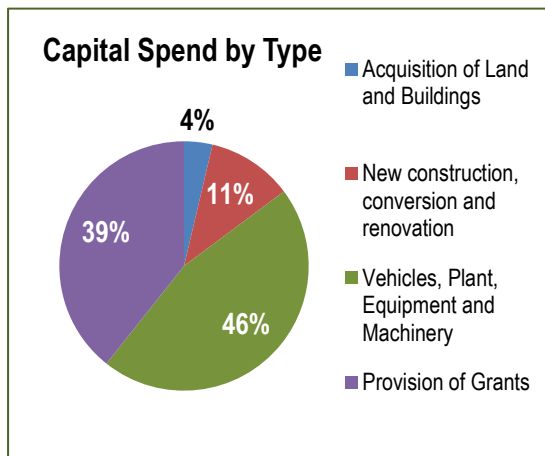
- Replacement Vehicles and Plant.
- Improvement Works at the Council Chambers.
- Refurbishment of Windows at the Castle Museum.
- Play Area Improvements.
- Payment of Grants.

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	447,610	457,630	353,871	-93,739	-103,759
Economic Development Committee	100,000	0	0	-100,000	0
Planning and Development Committee	0	30,200	0	0	-30,200
Policy and Finance Committee	194,700	147,700	72,272	-122,428	-75,428
Health and Housing Committee	386,000	638,690	297,258	-88,742	-341,432
Total Capital Expenditure	1,128,310	1,274,220	723,401	-404,909	-550,819
Grants and Contributions	-161,000	-536,500	-247,092	-86,092	289,408
Capital Receipts	0	0	-25,000	-25,000	-25,000
Borrowing	-250,010	-75,010	-39,003	211,007	36,007
Earmarked Reserves	-717,300	-662,710	-412,306	304,994	250,404
Total Resources	-1,128,310	-1,274,220	-723,401	404,909	550,819

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Shown below are summaries of the type of expenditure that is represented in the £723,401 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 £550,819 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 £564,636. 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 £564,636 variance, £551,090 is accounted for as slippage in to the 2018/19 financial year, and is summarised below:

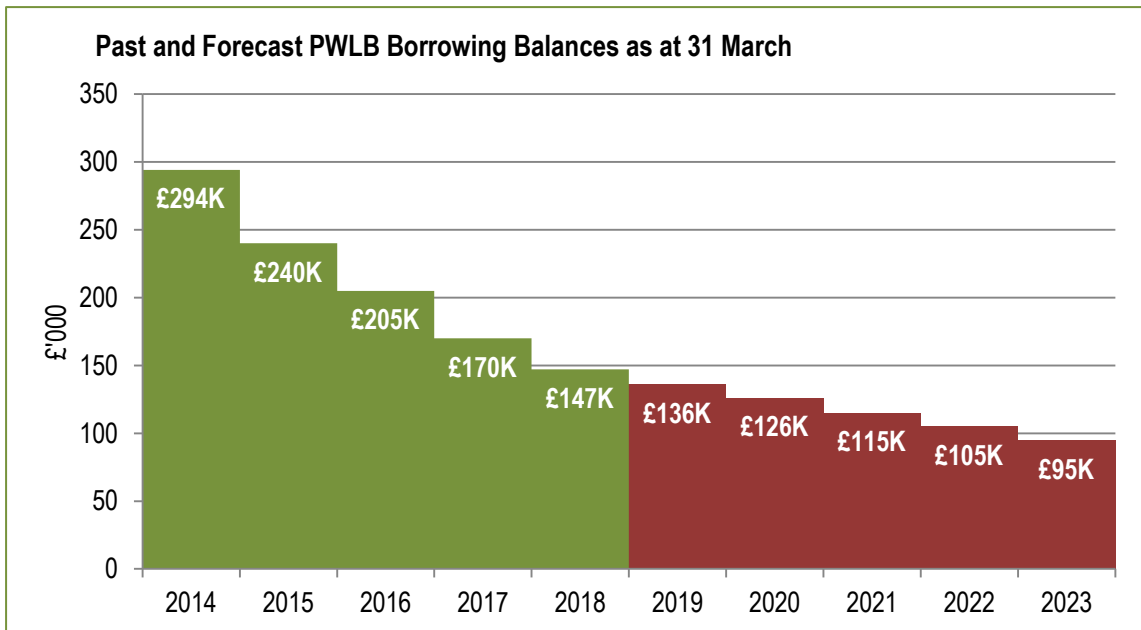
Scheme Name	Slippage in to the 2018/19 Financial Year £
Play Area Improvements	12,940
Off-Street Car Parks - Upgrade of Payment System	16,340
Castle Museum - Refurbishment of Windows	36,000
Replacement Vehicles	21,590
Ribblesdale Pool Improvement Works	6,450
Planning System Update and Portal Link	30,200
Replacement Server for Revenues and Benefits	13,500
New Council Telephone System	45,000
Civic Suite Upgrade	27,640
Disabled Facilities Grants	271,530
Landlord/Tenant Grants	49,020
Affordable Warmth Grants	20,880
Total Capital Slippage	551,090

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 2018 was £147k. 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 16 to the core financial statements.

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



Past actuals shown in green, forecast (based on Public Works Loan Board loans held at 31 March 2018) 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.

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For business rates, similar principles apply. Total forecast collectable rates are paid from the Collection Fund at fixed shares to Central Government, Ribble Valley Borough Council, Lancashire County Council and Lancashire Fire and Rescue.

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

Performance of the Collection fund for 2017/18 is summarised in the table below, compared to the forecast performance.

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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	36,338	36,338	36,338	0	0
Total Council Tax Surplus distributed	573	573	573	0	0
Council Tax Benefit	0	16	17	17	1
Bad Debts Provision	275	100	110	-165	10
Expenditure Subtotal - Council Tax	37,186	37,027	37,038	-148	11
Business Rates - Expenditure					
Cost of Collection	89	89	89	0	0
Enterprise Zones	21	150	257	236	107
Renewable Energy Schemes	29	88	100	71	12
Transitional Protection	24	21	37	13	16
Total Distribution of Business Rates	14,275	14,275	14,275	0	0
Total Business Rates Surplus distributed	113	113	113	0	0
Appeals Provision	400	461	-297	-697	-758
Bad Debts Provision	132	150	81	-51	-69
Expenditure Subtotal - Business Rates	15,083	15,347	14,655	-428	-692
Total Expenditure	52,269	52,374	51,693	-576	-681
Council Tax - Income					
Surplus Brought Forward	573	706	706	133	0
Council Tax Income	36,613	37,015	37,137	524	122
Council Tax Benefit	0	1	2	2	1
Flood Relief - Chargeable to Revenue	0	0	6	6	6
DCLG Grant	0	0	8	8	8
Income Subtotal - Council Tax	37,186	37,722	37,859	673	137
Business Rates - Income					
Surplus Brought Forward	113	87	87	-26	0
Net Rates Payable (before appeals)	14,970	15,197	14,662	-308	-535
Income Subtotal - Business Rates	15,083	15,284	14,749	-334	-535
Total Income	52,269	53,006	52,608	339	-398
Council Tax Surplus/(Deficit) carried forward	0	695	821	821	126
Business Rates Surplus/(Deficit) carried forward	0	-63	94	94	157
Total Net Surplus/(Deficit) carried forward	0	632	915	915	283

Narrative Report

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 2018 Perception Survey 60% 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.
- **To engage with our communities to ensure we deliver services to meet customer needs and expectations:** In the 2018 Perception Survey 59% 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 submitted plan has been withdrawn and another plan is currently in its examination process. 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. A new Director of Planning and Economic Development has been appointed.

- **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, which has been earmarked for closure by the County Council.
- **To work with our partners to ensure that the infrastructure in the Ribble Valley is improved, in order to be fit for purpose:** 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 which is due to commence in June 2018.

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:** The British Crime Survey states that Ribble Valley is the safest place in Lancashire in which to live, and one of the safest places in the UK. The Council leads on the borough's community safety strategy, and works with partners to deliver initiatives to address its priorities. The Partnership addresses the problems around underage drinking and substance misuse through the deployment of CAN safe (Community Alcohol Network) teams (made up of police, Trading standards, Addaction & LCC) on targeted evenings to reduce risks and to protect and educate young people. This is further supported via the establishment of the Community Alcohol Partnership which aims to stop the supply of alcohol to underage young people. Working with the Road Safety team now based at Lancashire Fire and Rescue, we have engaged all Clitheroe Royal Grammar School sixth form pupils in the high impact 'Safe Drive, Stay Alive' campaign with a target of reducing the incidence of Killed and seriously injured on our roads. Working with police analysts, the Council reviews its safety priorities on a 3 yearly basis. The next review is due to be published in the autumn of 2018.

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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 and replace boilers. 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 retain weekly collections of residual waste:** The council's weekly refuse collection and recycling service is to continue as normal despite a £430,000 cut in funding from Lancashire County Council. Councillors have agreed to protect the service after the withdrawal of recycling credits by Lancashire County Council, which is the refuse disposal authority. Recycling credits reward borough councils for collecting recyclables and are funded from savings made by county councils in taking less material to landfill.
- **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 Council carries 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 2019/20 financial year.

Your Local Area

- Health services, road and pavement repairs and the level of crime are seen to be the three most important things that make the local area a good place to live.
- 79% 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 has remained the same at 49%.
- 60% feel the Council provides value for money, down from 71% in 2016, but still higher than the County Council (26%).
- Around 6 in 10 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.

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- 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, but are also keen to receive an e-newsletter, and prefer to contact the Council by telephone or in person. There has been an increase in contact via the website/email.

Local Community

- Perceptions of safety and anti-social behaviour in the local area are a little lower than in 2016.
- Also the perception that the police and public services are dealing with these issues successfully is down from 43% in 2016 to 30%.

Change and Improvement

During the 2017/18 financial year the council engaged in a Corporate Peer Challenge review.

The Peer Challenge team were on site from the 20-22 November 2017 and the core components that the team looked at were the issues of leadership, governance, corporate capacity and financial resilience. In addition the agreed scope of the Peer Challenge included:

- **Promoting Local Growth:** this explored how the council might better promote Ribble Valley as a place for businesses to start up and grow. This recognises the local challenges in many people commuting out of the borough to work and sought to examine how the council might better develop the borough as a place to work, not just reside.
- **Balancing Growth and Housing:** this explored how the council could progress sustainable local development, including increasing the number of new homes (including affordable homes) being built in the context of the desire of many local people to limit the number of housing developments in the borough.

A number of interviews and focus groups were organised at the request of the peer team. The peer team also reviewed a number of the Council's policies and strategies. In summary the peer team felt that:

“Ribble Valley Borough Council has much to be proud about. The council delivers good core services through a committed workforce achieving high levels of customer satisfaction and value for money. The council has a history of prudent financial management and remains in a comfortable position relative to the rest of the sector”.

However, there were a number of suggestions and observations made within the report that have led to some key recommendations for the Council and it is these that are highlighted as the key areas of future change and improvement:

- **Strengthen engagement with staff and partners to ensure clarity of vision and desired outcomes in relation to the Corporate Strategy, priorities and initiatives.** The proposed development of a new plan next year provides the opportunity to do this. Early involvement and engagement relating to key initiatives and projects is paramount in fostering shared understanding and ownership. Recognising past successes and building on these will help contribute to future organisational success.
- **Review the Performance Management Framework linked to the Corporate Strategy.** This will provide an opportunity to review key goals and KPIs linked to the Plan and identify opportunities to further strengthen corporate monitoring, including the role of committees.
- **Review the resourcing of Corporate Strategy priorities.** This will include exploring capacity in key areas in order to deliver ambitions, exploring opportunities for further income generation and the council's own appetite for risk.
- **Develop an Economic Development Strategy.** A real opportunity for the council to set out its economic development ambitions linked to the Lancashire Enterprise Partnership and its own Corporate Strategy. The council is ideally placed to use its relatively strong economic position as a platform to secure greater influence and leadership both in Lancashire and the wider north-west region.
- **Explore opportunities to strengthen early engagement with developers in order to maximise community benefits, as well as opportunities to strengthen community engagement/communication in relation to development.** During the peer challenge stakeholders raised issues associated with their perception of development and associated infrastructure delivery. The council would benefit from looking at ways it might strengthen early engagement with developers and community engagement to ensure maximum benefits for communities.
- **Strengthen engagement between the Leadership and Corporate Management Team.** This includes the chairs of committees. Regular opportunities to meet will support the council

Narrative Report

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.

