

# RIBBLE VALLEY BOROUGH COUNCIL REPORT TO ACCOUNTS AND AUDIT COMMITTEE

Agenda Item No 10

meeting date: 24 JULY 2019  
title: APPROVAL OF AUDITED STATEMENT OF ACCOUNTS FOR 2018/19  
submitted by: DIRECTOR OF RESOURCES  
principal author: LAWSON ODDIE

## 1 PURPOSE

1.1 To seek Member approval of the Statement of Accounts for 2018/19, 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 2019 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 2018/19 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 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 2020/21 financial year, and also in revising the estimate for the current financial year.

### 3 STATEMENT OF ACCOUNTS FOR 2018/19

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:

- **IFRS 9 Financial Instruments** - IFRS 9 replaced IAS 39 Financial Instruments: Recognition and Measurement. It made changes to previous guidance on the classification and measurement of financial assets and introduced an 'expected credit loss' model for impairment of financial assets. The changes made on transition have had no impact on the balance sheet values.
- **IFRS 15 Revenue from Contracts with Customers** - This standard introduced new methodology for determining when income from providing goods and services is to be recognised in the Comprehensive Income and Expenditure Statement and replaced IAS 18 Revenue and IAS 11 Construction Contracts. As the council has relatively predictable income streams there has been no impact on the financial statements.

3.2 Members will be taken through the full statement of accounts for 2018/19 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.

### 4 GENERAL FUND OUTTURN POSITION 2018/19

4.1 Shown below is the final position for the 2018/19 financial year.

<b>Committee</b>	<b>Original Estimate</b>	<b>Revised Estimate</b>	<b>Actual</b>	<b>Original Estimate Compared to Actual</b>	<b>Revised Estimate Compared to Actual</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Community Services	3,764	3,888	3,843	79	-45
Economic Development	270	275	287	17	12
Health & Housing	976	957	879	-97	-78
Planning & Development	462	413	450	-12	37
Policy & Finance	1,931	2,015	1,958	27	-57
<b>Committee Expenditure</b>	<b>7,403</b>	<b>7,548</b>	<b>7,417</b>	<b>14</b>	<b>-131</b>
Interest Payable	7	7	7	0	0
Parish Precepts	435	435	435	0	0
Interest Received	-20	-83	-92	-72	-9
<b>Net Operating Expenditure</b>	<b>7,825</b>	<b>7,907</b>	<b>7,767</b>	<b>-58</b>	<b>-140</b>
Contingency for Pay Award	75	0	0	-75	0

<b>Committee</b>	<b>Original Estimate</b>	<b>Revised Estimate</b>	<b>Actual</b>	<b>Original Estimate Compared to Actual</b>	<b>Revised Estimate Compared to Actual</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Contribution from Capital Receipts towards Disposal Costs	0	0	-4	-4	-4
Impairment Losses/(Gains) on Outstanding Debts	0	0	-8	-8	-8
Precept from Collection Fund (including parish precepts)	-3,886	-3,886	-3,886	0	0
Collection Fund Surplus - Council Tax	-70	-70	-70	0	0
Levy Account Surplus	0	0	-20	-20	-20
New Homes Bonus	-1,573	-1,576	-1,576	-3	0
Rural Areas Delivery Grant	-108	-108	-108	0	0
Revenue Support Grant	-109	-109	-109	0	0
Business Rates Baseline Funding	-1,303	-1,303	-1,303	0	0
Retained Rates Income	-399	-399	-399	0	0
10% Retained Business Rates Levy - Paid to LCC	53	72	72	19	0
S31 Grant	-931	-945	-955	-24	-10
Retained Rates - Renewable Energy	-82	-94	-92	-10	2
Collection Fund Deficit - Business Rates	25	25	25	0	0
<b>Deficit/(Surplus) for year before Capital Adjustments and Transfers to/(from) Earmarked Reserves</b>	<b>-483</b>	<b>-486</b>	<b>-666</b>	<b>-183</b>	<b>-180</b>
Depreciation	-893	-929	-929	-36	0
Minimum Revenue Provision	131	130	130	-1	0
Net Transfer to/(from) earmarked reserves	1,416	1,339	1,527	111	188
<b>Deficit/(Surplus) for Year</b>	<b>171</b>	<b>54</b>	<b>62</b>	<b>-109</b>	<b>8</b>

- 4.2 You will see we have made a deficit of £62,000 during the year, compared with the Revised Estimate which showed a deficit of £54,000, and the Original Estimate which showed a deficit of £171,000. 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 2018/19 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** are summarised below. Favourable variances are denoted by values with a minus sign.

Variation	£'000	Impact on Earmarked Reserves £'000	Net Variance £'000
<b><u>Expenditure Variations</u></b>			
Tuition Fees and Training Expenses	-31	3	-28
Ground Rent	-21	0	-21
Vehicle Repairs and Maintenance	71	0	71
Vehicle and Plant Hire	-11	10	-1
ICT Upgrade Costs	14	0	14
Equipment, Furniture and Materials	11	-31	-20
Planning Consultancy, Costs Lost on Appeal and other Legal Fees	109	-80	29
Promotional Activities	-27	11	-16
Development Plan Inspection Fees	-20	20	0
Rent Allowance Payments	-76	0	-76
Grants	-40	7	-33
<b>Total Expenditure Variances</b>	<b>-21</b>	<b>-60</b>	<b>-81</b>
<b><u>Income Variations</u></b>			
Rent Allowances Grant	48	0	48
Other Grants, Reimbursements, Contributions	-113	64	-49
Planning Fees	18	0	18
Car Parking Charges	-19	0	-19
Sale of Equipment and Materials	-23	21	-2
<b>Total Income Variances</b>	<b>-89</b>	<b>85</b>	<b>-4</b>
Other Variations	-21	124	103
<b>Net Variation on Committee Expenditure</b>	<b>-131</b>	<b>149</b>	<b>18</b>
<b>Impact of Corporate Variances on Earmarked Reserves</b>		<b>39</b>	<b>39</b>
<b>Net Variation after Corporate Movements on Earmarked Reserves</b>	<b>-131</b>	<b>188</b>	<b>57</b>
Increased Interest Received			-9
Contribution from Capital Receipts towards Disposal Costs			-4
Impairment Losses/(Gains) on Outstanding Debts			-8
Levy Account Surplus			-20
Increased S31 Grants			-10
Retained Rates - Renewable Energy			2
<b>Decrease in amount to take from balances compared to Revised Estimate</b>			<b>8</b>

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 £170,738 from general fund balances to help finance the 2018/19 spending plans. However, this was revised later in the year to taking £54,388 from general fund balances. The final position shows that the council has taken £61,592 from general fund balances.

<b>General Fund Balance</b>		<b>£'000</b>
<b>General Fund Balances: Brought forward at 1 April 2018</b>		<b>2,533,703</b>
Deficit in 2018/19 taken from General Fund Balances		<b>-61,592</b>
<b>General Fund Balances: Carried forward at 31 March 2019</b>		<b>2,472,111</b>

### 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 £1,416,194. However, this was revised later in the year to adding £1,339,693 to earmarked reserves. The final position shows that the council has **added** £1,527,417 to earmarked reserves for revenue purposes.
- 4.7 For capital purposes we **used** £802,772 from earmarked reserves to fund the capital programme.
- 4.8 The overall net movement was £724,645 **added** to earmarked reserves. Full details of the movement on our earmarked reserves are shown on page 83 of the Statement of Accounts.

<b>Earmarked Reserves</b>		<b>£</b>
<b>Earmarked Reserves: Brought forward at 1 April 2018</b>		<b>8,547,420</b>
Net added to Earmarked Reserves for revenue purposes		<b>1,527,417</b>
Net taken from Earmarked Reserves for capital purposes		<b>-802,772</b>
<b>Earmarked Reserves: Carried forward at 31 March 2019</b>		<b>9,272,065</b>

- 4.9 Some of the larger in-year additions to earmarked reserves have been from unused in year receipt of New Homes Bonus (£470,908) and Business Rates Growth (£873,020). However, much of this is earmarked for use in funding the capital programme over the coming years.

### Business Rates in 2018/19

- 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 hold a Business Rates Volatility Earmarked Reserve to cushion any potential impacts (£1.682m).

- 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 in 2018/19 we were able to retain levy that would have otherwise been payable to central government of £725,653. Of this, 10% (£72,565) was paid to Lancashire County Council under the governance arrangements of the pool, resulting in net retained levy of £653,088 for this council.
- 4.14 Finally, there was a surplus on the Collection Fund for business rates, which the council received a share of.

<b>Business Rates Element</b>	<b>£'000</b>
Total Business Rates Income Forecast for 2018/19	-14,622
Less Payable to Central Government	7,311
Less Payable to Lancashire County Council	1,316
Less Payable to Lancashire Combined Fire Authority	146
<b>Balance Retained by Ribble Valley Borough Council</b>	<b>-5,849</b>
Less Tariff Payable to Central Government	4,147
<b>Baseline Business Rates Income of £1,303,000 plus Growth of £399,000</b>	<b>-1,702</b>
Business Rates retained on Renewable Energy Schemes	-92
Section 31 Grants	-955
Less 10% Retained Business Rates Levy Payable to Lancashire County Council	72
Less Business Rates Collection Fund Deficit	25
<b>Overall Net Retained Business Rates Related Income</b>	<b>-2,652</b>
<b>Business Rates Income Used In-Year</b>	
Baseline Business Rates Income	1,303
Use of Business Rates Growth	476
<b>Total Business Rates Income Used In-Year</b>	<b>1,779</b>
<b>Balance set aside in the Business Rates Growth Earmarked Reserve</b>	<b>873</b>

### **Collection Fund**

- 4.15 As billing authority, the council maintains a separate Collection Fund for the collection of and distribution of council tax and business rates.

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

4.17 For business rates, similar principles apply. Total forecast collectable rates are paid from the Collection Fund at fixed shares to Central Government, Ribble Valley Borough Council, Lancashire County Council and Lancashire Fire and Rescue Authority. 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 130 of the Statement of Accounts.

### **Capital**

4.18 During the year the Council spent £1,276,243 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 Housing Related Grants.

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

<b>Capital Programme</b>	<b>Original Estimate</b>	<b>Revised Estimate</b>	<b>Actual</b>	<b>Original Estimate Compared to Actual</b>	<b>Revised Estimate Compared to Actual</b>
	£	£	£	£	£
Community Services Committee	712,200	781,930	723,041	10,841	-58,889
Economic Development Committee	100,000	100,000	0	-100,000	-100,000
Planning and Development Committee	0	30,200	3,775	3,775	-26,425
Policy and Finance Committee	156,420	161,730	100,797	-55,623	-60,933
Health and Housing Committee	522,000	891,240	448,630	-73,370	-442,610
<b>Total Capital Expenditure</b>	<b>1,490,620</b>	<b>1,965,100</b>	<b>1,276,243</b>	<b>-214,377</b>	<b>-688,857</b>
Grants and Contributions	-297,000	-499,810	-436,850	-139,850	62,960

<b>Capital Programme</b>	<b>Original Estimate</b>	<b>Revised Estimate</b>	<b>Actual</b>	<b>Original Estimate Compared to Actual</b>	<b>Revised Estimate Compared to Actual</b>
	£	£	£	£	£
Borrowing	-175,000	-36,000	-36,620	138,380	-620
Earmarked Reserves	-1,018,620	-1,429,290	-802,773	215,847	626,517
<b>Total Resources</b>	<b>-1,490,620</b>	<b>-1,965,100</b>	<b>-1,276,243</b>	<b>214,377</b>	<b>688,857</b>

4.20 As shown in the table above, comparing spend to budget, there is a variance of £688,857 between the revised capital programme and actual spend.

4.21 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 £688,857 variance, £678,270 is accounted for as slippage in to the 2019/20 financial year, and is summarised below:

<b>Scheme Name</b>	<b>Slippage in to the 2019/20 Financial Year</b>
	£
Play Area Improvements	18,870
Replacement Vehicle	37,500
Off-Street Car Parks - Upgrade of Payment System	1,500
Planning System Update and Portal Link	26,420
Queensway Garages Roof Replacement and Repairs	1,830
Financial System Upgrade	14,120
New Council Telephone System	45,000
Disabled Facilities Grants	360,120
Landlord/Tenant Grants	84,240
Affordable Warmth Grants	6,920
Economic Development Initiatives	81,750
<b>Total Capital Slippage</b>	<b>678,270</b>

### **Balance Sheet**

4.22 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.

4.23 The main movements on the balance sheet between 31 March 2018 and 31 March 2019 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 decreased mainly due to a number of large debtors that were outstanding at 31 March 2018 financial year, which do not apply at 31 March 2019. These related to a debtor for outstanding Flood Resilience Grant Income (£269k) and the Quarter 4 income due under the cost sharing arrangement (£107k). Additionally there is a much lower level of income due in under the VAT share agreement at this year-end, being £93k less than that at the 31 March 2018.
- **Cash and Cash Equivalents** is higher at the 31 March 2019 due to a higher level of short term investments that were in place at year end (£12.175m) compared to 31 March 2018 (£9.915m)
- **Short Term Creditors** have increased at 31 March, notably due to a higher level owed to MHCLG in respect of the closedown position on the Collection Fund (£300k). Additionally there has been an increase in S106 income, which is held on the council's balance sheet as a short term creditor (£304k)
- **Earmarked Reserves** are held for numerous reasons with some of the larger balances being in relation to New Homes Bonus and Business Rates Growth 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 £725Km at 31 March 2019 compared to the previous year end.

4.24 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.

4.25 The council has always worked to minimise the impacts of reduced government funding and will continue work to minimise the impact of any future changes to local government finance through the work of the Budget Working Group.

## 5 PENSIONS AND THE MCCLOUD RULING

5.1 On 27 June the Supreme Court denied the Government's request to appeal the ruling in the linked cases of Sargeant and McCloud (generally referred to as McCloud in the Local Government Pension Scheme). In effect this meant that the the transitional protections afforded to older members when the Public Service Pension Schemes were amended constituted unlawful age discrimination.

5.2 As a result of this our auditors requested that the position on the pension fund be reviewed as at 31 March 2019. A high level position was obtained from the actuary Mercers and this in turn led to a more detailed full review being undertaken, the results of which were received on 11 July 2019.

5.3 These new results gave a position where the pension deficit moved from £15.413m to £15.656m at 31 March 2019. This was as a result of a new Past Service Cost of £365k and also increased Remeasurements (assets) of £122k, this being the net movement of £243k.