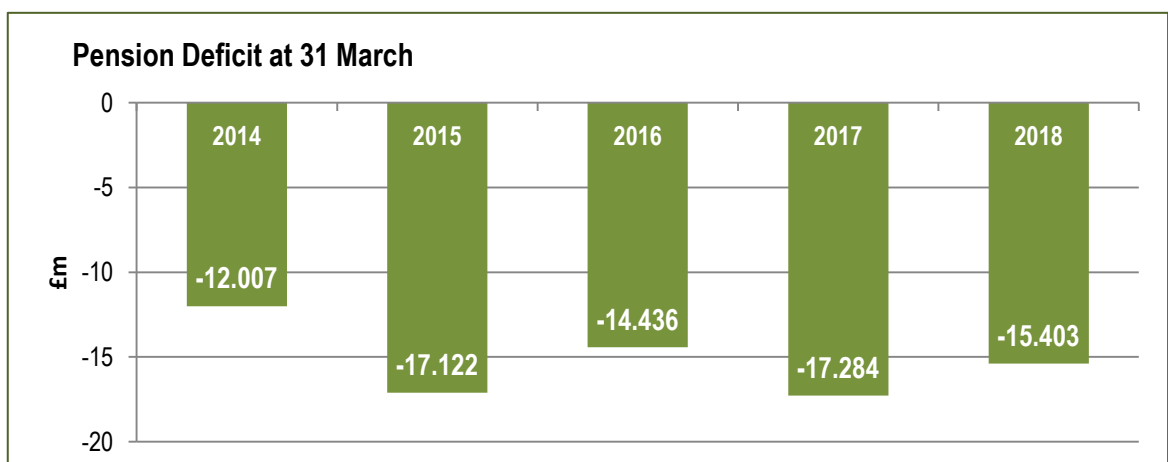
The net pension asset/liability in respect of the surplus/deficit on the pension fund, as calculated by the fund's actuary, is included in the council's balance sheet. In Ribble Valley Borough Council's case the net liability as at 31 March 2018 decreased to £15.403m (31 March 2017 £17.284m).

The reason for the decrease in net liability is mainly due to a net gain 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)	
Gain on Financial Assumptions	-2,421
Remeasurements (assets)	-509
Net movement from remeasurements	-2,930

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.



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. With regard to the proposals for the 75% 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 2018/22 uses the remaining years of the four year settlement together with a number of assumptions for future years, including 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.

	2018/19 Forecast £	2019/20 Forecast £	2020/21 Forecast £	2021/22 Forecast £
Net Expenditure	6,849,110	7,090,392	7,369,581	7,552,172
Interest Receipts	-20,000	-25,000	-30,000	-30,000
Use of Superannuation Reserve	-36,512	-36,512	-36,512	-36,512
Rural Services Grant	-107,921	-86,603	-86,603	-86,603
Use of Business Rates Growth	-475,514	-675,514	-875,514	-675,514
Use of New Homes Bonus	-1,105,000	-1,105,000	-1,105,000	-1,105,000
(Use of)/Contribution to Balances	-170,737	-250,000	-250,000	-250,000
Savings Required	0	-62,642	-98,506	-298,409
Budget Requirement	4,933,426	4,849,121	4,887,446	5,070,134
Revenue Support Grant	-109,149	108,866	250,000	250,000
Business Rates Baseline	-1,302,823	-1,331,719	-1,358,353	-1,385,520
Collection Fund (Deficit)/Surplus	-70,351	-25,000	-25,000	-25,000
Precept	3,451,103	3,601,268	3,754,093	3,909,614
Taxbase	22,902	23,131	23,362	23,596
Band D Council Tax	£150.69	£155.69	£160.69	£165.69
Projected Council Tax increase	£5 max	£5 max	£5 max	£5 max

Narrative Report

A balanced budget has been set for the 2018/19 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.

As can be seen in the forecast above, there are further savings required in order to ensure that the budget is balanced for the years 2019/20 to 2021/22.

It is planned that these future savings will be addressed as part of the work of the Budget Working Group and that we will continue to look to the four themes of our Efficiency Plan to find these savings.

- Encouraging growth in our taxbase.
- Encouraging business expansion and enterprise in our area.
- Continuing to deliver cost effective and efficient services.
- Reviewing the major sources of income available to the Council.

There are limitations on our ability to directly influence the level of retained business rates income and associated growth, as this is impacted on by many external factors beyond our control – not least by Government policy.

Additionally, whilst there may be growth in the number of businesses in the area, there may not be a direct correlation with growth in business rates income due to the potential award of various reliefs and discounts.

Further impacts to the level of growth that we currently enjoy will come through the resetting of the business rates baseline in 2020/21 as part of the introduction of 75% business rates retention.

With the impending introduction of 75% Business Rates Retention it is also unlikely that the Lancashire Business Rates Pool with its current format and governance arrangements would be viable after 2019/20. However, there is continued uncertainty in this area.

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 cannot 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.

We expect to continue to rely on the use of General Fund balances over the term of the above forecast at the rate of £250,000 per annum, with the exception 2018/19 which sees £170,737 budgeted to be used.

Our Earmarked Reserves will continue to be a major source of funding for the five-year capital programme and also in balancing the revenue budget.

As referred to above, there is a great deal of uncertainty around our funding beyond 2019/20 and much of this relies on the outcome of a number of consultations.

The key areas of concern are in respect of:

- 75% Business Rates Retention.
- Fair Funding Review.
- Potential Future New Homes Bonus Changes.

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

- Outcome of Fair Funding Review.
- Longer term viability of the Lancashire Business Rates Pool.

Availability of Staffing

- Ageing Workforce.
- Recruitment difficulties.
- Staff sickness.

Business Rates Retention Scheme

- Unknown detail around 75% Business Rates Retention.
- Risk of large appeals.
- Potential Brexit implications on businesses.

Business Continuity

- Major fire, flooding or utilities fault.

ICT

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

Narrative Report

Corporate Peer Challenge

- Action Plan is not met.

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 2018 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 2017/18 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.

Cash Flow Statement

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

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

Collection Fund Statement

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

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

Statement of Responsibilities

Statement of Responsibilities

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

The Authority's Responsibilities

The authority is required to:

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

The Director of Resources' Responsibilities

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

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

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

The Director of Resources has also:

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

I hereby certify that the Statement of Accounts gives a true and fair view of the financial position of the authority at the reporting date and its income and expenditure for the year ended 31 March 2018.

Jane L Pearson
Director of Resources CPFA
13 July 2018

Approval of the Statement of Accounts

I confirm that these accounts, including the Comprehensive Income and Expenditure Statement on page 63 and the Balance Sheet on page 67, were approved by the Accounts and Audit Committee at its meeting held on 25 July 2018.

Signed by:

Cllr Stuart Hirst
Chairman of Accounts and Audit Committee
25 July 2018

Statement of Accounting Policies

1 GENERAL PRINCIPLES

The Statement of Accounts summarises the Council's transactions for the 2017/18 financial year and its position at the year-end of 31 March 2018. 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 2017/18*, 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.

The Statement of Accounts has been prepared on a 'going concern' basis.

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.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

3 CASH AND CASH EQUIVALENTS

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

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

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

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

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

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

5 CHARGES TO REVENUE FOR NON-CURRENT ASSETS

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

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

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

Statement of Accounting Policies

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 wholly 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 2.6% (2.5% 31 March 2017) 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.

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 2018	
	Revalued Amount in Balance Sheet £	Equivalent Carrying Amount Under Cost Model £
Other Land and Buildings	14,797,075	7,271,520
Vehicles, Plant, Furniture and Equipment	1,552,437	1,552,437
Infrastructure Assets	296,581	296,581
Community Assets	1,570,006	1,556,875
Surplus Assets (Not for Sale)	77,000	65,988
Total	18,293,099	10,743,401

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, local taxation, 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.

21 FAIR VALUE MEASUREMENT

The Council measures some of its non-financial assets such as surplus assets and some of its financial instruments at fair value at each reporting date. Fair value is 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. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability

The Council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

Statement of Accounting Policies

When measuring the fair value of a non-financial asset, the Council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Council uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Inputs to the valuation techniques in respect of assets and liabilities for which fair value is measured or disclosed in the Council's financial statements are categorised within the fair value hierarchy, as follows:

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

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

2016/17 Restated			2017/18				
Gross Expenditure £	Gross Income £	Net Expenditure £		Gross Expenditure £	Gross Income £	Net Expenditure £	Note
7,880,396	-4,346,371	3,534,025	Community Services Committee	8,348,573	-4,567,278	3,781,295	
255,897	-41,957	213,940	Economic Development Committee	298,990	-62,670	236,320	
8,129,578	-7,507,865	621,713	Health and Housing Committee	8,042,147	-7,193,211	848,936	
1,292,895	-901,921	390,974	Planning and Development Committee	1,353,974	-845,906	508,068	
3,866,584	-1,981,082	1,885,502	Policy and Finance Committee	3,548,691	-1,543,105	2,005,586	
21,425,350	-14,779,196	6,646,154	Cost of Services	21,592,375	-14,212,170	7,380,205	1/2
			Other Operating Expenditure				
		376,779	Payment of Precepts to Parishes			405,278	
		23,000	Pensions Administration Expenses			23,000	33
		5,750	Payment of Localisation of Council Tax Support Grant to Parishes			0	
		-59,851	Gains/Losses on the Disposal of non-Current Assets			-63,588	
			Financing and Investment Income and Expenditure				
		9,484	Interest Payable on Debt			7,828	
		-22,308	Investment Interest Income			-21,002	
		489,000	Net Interest on the net defined benefit liability (asset)			418,000	33
		-44,948	(Gain)/Loss on Trading Accounts			-50,783	
			Taxation and Non-Specific Grant Income				
		-3,644,042	Council Tax			-3,749,957	9
		-1,555,836	Non Domestic Rates Income and Expenditure			-1,765,791	9/12
		-623,087	Revenue Support Grant (RSG)			-304,319	9
		-153,000	Capital Grants and Contributions			-3,000	9
		-1,959,674	Other Non-Specific Grants			-2,586,757	9
		-512,579	(Surplus) or Deficit on Provision of Services			-310,886	1/2
		-1,163,694	(Surplus) or Deficit on Revaluation of Property, Plant and Equipment Assets			-1,787,918	
		2,145,000	Actuarial (Gains)/Losses on Pensions Assets/Liabilities			-2,930,000	33
		981,306	Other Comprehensive Income and Expenditure			-4,717,918	
		468,727	Total Comprehensive Income and Expenditure			-5,028,804	

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 2017/18	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 2017	2,716,569	6,785,206	9,501,775	197,687	804,279	10,503,741	-2,926,663	7,577,078
Total Comprehensive Income and Expenditure	-1,451,328	1,762,214	310,886			310,886	4,717,918	5,028,804
Adjustments between Accounting Basis and Funding Basis Under Regulations <i>See Note 11</i>	1,268,462		1,268,462	107,741	38,588	1,414,791	-1,414,791	0
Increase/Decrease in Year	-182,866	1,762,214	1,579,348	107,741	38,588	1,725,677	3,303,127	5,028,804
Balance at 31 March 2018 Carried Forward	2,533,703	8,547,420	11,081,123	305,428	842,867	12,229,418	376,464	12,605,882

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 11</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

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 2017 £		31 March 2018 £	Note
Long Term Assets			
16,965,202	Property, Plant and Equipment	18,293,099	14
892,392	Heritage Assets	892,392	15
23,420	Intangible Assets	2,395	
294,155	Long Term Debtors	280,044	16
18,175,169	Total Long Term Assets	19,467,930	
Current Assets			
10,000	Financial Asset Held for Sale	10,000	16
0	Assets Held for Sale	9,750	
57,587	Inventories	75,388	
1,768,618	Short Term Debtors	1,975,560	7/16/17
8,570,278	Cash and Cash Equivalents	10,151,387	16/18
10,406,483	Total Current Assets	12,222,085	
Current Liabilities			
-30,393	Short Term Borrowing	-17,893	
-3,036,527	Short Term Creditors	-3,138,979	16/19
-507,560	Provisions	-388,560	7/20
-3,574,480	Total Current Liabilities	-3,545,432	
Long Term Liabilities			
-146,770	Long Term Borrowing	-136,377	
-17,283,324	Net Pensions Liability	-15,402,324	7/33
-17,430,094	Total Long Term Liabilities	-15,538,701	
7,577,078	Net Assets	12,605,882	
Usable Reserves			
2,716,569	General Fund Balance	2,533,703	21
6,785,206	Earmarked General Fund Reserves	8,547,420	13
804,279	Usable Capital Receipts Reserve	842,867	
197,687	Capital Grants Unapplied	305,428	
10,503,741	Total Usable Reserves	12,229,418	
Unusable Reserves			
7,044,683	Capital Adjustment Account	6,880,184	22
107,926	Collection Fund Adjustment Account	120,613	
7,256,758	Revaluation Reserve	8,830,697	
-17,283,324	Pension Reserve	-15,402,324	33
-52,706	Accumulated Absences Account	-52,706	
-2,926,663	Total Unusable Reserves	376,464	
7,577,078	Total Reserves	12,605,882	

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.

2016/17 £		2017/18 £	Note
-512,579	Net (Surplus) or Deficit on the Provision of Services	-310,886	
-859,138	Adjustments to Net Surplus or Deficit on the Provision of Services for Non-Cash Movements	-1,343,298	23
59,233	Adjustments for Items Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities	63,588	23
-1,312,484	Net Cash Flows from Operating Activities	-1,590,596	23
-64,631	Investing Activities	-212,127	24
-961,677	Financing Activities	221,614	25
-2,338,792	Net Increase or decrease in Cash and Cash Equivalents	-1,581,109	
6,231,486	Cash and Cash Equivalents 1 April	8,570,278	
8,570,278	Cash and Cash Equivalents 31 March	10,151,387	18

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.

2017/18	Net Expenditure Chargeable to the General Fund £	Adjustments between the Funding and Accounting Basis £	Net Expenditure in the Comprehensive Income and Expenditure Statement £
Community Services Committee	3,507,146	274,149	3,781,295
Economic Development Committee	223,163	13,157	236,320
Health and Housing Committee	793,032	55,904	848,936
Planning and Development Committee	424,605	83,463	508,068
Policy and Finance Committee	1,840,901	164,685	2,005,586
Net Cost of Services	6,788,847	591,358	7,380,205
Other Income and Expenditure	-8,368,195	677,104	-7,691,091
(Surplus) or Deficit	-1,579,348	1,268,462	-310,886
Opening General Fund Balance at 31 March 2017	-9,501,775		
Closing General Fund Balance as at 31 March 2018	-11,081,123		

Notes to the Core Financial Statements

2016/17 - Restated	Net Expenditure Chargeable to the General Fund £	Adjustments between the Funding and Accounting Basis £	Net Expenditure in the Comprehensive Income and Expenditure Statement £
Community Services Committee	3,414,520	119,505	3,534,025
Economic Development Committee	209,590	4,350	213,940
Health and Housing Committee	663,537	-41,824	621,713
Planning and Development Committee	364,878	26,096	390,974
Policy and Finance Committee	1,811,065	74,437	1,885,502
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		

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 Expenditure Statement.

2017/18	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	3,507,146		274,149		3,781,295
Economic Development Committee	223,163		13,157		236,320
Health and Housing Committee	793,032	-81,241	86,363	50,782	848,936
Planning and Development Committee	424,605		83,463		508,068
Policy and Finance Committee	1,840,901	13,817	150,868		2,005,586
Net Cost of Services	6,788,847	-67,424	608,000	50,782	7,380,205
Other Income and Expenditure	-8,368,195	299,574	441,000	-63,470	-7,691,091
(Surplus) or Deficit	-1,579,348	232,150	1,049,000	-12,688	-310,886

Notes to the Core Financial Statements

2016/17 - Restated	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	3,414,520	33,279	86,226		3,534,025
Economic Development Committee	209,590		4,349		213,939
Health and Housing Committee	663,537	-112,773	26,001	44,948	621,713
Planning and Development Committee	364,878		26,097		390,975
Policy and Finance Committee	1,811,065	26,110	48,327		1,885,502
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

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 EXPENDITURE AND INCOME ANALYSED BY NATURE

This note categorises all the elements of the Comprehensive Income and Expenditure Statement between income and expenditure to arrive at the (Surplus) or Deficit on Provision of Services.

2016/17 £	2017/18 £
<i>Expenditure</i>	
7,043,441	7,610,567
Employee Expenditure	
13,893,477	13,484,359
Other Service Expenses	
802,690	842,882
Depreciation, Amortisation and Impairment	
5,750	0
Payment of Localisation of Council Tax Support to Parishes	
23,000	23,000
Pensions Administration Costs	
9,484	7,828
Interest Payments	
376,779	405,278
Precepts and Levies	
22,154,621	22,373,914
Total Expenditure	
<i>Income</i>	
-5,291,274	-5,654,262
Fees and Charges and Other Service Income	
-59,851	-63,588
Gain or Loss on Disposal of Non-Current Assets	
-5,199,878	-5,515,748
Income from Council Tax and Business Rates	
-12,093,889	-11,430,200
Government Grants, Contributions and Donations	
-22,308	-21,002
Interest and Investment Income	
-22,667,200	-22,684,800
Total Income	
-512,579	-310,886
(Surplus) or Deficit on Provision of Services	

4 PRIOR PERIOD RESTATEMENT OF SERVICE EXPENDITURE AND INCOME

The 2017/18 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 which follows our Committee structure.

During the 2017/18 financial year a new Economic Development Committee was introduced, which took a number of reportable services from the Community Services Committee and also the Policy and Finance Committee.

The following adjustments have been required to the 2016/17 Comprehensive Income and Expenditure Statement in order to allow comparability to the 2017/18 financial year

Gross Expenditure 2016/17 as Previously Reported £	Adjustments Required £	Restated Gross Expenditure 2016/17 Following Adjustments £	
7,994,500	-114,104	7,880,396	Community Services Committee
	255,897	255,897	Economic Development Committee
8,129,578		8,129,578	Health and Housing Committee
1,292,895		1,292,895	Planning and Development Committee
4,008,377	-141,793	3,866,584	Policy and Finance Committee
21,425,350	0	21,425,350	Cost of Services

Gross Income 2016/17 as Previously Reported £	Adjustments Required £	Restated Gross Income 2016/17 Following Adjustments £	
-4,360,363	13,992	-4,346,371	Community Services Committee
	-41,957	-41,957	Economic Development Committee
-7,507,865		-7,507,865	Health and Housing Committee
-901,921		-901,921	Planning and Development Committee
-2,009,047	27,965	-1,981,082	Policy and Finance Committee
-14,779,196	0	-14,779,196	Cost of Services

Notes to the Core Financial Statements

Net Expenditure 2016/17 as Previously Reported £	Adjustments Required £	Restated Net Expenditure 2016/17 Following Adjustments £	
3,634,137	-100,112	3,534,025	Community Services Committee
	213,940	213,940	Economic Development Committee
621,713		621,713	Health and Housing Committee
390,974		390,974	Planning and Development Committee
1,999,330	-113,828	1,885,502	Policy and Finance Committee
6,646,154	0	6,646,154	Cost of Services

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

At the balance sheet date the following new standards and amendments to existing standards have been published but not yet adopted by the Code of Practice of Local Authority Accounting in the United Kingdom:

- IFRS 9 Financial Instruments, which introduces extensive changes to the classification and measurement of financial assets, and a new “expected credit loss” model for impairing financial assets. The impact will be to reclassify assets currently classified as loans and receivables, and available for sale to amortised cost and fair value through other comprehensive income respectively based on the contractual cashflows and business model for holding the assets. There are not expected to be any changes in the measurement of financial assets. Assessment of the Council’s financial assets does not anticipate any impairment.
- IFRS 15 Revenue from Contracts with Customers presents new requirements for the recognition of revenue, based on a control-based revenue recognition model. It is not expected that this change will have a material effect on the Council’s Statement of Accounts.
- IAS 7 Statement of Cash Flows (Disclosure Initiative) will potentially require some additional analysis of Cash Flows from Financing Activities in future years. It is not expected that this change will have a material effect on the Council’s Statement of Accounts.
- IAS 12 Income Taxes (Recognition of Deferred tax Assets for Unrealised Losses) applies to deferred tax assets related to debt instruments measured at fair value. This will have no impact on this council as it only applies to group accounts.

Notes to the Core Financial Statements

6 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 continues to be a high degree of uncertainty about the future levels of funding for local government. 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.

7 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 2018 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 2018 was £15.403m. 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 2018: deficit would be £14.350m +0.1% p.a. inflation as at 31 March 2018: deficit would be £16.474m +0.1% p.a. pay growth as at 31 March 2018: deficit would be £15.571m 1 year addition to members' life expectancy as at 31 March 2018: deficit would be £16.652m

Notes to the Core Financial Statements

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Arrears	At 31 March 2018, the Council had a balance of sundry debtors of £582,620 (including overpaid housing benefits). A review of significant balances suggested that an impairment of doubtful debts of £170,394 (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 £17,039
Business Rates Appeals Provision	At the 31 March the Council made a provision on the Collection Fund of £971,400 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 £388,560 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 £97,140 in total or a £38,856 share for this council.

8 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 2017/18 £6.63m was paid out (£6.91m in 2016/17), 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 £6.67m was received from the Department for Work and Pensions in 2017/18 (£6.97m in 2016/17).

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 2017/18 the Council received £430,341 cost sharing income which was reduced by £63,585 due to the paper and cardboard penalty. This resulted in net cost sharing income of £366,756 (In 2016/17 - £430,341 cost sharing income which was reduced by £121,491 due to the paper and card penalty, resulting in net cost sharing income of £308,850).

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 2017/18 the council received £361,287 in income from chargeable car parks (in 2016/17 chargeable car park income was £339,652). 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 MHCLG (formerly DCLG), via Lancashire County Council. In 2017/18 the council paid grants totalling £194,391 (£553,564 in 2016/17) to householders and £54,696 (£81,560 in 2016/17) to businesses under the scheme.

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 2017/18 the council received £592,313 in planning application fees, which help fund the provision of the service. (£586,601 in 2016/17).

On 21 February 2017 the Government wrote to all planning authorities with an offer to increase planning fees by 20% with the proviso that the increased income raised should be invested in their planning departments. We accepted the Government's offer and started charging the increased fee from 17 January 2018.

Business Rates Section 31 Grants

The council receives a number of grants, known as Section 31 Grants from MHCLG (formerly DCLG), in compensation for business rates income lost as a result of measures introduced by the Government. In 2017/18 the Council received £902,819 through various business rates Section 31 grants (£462,250 in 2016/17).