5.4 These adjustments to the accounts are bookkeeping adjustments which have no impact on the level of use of general fund balances at the council. Within the statement of accounts such adjustments are peppered throughout the main statements and also a large number of the notes.

5.5 As the net position is below materiality (but still reportable) and due to the lateness of the decision of the Supreme Court and the consequential lateness of the information being received from the actuary, a decision was made not to amend the Statement of Accounts presented to committee. This is also following discussion with our external auditors, Grant Thornton.

## 6 CONCLUSION

6.1 The final outturn of a **deficit of £62,000** means that we have taken £8,000 **more** from general fund balances than was estimated when we prepared the Revised Estimates.

6.2 There has also been £188,000 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 set aside in the Business Rates Growth Reserve and New Homes Bonus Reserve, much of which is committed for financing the future capital programme.

6.3 There has been a very recent decision around pensions that impacts on the net pension liability for the council. A decision has been made not to restate the Statement of Accounts to reflect the decision.

## 7 RISK ASSESSMENT

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

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

## 8 RECOMMENDED THAT COMMITTEE

8.1 Approve the audited Statement of Accounts for 2018/19.

HEAD OF FINANCIAL SERVICES

DIRECTOR OF RESOURCES

AA13-19/LO/AC

12 July 2019

# 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
<b>Net Cost of Services</b>	72,702	15,563	88,265
Other Income and Expenditure	(72,658)	(1,019)	(73,677)
<b>Surplus or Deficit</b>	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		
<b>Closing General Fund and HRA Balance at 31 March 20x1*</b>	<b>(25,203)</b>		

\*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
<b>Cost of Services</b>	<b>168,167</b>	<b>(79,902)</b>	<b>88,265</b>
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)
<b>(Surplus) or Deficit on Provision of Services</b>			<b>14,588</b>
(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)
<b>Other Comprehensive Income and Expenditure</b>			<b>(45,142)</b>
<b>Total Comprehensive Income and Expenditure</b>			<b>(30,554)</b>

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
<b>Balance at 31 March 20X0</b>	22,118	3,129	10,065	1,600	450	37,362	1,350,567	1,387,929
<b>Movement in reserves during 20X0/X1</b>								
<b>Total Comprehensive Income and Expenditure</b>	(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)	–
<b>Increase or (decrease) in 20X0/X1</b>	<b>(148)</b>	<b>104</b>	<b>(750)</b>	<b>–</b>	<b>–</b>	<b>(794)</b>	<b>31,348</b>	<b>30,554</b>
<b>Balance at 31 March 20X1 carried forward</b>	<b>21,970</b>	<b>3,233</b>	<b>9,315</b>	<b>1,600</b>	<b>450</b>	<b>36,568</b>	<b>1,381,915</b>	<b>1,418,483</b>

\* 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	
<b>Long-term assets</b>		<b>1,670,478</b>	
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	
<b>Current assets</b>		<b>42,589</b>	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)	
<b>Current liabilities</b>		<b>(45,227)</b>	
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)	
<b>Long-term liabilities</b>		<b>(249,357)</b>	
<b>Net assets</b>		<b>1,418,483</b>	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.<sup>1</sup> 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	
Net cash flows from Operating Activities (Note 26)	(10,156)	Three groups of transactions: <ul style="list-style-type: none"> <li>■ Operating</li> <li>■ Investing</li> <li>■ Financing</li> </ul>
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)	
<b>Cash and cash equivalents at the end of the reporting period (Note 19)</b>	<b>(13,767)</b>	Cash and cash equivalents figure in the balance sheet

<sup>1</sup> 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.

<b>Checklist</b>	
<b>Expenditure and Funding Analysis</b>	
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?
<b>Comprehensive Income and Expenditure Statement</b>	
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?
<b>Movement in Reserves Statement</b>	
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?
<b>Balance Sheet</b>	
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?
<b>Cash Flow Statement</b>	
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]


2018/2019

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

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### **Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (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).

### **IFRS 9 Financial Instruments**

IFRS 9 replaced IAS 39 Financial Instruments: Recognition and Measurement. It made changes to previous guidance on the classification and measurement of financial assets and introduced an 'expected credit loss' model for impairment of financial assets. The changes made on transition to the balance sheet have had no impact on the balance sheet values.

### **IFRS 15 Revenue from Contracts with Customers**

This standard introduced new methodology for determining when income from providing goods and services is to be recognised in the Comprehensive Income and Expenditure Statement and replaced IAS 18 Revenue and IAS 11 Construction Contracts. As the council has relatively predictable income streams there has been no impact on the financial statements.

**Narrative Report**

**2 RIBBLE VALLEY DEMOGRAPHICS AND ECONOMY**

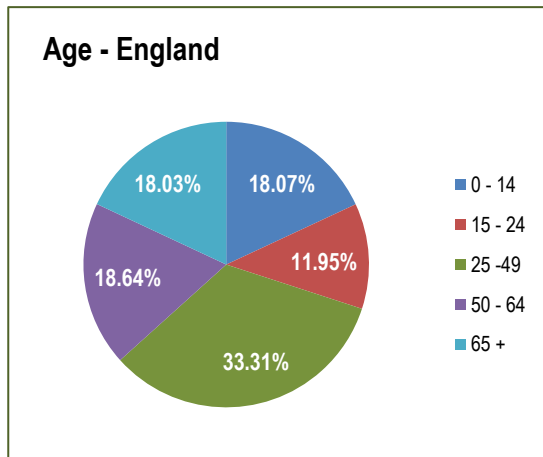
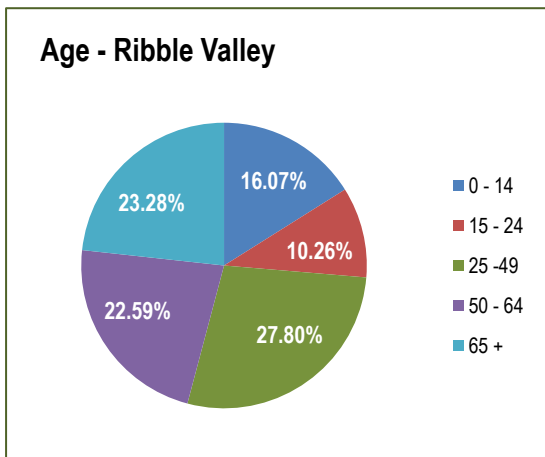
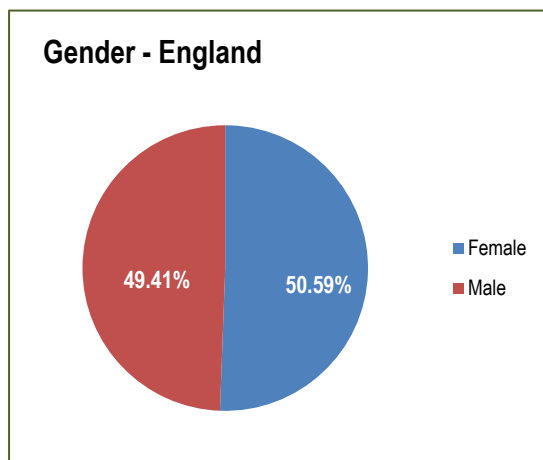
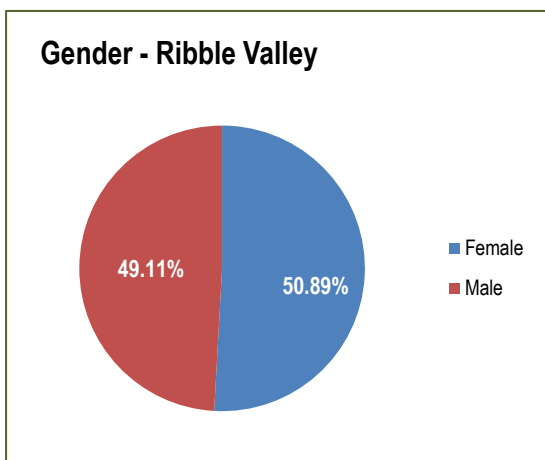
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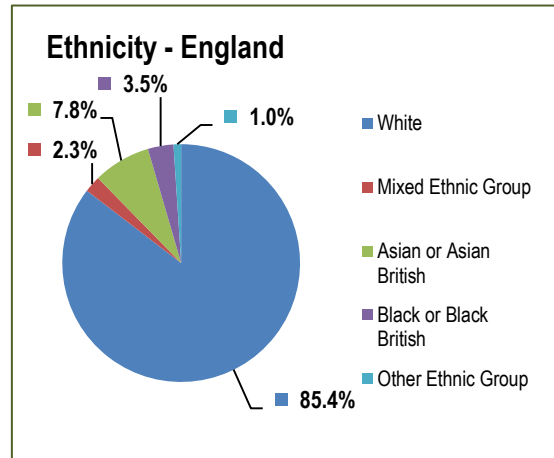
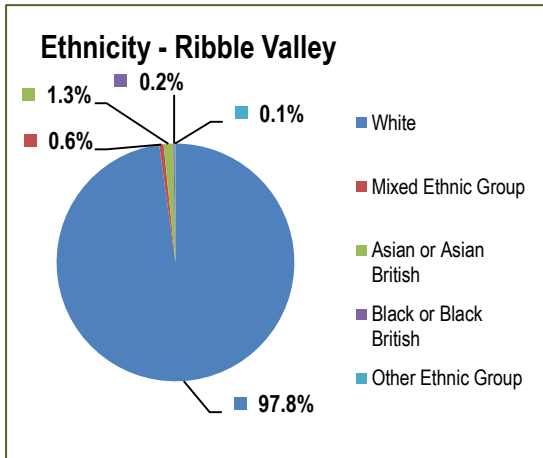
Ribble Valley is in the County of Lancashire bordering neighbouring councils in Pennine Lancashire, Craven District Council in North Yorkshire, South Ribble, Preston, Wyre and Lancaster Borough Councils. The administrative centre for the district is the historic market town of Clitheroe. The industrial 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 2017 Mid-Year Estimates for gender and age and March 2011 (Census) for Ethnicity. The total population for the borough, based on these statistics, is 59,504. The statistics for Ribble Valley are shown alongside those for England as a whole for comparison.



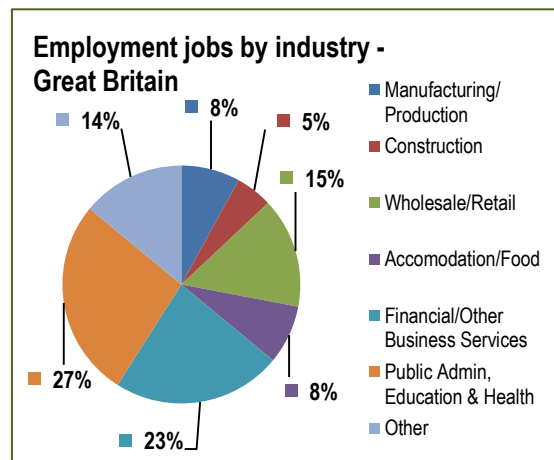
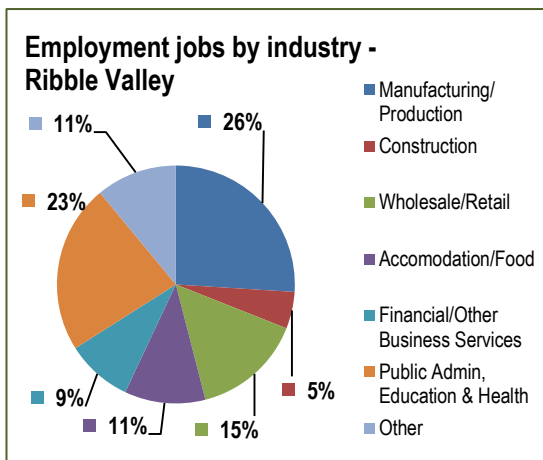


**Local Economy and Business Information**

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.

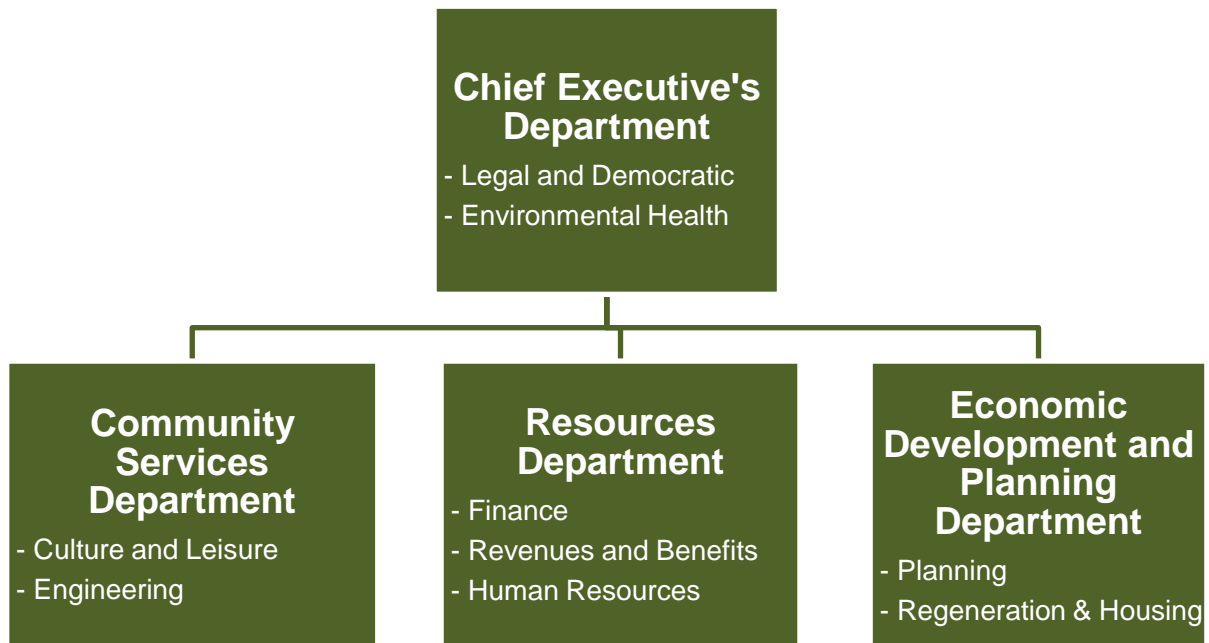
The area also has a strong agricultural association, with high value meat and milk products, and has a large number of farm holdings in the dairy and grazing categories. A number of farming businesses have diversified to offer locally produced food and drink, retail and leisure facilities and tourist 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 2018).