Notes to the Core Financial Statements

9 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

	2016/17 £	2017/18 £
Ribble Valley Borough Council Precept	-3,208,677	-3,275,257
Precept Relating to Parishes	-376,779	-405,278
Surplus Received in Year (Declared January Prior to Start of Year)	-47,809	-59,557
Movement on Collection Fund (Surplus) at Year End	-10,777	-9,865
Total Council Tax	-3,644,042	-3,749,957

Non-Domestic Rates Income and Expenditure

	2016/17 £	2017/18 £
Ribble Valley Borough Council Share of Business Rates Income	-5,940,126	-5,710,120
Less Tariff Payable to Central Government	4,361,492	4,026,300
10% Retained Levy Payable to Lancashire County Council under Business Rates Pooling Arrangements	37,613	66,134
(Surplus)/Deficit Payment in Year (Declared January Prior to Start of Year)	420,692	-45,369
Movement on Collection Fund Deficit/(Surplus) at Year End	-402,826	-2,822
Business Rates Retained on Renewable Energy Schemes	-32,681	-99,914
Overall Net Retained Business Rates Related Income	-1,555,836	-1,765,791

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 2017/18 we received £304,319 (2016/17 £623,087).

Capital Grants and Contributions

	2016/17 £	2017/18 £
Sport England	-150,000	
Longridge Town Council	-3,000	-3,000
Total Capital Grants and Contributions	-153,000	-3,000

Other Non-Specific Grants

	2016/17 £	2017/18 £
New Homes Bonus	-1,366,884	-1,576,990
New Homes Bonus - Returned Funding	-2,862	
Rural Areas Delivery Grant	-107,254	-86,603
Transition Grant	-20,424	-20,345
Business Rates Section 31 Grants		
Small Business Rates Relief (SBRR) Scheme	-420,254	-794,294
SBRR on Existing Properties where 2nd Property is Occupied	-3,352	-8,240
'New Empty' Properties	0	-9
'Long Term Empty' Properties	-7,725	-22
Retail Relief	474	609
Flooding Relief	-3,234	-196
In Lieu of transitional Relief	-4,830	
Multiplier Cap	-23,329	-31,816
Discretionary Scheme		-37,490
Pub Relief Scheme		-17,069
Rural Rate Relief		-8,412
Supporting Small Businesses		-5,880
Other Non-Specific Grants	-1,959,674	-2,586,757

10 EVENTS AFTER THE REPORTING PERIOD

The Statement of Accounts was authorised for issue on the 31 May 2018. 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 2018, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

11 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.

Notes to the Core Financial Statements

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 2017/18	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	889,263			-889,263
Revaluation losses on Property Plant and Equipment (Charged to surplus or Deficit on Provision of Services)				0
Amortisation of Intangible Assets	21,025			-21,025
Capital Grants and Contributions Applied	-62,427			62,427
Revenue Expenditure Funded from Capital Under Statute	284,408			-284,408
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Account</u>				
Statutory Provision for the Financing of Capital investment	-131,820			131,820
Capital expenditure charged against General Fund Balances	-412,306			412,306
Adjustments primarily involving the Capital Grants Unapplied Account				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-292,406	292,406		
Application of grants to capital financing transferred to the Capital Adjustment Account		-184,665		184,665
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	-63,588		63,588	
Use of Capital Receipts to Finance New Capital Expenditure			-25,000	25,000
Contribution from the Capital Receipts Reserve towards administrative cost of Non-Current asset disposals				

Notes to the Core Financial Statements

Movements in 2017/18	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	2,058,000			-2,058,000
Employer's pensions contributions and direct payments to pensioners payable in the year	-1,009,000			1,009,000
Adjustments primarily involving the Collection Fund Adjustment Account				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income collected for the year in accordance with statutory requirements	-12,687			12,687
Total Adjustments	1,268,462	107,741	38,588	-1,414,791

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
<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	

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
Total Adjustments	304,862	170,577	59,233	-534,672

Notes to the Core Financial Statements

12 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 Housing, 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 total retained levy is £661,344 (£376,131 in 2016/17), hence under pooling we have benefitted from extra income of £595,210 (£338,518 in 2016/17). 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 2017/18	Authority Type	Tariffs and Top-Ups in Respect of 2017/18 £	Retained Levy on Growth 2017/18 £	10% Retained Levy Payable to/received by Lancashire County Council £	Net Retained Levy 2017/18 £
Chorley Borough Council	Tariff	6,073,147	-843,563	84,356	-759,207
Fylde Borough Council	Tariff	7,565,517	-664,723	66,472	-598,251
Hyndburn Borough Council	Tariff	3,706,620	-432,570	43,257	-389,313
Pendle Borough Council	Tariff	3,164,521	-518,196	51,820	-466,376
Ribble Valley Borough Council	Tariff	4,026,300	-661,344	66,134	-595,210
Rosendale Borough Council	Tariff	2,534,068	-518,640	51,864	-466,776
South Ribble Borough Council	Tariff	9,644,242	-1,236,560	123,656	-1,112,904
West Lancashire Borough Council	Tariff	8,123,116	-669,688	66,969	-602,719
Wyre Borough Council	Tariff	6,385,329	-466,171	46,617	-419,554
Lancashire County Council	Top-Up	-147,643,257	0	-601,145	-601,145
Central Government	-	96,420,397	0	0	0
Total		0	-6,011,455	0	-6,011,455

Pool membership in 2016/17 did not include Fylde Borough Council, but did include Burnley Borough Council

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.

13 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 2017/18.

General Fund	Balance at 31 March 2016 £	Transfers In 2016/17 £	Transfers Out 2016/17 £	Balance at 31 March 2017 £	Transfers In 2017/18 £	Transfers Out 2017/18 £	Balance at 31 March 2018 £
<i>Reserves for Shorter Term Service Commitments</i>							
Community Services							
Committee Grants Fund							
<i>Used to fund various Community Services Committee grants</i>	28,926	8,943		37,869		-19,894	17,975
Audit Reserve Fund	12,335			12,335			12,335
<i>Used for computer audit</i>							
Christmas Lights/RV in Bloom	836		-836	0			0
<i>Available to fund contributions towards Christmas Lights and Ribble Valley in Bloom</i>							
Refuse Collection	50,319	17,955	-8,546	59,728	14,468	-5,699	68,497
<i>To fund refuse collection costs of bin replacements and other cost pressures</i>							
Amenity Cleansing Reserve	0			0	5,750		5,750
<i>Used to fund known future amenity cleansing works</i>							
Core Strategy Reserve	20,533		-20,533	0			0
<i>To fund the production of the Core Strategy</i>							
Clitheroe Food Festival	19,857	6,056		25,913		-8,177	17,736
<i>Resources set aside to help support the costs associated with the Clitheroe Food Festival</i>							
Total Reserves for Shorter Term Service Commitments	132,806	32,954	-29,915	135,845	20,218	-33,770	122,293
<i>Reserves to Smooth the Revenue Impact of Longer Term Cyclical Costs</i>							
Elections Fund	19,076	22,448	-5,195	36,329	60,072	-9,401	87,000
<i>Used to fund local elections held once every four years</i>							

Notes to the Core Financial Statements

General Fund	Balance at 31 March 2016 £	Transfers In 2016/17 £	Transfers Out 2016/17 £	Balance at 31 March 2017 £	Transfers In 2017/18 £	Transfers Out 2017/18 £	Balance at 31 March 2018 £
Revaluation of Assets Reserve <i>To contribute towards the revaluation of the Council's assets every five years.</i>	3,200	2,030		5,230	2,060		7,290
Pensions Triennial Revaluation Reserve <i>Savings on contribution rates, set aside with a view to offsetting any future pensions fund deficits</i>	0			0	12,778		12,778
Total Reserves to Smooth the Revenue Impact of Longer Term Cyclical Costs	22,276	24,478	-5,195	41,559	74,910	-9,401	107,068
Reserves for Trading or Business Units							
Building Control Fund <i>Available to equalise net expenditure over a three year period</i>	-105,007	61,175		-43,832	2,672		-41,160
Total Reserves for Trading or Business Units	-105,007	61,175	0	-43,832	2,672	0	-41,160
Reserves for Sums Set Aside for Major Schemes such as Capital Projects							
Capital <i>Used to fund the capital programme</i>	764,822	499,444	-442,845	821,421	451,357	-412,306	860,472
ICT Renewals <i>To fund future software and hardware pressures</i>	162,289	15,910	-6,800	171,399	4,260	-7,870	167,789
Vehicle & Plant Renewals Reserve <i>Resources set aside to fund future replacement of Vehicles and Plant through the capital programme</i>	346,000	46,000		392,000	46,000		438,000
Total Reserves for Sums Set Aside for Major Schemes such as Capital Projects	1,273,111	561,354	-449,645	1,384,820	501,617	-420,176	1,466,261
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>	1,376,280	200,561	-276,526	1,300,315	130,738	-207,999	1,223,054

Notes to the Core Financial Statements

General Fund	Balance at 31 March 2016 £	Transfers In 2016/17 £	Transfers Out 2016/17 £	Balance at 31 March 2017 £	Transfers In 2017/18 £	Transfers Out 2017/18 £	Balance at 31 March 2018 £
<u>Fleming VAT Claim</u> <i>VAT recovered from 'Fleming' claim challenge to HMRC</i>	195,797		-123,585	72,212		-4,941	67,271
<u>Insurance</u> <i>Available to meet any costs following demise of Municipal Mutual Insurance Company</i>	14,581			14,581			14,581
<u>Repairs and Maintenance</u> <i>To fund emergency repairs and maintenance items, including legionella and asbestos abatement</i>	37,869		-8,570	29,299			29,299
<u>Post LSVT</u> <i>To fund any costs post LSVT which may arise, such as pension fund liabilities</i>	292,100		-36,512	255,588		-36,513	219,075
<u>Restructuring Reserve</u> <i>To fund costs resulting from restructuring reviews</i>	227,541			227,541		-20,224	207,317
<u>Equipment Reserve</u> <i>To fund essential and urgent equipment requirements</i>	122,750	26,916	-34,533	115,133	20,707	-12,323	123,517
<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 such as Local Development Plan expenditure and Planning Appeals</i>	156,738		-8,193	148,545		-23,565	124,980
<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>	664,794	338,518	-225,702	777,610	904,390		1,682,000
<u>Business Rates Growth Reserve</u> <i>Business rates growth used to support revenue expenditure or the capital programme.</i>	0			0	221,060		221,060

Notes to the Core Financial Statements

General Fund	Balance at 31 March 2016 £	Transfers In 2016/17 £	Transfers Out 2016/17 £	Balance at 31 March 2017 £	Transfers In 2017/18 £	Transfers Out 2017/18 £	Balance at 31 March 2018 £
<u>New Homes Bonus Reserve</u> <i>To help support revenue and capital expenditure</i>	762,304	579,923	-63,749	1,278,478	783,911	-175,618	1,886,771
Total Reserves for Longer Term Strategic or Corporate Items	4,200,754	1,145,918	-777,370	4,569,302	2,060,806	-481,183	6,148,925
<i>Reserves for External Funding where Expenditure has yet to be Incurred</i>							
<u>Performance Reward Grant</u> <i>Performance Reward Grant received and used to fund associated projects</i>	75,117		-7,540	67,577			67,577
<u>Land Charges Reserve</u> <i>To fund any potential restitution claims for personal search fees</i>	48,559	5,172	-6,937	46,794			46,794
<u>Pendle Hill User Reserve</u> <i>To fund improvement schemes on Pendle Hill</i>	32,519	14,000	-2,450	44,069	441		44,510
<u>Crime Reduction Partnership Reserve</u> <i>To fund cost of crime reduction initiatives</i>	24,175	5,702		29,877	4,731		34,608
<u>Up and Active Reserve</u> <i>To fund potential residual staffing costs</i>	16,401		-2,040	14,361		-590	13,771
<u>Housing Related Grants Reserve</u> <i>Residual grant received, to be committed to future grant schemes</i>	58,010	157,532	-28,138	187,404	40,170	-28,869	198,705
<u>Planning Policy Related Grants Reserve</u> <i>To provide short term capacity support when dealing with housing planning applications</i>	0	35,495		35,495		-29,645	5,850
<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		-1,100	45,124			45,124

Notes to the Core Financial Statements

General Fund	Balance at 31 March 2016 £	Transfers In 2016/17 £	Transfers Out 2016/17 £	Balance at 31 March 2017 £	Transfers In 2017/18 £	Transfers Out 2017/18 £	Balance at 31 March 2018 £
<u>Grant Funded Sports Development</u>							
<i>To finance future Sports Development grant funded expenditure</i>	5,510		-4,910	600	3,040		3,640
<u>Whalley Moor Reserve</u>							
<i>Grant received towards work at Whalley Moor Woodland</i>	4,520			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>	17,902	12,977	-22,676	8,203	31,764	-23,377	16,590
<u>Rural Services Reserve</u>							
<i>Grant received with the purpose of supporting rural services</i>	0	105,544		105,544			105,544
<u>Neighbourhood Planning Reserve</u>							
<i>MHCLG Neighbourhood Planning Grant received to fund future related expenditure</i>	15,000			15,000		-4,931	10,069
<u>Repossession Prevention Fund Reserve</u>							
<i>Ring-fenced MHCLG funded reserve to help prevent repossessions and homelessness.</i>	28,491			28,491			28,491
<u>Parish Grant Reserve</u>							
<i>PRG resources set aside to fund the Parish Grant Scheme</i>	109,134		-44,682	64,452		-27,633	36,819
<u>Custom and Self Build Register Grant Reserve</u>							
<i>Grant funding towards maintenance of a register of individuals, and associations of individuals, seeking to acquire serviced plots of land in the area</i>	0			0	45,000		45,000

Notes to the Core Financial Statements

General Fund	Balance at 31 March 2016 £	Transfers In 2016/17 £	Transfers Out 2016/17 £	Balance at 31 March 2017 £	Transfers In 2017/18 £	Transfers Out 2017/18 £	Balance at 31 March 2018 £
<u>Brownfield Register Grant Reserve</u>							
<i>Grant funding towards preparation and maintenance of a register of brownfield sites suitable for residential development.</i>	0			0	16,420		16,420
<u>Flood Resilience Grant Reserve</u>							
<i>Grant funding relating to residual Flood Resilience Grants</i>	0			0	20,000		20,000
Total Reserves for External Funding where Expenditure has yet to be Incurred	481,562	336,422	-120,473	697,511	161,566	-115,045	744,032
Total of all Earmarked Reserves	6,005,502	2,162,301	-1,382,598	6,785,206	2,821,789	-1,059,575	8,547,420

Notes to the Core Financial Statements

14 PROPERTY, PLANT AND EQUIPMENT

Movements in 2017/18	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 2017	13,385	4,521	359	1,593	77	19,935
Additions/Acquisitions	73	366				439
Derecognition - Disposal		-253				-253
Assets reclassified (to)/from held for sale	-10					-10
Revaluation increases/(decreases) recognised in the Revaluation Reserve	1,376					1,376
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services						0
At 31 March 2018	14,824	4,634	359	1,593	77	21,487
<i>Accumulated Depreciation and Impairments</i>						
At 1 April 2017	-14	-2,881	-53	-20	-2	-2,970
Derecognition - Disposal		253				253
Depreciation Charge	-421	-454	-9	-3	-2	-889
Depreciation written out to the Revaluation Reserve	408				4	412
At 31 March 2018	-27	-3,082	-62	-23	0	-3,194
<i>Net Book Value</i>						
at 31 March 2017	13,371	1,640	306	1,573	75	16,965
at 31 March 2018	14,797	1,552	297	1,570	77	18,293

Notes to the Core Financial Statements

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
<u>Cost or Valuation</u>						
At 1 April 2016	12,342	4,347	359	1,593	77	18,718
Additions/Acquisitions	265	249				514
Derecognition - Disposal		-75				-75
Assets reclassified (to)/from held for sale						
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
<u>Accumulated Depreciation and Impairments</u>						
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
<u>Net Book Value</u>						
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

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 2018 the Council had an approved capital programme of £1,490,620 for 2018/19 and had £551,090 of budget slippage from the 2017/18 capital programme that was rolled forward to be spent in 2018/19. At 31 March 2018, the Council had capital order commitments of £219,873, of which £64,357 related to 2017/18 capital programme slippage and £155,516 related to the 2018/19 capital programme.

Of the £219,873 capital order commitments, £173,633 related to property, plant and equipment and £46,240 related to intangible assets.

Effects of Changes in Estimates

In 2017/18 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.

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.

Notes to the Core Financial Statements

15 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
<u>Cost or Valuation</u>			
At 1 April 2017	827	65	892
At 31 March 2018	827	65	892
<u>Cost or Valuation</u>			
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 2017/18 or 2016/17 financial years.

16 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 2017 £	31 March 2018 £	31 March 2017 £	31 March 2018 £
<u>Investments</u>				
Financial Asset Held for Sale			10,000	10,000
Loans and receivables			8,570,278	10,151,367
Total Investments	0	0	8,580,278	10,161,367
<u>Debtors</u>				
Loans and receivables	294,155	280,044		
Financial assets carried at contract amount			1,482,486	1,296,482
Total Debtors	294,155	280,044	1,482,486	1,296,482
<u>Borrowings</u>				
Financial liabilities at amortised cost	-146,770	-136,377	-22,893	-10,393
Total Borrowings	-146,770	-136,377	-22,893	-10,393
<u>Creditors</u>				
Financial liabilities carried at contract amount			-775,484	-1,122,616
Total Creditors	0	0	-775,484	-1,122,616

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

	2016/17		2017/18	
	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables
	£	£	£	£
Interest expenses	9,484	16,234	7,828	17,961
Interest Income		-38,542		-38,963
Total	9,484	-22,308	7,828	-21,002

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 2017 and 31 March 2018 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 2017		31 March 2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£	£	£	£
Financial Liabilities	169,664	220,010	146,770	185,696

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 2017		31 March 2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£	£	£	£
Long-term debtors	294,155	294,155	280,044	280,044

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

Notes to the Core Financial Statements

17 DEBTORS

	31 March 2017 £	31 March 2018 £
Central government bodies	293,873	511,326
Other local authorities	497,897	440,774
Public corporations and trading funds	10	31
Other entities and individuals		
- Other Debtors	766,605	768,326
- Business Rates	209,575	272,835
- Council Tax	193,528	213,588
- Prepayments	158,251	133,639
- Impairment	-351,121	-364,959
Total	1,768,618	1,975,560

18 CASH AND CASH EQUIVALENTS

	31 March 2017 £	31 March 2018 £
Cash held by the Council	3,901	15,403
Bank Current Accounts	196,377	220,984
Short Term Investments	8,370,000	9,915,000
Total	8,570,278	10,151,387

19 CREDITORS

	31 March 2017 £	31 March 2018 £
Central government bodies	-907,366	-679,230
Other local authorities	-1,161,463	-1,441,063
Public corporations and trading funds	-38,996	-29,125
Other entities and individuals		
- Other Creditors	-379,181	-371,584
- Business Rates	-55,978	-86,129
- Council Tax	-123,622	-62,049
- Commuted Sums	-311,440	-421,376
- Refundable Deposits	-9,624	-12,624
- Receipts in Advance	-48,857	-35,799
Total	-3,036,527	-3,138,979

Notes to the Core Financial Statements

20 PROVISIONS

The only provision, which is shown in the table below, relates to amounts set aside to meet potential future liabilities from appeals through 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 7.

Business Rates Appeals Provision	2016/17 £	2017/18 £
Balance at 1 April	468,600	507,560
Movements in provisions in the year	38,960	-119,000
Balance at 31 March	507,560	388,560

21 USABLE RESERVES

Movements in the Council's usable reserves are detailed in this note, the Movement in Reserves Statement and Note 11.

In summary the Usable Reserves are shown below. Detailed analysis of the council's earmarked reserves is available in Note 13.

31 March 2017 £	31 March 2018 £
2,716,569 General Fund Balance	2,533,703
6,785,206 Earmarked General Fund Reserves	8,547,420
804,279 Usable Capital Receipts Reserve	842,867
197,687 Capital Grants Unapplied	305,428
10,503,741 Total Usable Reserves	12,229,418

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.

2016/17 £	2017/18 £
2,678,832 Opening General Fund Balance	2,716,569
37,737 Net amount added to (taken from) General Fund Balance	-182,866
2,716,569 Closing General Fund Balance	2,533,703

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 13.

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

2016/17 £	2017/18 £
6,005,502 Opening Earmarked General Fund Reserves	6,785,206
2,162,301 Amounts added to Earmarked General Fund Reserves	2,821,789
-1,382,597 Amounts taken from Earmarked General Fund Reserves	-1,059,575
6,785,206 Closing Earmarked General Fund Reserves	8,547,420

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.

2016/17 £	2017/18 £
27,110 Opening Capital Grants Unapplied	197,687
184,664 Amounts added to Capital Grants Unapplied	292,406
-14,087 Amounts taken from Capital Grants Unapplied	-184,665
197,687 Closing Capital Grants Unapplied	305,428

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.

2016/17 £	2017/18 £
745,046 Opening Usable Capital Receipts Reserve	804,279
59,851 Amounts added to the Usable Capital Receipts Reserve	63,588
-618 Amounts taken from the Usable Capital Receipts Reserve	-25,000
804,279 Closing Usable Capital Receipts Reserve	842,867

Notes to the Core Financial Statements

22 UNUSABLE RESERVES

31 March 2017 £		31 March 2018 £
7,044,683	Capital Adjustment Account	6,880,184
107,926	Collection Fund Adjustment Account	120,613
7,256,758	Revaluation Reserve	8,830,697
-17,283,324	Pension Reserve	-15,402,324
-52,706	Accumulated Absences Account	-52,706
-2,926,663	Total Unusable Reserves	376,464

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 11 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

2016/17 £		2017/18 £	£
7,119,622	Balance at 1 April		7,044,683
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive income and Expenditure statement		
-826,917	- Charges for depreciation and impairment of non-current assets	-889,263	
-33,279	- Revaluation losses on Property, Plant and Equipment		
-29,138	- Amortisation of intangible assets	-21,025	
-201,936	- Revenue expenditure funded from capital under statute	-284,408	
-1,091,270			-1,194,696
170,337	Adjusting amounts written out of the Revaluation Reserve		213,979
6,198,689	Net written out amount of the cost of non-current assets consumed in the year		6,063,966
	Capital financing applied in the year		
	- Use of Capital Receipts Reserve to finance new capital expenditure	25,000	
256,933	- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	62,427	
14,087	- Application of grants to capital financing from the Capital Grants Unapplied Account	184,665	
134,610	- Statutory provision for the financing of capital investment charged against the General Fund	131,820	
440,364	- Capital expenditure charged against the General Fund balance	412,306	
845,994			816,218
7,044,683	Balance at 31 March		6,880,184

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.

2016/17 £		2017/18 £
-305,678	Balance at 1 April	107,926
10,777	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	9,865
402,827	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	2,822
107,926	Balance at 31 March	120,613

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.