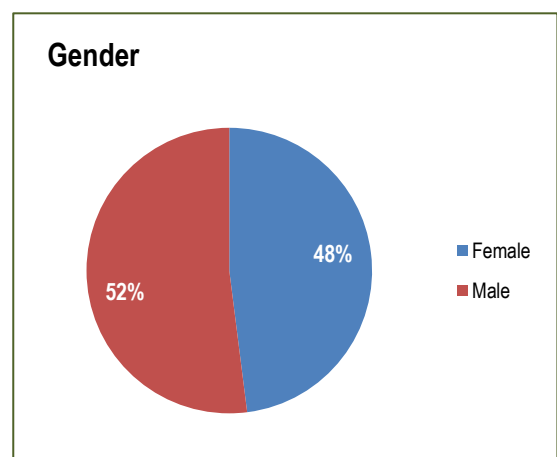
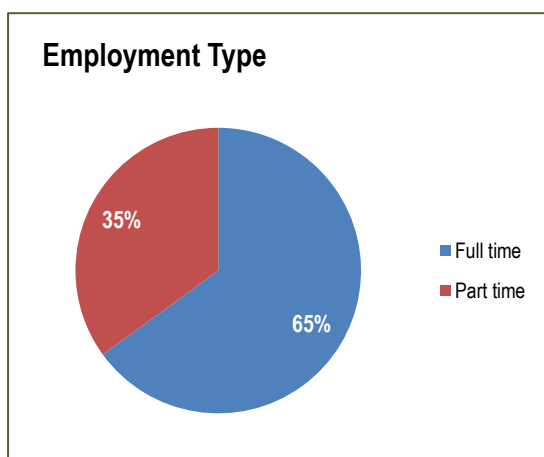
## Narrative Report

### 3 OUR EMPLOYEES

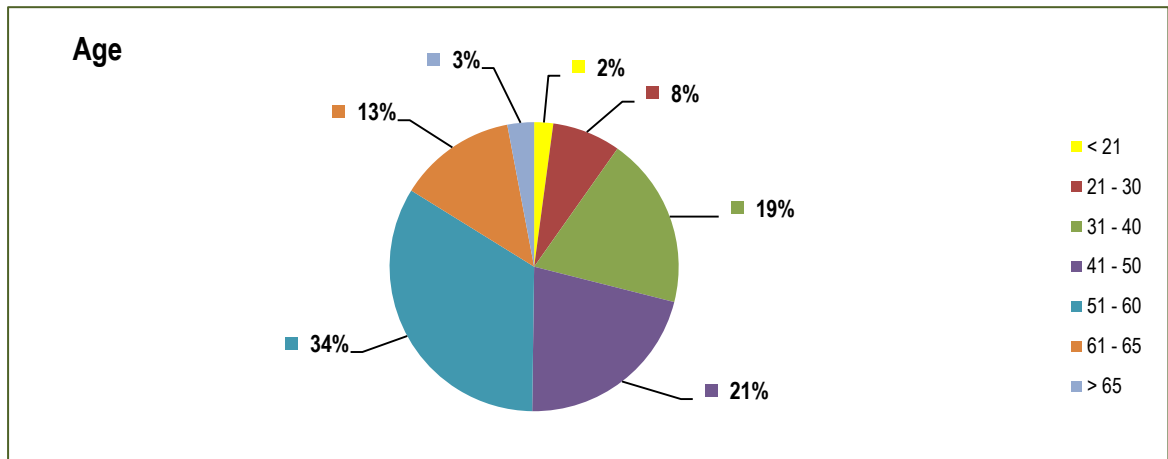
The organisational structure of the council is headed by the Corporate Management Team which consists of the Chief Executive, Director of Community Services, Director of Resources and the Director of Economic Development and Planning. Each member of the Corporate Management Team has responsibility for one of the council's 4 departments.



As at the 31 March 2019 the council employed 235 members of staff. The overall establishment consisted of 235 posts, of which 16 were vacant posts at 31 March. The tables below provide some information on the profile of our employees as at the end of the 2018/19 financial year.







#### 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. As at the 31 March 2019, the last full election for Ribble Valley Councillors was in May 2015. There has since been a further election that took place on the 2 May 2019.

Councillors 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. As at 31 March 2019, our Councillors represented the following parties:

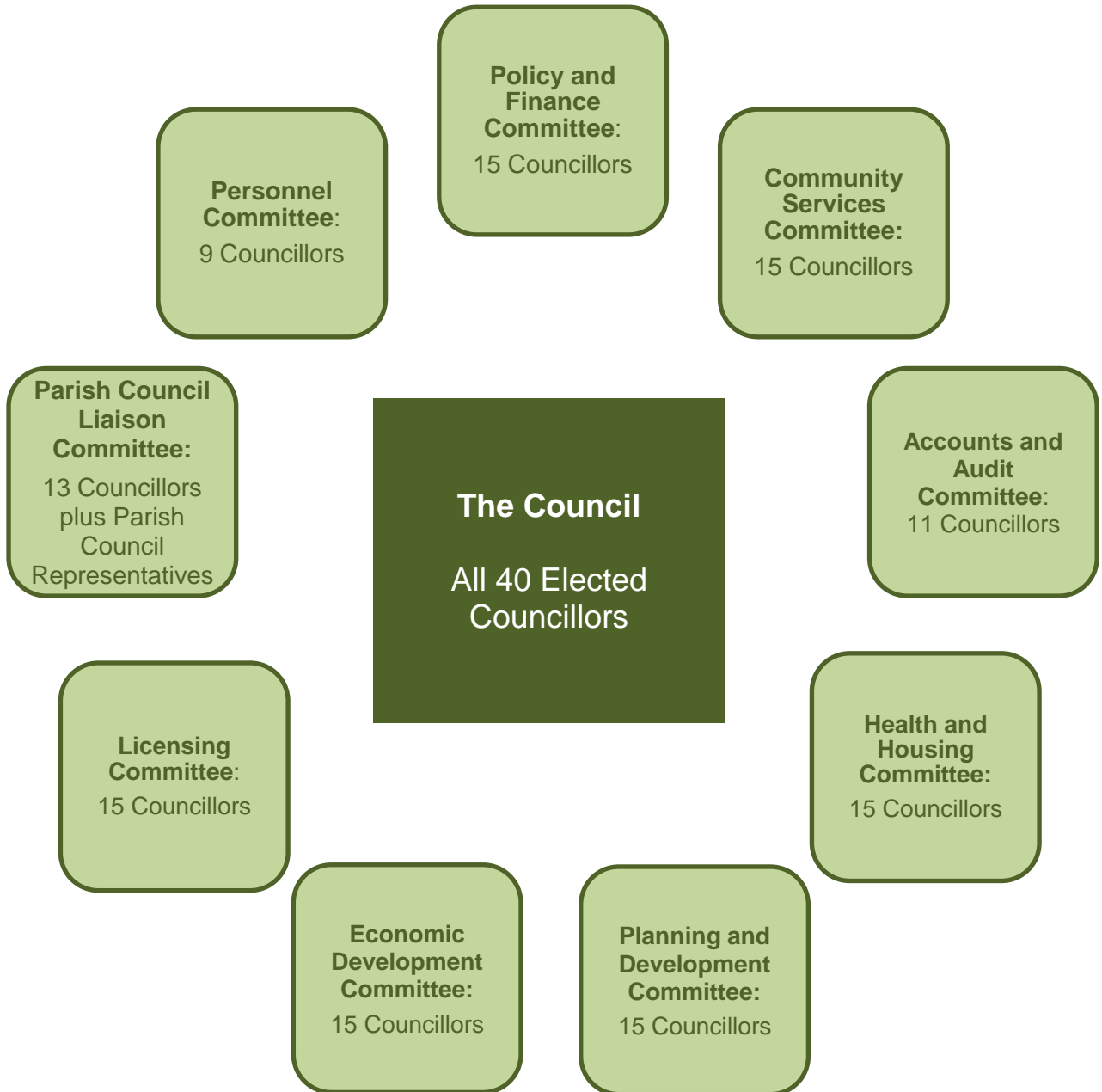
Conservative Party	30 Councillors
Democratic Conservatives	5 Councillors
Liberal Democrat Party	4 Councillors
Labour Party	1 Councillor
<b>Total</b>	<b>40 Councillors</b>

As the Conservative Party has the most number of Councillors, they have control of the Council. The Council operates a Committee System.

**Narrative Report**

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The diagram below shows the committee structure as at the 31 March 2019, and which operated throughout the 2018/19 financial year.



**5 OUR FINANCIAL PERFORMANCE - REVENUE**

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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	3,764	3,888	3,843	79	-45
Economic Development	270	275	287	17	12
Health & Housing	976	957	879	-97	-78
Planning & Development	462	413	450	-12	37
Policy & Finance	1,931	2,015	1,958	27	-57
<b>Committee Expenditure</b>	<b>7,403</b>	<b>7,548</b>	<b>7,417</b>	<b>14</b>	<b>-131</b>
Interest Payable	7	7	7	0	0
Parish Precepts	435	435	435	0	0
Interest Received	-20	-83	-92	-72	-9
<b>Net Operating Expenditure</b>	<b>7,825</b>	<b>7,907</b>	<b>7,767</b>	<b>-58</b>	<b>-140</b>
Contingency for Pay Award	75	0	0	-75	0
Contribution from Capital Receipts towards Disposal Costs	0	0	-4	-4	-4
Impairment Losses/(Gains) on Outstanding Debts	0	0	-8	-8	-8
Precept from Collection Fund (including parish precepts)	-3,886	-3,886	-3,886	0	0
Collection Fund Surplus - Council Tax	-70	-70	-70	0	0
Levy Account Surplus	0	0	-20	-20	-20
New Homes Bonus	-1,573	-1,576	-1,576	-3	0
Rural Areas Delivery Grant	-108	-108	-108	0	0
Revenue Support Grant	-109	-109	-109	0	0
Business Rates Baseline Funding	-1,303	-1,303	-1,303	0	0
Retained Rates Income	-399	-399	-399	0	0
10% Retained Business Rates Levy - Paid to LCC	53	72	72	19	0
S31 Grant	-931	-945	-955	-24	-10
Retained Rates - Renewable Energy	-82	-94	-92	-10	2
Collection Fund Deficit - Business Rates	25	25	25	0	0
<b>Deficit/(Surplus) for year before Capital Adjustments and Transfers to/(from) Earmarked Reserves</b>	<b>-483</b>	<b>-486</b>	<b>-666</b>	<b>-183</b>	<b>-180</b>
Depreciation	-893	-929	-929	-36	0
Minimum Revenue Provision	131	130	130	-1	0
Net Transfer to/(from) earmarked reserves	1,416	1,339	1,527	111	188
<b>Deficit/(Surplus) for Year</b>	<b>171</b>	<b>54</b>	<b>62</b>	<b>-109</b>	<b>8</b>

**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	3,764	3,888	3,843	79	-45
Economic Development	270	275	287	17	12
Health & Housing	976	957	879	-97	-78
Planning & Development	462	413	450	-12	37
Policy & Finance	1,931	2,015	1,958	27	-57
<b>Committee Expenditure</b>	<b>7,403</b>	<b>7,548</b>	<b>7,417</b>	<b>14</b>	<b>-131</b>

This net expenditure can also be analysed across the various income and expenditure types as shown below. This provides more of an insight as 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	6,588	6,723	6,684	96	-39
Premises Related	1,607	1,720	1,656	49	-64
Transport Related	1,607	1,676	1,798	191	122
Supplies & Services	1,657	1,749	1,825	168	76
Third Party Payments	379	371	375	-4	4
Transfer Payments	6,592	6,671	6,562	-30	-109
Support Services	6,199	6,488	6,451	252	-37
Depreciation and Impairment	893	937	929	36	-8
<b>Total Expenditure</b>	<b>25,522</b>	<b>26,335</b>	<b>26,280</b>	<b>758</b>	<b>-55</b>
Government Grants	-6,636	-6,759	-6,781	-145	-22
Other Grants and Contributions	-192	-253	-304	-112	-51
Customer and Client Receipts	-3,133	-3,267	-3,283	-150	-16
Recharges and Oncosts	-8,158	-8,508	-8,495	-337	13
<b>Total Income</b>	<b>-18,119</b>	<b>-18,787</b>	<b>-18,863</b>	<b>-744</b>	<b>-76</b>
<b>Net Expenditure</b>	<b>7,403</b>	<b>7,548</b>	<b>7,417</b>	<b>14</b>	<b>-131</b>

## Narrative Report

### Amendments to our budget in the year

As can be seen above, our budget is revised 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 Increase in Service Committee Costs	145
Impact of Py Award now Incorporated in to Committee Budgets	-75
Increase in Forecast 10% Retained Levy Payable to Lancashire County Council	19
Increase in S31 Grants Receivable	-14
Increase in Retained Rates from Renewable Energy	-12
Increase in Forecast Interest Earned	-63
Increase in amount removed for Depreciation	-36
Decrease in the Minimum Revenue Provision	-1
Increase in New Homes Bonus Grant	-3
Decrease in amount set aside in Earmarked Reserves	-76
<b>Net decrease in amount to take from balances for the year</b>	<b>-116</b>

### How our revenue services are financed

As shown earlier our total actual net expenditure for committees was £7.417m. 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.

- 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 £8.293m 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	-3,451
Precept relating to all Parishes	-435
Collection Fund Surplus	-70
<b>Total Net Council Tax Income</b>	<b>-3,956</b>

### 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 are 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 £725,653. Of this 10% (£72,565) was paid to Lancashire County Council under the governance arrangements of the pool, resulting in net retained levy of £653,088 for this council.