2016/17 £		2017/18 £
6,263,401	Balance at 1 April	7,256,758
1,164,565	Upward revaluation of assets	1,787,918
-871	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	
1,163,694	Surplus or Deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	1,787,918
-170,337	Difference between fair value depreciation and historical cost depreciation	-213,980
	Accumulated gains on assets sold or scrapped	
-170,337	Amount written off to the Capital Adjustment Account	-213,980
7,256,758	Balance at 31 March	8,830,696

Notes to the Core Financial Statements

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.

2016/17 £		2017/18 £
-14,435,324	Balance at 1 April	-17,283,324
-2,145,000	Remeasurements of the net defined benefit liability/(asset)	2,930,000
-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	-2,058,000
933,000	Employer's pensions contributions and direct payments to pensioners payable in the year	1,009,000
-17,283,324	Balance at 31 March	-15,402,324

Notes to the Core Financial Statements

Accumulated Absences Account

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

Adjustments are only made through this account where the change in the level of compensated absences earned moves by more than 10%.

2016/17		2017/18
£		£
-52,706	Balance at 1 April	-52,706
52,706	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
0	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

23 CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

2016/17		2017/18
£		£
-22,308	Interest received	-21,002
9,484	Interest paid	7,828
-12,824	Net Interest	-13,174

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

2016/17		2017/18
£		£
59,233	Proceeds from the sale of property, plant and equipment and intangible assets	-63,588
59,233		-63,588

Notes to the Core Financial Statements

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

2016/17 £		2017/18 £
-826,917	Depreciation	-889,263
-33,279	Impairment and downward valuations	0
-29,138	Amortisation	-21,025
-103,133	(Increase)/decrease in creditors	-334,318
213,423	Increase/(decrease) in debtors	330,776
-18,159	Increase/(decrease) in inventories	17,801
-38,960	(Increase)/decrease in provisions	119,000
-703,000	Movement in pension liability	-1,049,000
256,932	Capital Grants and Contributions Applied	62,427
-201,936	Revenue Expenditure Funded from Capital Under Statute	-284,408
440,364	Capital Expenditure Charged against General Fund Balances	412,306
184,665	Capital Grants and Contributions Unapplied Credited to the Comprehensive Income and Expenditure Statement	292,406
-859,138		-1,343,298

24 CASH FLOW STATEMENT – INVESTING ACTIVITIES

2016/17 £		2017/18 £
726,563	Purchase of property, plant and equipment, investment property and intangible assets	756,546
-59,233	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-63,588
-731,961	Other receipts from investing activities	-905,085
-64,631	Net cash flows from investing activities	-212,127

25 CASH FLOW STATEMENT – FINANCING ACTIVITIES

2016/17 £		2017/18 £
35,394	Repayments of short- and long-term borrowing	22,893
-997,071	Other payments for financing activities	198,721
-961,677	Net cash flows from financing activities	221,614

Notes to the Core Financial Statements

26 MEMBERS' ALLOWANCES

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

	2016/17 £	2017/18 £
Basic Allowance	141,400	142,838
Special Responsibility Allowances	67,165	72,240
Expenses	5,111	4,541
	213,676	219,619

27 OFFICERS' EMOLUMENTS

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

Remuneration Disclosure (excluding Pension Contributions)

Post Holder Information	Salary	Benefits in Kind	Total Remuneration excluding Pension Contributions	Salary	Benefits in Kind	Total Remuneration excluding Pension Contributions
	2016/17 £	2016/17 £	2016/17 £	2017/18 £	2017/18 £	2017/18 £
Chief Executive ¹	104,110	8,042	112,152	107,552	9,115	116,667
Director of Community Services	79,629	6,758	86,387	80,427	1,973	82,400
Director of Resources	79,629	9,066	88,695	80,427	10,737	91,164
Head of Financial Services	52,116	5,550	57,666	52,638	6,129	58,767
Head of Planning Services	52,113	5,355	57,468	52,638	5,821	58,459
Head of Legal and Democratic Services ²	41,693	3,348	45,041	42,110	3,655	45,765
	409,290	38,119	447,409	415,792	37,430	453,222

¹ The values for the Chief Executive include Acting Returning Officer Fees, which fluctuate from year to year depending on the elections called. 2017/18 £6,281 (£5,656 of which was pensionable); 2016/17 £3,844 (£94 of which was pensionable)

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 £52,638 in 2017/18 (£52,116 in 2016/17) 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 2016/17 and 2017/18 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 2016/17	Salary Banding 2017/18	Employee Contribution Rate
£0 - £13,600	£0 - £13,700	5.50%
> £13,600 - £21,200	> £13,701 - £21,400	5.80%
> £21,200 - £34,400	> £21,401 - £34,700	6.50%
> £34,400 - £43,500	> £34,701 - £43,900	6.80%
> £43,500 - £60,700	> £43,901 - £61,300	8.50%
> £60,700 - £86,000	> £61,301 - £86,800	9.90%
> £86,000 - £101,200	> £86,801 - £102,200	10.50%
> £101,200 - £151,800	> £102,201 - £153,300	11.40%
> £151,800	> £153,301	12.50%

In 2016/17, 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.

For 2017/18, the contribution to the pension scheme which the council made was **based** upon a rate of 16.5%. However, the actual employer rate equates to a lower rate as the council paid a fixed single discounted payment as the beginning of the financial year in settlement of its in year pension contribution liabilities.

This fixed single discounted payment in 2017/18 was calculated by the pension fund using the 16.5% contribution rate as a base. As a result, the 16.5% has been used throughout this note.

Elements of Contribution Rate	2016/17	2017/18
Percentage Contribution Rate <i>(for 2017/18 this is the rate from which the fixed single discounted payment was calculated by the pension fund - see below)</i>	14.0%	16.5%
Actual Fixed Single Discounted Payment Made in 2017/18	-	£760,200
Lump Sum Payment from the Council <i>(in respect of pension fund deficit recovery)</i>	£212,304	£173,500

Notes to the Core Financial Statements

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

Remuneration Disclosure (including Pension Contributions)

Post Holder Information	Total	Pension	Total	Total	Pension	Total
	Remuneration	Contributions	Remuneration	Remuneration	Contributions	Remuneration
	excluding		including	excluding		including
	Pension		Pension	Pension		Pension
	Contributions		Contributions	Contributions		Contributions
	2016/17	2016/17	2016/17	2017/18	2017/18	2017/18
	£	£	£	£	£	£
Chief Executive ¹	112,152	14,050	126,202	116,667	17,643	134,310
Director of Community Services	86,387	11,148	97,535	82,400	13,270	95,670
Director of Resources	88,695	11,148	99,843	91,164	13,270	104,434
Head of Financial Services	57,666	7,296	64,962	58,767	8,685	67,452
Head of Planning Services	57,468	7,296	64,764	58,459	8,685	67,144
Head of Legal and Democratic Services ²	45,041	5,837	50,878	45,765	6,948	52,713
	447,409	56,775	504,184	453,222	68,501	521,723

¹ The values for the Chief Executive include Acting Returning Officer Fees, which fluctuate from year to year depending on the elections called. 2017/18 £6,281 (£5,656 of which was pensionable); 2016/17 £3,844 (£94 of which was pensionable)

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 £52,638 in 2017/18 (£52,116 in 2016/17) 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:

	2016/17	2017/18
£50,000 - £54,999		4
£55,000 - £59,999	**3	**3
£60,000 - £64,999		
£65,000 - £69,999		
£70,000 - £74,999		
£75,000 - £79,999		
£80,000 - £84,999		1
£85,000 - £89,999	2	
£90,000 - £94,999		1
£95,000 - £99,999		
£100,000 - £104,999		
£105,000 - £109,999		
£110,000 - £114,999	*1	
£115,000 - £119,999		*1
£120,000 - £124,999		

* The values for the Chief Executive include Acting Returning Officer Fees, which fluctuate from year to year depending on the elections called. 2017/18 £6,281 (£5,656 of which was pensionable); 2016/17 £3,844 (£94 of which was pensionable)

** 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 £52,638 in 2017/18 (£52,116 in 2016/17) and therefore this officer is required to be disclosed in this note.

There were no redundancy payments made in 2017/18 or 2016/17.

Notes to the Core Financial Statements

28 EXTERNAL AUDIT COSTS

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

	2016/17 £	2017/18 £
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.	10,560	7,321
Public Sector Audit Appointments (PSAA) Rebate		-4,975
Total	50,762	42,548

29 GRANT INCOME

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2017/18 and 2016/17:

	2016/17 £	2017/18 £
<i>Credited to Taxation and Non Specific Grant Income</i>		
Revenue Support Grant	-623,087	-304,319
New Homes Bonus	-1,366,884	-1,576,990
New Homes Bonus Adjustment Grant	-2,862	
Business Rates S31 Grant	-462,250	-902,819
Rural Areas Delivery Grant	-107,254	-86,603
Transition Grant	-20,424	-20,345
Capital Grants	-153,000	-3,000
Total Credited to Taxation and Non Specific Grant Income	-2,735,761	-2,894,076
<i>Credited to Services</i>		
<i>Grants Received for Capital Purposes</i>		
Disabled Facilities Grant	-273,220	-297,106
Disabled Facilities Grant - additional funding		-31,466
LCC Affordable Warmth Grant	-15,378	-23,261
Total Grants Received for Capital Purposes	-288,598	-351,833

Notes to the Core Financial Statements

	2016/17 £	2017/18 £
<u>Grants Received for Revenue Purposes</u>		
Business Rates Administration	-89,974	-88,997
Lancashire Highways Partnership	-11,625	-11,684
DWP - Rent Allowance and Rent Rebate Subsidy	-6,974,565	-6,673,691
DWP and MHCLG Council Tax and Housing Benefit Administration Grant	-143,162	-132,518
Ribble Valley Community Safety Partnership	-14,553	-13,300
DWP LA Data Sharing IT Costs Funding	-19,358	-12,469
Individual Electoral Registration Grant	-12,979	-31,764
DWP - Discretionary Housing Payments Fund	-33,252	-46,638
MHCLG - Storm Desmond and Storm Eva Council Tax Relief Grant	-98,215	-6,345
MHCLG (via LCC) Flood Resilience Grants	-635,124	-269,087
MHCLG - Community Housing Fund	-157,532	
MHCLG - Custom and Self Build Grant	-15,000	-30,000
MHCLG - Brownfield Register	-14,645	-1,775
MHCLG - Business Rates Relief Admin Grant		-12,000
MHCLG - Flexible Homelessness Support Grant		-40,000
DWP - Universal Credit Service Funding		-11,426
LCC - Domestic Abuse Support Worker and Support Services Grant		-42,884
Other Grants	-52,889	-56,018
Total Grants Received for Revenue Purposes	-8,272,873	-7,480,596
Total Credited to Services	-8,561,471	-7,832,429

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.

Notes to the Core Financial Statements

30 RELATED PARTY TRANSACTIONS

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council. 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 29 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 26.

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

In respect of the 2017/18 financial year, the council made one grant award to an organisation where the award was financially significant to that organisation and a Member had disclosed an interest. This was in respect of a grant for £60,000 awarded to Ribble Valley Citizens Advice Bureau to cover core running costs. The Member declaring an interest in this organisation did not take part in the discussion or the decision relating to the grant award.

Notes to the Core Financial Statements

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.

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 2017/18 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 2016/17.

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 132.
- Other standard business transactions between the Council and Lancashire County Council, such as superannuation payments to Lancashire Pension Fund - see Note 33.
- The Lancashire Business Rates Pool was operational for the first time during 2016/17 and continued in 2017/18 with some changes around membership. Full details of the operation of the business rates pool and the role of this council are included under Note 12.

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.