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

## Narrative Report

Business Rates Element	£'000
Total Business Rates Income Forecast for 2018/19	-14,622
Less Payable to Central Government	7,311
Less Payable to Lancashire County Council	1,316
Less Payable to Lancashire Combined Fire Authority	146
<b>Balance Retained by Ribble Valley Borough Council</b>	<b>-5,849</b>
Less Tariff Payable to Central Government	4,147
<b>Baseline Business Rates Income of £1,303,000 plus Growth of £399,000</b>	<b>-1,702</b>
Business Rates retained on Renewable Energy Schemes	-92
Section 31 Grants	-955
Less 10% Retained Business Rates Levy Payable to Lancashire County Council	72
Less Business Rates Collection Fund Deficit	25
<b>Overall Net Retained Business Rates Related Income</b>	<b>-2,652</b>

### Revenue Support Grant

This is a source of funding that has seen a significant decrease over past years and ended in 2018/19. In 2018/19 we received £109,149 (2017/18 £304,319)

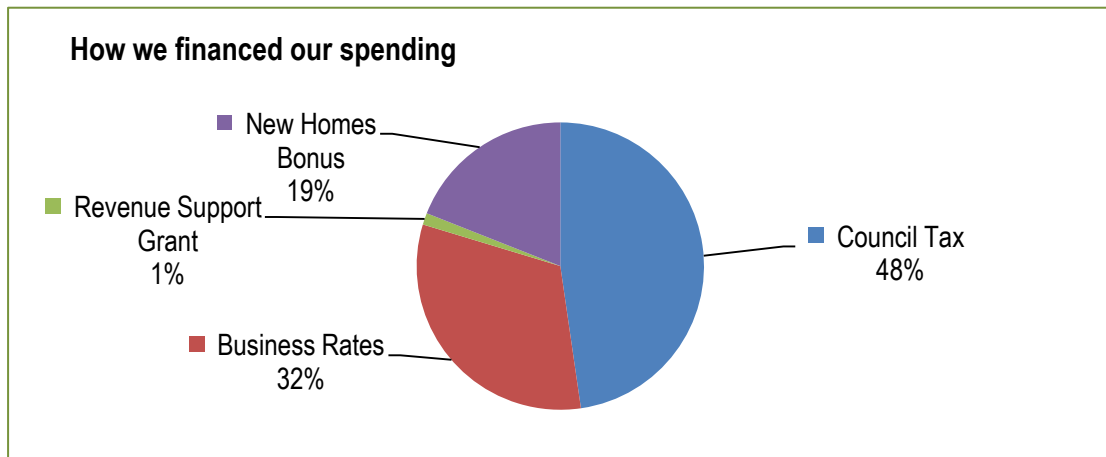
### New Homes Bonus

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 four years. The amount is also supplemented with an additional amount for affordable homes.

Our allocation for 2018/19 was £1,575,908 and is shown in the table below (2017/18 £1,576,990)

New Homes Bonus	£'000
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
2018/19 Allocation - last year payable is 2021/22	-414
<b>Total New Homes Bonus received in 2018/19</b>	<b>-1,576</b>





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

During 2018/19 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
<b><u>Expenditure Variations</u></b>	
Tuition Fees and Training Expenses	-31
Ground Rent	-21
Vehicle Repairs and Maintenance	71
Vehicle and Plant Hire	-11
ICT Upgrade Costs	14
Equipment, Furniture and Materials	11
Planning Consultancy, Costs Lost on Appeal and other Legal Fees	109
Promotional Activities	-27
Development Plan Inspection Fees	-20
Rent Allowance Payments	-76
Grants	-40
<b>Total Expenditure Variances</b>	<b>-21</b>
<b><u>Income Variations</u></b>	
Rent Allowances Grant	48
Other Grants, Reimbursements, Contributions	-113
Planning Fees	18
Car Parking Charges	-19
Sale of Equipment and Materials	-23
<b>Total Income Variances</b>	<b>-89</b>

## Narrative Report

Variation	£'000
Other Variations	-21
<b>Net Variation on Committee Expenditure</b>	<b>-131</b>
Increased Interest Received	-9
<b>Variation on Net Operating Expenditure</b>	<b>-140</b>
Contribution from Capital receipts towards Disposal Costs	-4
Impairment Losses/(Gains) on Outstanding Debts	-8
Levy Account Surplus	-20
Increased S31 Grants	-10
Retained Rates - Renewable Energy	2
<b>Variation on Deficit/(Surplus) for Year</b>	<b>-180</b>
Extra Transfers to Earmarked Reserves (for Revenue)	188
<b>Increase in amount to take from balances compared to Revised Estimate</b>	<b>8</b>

### **General Fund Balances and Earmarked Reserves**

We had originally planned to take £170,738 from general fund balances to help finance the 2018/19 spending plans. However, this was revised later in the year to taking £54,388 from general fund balances. The final position shows that the council has taken £61,592 from general fund balances.

General Fund Balance	£'000
<b>General Fund Balances: Brought forward at 1 April 2018</b>	<b>2,533,703</b>
Deficit in 2018/19 taken from General Fund Balances	-61,592
<b>General Fund Balances: Carried forward at 31 March 2019</b>	<b>2,472,111</b>

With regard to earmarked reserves, in support of the revenue account and excluding capital transactions, we had originally planned to add £1,416,194. However, this was revised later in the year to adding £1,339,693 to earmarked reserves.

The final position shows that the council has added £1,527,417 to earmarked reserves for revenue purposes. For capital purposes we took £802,773 from earmarked reserves to fund the capital programme. The overall net movement was £724,644 added to earmarked reserves.

Earmarked Reserves	£
<b>Earmarked Reserves: Brought forward at 1 April 2018</b>	<b>8,547,420</b>
Net added to Earmarked Reserves for revenue purposes	1,527,417
Net taken from Earmarked Reserves for capital purposes	-802,773
<b>Earmarked Reserves: Carried forward at 31 March 2019</b>	<b>9,272,064</b>

## 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 £1,276,243 on capital schemes. The main areas of expenditure included:

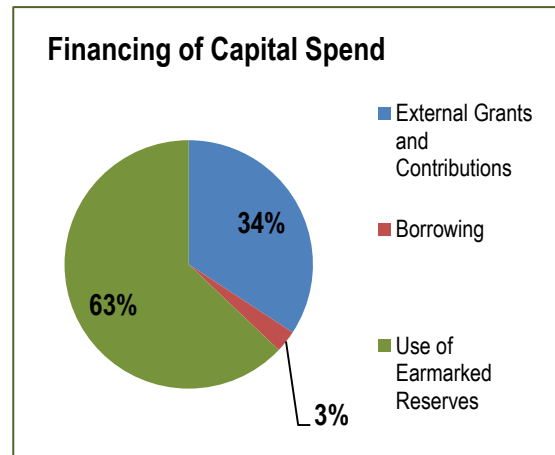
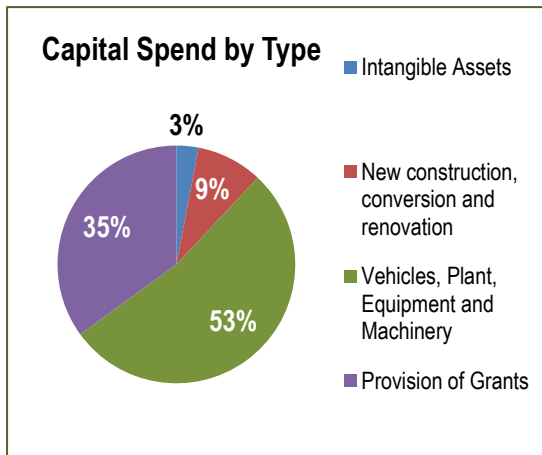
- Replacement Vehicles and Plant.
- Improvement Works at the Council Chambers.
- Refurbishment of Windows at the Castle Museum.
- Play Area Improvements.
- Payment of Housing Related Grants.

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	712,200	781,930	723,041	10,841	-58,889
Economic Development Committee	100,000	100,000	0	-100,000	-100,000
Planning and Development Committee	0	30,200	3,775	3,775	-26,425
Policy and Finance Committee	156,420	161,730	100,797	-55,623	-60,933
Health and Housing Committee	522,000	891,240	448,630	-73,370	-442,610
<b>Total Capital Expenditure</b>	<b>1,490,620</b>	<b>1,965,100</b>	<b>1,276,243</b>	<b>-214,377</b>	<b>-688,857</b>
Grants and Contributions	-297,000	-499,810	-436,850	-139,850	62,960
Borrowing	-175,000	-36,000	-36,620	138,380	-620
Earmarked Reserves	-1,018,620	-1,429,290	-802,773	215,847	626,517
<b>Total Resources</b>	<b>-1,490,620</b>	<b>-1,965,100</b>	<b>-1,276,243</b>	<b>214,377</b>	<b>688,857</b>

Shown below are summaries of the type of expenditure that is represented in the £1,276,243 of capital expenditure shown in the table above and its financing.

## Narrative Report



As shown in the table above, comparing spend to budget, there is a variance of £688,857 between the revised capital programme and actual spend. At the end of the financial year work on some schemes was still underway. This can be carried forward into the new financial year and is known as slippage. Of the £688,857 variance, £678,270 is accounted for as slippage in to the 2019/20 financial year, and is summarised below:

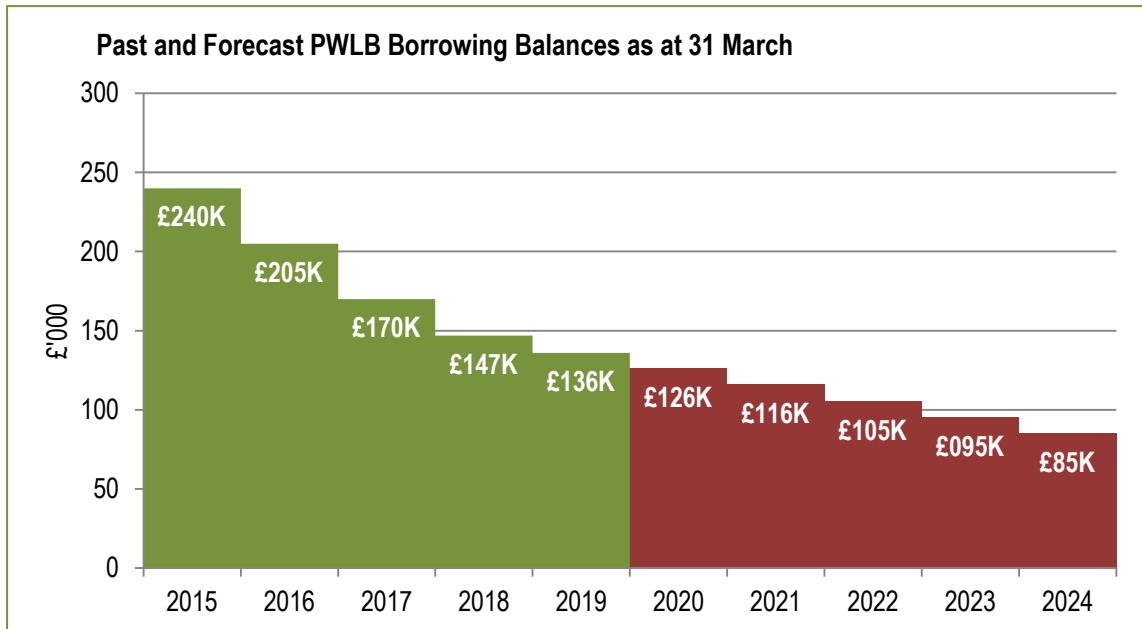
Scheme Name	Slippage in to the 2019/20 Financial Year £
Play Area Improvements	18,870
Replacement Vehicle	37,500
Off-Street Car Parks - Upgrade of Payment System	1,500
Planning System Update and Portal Link	26,420
Queensway Garages Roof Replacement and Repairs	1,830
Financial System Upgrade	14,120
New Council Telephone System	45,000
Disabled Facilities Grants	360,120
Landlord/Tenant Grants	84,240
Affordable Warmth Grants	6,920
Economic Development Initiatives	81,750
<b>Total Capital Slippage</b>	<b>678,270</b>

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 2019 was £136k. These are included in the Balance Sheet within Short Term Borrowing and Long Term Borrowing. A detailed analysis of the Council's long term borrowing is shown in note 15 to the core financial statements.

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



Past actuals shown in green, forecast (based on Public Works Loan Board loans held at 31 March 2019) shown in red

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

## 7 OUR FINANCIAL PERFORMANCE – COLLECTION FUND

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

With regard to council tax, each precepting body declares the precept that they require from the collection fund to support their services in February each year. This forms the basis for what we, as billing authority, then charge residents as council tax.

Due to the change of circumstances for residents and changes to occupied property numbers, the actual amount of council tax collected from residents can be higher or lower than the total amount required to be paid to precepting bodies. This results in either a forecast surplus or deficit, which is declared in the following January each year and is either paid to or collected from precepting bodies in the following financial year.

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

## Narrative Report

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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 2018/19 is summarised in the table below, compared to the forecast performance.

Collection Fund	Original Estimate	Revised Estimate	Actual	Original Estimate Compared to Actual	Revised Estimate Compared to Actual
	£'000	£'000	£'000	£'000	£'000
<b>Council Tax - Expenditure</b>					
Total of all Precepts	39,151	39,151	39,151	0	0
Total Council Tax Surplus distributed	695	695	695	0	0
Council Tax Benefit	0	3	6	6	3
Bad Debts Provision	296	100	12	-284	-88
<b>Expenditure Subtotal - Council Tax</b>	<b>40,142</b>	<b>39,949</b>	<b>39,864</b>	<b>-278</b>	<b>-85</b>
<b>Business Rates - Expenditure</b>					
Deficit Brought Forward	63	0	0	-63	0
Cost of Collection	88	88	88	0	0
Enterprise Zones	131	218	195	64	-23
Renewable Energy Schemes	82	94	92	10	-2
Transitional Protection	195	0	0	-195	0
Total Distribution of Business Rates	14,622	14,622	14,622	0	0
Appeals Provision	473	616	54	-419	-562
Bad Debts Provision	158	150	92	-66	-58
<b>Expenditure Subtotal - Business Rates</b>	<b>15,812</b>	<b>15,788</b>	<b>15,143</b>	<b>-669</b>	<b>-645</b>
<b>Total Expenditure</b>	<b>55,954</b>	<b>55,737</b>	<b>55,007</b>	<b>-947</b>	<b>-730</b>
<b>Council Tax - Income</b>					
Surplus Brought Forward	695	821	821	126	0
Council Tax Income	39,447	39,747	39,743	296	-4
MHCLG Grant	0	0	6	6	6
<b>Income Subtotal - Council Tax</b>	<b>40,142</b>	<b>40,568</b>	<b>40,570</b>	<b>428</b>	<b>2</b>
<b>Business Rates - Income</b>					
Surplus Brought Forward	0	94	94	94	0
Total Business Rates Deficit distributed	63	63	63	0	0
Transitional Protection	0	208	187	187	-21
Net Rates Payable (before appeals)	15,749	15,983	15,375	-374	-608
<b>Income Subtotal - Business Rates</b>	<b>15,812</b>	<b>16,348</b>	<b>15,719</b>	<b>-93</b>	<b>-629</b>
<b>Total Income</b>	<b>55,954</b>	<b>56,916</b>	<b>56,289</b>	<b>335</b>	<b>-627</b>
Council Tax Surplus/(Deficit) carried forward	0	619	706	706	87
Business Rates Surplus/(Deficit) carried forward	0	560	576	576	16
<b>Total Net Surplus/(Deficit) carried forward</b>	<b>0</b>	<b>1,179</b>	<b>1,282</b>	<b>1,282</b>	<b>103</b>

## 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 continued to have 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 continued to support charities and voluntary organisations across the borough who carry out an important role in supporting our vulnerable citizens. Regular training was carried out to ensure our staff continue to provide high levels of customer care.
- **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 continued to work closely with all its parishes and town councils via the Parish Council Liaison Committee. Financial support was also provided to parishes through the concurrent function grant scheme. The Council has a number of grant schemes that support communities and organisations across the borough, these include recreation and sports, culture, arts, 'Ribble Valley In Bloom' and voluntary organisations. The Council also has a dedicated up-and-active team who continue to promote healthy lifestyles throughout the borough.
- **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 continues to take Economic Development, Regeneration and Tourism very seriously and has had many successes with both attracting new businesses into Ribble Valley and helping existing businesses to expand. An Economic Development Committee has been created to lead, consider and propose matters concerning the promotion of economic development throughout the Borough. In 2018 the Council created a new post of Director of Planning and Economic Development to deliver these services. We are still working towards securing an appropriate town centre redevelopment for Clitheroe to support business and local services.