Notes to the Core Financial Statements

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 Sports and Recreation (Roefield Leisure Centre)
- Salesbury and Copster Green Commons Management Committee
- Carer's Link
- Mersey Care NHS Foundation Trust (regarding Calderstones Partnership)
- Environment Agency Liaison Committee
- Hanson Cement Liaison Committee
- Health and Wellbeing Board (Lancashire County Council)
- Lancashire County Council Health 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
- Rural Services Network
- Armed Forces Champion
- Clitheroe Royal Grammar School Foundation Trust
- Citizen's Advice Bureau
- Hyndburn and Ribble Valley Council for Voluntary Services
- Local Government Association General Assembly
- 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.

Notes to the Core Financial Statements

31 CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

	2016/17 £	2017/18 £
Opening Capital Financing Requirement	3,709,657	3,579,573
<u>Capital Investment</u>		
Property, Plant and Equipment	513,974	438,992
Revenue Expenditure Funded from Capital Under Statute	201,936	284,409
<u>Sources of Finance:</u>		
Grants and Other Contributions	-271,020	-247,092
Capital Receipts		-25,000
Sums set aside from revenue:		
- Revenue Contributions	-440,364	-412,306
- Minimum Revenue Provision	-134,610	-131,820
Closing Capital Financing Requirement	3,579,573	3,486,756
<u>Explanation of Movements in Year</u>		
Increase/(Decrease) in Underlying Need to Borrow (Unsupported by Government Financial Assistance)	-130,084	-92,817
Increase/(Decrease) in Capital Financing Requirement	-130,084	-92,817

32 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 2017 £	31 March 2018 £
Not later than one year	92,550	96,718
Later than one year and not later than five years	202,249	210,179
Later than five years	566,247	525,713
	861,046	832,610

Notes to the Core Financial Statements

The expenditure charged to the Cost of Services in the Comprehensive Income and Expenditure Statement in relation to the above leases was £95,257 (£110,202 in 2016/17).

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 2017 £	31 March 2018 £
Not later than one year	-75,399	-96,689
Later than one year and not later than five years	-177,034	-232,088
Later than five years	-552,039	-533,730
	-804,472	-862,507

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 2017/18 income included under the Cost of Services in the Comprehensive Income and Expenditure Statement in relation to the above leases was £89,588. (£82,974 in 2016/17).

33 DEFINED BENEFIT PENSION SCHEMES

Participation in Pension Scheme

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

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

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

Notes to the Core Financial Statements

The last actuarial valuation of the Fund was carried out at 31 March 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	
	2016/17 £'000	2017/18 £'000
Comprehensive Income and Expenditure Statement		
Cost of Services		
- current service costs	1,124	1,617
Other Operating Expenditure		
- administration expenses	23	23
Financing and Investment Income and Expenditure		
- net interest expense	489	418
Total Post employment Benefit Charged to the Surplus or Deficit on the Provision of Services	1,636	2,058
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)	-6,193	-509
- actuarial gain and losses arising on changes in demographic assumptions	-412	
- actuarial gains and losses arising on changes in financial assumptions	11,379	-2,421
- experience gain	-2,629	
Total Post employment Benefit Charged to the Comprehensive Income and Expenditure Account	3,781	-872
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	-1,636	-2,058
Actual amount charged against the General Fund Balance for pensions in the year:		
- employers' contributions payable to the scheme	933	1,009

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2018 is a gain of £2,930,000 (31 March 2017 loss of £2,145,000).

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	2016/17 £'000	2017/18 £'000
Present value of the defined benefit obligation	64,082	63,426
Fair value of plan assets	-46,798	-48,023
Net liability arising from defined benefit obligation	17,284	15,403

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

Local Government Pension Scheme	2016/17 £'000	2017/18 £'000
Opening fair value of scheme assets	39,814	46,798
Interest Income	1,384	1,167
Remeasurements gain/(loss):		
- the return on plan assets, excluding the amount included in the net interest expense	6,193	509
Administration Expenses	-23	-23
Contributions from employer	933	1,009
Contributions from employees into the scheme	296	300
Benefits/transfers paid	-1,799	-1,737
Closing fair value of scheme assets	46,798	48,023

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

Local Government Pension Scheme	2016/17 £'000	2017/18 £'000
Opening balance at 1 April	54,250	64,082
Current service cost	1,124	1,617
Interest Cost	1,873	1,585
Contributions from scheme participants	296	300
Remeasurement (gains) and losses:		
- Experience (gain)/loss	-2,629	
- Actuarial (gains)/losses arising from changes in demographic assumptions	11,379	-2,421
- Actuarial (gains)/losses arising from changes in financial assumptions	-412	
Benefits/transfers paid	-1,799	-1,737
Closing balance at 31 March	64,082	63,426

Notes to the Core Financial Statements

Local Government Pension Scheme Assets Comprised:

Local Government Pension Scheme Fair value of scheme assets	Quoted Y/N	31 March 2017 £'000	31 March 2018 £'000
Cash			
- Cash and Cash Equivalents	N	486	-1,161
- Cash accounts	N		2,027
- Net Current Assets	N		-1,067
Subtotal Cash		486	-201
Bonds			
- UK corporate	Y	171	274
- Overseas corporate	N	598	570
- UK Fixed gilts	Y	90	
- UK index linked	Y	837	1,146
- Overseas fixed interest	N		46
Subtotal Bonds		1,696	2,036
Property			
- Offices	N	864	933
- Offices/warehouse	N	86	100
- Industrial/warehouse	N	1,155	1,332
- Shops	N	407	389
- Retail warehouse	N	678	747
- Shopping centre	N	189	185
- Multi let commercial building	N	744	831
Subtotal Property		4,123	4,517
Alternatives			
- UK private equity	N	531	
- Overseas private equity	N	2,481	3,486
- Infrastructure	N	5,647	6,086
- Credit funds	N	10,487	8,849
- Pooled fixed income	N		1,185
- Indirect property funds	N	660	729
- Overseas pooled equity funds	N	20,687	21,336
Subtotal Alternatives		40,493	41,671
Total		46,798	48,023

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	2016/17	2017/18
Mortality Assumptions		
Longevity at 65 for current pensioners:		
Men	22.6 years	22.7 years
Women	25.2 years	25.4 years
Longevity at 65 for future pensioners:		
Men	24.9 years	25 years
Women	27.9 years	28 years
Rate of Consumer Price Index (CPI) Inflation	2.3%	2.1%
Rate of increase in salaries (<i>adjustment made for short term pay restraint in line with the latest actuarial valuation</i>)	3.8%	3.6%
Rate of increase in pensions	2.3%	2.2%
Rate for discounting scheme liabilities	2.5%	2.6%

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

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

Local Government Pension Scheme Impact on the Defined Benefit Obligation in the Scheme	Increase in Assumption £'000
Longevity (1 year increase in life expectancy)	1,249
Rate of inflation (+0.1% per annum)	1,071
Rate of increase in salaries (+0.1% per annum)	168
Rate of discounting scheme liabilities (+0.1% per annum)	-1,053

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 15 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 £1,028,000 in employer contributions to the scheme in 2018/19.

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

Scheme History

Local Government Pension Scheme	2013/14	2014/15	2015/16	2016/17	2017/18
	£'000	£'000	£'000	£'000	£'000
Present Value of Liabilities	46,474	55,578	54,250	64,082	63,426
Fair Value of Assets	-34,466	-38,455	-39,814	-46,798	-48,023
Deficit in the scheme	12,008	17,123	14,436	17,284	15,403

The liabilities show the underlying commitments that the council has in the long run to pay post-employment (retirement) benefits. The total liability of £15.403m 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.

Notes to the Core Financial Statements

- **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 15 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.
- **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.

Notes to the Core Financial Statements

- **Credit Risk:** Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur financial loss. Credit risk is minimised by ensuring that counterparties meet the Fund's credit criteria. The Fund has also set limits as to the maximum percentage of the deposits placed with any class of financial institution.
- **Liquidity risks:** Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund therefore takes steps to ensure that there are adequate cash resources to meet its commitments, and the Fund has immediate access to its cash holdings.
- **Other risks:** Actions taken by the government, or changes to European legislation, could result in stronger local funding standards, which could materially affect the authority's cash flow. There is a risk that changes in the assumptions (e.g. life expectancy, price inflation, discount rate) could increase the defined benefit obligation and/or the liabilities for actuarial valuation purposes. Other assumptions used to value the defined benefit obligation are also uncertain, although their effect is less material. The sensitivity analysis above indicates the change in the defined benefit obligation for changes in the key assumptions.
- **Amendments, curtailments and settlements:** The provisions of the Fund were amended with effect from 1 April 2014. As explained above for service up to 31 March 2013 benefits were based on salaries when members leave the scheme, whereas for service after that date benefits are based on career average salary. Further details of the changes are available from the Fund's administering authority.
 - Curtailments shown in the accounting figures relate to the cost of providing retirement benefits for members who retire early, to the extent that provision has not already been made for the relevant defined benefit obligations.
 - Settlements shown in the accounting figures relate to the admission of new employers into the Fund, and who take on part of the authority's assets and liabilities as a result of employing members who have accrued benefits with the authority.

Notes to the Core Financial Statements

34 CONTINGENT LIABILITIES

Housing Stock Transfer Warranties

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

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

In addition the following specific warranties have been given:

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

Warranties by the Council in favour of Ribble Valley Homes

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

In addition the following specific warranties have been given:

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

35 CONTINGENT ASSETS

VAT Sharing Arrangement

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

36 NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

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

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

The Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and the investment of surplus cash.

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.

Notes to the Core Financial Statements

- 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 (provided they are included in Fitch Ratings).
- Institutions must have a short term Fitch IBCA rating of F2 or above
- Institutions are UK based

No breaches of the Council's counterparty criteria occurred during the reporting period and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits.

The Council does not generally allow credit for its sundry debtors. The sundry debtors outstanding which are past their due date for payment at 31 March 2018 can be analysed by age as shown in the table below. Note 17 to the accounts shows a total provision for the impairment of debts of £364,959 of which £13,394 relates to sundry debts (£170,394 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 2018 that this was likely.

Notes to the Core Financial Statements

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 2018	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2018	Estimated maximum exposure to default and uncollectability at 31 March 2018	Estimated maximum exposure at 31 March 2017
	£ A	% B	% C	£ (A x C)	£
Deposits with banks and building societies	9,915,000	0.00%	0.00%	0	0
Customers (Sundry Debt including overpaid Housing Benefits recovered from ongoing benefit)	582,620	4.17%	29.25%	170,394	168,478

The council expects settlement terms from debtors of no greater than 14 days. On this basis £406,451 of the sundry debtor balance at 31 March 2018 is past its due date for payment (£317,986 at 31 March 2017); however a proportion of this is being paid on an agreed alternative payment plan. The full sundry debtor balance due but not impaired can be analysed by age as follows:

Aged Sundry Debt	As at 31 March 2017 £'000	As at 31 March 2018 £'000
Less than 30 days	511	136
30 days to 59 days	40	34
60 days to 89 days	15	12
90 days to 119 days	1	9
120 days +	258	303
	825	494

Notes to the Core Financial Statements

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 2017	31 March 2018
	£'000	£'000
Less than one year	23	11
Between 1 and 2 years	10	10
Between 2 and 5 years	31	31
Between 5 and 10 years	50	50
More than 10 years	55	45
	169	147

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.