- **To seek to improve the transport network, especially to our rural areas:** Despite cuts by Lancashire County Council to some rural bus services, Ribble Valley Borough Council continues to provide essential grant funding to The Little Green Bus which offers a community transport service for the elderly and vulnerable people. We also strongly objected to the proposed closure of the Clitheroe Interchange Office, which had been earmarked for closure by the County Council but has been given a reprieve.
- **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. The new roundabout on the A59 near the Standen housing development has now been installed and a significant improvement has been made to this important junction.

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

- **To improve the health of people living and working in our area:** The Council's Up-and-active team continued to work closely with our citizens to improve their health and lifestyles. We continued to provide important leisure services such as Ribblesdale Pool, football pitches, parks and play areas. We supported the Ribble Valley Cycle Festival in partnership with other local organisations and businesses with an interest in cycling development. The Council has approved a significant capital scheme to provide a new 3G pitch at Edisford along with two 3G five aside pitches, a three tennis court size multi surface area along with a community classroom and toilets which will be constructed in 2019/20.
- **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. The new capital project at Edisford will encourage further recreational and sporting activity for young people within the Ribble Valley.
- **To ensure that Ribble Valley remains a safe place to live:** Ribble Valley remains a low crime area and a safe place to live. This success is in part due to the work of our Community Safety Partnership. The Partnership continues to address 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 of the Community Alcohol Partnership which aims to stop the supply of alcohol to underage young people. The Council also has a multidisciplinary event safety advisory group (ESAG) to ensure any events held in the Ribble Valley are carried out safely.
- **To take a leading role in working with partners on the evolving public health agenda:** The Council received an Affordable Warmth Grant awarded from 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

## Narrative Report

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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:** The Council has through its planning powers secured funds to assist in the restoration of Primrose Lodge in Clitheroe. This scheme will be carried out by the Ribble Rivers Trust and will ensure the site is improved and restored to provide a valuable habitat and accessible public area. Specifically this will see desilting, construction of bridges, footpaths and viewing platform and also the construction of one of longest fish passes in the country.
- **To retain weekly collections of residual waste:** The Council's weekly refuse collection and recycling service has continued to operate along with the free collection of green waste for residents.
- **To provide a high quality environment, keeping land clear of litter and refuse, and reducing the incidents of dog fouling:** The Council's dog warden service has undertaken a series of high profile patrols during the morning and also at night in specially targeted areas to reduce the incidence of dog fouling. The Council has also taken the decision to permit any dog waste to be disposed of in litter bins throughout the borough.

### 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 affordable accommodation on all sites over 30 units.
- **To provide additional affordable homes throughout the Ribble Valley:** The Council offers Landlord/Tenant Grants in which the Council match funds a landlord's investment in a property in return for an affordable rental property. The grant ensures that the council has nomination rights to the property and that rents are set in line with the Local Housing Allowance.

### **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.
- 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%.

## Narrative Report

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### *Change and Improvement*

In 2018/19 the Council amended its management structure to include a new department, Economic Development and Planning and also appointed a new Director to lead this area. The new department was created following the reallocation of staff from Housing, Planning & Economic Development service areas.

This has enabled the Council to devote more time and resources to promote economic development across the borough which is one of its key priorities.

A Corporate Peer Challenge was carried out in November 2017. Following this an action plan was formulated and agreed by the Policy and Finance Committee in March 2018.

The action plan set out the following key areas in need of for 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.
- Review the Performance Management Framework linked to the Corporate Strategy.
- Review the resourcing of Corporate Strategy priorities.
- Develop an Economic Development Strategy.
- 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.
- Strengthen engagement between the Leadership and Corporate Management Team – this includes the chairs of committees.

During 2018/19 the Council made significant progress in implementing these recommendations and a follow up Peer Challenge Review is due in September 2019 to assess the Council's progress

## 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.

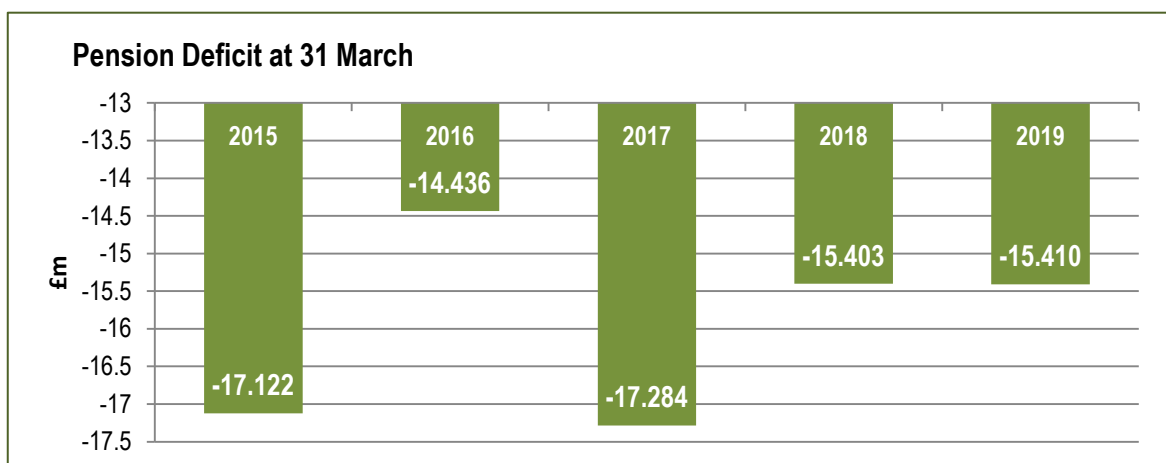
The net pension asset/liability in respect of the surplus/deficit on the pension fund, as calculated by the fund's actuary, is included in the council's balance sheet. In Ribble Valley Borough Council's case the net liability as at 31 March 2019 increased to £15.413m (31 March 2018 £15.403m).

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
<b>Remeasurements (liabilities)</b>	
Gain on Financial Assumptions	3,318
<b>Remeasurements (assets)</b>	-4,252
<b>Net movement from remeasurements</b>	<b>-934</b>

The Pension deficit has fluctuated quite widely over the past few years and as mentioned above, the main fluctuations year to year have been around financial assumptions. The last full revaluation was undertaken in 2016.



## Narrative Report

### 10 CURRENT ECONOMIC CLIMATE AND OUTLOOK

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

Key funding streams are to disappear in future years such as Revenue Support Grant (which ceases after 2018/19) whilst others will reduce substantially. After 2019/20 there is major uncertainty around the key funding streams that we receive from the Government. We are currently awaiting the outcome of two major consultations: Business Rate Retention Reform and Fair Funding Review.

The council's medium term financial strategy for the period 2019/23 uses the remaining year of the four year settlement together with a number of assumptions for future years. The table below provides a summary of the medium term financial outlook for the council.

	2019/20 Forecast £	2020/21 Forecast £	2021/22 Forecast £	2022/23 Forecast £
Net Expenditure	7,010,306	7,294,869	7,486,756	7,682,611
Interest Receipts	-100,000	-75,000	-75,000	-75,000
Use of Superannuation Reserve	-36,512	-36,512	-36,512	-36,512
Use of Business Rates Growth	-675,514	-875,514	-675,514	-675,514
Use of New Homes Bonus	-1,105,000	-1,105,000	-1,105,000	-1,105,000
(Use of)/Contribution to Balances	-93,896	-250,000	-250,000	-250,000
<b>Savings Required</b>	<b>0</b>	<b>162,302</b>	<b>-74,713</b>	<b>-112,962</b>
<b>Budget Requirement</b>	<b>4,999,384</b>	<b>5,115,145</b>	<b>5,270,017</b>	<b>5,427,623</b>
Business Rates Baseline	-1,440,601	-1,440,601	-1,440,601	-1,440,601
Collection Fund (Deficit)/Surplus	-61,419	-25,000	-25,000	-25,000
<b>Precept</b>	<b>3,497,364</b>	<b>3,649,544</b>	<b>3,804,416</b>	<b>3,962,022</b>
Taxbase	23,209	23,441	23,676	23,912
<b>Band D Council Tax</b>	<b>£150.69</b>	<b>£155.69</b>	<b>£160.69</b>	<b>£165.69</b>
Projected/Actual Council Tax increase	<b>0%</b>	<b>£5 max</b>	<b>£5 max</b>	<b>£5 max</b>

The forecast assumes our funding stays at the 2019/20 level, however at this stage there are no indications from the Government. The forecast also assumes the current maximum permitted increase of £5 for Band D Council Tax. However, the actual council tax rate set for any given year would be a decision for the elected members at that time.

2019/20 is the final year of the current four year finance settlement and whilst a balanced budget has been set for the 2019/20 financial year, the Council's latest three year budget forecast estimates a modest budget gap in 2021/22 of £75k and £113k in 2022/23. However it is important to note that the outcome of the Fair Funding Review and the implications of Business Rate Retention Reforms will be crucial in terms of our future budget forecast and therefore to some extent the forecast beyond 2019/20 is impossible to predict with any certainty.

Significant consultation has taken place on these two key areas of Local Government Finance. The aim of the Fair Funding Review is to design a new system for allocating funding between local authorities, which inevitably will mean that some authorities will receive more funding from central government in the future whilst others will receive less funding.

The business rates retention system means councils gain or lose as local business rates revenues rise or fall. The government plans to increase the proportion of gains or losses borne locally to 75% from 2020/21 (from the standard 50% currently), and has been piloting 100% and 75% schemes in pilot authorities. These reforms could significantly impact the levels of business rate income retained by local authorities in the future. Proposals include resetting of baselines, negotiation of tier splits, changes to safety nets and changes to the administration of the business rates retention system.

From 2019/20 this Council is a member of the new Lancashire Business Rate Pilot Pool which means that locally we will retain 75% of business rate growth. The Pilot is for one year only and our future business rate income will depend on the outcome of the reforms.

Considerable changes were announced to the New Homes Bonus Scheme in 2016 with regard to the introduction of a baseline level of growth and a reduction in the number of years of legacy payments. Indeed further changes may be made in future years, particularly around whether payments should be allowed for homes built following a planning appeal. We will need to keep the use of our New Homes Bonus grant under review as it forms a major element of our funding for both our revenue and capital budgets.

The financial implications for the Council of the UK leaving the European Union continue to be a cause for concern however we will keep this under review.

Future pressure on services is also foreseen due to the expected increase in housing in the borough. This could impact on many of our services.

It is important for the council to maintain a healthy level of balances to cover unforeseen events and also provide a stable level of resources for future planning. This is particularly important as we face uncertainty regarding our future core funding.

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

The Budget Working Group will continue to keep the Council's financial position under review.

## Narrative Report

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### 11 PRINCIPAL RISKS AND UNCERTAINTIES

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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 and Business Rates Retention Reform Consultations.
- Longer term viability of the Lancashire Business Rates Pilot following the Fair Funding Review and Business Rates Retention Reform.

#### **Availability of Staffing**

- Ageing Workforce.
- Continuing recruitment difficulties.
- Staff sickness.

#### **Business Rates Retention Scheme**

- Outcome of Business Rates Retention Reform Consultation
- Risk of large appeals.
- Continuing uncertainty around Brexit and the potential 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.

#### **Corporate Peer Challenge**

- Remaining elements of the Action Plan are not met or further issues are raised at the review in 2019

#### **Unable to Meet Service Demands**

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



## 12 THE STATEMENTS

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The Council's statement of accounts for the year ended 31 March 2019 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 2018/19 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.

## **Narrative Report**

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- 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

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

## **The Authority's Responsibilities**

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The authority is required to:

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

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

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

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

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

The Director of Resources has also:

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

I hereby certify that the Statement of Accounts gives a true and fair view of the financial position of the authority at the reporting date and its income and expenditure for the year ended 31 March 2019.

Jane L Pearson  
Director of Resources CPFA  
12 July 2019

**Approval of the Statement of Accounts**

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## Approval of the Statement of Accounts

I confirm that these accounts, including the Comprehensive Income and Expenditure Statement on page 60 and the Balance Sheet on page 64, were approved by the Accounts and Audit Committee at its meeting held on 24 July 2019.

Signed by:

Chairman of Accounts and Audit Committee  
24 July 2019

# Statement of Accounting Policies

## 1 GENERAL PRINCIPLES

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The Statement of Accounts summarises the Council's transactions for the 2018/19 financial year and its position at the year-end of 31 March 2019. 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 2018/19*, 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

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

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with performance obligations in the contract.
- 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.
- The council has adopted IFRS15 Revenue from Contracts with Customers in accordance with the Code; however, this has no material impact on the financial statements.

## Statement of Accounting Policies

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### 3 CASH AND CASH EQUIVALENTS

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

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

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

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

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

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

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

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

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

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

**6 COUNCIL TAX AND NON-DOMESTIC RATES (NDR)**

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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**

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**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

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### **Termination Benefits**

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

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

### **Post-Employment Benefits**

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

### **The Local Government Pension Scheme**

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

- The liabilities of the Lancashire County Pension Fund attributable to Ribble Valley Borough Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 2.5% (2.6% 31 March 2018) 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**

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- 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.

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

## Statement of Accounting Policies

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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**

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

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

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### **Financial Liabilities**

Financial liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost.

Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

## Statement of Accounting Policies

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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.

### **Financial Assets**

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI)

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (ie where the cash flows do not take the form of a basic debt instrument).

### **Financial Assets Measured at Amortised Cost**

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority 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 (CIES) 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 financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

### **Expected Credit Loss Model**

The authority recognises expected credit losses on all of its financial assets held at amortised cost either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the council.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

## Statement of Accounting Policies

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### 10 GOVERNMENT GRANTS AND CONTRIBUTIONS

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

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

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

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

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

### 11 HERITAGE ASSETS

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

Heritage Assets are

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

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

- The Castle Keep at Clitheroe
- The Clitheroe Castle Museum Collection

**Statement of Accounting Policies**

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- Civic Regalia
- The Roman Bath site at Ribchester

**The Castle Keep at Clitheroe**

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

**The Clitheroe Castle Museum Collection**

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

**Civic Regalia**

- The Civic Regalia includes a number of chains of office. Some of these were passed to this Council at the time of Local Government reorganisation in 1974. These heritage assets have been included on the Council's balance sheet at insurance valuation.

## Statement of Accounting Policies

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- The civic regalia can be viewed by appointment through contact with the main council offices or alternatively the current civic regalia can be viewed at most mayoral functions.
- The acquisition of further Civic Regalia would not be made, and a programme of ongoing maintenance is carried out to ensure that the condition of the items is maintained.

### **The Roman Bath site at Ribchester**

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

### **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**

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

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

**Statement of Accounting Policies**

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

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

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

**13 INVENTORIES AND LONG TERM CONTRACTS**

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

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**

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

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

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

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

## Statement of Accounting Policies

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### **Operating Leases Where the Council is Lessee**

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

### **Operating Leases Where the Council is Lessor**

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

## **15 OVERHEADS AND SUPPORT SERVICES**

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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**

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

### ***Recognition***

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

### ***Measurement***

Assets are initially measured at cost, comprising:

- The purchase price



**Statement of Accounting Policies**

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

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

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

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

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

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

## Statement of Accounting Policies

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

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

Property, Plant and Equipment Classification	31 March 2019	
	Revalued Amount in Balance Sheet £	Equivalent Carrying Amount Under Cost Model £
Other Land and Buildings	15,019,560	7,182,046
Vehicles, Plant, Furniture and Equipment	1,848,232	1,848,232
Infrastructure Assets	287,078	287,078
Community Assets	1,567,127	1,554,404
Surplus Assets (Not for Sale)	25,389	19,077
<b>Total</b>	<b>18,747,386</b>	<b>10,890,837</b>

### Impairments

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

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

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

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

### 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).

## Statement of Accounting Policies

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

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

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

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

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

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

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

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.

## Statement of Accounting Policies

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Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

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

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

### ***Componentisation***

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

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

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### **Provisions**

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

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.

**Statement of Accounting Policies**

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**Contingent Liabilities**

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

**Contingent Assets**

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

**18 RESERVES**

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The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund Balance. 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 transferred back into the General Fund Balance 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**

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

## Statement of Accounting Policies

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### 20 VAT

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

### 21 FAIR VALUE MEASUREMENT

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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.

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

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

2017/18			2018/19				
Gross Expenditure £	Gross Income £	Net Expenditure £		Gross Expenditure £	Gross Income £	Net Expenditure £	Note
8,348,573	-4,567,278	3,781,295	Community Services Committee	8,324,390	-4,232,337	4,092,053	
298,990	-62,670	236,320	Economic Development Committee	373,037	-68,242	304,795	
8,042,147	-7,193,211	848,936	Health and Housing Committee	7,828,900	-6,870,026	958,874	
1,353,974	-845,906	508,068	Planning and Development Committee	1,459,750	-932,312	527,438	
3,548,691	-1,543,105	2,005,586	Policy and Finance Committee	2,945,060	-873,937	2,071,123	
<b>21,592,375</b>	<b>-14,212,170</b>	<b>7,380,205</b>	<b>Cost of Services</b>	<b>20,931,137</b>	<b>-12,976,854</b>	<b>7,954,283</b>	<b>1/2</b>
			<b>Other Operating Expenditure</b>				
		405,278	Payment of Precepts to Parishes			435,183	
		23,000	Pensions Administration Expenses			24,000	32
		-63,588	(Gains)/Losses on the Disposal of non-Current Assets			-238,241	
			<b>Financing and Investment Income and Expenditure</b>				
		7,828	Interest Payable on Debt			7,033	
		-21,002	Investment Interest Income			-92,326	
		0	Impairment Losses/Gains			-8,569	
		418,000	Net Interest on the net defined benefit liability (asset)			374,000	32
		-50,783	(Gain)/Loss on Trading Accounts			-47,726	
			<b>Taxation and Non-Specific Grant Income</b>				
		-3,749,957	Council Tax			-3,943,505	8
		-1,765,791	Non Domestic Rates Income and Expenditure			-1,889,056	8/11
		-304,319	Revenue Support Grant (RSG)			-109,149	8
		-3,000	Capital Grants and Contributions			-3,000	8
		-2,586,757	Other Non-Specific Grants			-2,659,205	8
		<b>-310,886</b>	<b>(Surplus) or Deficit on Provision of Services</b>			<b>-196,278</b>	<b>1/2</b>
		-1,787,918	(Surplus) or Deficit on Revaluation of Property, Plant and Equipment Assets			-601,803	
		-2,930,000	Actuarial (Gains)/Losses on Pensions Assets/Liabilities			-934,000	32
		<b>-4,717,918</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>-1,535,803</b>	
		<b>-5,028,804</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>-1,732,081</b>	



## 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 2018/19	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 £
<b>Balance as at 31 March 2018</b>	2,533,703	8,547,420	11,081,123	305,428	842,867	12,229,418	376,464	12,605,882
Total Comprehensive Income and Expenditure	-528,367	724,645	196,278			196,278	1,535,803	1,732,081
Adjustments between Accounting Basis and Funding Basis Under Regulations <i>See Note 10</i>	466,775		466,775	74,631	243,741	785,147	-785,147	0
<b>Increase/Decrease in Year</b>	<b>-61,592</b>	<b>724,645</b>	<b>663,053</b>	<b>74,631</b>	<b>243,741</b>	<b>981,425</b>	<b>750,656</b>	<b>1,732,081</b>
<b>Balance at 31 March 2019 Carried Forward</b>	<b>2,472,111</b>	<b>9,272,065</b>	<b>11,744,176</b>	<b>380,059</b>	<b>1,086,608</b>	<b>13,210,843</b>	<b>1,127,120</b>	<b>14,337,963</b>

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 £
<b>Balance as at 31 March 2017</b>	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 10</i>	1,268,462		1,268,462	107,741	38,588	1,414,791	-1,414,791	0
<b>Increase/Decrease in Year</b>	<b>-182,866</b>	<b>1,762,214</b>	<b>1,579,348</b>	<b>107,741</b>	<b>38,588</b>	<b>1,725,677</b>	<b>3,303,127</b>	<b>5,028,804</b>
<b>Balance at 31 March 2018 Carried Forward</b>	<b>2,533,703</b>	<b>8,547,420</b>	<b>11,081,123</b>	<b>305,428</b>	<b>842,867</b>	<b>12,229,418</b>	<b>376,464</b>	<b>12,605,882</b>

## 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 2018	31 March 2019	Note
£	£	
<b>Long Term Assets</b>		
18,293,099 Property, Plant and Equipment	18,747,386	13
892,392 Heritage Assets	917,217	14
2,395 Intangible Assets	36,105	
280,044 Long Term Debtors	265,462	15
<b>19,467,930 Total Long Term Assets</b>	<b>19,966,170</b>	
<b>Current Assets</b>		
10,000 Financial Asset Held for Sale	10,000	15
9,750 Assets Held for Sale	0	
75,388 Inventories	54,933	
1,975,560 Short Term Debtors	1,439,578	6/15/16
10,151,387 Cash and Cash Equivalents	12,392,535	15/17
<b>12,222,085 Total Current Assets</b>	<b>13,897,046</b>	
<b>Current Liabilities</b>		
-17,893 Short Term Borrowing	-17,893	
-3,138,979 Short Term Creditors	-3,558,404	15/18
-388,560 Provisions	-409,973	6/19
<b>-3,545,432 Total Current Liabilities</b>	<b>-3,986,270</b>	
<b>Long Term Liabilities</b>		
-136,377 Long Term Borrowing	-125,983	
-15,402,324 Net Pensions Liability	-15,413,000	6/32
<b>-15,538,701 Total Long Term Liabilities</b>	<b>-15,538,983</b>	
<b>12,605,882 Net Assets</b>	<b>14,337,963</b>	
<b>Usable Reserves</b>		
2,533,703 General Fund Balance	2,472,111	20
8,547,420 Earmarked General Fund Reserves	9,272,065	12
842,867 Usable Capital Receipts Reserve	1,086,608	
305,428 Capital Grants Unapplied	380,059	
<b>12,229,418 Total Usable Reserves</b>	<b>13,210,843</b>	
<b>Unusable Reserves</b>		
6,880,184 Capital Adjustment Account	7,158,190	21
120,613 Collection Fund Adjustment Account	300,110	
8,830,697 Revaluation Reserve	9,148,982	
-15,402,324 Pension Reserve	-15,413,000	32
-52,706 Accumulated Absences Account	-67,162	
<b>376,464 Total Unusable Reserves</b>	<b>1,127,120</b>	
<b>12,605,882 Total Reserves</b>	<b>14,337,963</b>	

## 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.

2017/18 £		2018/19 £	Note
-310,886	Net (Surplus) or Deficit on the Provision of Services	-196,278	
-1,343,298	Adjustments to Net Surplus or Deficit on the Provision of Services for Non-Cash Movements	-1,727,096	22
63,588	Adjustments for Items Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities	243,741	22
<b>-1,590,596</b>	<b>Net Cash Flows from Operating Activities</b>	<b>-1,679,633</b>	
-212,127	Investing Activities	-209,962	23
221,614	Financing Activities	-351,553	24
<b>-1,581,109</b>	<b>Net Increase or decrease in Cash and Cash Equivalents</b>	<b>-2,241,148</b>	
8,570,278	Cash and Cash Equivalents 1 April	10,151,387	
<b>10,151,387</b>	<b>Cash and Cash Equivalents 31 March</b>	<b>12,392,535</b>	17

## Notes to the Core Financial Statements

# 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.

2018/19	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	3,843,274	248,779	4,092,053
Economic Development Committee	286,840	17,955	304,795
Health and Housing Committee	879,111	79,763	958,874
Planning and Development Committee	450,324	77,114	527,438
Policy and Finance Committee	1,958,302	112,821	2,071,123
<b>Net Cost of Services</b>	<b>7,417,851</b>	<b>536,432</b>	<b>7,954,283</b>
Other Income and Expenditure	-8,080,903	-69,658	-8,150,561
<b>(Surplus) or Deficit</b>	<b>-663,052</b>	<b>466,774</b>	<b>-196,278</b>
Opening General Fund Balance at 31 March 2018	-11,081,123		
<b>Closing General Fund Balance as at 31 March 2019</b>	<b>-11,744,175</b>		

## Notes to the Core Financial Statements

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
<b>Net Cost of Services</b>	<b>6,788,847</b>	<b>591,358</b>	<b>7,380,205</b>
Other Income and Expenditure	-8,368,195	677,104	-7,691,091
<b>(Surplus) or Deficit</b>	<b>-1,579,348</b>	<b>1,268,462</b>	<b>-310,886</b>
Opening General Fund Balance at 31 March 2017	-9,501,775		
<b>Closing General Fund Balance as at 31 March 2018</b>	<b>-11,081,123</b>		

## 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.

2018/19	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	3,843,274	9,290	240,743	-1,253	<b>4,092,054</b>
Economic Development Committee	286,840		15,843	2,112	<b>304,795</b>
Health and Housing Committee	879,111	-56,101	87,722	48,142	<b>958,874</b>
Planning and Development Committee	450,324		78,970	-1,856	<b>527,438</b>
Policy and Finance Committee	1,958,302	-25,615	123,398	15,037	<b>2,071,122</b>
<b>Net Cost of Services</b>	<b>7,417,851</b>	<b>-72,426</b>	<b>546,676</b>	<b>62,182</b>	<b>7,954,283</b>
Other Income and Expenditure	-8,080,903	-240,434	398,000	-227,224	<b>-8,150,561</b>
<b>(Surplus) or Deficit</b>	<b>-663,052</b>	<b>-312,860</b>	<b>944,676</b>	<b>-165,042</b>	<b>-196,278</b>

## Notes to the Core Financial Statements

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
<b>Net Cost of Services</b>	<b>6,788,847</b>	<b>-67,424</b>	<b>608,000</b>	<b>50,782</b>	<b>7,380,205</b>
Other Income and Expenditure	-8,368,195	299,574	441,000	-63,470	-7,691,091
<b>(Surplus) or Deficit</b>	<b>-1,579,348</b>	<b>232,150</b>	<b>1,049,000</b>	<b>-12,688</b>	<b>-310,886</b>

**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.



## Notes to the Core Financial Statements

- For **Financing and Investment Income and Expenditure** – the net interest on the defined benefit liability is charged to the Comprehensive Income and Expenditure Statement.

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.