Notes to the Core Financial Statements

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 2017, are as follows:

Limits in Interest Rate Exposure	2017/18 Upper	2018/19 Upper	2019/20 Upper
Maximum Principal Sums Borrowed >364 Days	£6.976m	£6.980m	£7.997m
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 £27,056. 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 2017/18

Collection Fund

2016/17 Total £'000		2017/18 Council Tax £'000	2017/18 Business Rates £'000	2017/18 Total £'000	Notes
Income					
35,025	Income from Council Tax Payers	37,137		37,137	
	1 Transfers From General Fund - Council Tax Benefits	2		2	
	98 Transfers From General Fund - Flood Relief	6		6	
	4 Family Annexes Discount Grant (MHCLG)	8		8	
15,228	Income from Business Ratepayers		14,662	14,662	1
	Share of Estimated Deficit				
	526 - Central Government			0	
	95 - Lancashire County Council			0	
	420 - Ribble Valley Borough Council			0	
	10 - Lancashire Combined Fire Authority			0	
51,407		37,153	14,662	51,815	
Expenditure					
	Precepts and Demands:				3
25,875	- Lancashire County Council	27,466		27,466	
3,585	- Ribble Valley Borough Council (including parishes)	3,681		3,681	
3,573	- Police and Crime Commissioner (PCC) for Lancashire	3,719		3,719	
1,443	- Lancashire Combined Fire Authority	1,472		1,472	
	Business Rates				
7,425	- Central Government		7,137	7,137	
1,336	- Lancashire County Council		1,285	1,285	
5,940	- Ribble Valley Borough Council		5,710	5,710	
149	- Lancashire Combined Fire Authority		143	143	
	Share of Estimated Surplus:				
	- Central Government		57	57	
343	- Lancashire County Council	430	10	440	
48	- Ribble Valley Borough Council	60	45	105	
20	- Lancashire Combined Fire Authority	24	1	25	
48	- Police and Crime Commissioner (PCC) for Lancashire	59		59	
21	Transfers to General Fund - Council Tax Benefits	17		17	
90	Costs of Collection		89	89	
33	Renewable Energy Schemes		100	100	
150	Provision for Bad/Doubtful Debts	110	81	191	4
20	Enterprise Zone		257	257	
96	Transitional Protection Payments		37	37	
97	Provision for Appeals		-297	-297	5
50,292		37,038	14,655	51,693	
1,115 (Deficit)/Surplus for the Year		115	7	122	
-322	(Deficit)/Surplus Brought Forward	706	87	793	
793 (Deficit)/Surplus Carried Forward		821	94	915	
Allocated to					
43	- Central Government		47	47	6
538	- Lancashire County Council	621	8	629	
108	- Ribble Valley Borough Council	83	38	121	
73	- Police and Crime Commissioner (PCC) for Lancashire	84		84	
31	- Lancashire Combined Fire Authority	33	1	34	
793		821	94	915	

Collection Fund

1 BUSINESS RATES

In 2013/14, the administration of Business Rates 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 Business Rates 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 2017/18 were estimated before the start of the financial year as £7.138m to Central Government, £1.2856m to Lancashire County Council, £0.143m to Lancashire Combined Fire Authority and £5.710m to Ribble Valley Borough Council. These sums have been paid in 2017/18 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 paid a tariff of £4.026m from the general fund.

The total income from business rate payers collected in 2017/18 was £14.663m (£15.228m in 2016/17).

For the 2017/18 financial year this council was part of the Lancashire Business Rates Pool, which began on 1 April 2016 (with some changes to overall membership between 2016/17 and 2017/18). 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 Housing, 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 total retained levy is £661,344, hence under pooling we have benefitted from extra income of £595,210. 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.

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.

In addition to the local management of business rates, authorities are expected to finance appeals made in respect of rateable values as defined by the Valuation Office Agency (VOA) and hence business rates outstanding as at 31 March 2018. 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 2018 has been calculated at £0.971m (31 March 2017 £1.269m)

The total non-domestic rateable value at 31 March 2018 was £39,616,767 compared to £38,835,543 at 31 March 2017 based on the 2010 listing. The non-domestic rateable value at 31 March 2018 on the 2017 listing was £41,601,151 compared to £40,274,087 at 31 March 2017.

The national non-domestic multiplier (rate in the pound) for the year 2017/18 was 47.9 pence compared to 49.7 pence in the year 2016/17.

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.

Collection Fund

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 £1,598.38 which was calculated by dividing the aggregate of the Council's expenditure to be met from the council tax and the Lancashire County Council, Police and Crime Commissioner (PCC) for Lancashire and Lancashire Combined Fire Authority precept by the council tax base. The council tax base is the number of band D equivalent properties in the Council's area and it represents the amount of income that would be raised from a council tax levy of £1.00 at band D level. The council tax base has been calculated as follows:

Band	Ratio to Band D	Total No of Properties	Total Equivalent No After Discounts	Band D Equivalents
A (entitled to disabled relief)	5/9	11	10.3	5.7
A	6/9	3,614	2,992.2	1,994.8
B	7/9	5,007	4,403.1	3,424.6
C	8/9	4,935	4,434.0	3,941.3
D	1	4,507	4,144.6	4,144.6
E	11/9	3,472	3,262.1	3,987.0
F	13/9	2,137	2,019.7	2,917.3
G	15/9	1,879	1,788.1	2,980.2
H	18/9	201	193.7	387.4
Totals		25,763	23,247.80	23,782.9
			Adjustments	-1,132.0
			Adjustment for Collection Rate	-169.9
			Council Tax Base	22,481

3 BAND D COUNCIL TAX

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

	2016/17 £	2017/18 £
Lancashire County Council Precept	25,875,117	27,465,937
Police and Crime Commissioner (PCC) for Lancashire Precept	3,572,733	3,719,481
Lancashire Combined Fire Authority Precept	1,442,572	1,472,506
Ribble Valley Borough Council Demand (excluding Parishes)	3,208,677	3,275,257
Total to be Met From Council Tax	34,099,099	35,933,181
Divided by Council Tax Base (Band D Equivalent Dwellings)	22,024	22,481
Band D Council Tax (Average excluding Parishes)	£1,548.27	£1,598.38

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 2017	500,000	330,000	830,000
Write Offs in Year	-20,343	-70,998	-91,341
Increase to Provision	110,343	80,998	191,341
Closing Balance 31 March 2018	590,000	340,000	930,000

5 PROVISION FOR BUSINESS RATES APPEALS

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

	2016/17 £	2017/18 £
Balance at 1 April	1,171,500	1,268,900
Adjustment to the provision made in the year	97,400	-297,500
Balance at 31 March	1,268,900	971,400

Collection Fund

6 PRECEPTS AND DEMANDS ON THE COLLECTION FUND

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

2016/17			2017/18	
Precept	Share of 31 March (Deficit) or Surplus		Precept	Share of 31 March (Deficit) or Surplus
£'000	£'000		£'000	£'000
25,875	530	Lancashire County Council	27,466	621
3,573	73	Police and Crime Commissioner for Lancashire	3,719	84
1,443	30	Lancashire Combined Fire Authority	1,472	33
3,585	73	Ribble Valley Borough Council	3,681	83
34,476	706	Total	36,338	821

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.

2016/17			2017/18	
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
7,425	43	Central Government	7,137	47
1,337	8	Lancashire County Council	1,285	8
148	1	Lancashire Combined Fire Authority	143	1
5,940	35	Ribble Valley Borough Council	5,710	38
14,850	87	Total	14,275	94

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 2017 and January 2018 are shown in the table below.

(Deficit) or Surplus Declared January 2017			(Deficit) or Surplus Declared January 2018		
Business Rates £'000	Council Tax £'000	Total £'000	Business Rates £'000	Council Tax £'000	Total £'000
57		57	-31		-31
10	430	440	-6	525	519
	59	59		71	71
1	24	25	-1	28	27
45	59	104	-25	70	45
113	572	685	-63	694	631

Glossary of Terms

Glossary of Terms

Accounting Period

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

Accounting Policies

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

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

Accounting policies do not include estimation techniques.

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

Accruals

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

Accruals Basis

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

Actuarial Gains and Losses

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

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

Amortisation

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

Appointed Auditors

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

Auditor's Opinion

This is the opinion required by statute from the Council's external auditors, indicating whether the statement of accounts give a true and fair view of the financial position of the Council.

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 Grants Unapplied

Government grants and other contributions are accounted for on an accruals basis and recognised in the accounting statements when the conditions for their receipt have been complied with. This reserve holds the balance of grants unapplied at year-end.

Capital Receipt

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

Glossary of Terms

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

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

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.

Council Tax Base

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

Council Tax Requirement

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

Creditors

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

Current Assets

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

Current Liabilities

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

Current Service Cost (Pensions)

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

Debtor

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

Depreciation

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

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

Exceptional Items

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

Expected Rate of Return on Pensions Assets

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

Fair Value

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

Finance Lease

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

Glossary of Terms

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.

Leasing

A method of utilising assets where a rental charge is paid for a specified period of time, instead of outright purchase.

Liabilities

Are present obligations of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits or service potential.

Long-term Contracts

A contract entered into for the design, manufacture or construction of a single substantial asset or the provision of a service (or a combination of assets or services which together constitute a single project), where the time taken to substantially complete the contract is such that the contract activity falls into different accounting periods.

Materiality

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

Medium Term Financial Strategy

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

Minimum Revenue Provision (MRP)

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

Net Book Value

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

Net Current Replacement Cost

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

Net Debt

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

Net Realisable Value

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

Glossary of Terms

Non Current Assets

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

Non Domestic Rates (NDR)

With effect from April 1990 all non-domestic properties were revalued and the Government determines a national non-domestic rating multiplier every year which is applicable to all local authorities. The rateable values are set by the Valuation Office Agency of HM Revenue & Customs, and there is a statutory revaluation every 5 years. The proceeds of the business rates are partly retained by the Council and the balance is redistributed to the Government, Lancashire County Council and Lancashire Combined Fire Authority.

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

Prudence

Accounts should be prepared in accordance with the concept of prudence. Income should only be anticipated to the extent that it will be received, as cash or other assets, with reasonable certainty and full and proper allowance should be made for all known and foreseeable losses and liabilities.

Public Works Loan Board (PWLB)

A body, now part of the Debt Management Office (a Government agency), which lends money to public bodies for capital purposes. At present nearly all borrowers are local authorities. Monies are drawn from the National Loans Fund and rates of interest are determined by the Treasury.

Related Parties

Two or more parties are related parties when at any time during the financial period:

- One party has direct or indirect control of the other party; or
- The parties are subject to common control from the same source; or
- One party has influence over the financial and operational policies of the other party to an extent that the other party might be inhibited from pursuing at all times its own separate interests; or
- The parties, in entering a transaction, are subject to influence from the same source to such an extent that one of the parties to the transaction has subordinated its own separate interests.

Related Party Transactions

A related party transaction is the transfer of assets or liabilities or the performance of services by, to, or for, a related party irrespective of whether a charge is made. The materiality of related party transactions should.

Remuneration

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

Reserves

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

Residual Value

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

Retirement Benefits

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

Revenue Expenditure

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

Revenue Expenditure Funded from Capital Under Statute

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

Glossary of Terms

Revenue Support Grant

A grant paid by Central Government, currently paid to every Local Authority to help to finance its expenditure generally and not specific services. It is based on the Government's assessment of how much the Council needs to spend in order to provide a standard level of service.

Scheme Liabilities

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

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
CPI	Consumer Price Index
DRC	Depreciated Replacement Cost
DVS	District Valuer Services
DWP	Department for Work and Pensions
EUV	Existing Use Value
FRS	Financial Reporting Standard
GAAP	Generally Accepted Accounting Principles
MHCLG	Ministry of Housing, Communities and Local Government
IAS	International Accounting Standards
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IPSAS	International Public Sector Accounting Standards
LASAAC	Local Authority Accounts Advisory Committee
LGPS	Local Government Pension Scheme
NDR	Non-Domestic Rates
PSAA	Public Sector Audit Appointments
PWLB	Public Works Loan Board
RSG	Revenue Support Grant
SeRCOP	Service Reporting Code of Practice
SIC	Standing Interpretations Committee
SSAP	Statements of Standard Accounting Practice
TMPs	Treasury Management Practices
UITF	Urgent Issues Task Force
VOA	Valuation Office Agency



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