2017/18 £		2018/19 £
<i>Expenditure</i>		
7,610,567	Employee Expenditure	7,619,743
13,484,359	Other Service Expenses	12,916,706
842,882	Depreciation, Amortisation and Impairment	856,783
23,000	Pensions Administration Costs	24,000
7,828	Interest Payments	7,033
405,278	Precepts and Levies	435,183
<b>22,373,914</b>	<b>Total Expenditure</b>	<b>21,859,448</b>
<i>Income</i>		
-5,654,262	Fees and Charges and Other Service Income	-5,974,078
-63,588	Gain or Loss on Disposal of Non-Current Assets	-238,241
-5,515,748	Income from Council Tax and Business Rates	-5,832,561
-11,430,200	Government Grants, Contributions and Donations	-9,918,520
-21,002	Interest and Investment Income	-92,326
<b>-22,684,800</b>	<b>Total Income</b>	<b>-22,055,726</b>
<b>-310,886</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>-196,278</b>

## Notes to the Core Financial Statements

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

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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:

- **Amendments to IAS40 Investment Property: Transfers of Investment Property.** Amended to state that *'an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. The change of use shall consist of the property meeting, or ceasing to meet, the definition of investment property'*. The Council does not hold investment property, and the amendment therefore does not affect the Council's financial assets.
- **Annual Improvements to IFRS Standards 2014-2016 Cycle.** The amendment to *IFRS1 First-time Adoption of International Financial Reporting Standards*, the clarification on *IFRS12 Disclosure of Interests in Other Entities* and *IAS 28 Investments in Associates and Joint Ventures* are all not applicable to the Council.
- **IFRIC 22 Foreign Currency Transactions and Advance Consideration.** IFRIC 22 clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Council does not undertake foreign currency transactions; therefore the amendment does not affect the Council's financial assets.
- **IFRIC 23 Uncertainty over Income Tax Treatments.** The interpretation applied to the determination of taxable profit (tax loss), tax base, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. No such uncertainty exists for the Council and therefore there will be no impact on its financial assets.
- **Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation.** Amends the existing requirement in IFRS9 regarding termination rights in order to allow measurement at amortised cost (or depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payment. There is no impact on the Council's financial liabilities.

### 5 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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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:

## Notes to the Core Financial Statements

- 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.

## 6 ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31 March 2019 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
<b>Pensions Liability</b>	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.	<p>Mercer Limited are the actuaries for the Lancashire County Pension Fund. The Pension Fund Deficit for Ribble Valley at 31 March 2019 was £15.413m. The following sensitivity analysis is provided by Mercer Limited:</p> <ul style="list-style-type: none"> <li><b>+0.1% p.a. discount rate as at 31 March 2019:</b> deficit would be £14.278m</li> <li><b>+0.1% p.a. inflation as at 31 March 2019:</b> deficit would be £16.568m</li> <li><b>+0.1% p.a. pay growth as at 31 March 2019:</b> deficit would be £15.582m</li> <li><b>1 year addition to members' life expectancy as at 31 March 2019:</b> deficit would be £16.760m</li> </ul>
<b>Arrears</b>	At 31 March 2019, the Council had a balance of sundry debtors of £508,697 (including overpaid housing benefits). A review of significant balances suggested that an impairment of doubtful debts of £164,317 (including overpaid housing benefits) was appropriate. However, the level of such an allowance may fluctuate in adequacy.	If collection rates were to deteriorate, a 10% increase in the impairment would equate to £16,432

## Notes to the Core Financial Statements

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
<b>Business Rates Appeals Provision</b>	At the 31 March the Council made a provision on the Collection Fund of £1,024,932 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 £409,973 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 £102,493 in total or a £40,997 share for this council.

## 7 MATERIAL ITEMS OF INCOME AND EXPENSE

### Housing Benefit

The Council has a statutory duty to administer Housing Benefit claims on behalf of the Department for Work and Pensions. The Council pays out Housing Benefits to eligible claimants. In 2018/19 £6.28m was paid out (£6.63m in 2017/18), 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 £6.34m was received from the Department for Work and Pensions in 2018/19 (£6.67m in 2017/18).

### 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. There was no such income for 2018/19.

### 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 committees, have full control of the level of the car parking charges that are set.

In 2018/19 the Council received £392,985 in income from chargeable car parks (in 2017/18 £361,287). 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 were 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 to householders and £54,696 to businesses under the scheme. None were paid out in 2018/19.

**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 2018/19 the council received £673,661 in planning application fees, which help fund the provision of the service. (£592,313 in 2017/18).

**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 2018/19 the Council received £954,930 through various business rates Section 31 grants (£902,819 in 2017/18).

## Notes to the Core Financial Statements

### 8 TAXATION AND NON-SPECIFIC GRANT INCOME

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

#### Council Tax

	2017/18 £	2018/19 £
Ribble Valley Borough Council Precept	-3,275,257	-3,451,102
Precept Relating to Parishes	-405,278	-435,183
Surplus Received in Year (Declared January Prior to Start of Year)	-59,557	-70,351
Movement on Collection Fund (Surplus)/Deficit at Year End	-9,865	13,131
<b>Total Council Tax</b>	<b>-3,749,957</b>	<b>-3,943,505</b>

#### Non-Domestic Rates Income and Expenditure

	2017/18 £	2018/19 £
Ribble Valley Borough Council Share of Business Rates Income	-5,710,120	-5,848,942
Less Tariff Payable to Central Government	4,026,300	4,147,262
10% Retained Levy Payable to Lancashire County Council under Business Rates Pooling Arrangements	66,134	72,565
(Surplus)/Deficit Payment in Year (Declared January Prior to Start of Year)	-45,369	25,165
Movement on Collection Fund Deficit/(Surplus) at Year End	-2,822	-192,628
Business Rates Retained on Renewable Energy Schemes	-99,914	-92,478
<b>Overall Net Retained Business Rates Related Income</b>	<b>-1,765,791</b>	<b>-1,889,056</b>

#### Revenue Support Grant

This is a source of funding that has seen a significant decrease over past years and is forecast will stop after 2018/19. In 2018/19 we received £109,149 (2017/18 £304,319).

#### Capital Grants and Contributions

	2017/18 £	2018/19 £
Longridge Town Council	-3,000	-3,000
<b>Total Capital Grants and Contributions</b>	<b>-3,000</b>	<b>-3,000</b>

**Other Non-Specific Grants**

	2017/18 £	2018/19 £
New Homes Bonus	-1,576,990	-1,575,908
Rural Areas Delivery Grant	-86,603	-107,921
Transition Grant	-20,345	0
Levy Account Surplus	0	-20,446
<b>Business Rates Section 31 Grants</b>		
Small Business Rates Relief (SBRR) Scheme	-794,294	-847,033
SBRR on Existing Properties where 2nd Property is Occupied	-8,240	-7,043
'New Empty' Properties	-9	-18
Multiplier Cap	-31,816	-49,431
Discretionary Scheme	-37,490	-18,651
Pub Relief Scheme	-17,069	-18,586
Rural Rate Relief	-8,412	-8,040
Supporting Small Businesses	-5,880	-6,021
'Long Term Empty' Properties	-22	0
Retail Relief	609	0
Flooding Relief	-196	0
In Lieu of Transitional Relief	0	-107
<b>Other Non-Specific Grants</b>	<b>-2,586,757</b>	<b>-2,659,205</b>

**9 EVENTS AFTER THE REPORTING PERIOD**

The Statement of Accounts was authorised for issue on the 31 May 2019. 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 2019, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

**10 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS**

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

## Notes to the Core Financial Statements

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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 2018/19	Usable Reserves			Movement in Unusable Reserves £
	General Fund Balance £	Capital grants Unapplied £	Capital Receipts Reserve £	
<b>Adjustments primarily involving the Capital Adjustment Account</b>				
<b><u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</u></b>				
Charges for depreciation and impairment of non-current assets	926,775			-926,775
Revaluation losses on Property Plant and Equipment (Charged to surplus or Deficit on Provision of Services)	-12,575			12,575
Amortisation of Intangible Assets	2,395			-2,395
Capital Grants and Contributions Applied	-144,444			144,444
Revenue Expenditure Funded from Capital Under Statute	448,630			-448,630
Amounts of Non-Current Assets Written Off on Disposal or sale as Part of the gain/Loss on Disposal to the Comprehensive Income and Expenditure Statement	9,750			-9,750
<b><u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Account</u></b>				
Statutory Provision for the Financing of Capital investment	-129,840			129,840
Capital expenditure charged against General Fund Balances	-802,773			802,773
<b>Adjustments primarily involving the Capital Grants Unapplied Account</b>				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-367,037	367,037		
Application of grants to capital financing transferred to the Capital Adjustment Account		-292,406		292,406
<b>Adjustments primarily involving the Capital Receipts Reserve</b>				
Transfer of Cash Sale Proceeds Credited as Part of the Gain/Loss on Disposal to the Comprehensive Income and Expenditure Statement	-247,991		247,991	
Contribution from the Capital Receipts Reserve towards administrative cost of Non-Current asset disposals	4,250		-4,250	

## Notes to the Core Financial Statements

Movements in 2018/19	Usable Reserves			Movement in Unusable Reserves £
	General Fund Balance £	Capital grants Unapplied £	Capital Receipts Reserve £	
<b>Adjustments primarily involving the Pensions Reserve</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	1,968,000			-1,968,000
Employer's pensions contributions and direct payments to pensioners payable in the year	-1,023,324			1,023,324
<b>Adjustments primarily involving the Collection Fund Adjustment Account</b>				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income collected for the year in accordance with statutory requirements	-179,497			179,497
<b>Adjustments primarily involving the Accumulated Absences Account</b>				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	14,456			-14,456
<b>Total Adjustments</b>	<b>466,775</b>	<b>74,631</b>	<b>243,741</b>	<b>-785,147</b>

## 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 £	
<b>Adjustments primarily involving the Capital Adjustment Account</b>				
<b><u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</u></b>				
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
<b><u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Account</u></b>				
Statutory Provision for the Financing of Capital investment	-131,820			131,820
Capital expenditure charged against General Fund Balances	-412,306			412,306
<b>Adjustments primarily involving the Capital Grants Unapplied Account</b>				
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
<b>Adjustments primarily involving the Capital Receipts Reserve</b>				
Transfer of Cash Sale Proceeds Credited as Part of the Gain/Loss on Disposal to the Comprehensive Income and Expenditure Statement	-63,588		63,588	
Use of Capital Receipts to Finance New Capital Expenditure			-25,000	25,000

## 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 £	
<b>Adjustments primarily involving the Pensions Reserve</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	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
<b>Adjustments primarily involving the Collection Fund Adjustment Account</b>				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income collected for the year in accordance with statutory requirements	-12,687			12,687
<b>Total Adjustments</b>	<b>1,268,462</b>	<b>107,741</b>	<b>38,588</b>	<b>-1,414,791</b>

**11 LANCASHIRE BUSINESS RATES POOL**

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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 are 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, was 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 £725,653 (£661,344 in 2017/18), hence under pooling we have benefitted from extra income of £653,088 (£595,210 in 2017/18). 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 total fee of £20,000 is payable, charged equally to all members of the pool 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.

## Notes to the Core Financial Statements

Lancashire Business Rates Pool Members 2018/19	Authority Type	Tariffs and Top-Ups in Respect of 2018/19 £	Retained Levy on Growth 2018/19 £	10% Retained Levy Payable to/received by Lancashire County Council £	Net Retained Levy 2018/19 £
Burnley Borough Council	Tariff	5,813,386	-779,370	77,937	-701,433
Chorley Borough Council	Tariff	6,255,602	-798,029	79,803	-718,226
Fylde Borough Council	Tariff	7,792,807	-640,137	64,014	-576,123
Hyndburn Borough Council	Tariff	3,817,977	-554,502	55,450	-499,052
Pendle Borough Council	Tariff	3,259,593	-355,927	35,593	-320,334
Ribble Valley Borough Council	Tariff	4,147,262	-725,653	72,565	-653,088
Rossendale Borough Council	Tariff	2,610,199	-603,452	60,345	-543,107
South Ribble Borough Council	Tariff	9,933,983	-1,190,680	119,068	-1,071,612
West Lancashire Borough Council	Tariff	8,367,158	-889,169	88,917	-800,252
Wyre Borough Council	Tariff	6,577,163	-608,534	60,853	-547,681
Lancashire County Council	Top-Up	-152,078,891	0	-714,545	-714,545
Central Government	-	93,503,761	0	0	0
<b>Total</b>		<b>0</b>	<b>-7,145,453</b>	<b>0</b>	<b>-7,145,453</b>

*Pool membership in 2017/18 did not include Burnley Borough Council*

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.

## Notes to the Core Financial Statements

## 12 TRANSFERS TO/FROM EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund balance in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2018/19.

General Fund	Balance at 31 March 2017 £	Transfers In 2017/18 £	Transfers Out 2017/18 £	Balance at 31 March 2018 £	Transfers In 2018/19 £	Transfers Out 2018/19 £	Balance at 31 March 2019 £
<b>Reserves for Shorter Term Service Commitments</b>							
<b>Community Services</b>							
<b>Committee Grants Fund</b> <i>Used to fund various Community Services Committee grants</i>	37,869		-19,894	17,975	16,980		34,955
<b>Audit Reserve Fund</b> <i>Used for computer audit</i>	12,335			12,335			12,335
<b>Refuse Collection</b> <i>To fund refuse collection costs of bin replacements and other cost pressures</i>	59,728	14,468	-5,699	68,497	6,542	-27,724	47,315
<b>Amenity Cleansing Reserve</b> <i>Used to fund known future amenity cleansing works</i>	0	5,750		5,750	24,160		29,910
<b>Clitheroe Food Festival</b> <i>Resources set aside or used to help support the costs associated with the Clitheroe Food Festival</i>	25,913		-8,177	17,736		-3,910	13,826
<b>Promotional Activities Reserve</b> <i>To fund planned publicity and promotional activities</i>	0			0	5,000		5,000
<b>Total Reserves for Shorter Term Service Commitments</b>	<b>135,845</b>	<b>20,218</b>	<b>-33,770</b>	<b>122,293</b>	<b>52,682</b>	<b>-31,634</b>	<b>143,341</b>
<b>Reserves to Smooth the Revenue Impact of Longer Term Cyclical Costs</b>							
<b>Elections Fund</b> <i>Used to fund local elections held once every four years</i>	36,329	60,072	-9,401	87,000	33,000	-18,232	101,768
<b>Revaluation of Assets Reserve</b> <i>To contribute towards the revaluation of the Council's assets every five years.</i>	5,230	2,060		7,290	2,110		9,400
<b>Pensions Triennial Revaluation Reserve</b> <i>Savings on contribution rates, set aside with a view to offsetting any future pensions fund deficits</i>	0	12,778		12,778	29,450		42,228

## Notes to the Core Financial Statements

General Fund	Balance at 31 March 2017 £	Transfers In 2017/18 £	Transfers Out 2017/18 £	Balance at 31 March 2018 £	Transfers In 2018/19 £	Transfers Out 2018/19 £	Balance at 31 March 2019 £
<b>Total Reserves to Smooth the Revenue Impact of Longer Term Cyclical Costs</b>	41,559	74,910	-9,401	107,068	64,560	-18,232	153,396
<b>Reserves for Trading or Business Units</b>							
<b>Building Control Fund</b> <i>Available to equalise net expenditure over a three year period</i>	-43,832	2,672		-41,160		-7,993	-49,153
<b>Total Reserves for Trading or Business Units</b>	-43,832	2,672	0	-41,160		-7,993	-49,153
<b>Reserves for Sums Set Aside for Major Schemes such as Capital Projects</b>							
<b>Capital</b> <i>Used to fund the capital programme</i>	821,421	451,357	-412,306	860,472	835,243	-802,772	892,943
<b>ICT Renewals</b> <i>To fund future software and hardware pressures</i>	171,399	4,260	-7,870	167,789	3,130	-26,048	144,871
<b>Vehicle &amp; Plant Renewals Reserve</b> <i>Resources set aside to fund future replacement of Vehicles and Plant through the capital programme</i>	392,000	46,000		438,000	0	-386,965	51,035
<b>Total Reserves for Sums Set Aside for Major Schemes such as Capital Projects</b>	1,384,820	501,617	-420,176	1,466,261	838,373	-1,215,785	1,088,849
<b>Reserves for Longer Term Strategic or Corporate Items</b>							
<b>VAT Shelter Reserve</b> <i>Funds received from the post LSVT VAT Shelter arrangements, partly used to contribute towards the future financing of the capital programme</i>	1,300,315	130,738	-207,999	1,223,054	37,779	-52,964	1,207,869
<b>Fleming VAT Claim</b> <i>VAT recovered from 'Fleming' claim challenge to HMRC</i>	72,212		-4,941	67,271		-6,452	60,819
<b>Insurance</b> <i>Available to meet any costs following demise of Municipal Mutual Insurance Company</i>	14,581			14,581			14,581



## Notes to the Core Financial Statements

General Fund	Balance at 31 March 2017 £	Transfers In 2017/18 £	Transfers Out 2017/18 £	Balance at 31 March 2018 £	Transfers In 2018/19 £	Transfers Out 2018/19 £	Balance at 31 March 2019 £
<b>Repairs and Maintenance</b> <i>To fund emergency repairs and maintenance items, including legionella and asbestos abatement</i>	29,299			29,299	31,100	-15,320	45,079
<b>Post LSVT</b> <i>To fund any costs post LSVT which may arise, such as pension fund liabilities</i>	255,588		-36,513	219,075		-36,512	182,563
<b>Restructuring Reserve</b> <i>To fund costs resulting from restructuring reviews</i>	227,541		-20,224	207,317		-10,284	197,033
<b>Equipment Reserve</b> <i>To fund essential and urgent equipment requirements</i>	115,133	20,707	-12,323	123,517	14,866	-56,775	81,608
<b>Invest to Save Fund</b> <i>To fund future invest to save projects</i>	250,000			250,000		-18,169	231,831
<b>Planning Reserve</b> <i>To fund any future potential planning issues such as Local Development Plan expenditure and Planning Appeals</i>	148,545		-23,565	124,980	113,278	-105,707	132,551
<b>Housing Benefit Reserve</b> <i>To help meet the challenges facing the service in the coming years</i>	100,000			100,000			100,000
<b>Business Rates Volatility Reserve</b> <i>To provide some protection against business rates volatilities</i>	777,610	904,390		1,682,000			1,682,000
<b>Business Rates Growth Reserve</b> <i>Business rates growth used to support revenue expenditure or the capital programme.</i>	0	221,060		221,060	873,020	-94,508	999,572
<b>New Homes Bonus Reserve</b> <i>To help support revenue and capital expenditure</i>	1,278,478	783,911	-175,618	1,886,771	470,908	-139,469	2,218,210
<b>Total Reserves for Longer Term Strategic or Corporate Items</b>	4,569,302	2,060,806	-481,183	6,148,925	1,540,951	-536,160	7,153,716

## Notes to the Core Financial Statements

General Fund	Balance at 31 March 2017 £	Transfers In 2017/18 £	Transfers Out 2017/18 £	Balance at 31 March 2018 £	Transfers In 2018/19 £	Transfers Out 2018/19 £	Balance at 31 March 2019 £
<b>Reserves for External Funding where Expenditure has yet to be Incurred</b>							
<b>Performance Reward Grant</b>							
<i>Performance Reward Grant received and used to fund associated projects</i>	67,577			67,577			67,577
<b>Land Charges Reserve</b>							
<i>To fund any potential restitution claims for personal search fees</i>	46,794			46,794	4,323		51,117
<b>Pendle Hill User Reserve</b>							
<i>To fund improvement schemes on Pendle Hill</i>	44,069	441		44,510	191	-20,280	24,421
<b>Crime Reduction Partnership Reserve</b>							
<i>To fund cost of crime reduction initiatives</i>	29,877	4,731		34,608	4,494		39,102
<b>Up and Active Reserve</b>							
<i>To fund potential residual staffing costs</i>	14,361		-590	13,771		-1,183	12,588
<b>Housing Related Grants Reserve</b>							
<i>Residual grant received, to be committed to future grant schemes</i>	187,404	40,170	-28,869	198,705		-36,165	162,540
<b>Planning Policy Related Grants Reserve</b>							
<i>To provide short term capacity support when dealing with housing planning applications</i>	35,495		-29,645	5,850			5,850
<b>Community Right to Bid/Challenge</b>							
<i>To fund any future costs under the Community Right to Bid and Community Right to Challenge Regulations</i>	45,124			45,124			45,124
<b>Grant Funded Sports Development</b>							
<i>To finance future Sports Development grant funded expenditure</i>	600	3,040		3,640		-650	2,990

## Notes to the Core Financial Statements

General Fund	Balance at 31 March 2017 £	Transfers In 2017/18 £	Transfers Out 2017/18 £	Balance at 31 March 2018 £	Transfers In 2018/19 £	Transfers Out 2018/19 £	Balance at 31 March 2019 £
<b><u>Whalley Moor Reserve</u></b> <i>Grant received towards work at Whalley Moor Woodland</i>	4,520			4,520			4,520
<b><u>Individual Electoral Registration Reserve</u></b> <i>Grant received for the implementation of Individual Electoral Registration which will be used to fund this work</i>	8,203	31,764	-23,377	16,590			16,590
<b><u>Rural Services Reserve</u></b> <i>Grant received with the purpose of supporting rural services</i>	105,544			105,544		-21,494	84,050
<b><u>Neighbourhood Planning Reserve</u></b> <i>MHCLG Neighbourhood Planning Grant received to fund future related expenditure</i>	15,000		-4,931	10,069	6,064		16,133
<b><u>Repossession Prevention Fund Reserve</u></b> <i>Ring-fenced MHCLG funded reserve to help prevent repossessions and homelessness.</i>	28,491			28,491			28,491
<b><u>Parish Grant Reserve</u></b> <i>PRG resources set aside to fund the Parish Grant Scheme</i>	64,452		-27,633	36,819			36,819
<b><u>Custom and Self Build Register Grant Reserve</u></b> <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	45,000		45,000	28,750		73,750
<b><u>Brownfield Register Grant Reserve</u></b> <i>Grant funding towards preparation and maintenance of a register of brownfield sites suitable for residential development.</i>	0	16,420		16,420	7,397		23,817

## Notes to the Core Financial Statements

General Fund	Balance at 31 March 2017 £	Transfers In 2017/18 £	Transfers Out 2017/18 £	Balance at 31 March 2018 £	Transfers In 2018/19 £	Transfers Out 2018/19 £	Balance at 31 March 2019 £
<b><u>Flood Resilience Grant Reserve</u></b>							
<i>Grant funding relating to residual Flood Resilience Grants</i>	0	20,000		20,000		-20,000	0
<b><u>EU Exit Funding Reserve</u></b>							
<i>Grant funding relating to impacts in respect of the EU Exit</i>	0			0	17,484		17,484
<b><u>Cyber Resilience Grant Reserve</u></b>							
<i>Grant funding in respect of Cyber Resilience work</i>	0			0	10,600		10,600
<b><u>Pendle Hill Landscape Partnership Reserve</u></b>							
<i>To fund schemes in respect of the Pendle Hill Landscape Partnership</i>	0			0	20,000		20,000
<b><u>Housing Benefits New Burden Grants Reserve</u></b>							
<i>Grant income to support new burdens in respect of Housing Benefits</i>	0			0	11,983		11,983
<b><u>LCTS New Burdens Grant Reserve</u></b>							
<i>Grant income to support new burdens in respect of Localised Council Tax Support</i>	0			0	26,370		26,370
<b>Total Reserves for External Funding where Expenditure has yet to be Incurred</b>	697,511	161,566	-115,045	744,032	137,656	-99,772	781,916
<b>Total of all Earmarked Reserves</b>	6,785,206	2,821,789	-1,059,575	8,547,420	2,634,222	-1,909,576	9,272,065

## Notes to the Core Financial Statements

## 13 PROPERTY, PLANT AND EQUIPMENT

Movements in 2018/19	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
<b><i>Cost or Valuation</i></b>						
At 1 April 2018	14,824	4,674	359	1,593	77	21,527
Additions/Acquisitions	79	712				791
Derecognition - Disposal		-263				-263
Reclassification (to)/from Surplus Assets	52				-52	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve	165					165
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	-56					-56
<b>At 31 March 2019</b>	<b>15,064</b>	<b>5,123</b>	<b>359</b>	<b>1,593</b>	<b>25</b>	<b>22,164</b>
<b><i>Accumulated Depreciation and Impairments</i></b>						
At 1 April 2018	-27	-3,122	-62	-23	0	-3,234
Derecognition - Disposal		263				263
Depreciation Charge	-496	-416	-10	-3	-2	-927
Depreciation written out to the Revaluation Reserve	465					465
Depreciation written out to the Surplus/Deficit on the Provision of Services	15				1	16
Impairment (losses)/reversals recognised in the Revaluation Reserve	-53					-53
Impairment (losses)/reversals recognised in the Surplus/Deficit on the Provision of Services	53					53
Reclassification (to)/from Surplus Assets	-1				1	0
<b>At 31 March 2019</b>	<b>-44</b>	<b>-3,275</b>	<b>-72</b>	<b>-26</b>	<b>0</b>	<b>-3,417</b>
<b>Net Book Value</b>						
at 31 March 2018	14,797	1,552	297	1,570	77	18,293
at 31 March 2019	15,020	1,848	287	1,567	25	18,747

## Notes to the Core Financial Statements

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
<b>Cost or Valuation</b>						
At 1 April 2017	13,385	4,521	359	1,593	77	19,935
Additions/Acquisitions	73	366				439
Derecognition - Disposal		-213				-213
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
<b>At 31 March 2018</b>	<b>14,824</b>	<b>4,674</b>	<b>359</b>	<b>1,593</b>	<b>77</b>	<b>21,527</b>
<b>Accumulated Depreciation and Impairments</b>						
At 1 April 2017	-14	-2,881	-53	-20	-2	-2,970
Derecognition - Disposal		213				213
Depreciation Charge	-421	-454	-9	-3	-2	-889
Depreciation written out to the Revaluation Reserve	408				4	412
<b>At 31 March 2018</b>	<b>-27</b>	<b>-3,122</b>	<b>-62</b>	<b>-23</b>	<b>0</b>	<b>-3,234</b>
<b>Net Book Value</b>						
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

**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 generally 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 2019 the Council had an approved capital programme of £2,688,190 for 2019/20 and had £678,270 of budget slippage from the 2018/19 capital programme that was rolled forward to be spent in 2019/20. At 31 March 2019, the Council had capital order commitments of £359,463, of which £68,719 related to 2018/19 capital programme slippage and £290,744 related to the 2019/20 capital programme.

Of the £359,463 capital order commitments, £345,349 related to property, plant and equipment and £14,114 related to intangible assets.

**Effects of Changes in Estimates**

In 2018/19 the Council made no material changes to its accounting estimates for Property, Plant and Equipment.

## Notes to the Core Financial Statements

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### Revaluations

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

A further desktop exercise is undertaken annually, with asset values adjusted accordingly on the balance sheet. The desktop review as at 1 March 2019 was undertaken by Taylor Weaver Ltd and Lea Hough & Co Chartered Surveyors.

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.



**14 HERITAGE ASSETS**

Reconciliation of the Carrying Value of Heritage Assets Held by the Council	Clitheroe Castle Museum Collection £'000	Civic Regalia £'000	Total Heritage Assets £'000
<i><u>Cost or Valuation</u></i>			
At 1 April 2018	827	65	<b>892</b>
Revaluations	25		<b>25</b>
<b>At 31 March 2019</b>	<b>852</b>	<b>65</b>	<b>917</b>
<i><u>Cost or Valuation</u></i>			
At 1 April 2017	827	65	<b>892</b>
<b>At 31 March 2018</b>	<b>827</b>	<b>65</b>	<b>892</b>

**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 2018/19 or 2017/18 financial years.

## Notes to the Core Financial Statements

## 15 FINANCIAL INSTRUMENTS

**Reclassification and Remeasurement of Financial Assets**

The Council adopted IFRS 9 Financial Instruments accounting standard with effect from 1 April 2018. The main changes include the reclassification and re-measurement of financial assets and the earlier recognition of the impairment of financial assets.

IFRS 9 replaced IAS 39 Financial Instruments: Recognition and Measurement. It made changes to previous guidance on the classification and measurement of financial assets and introduced an 'expected credit loss' model for impairment of financial assets. The Authority's trade receivables and investments in financial assets classed as held to maturity (unless classed as fair value through profit and loss) have been assessed for impairment by applying the expected credit loss model.

The changes made on transition to the balance sheet are summarised below, and have no impact on the balance sheet values:

	Previous Classification	New Classifications as at 1 April 2018			Total Balance Sheet Carrying £
		Amortised Cost £	Fair Value Through Profit or Loss £	Non-Financial Instrument Balances £	
<b><u>Investments</u></b>					
Financial Asset Held for Sale	Loans and receivables	10,000	-	-	10,000
Loans and receivables	Loans and receivables	10,151,367	-	-	10,151,367
<b><u>Debtors</u></b>					
Loans and receivables (Long Term)	Loans and receivables	280,044	-	-	280,044
Financial assets carried at contract amount (Short Term)	Loans and receivables	1,296,482	-	-	1,296,482
<b>Reclassified Amounts at 1 April 2018</b>		<b>11,737,893</b>	<b>0</b>	<b>0</b>	<b>11,737,893</b>
Remeasurements at 1 April 2018		-	-	-	0
<b>Remeasured Carrying amounts at 1 April 2018</b>		<b>11,737,893</b>	<b>0</b>	<b>0</b>	<b>11,737,893</b>

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI)

## Notes to the Core Financial Statements

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost.

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 2018 £	31 March 2019 £	31 March 2018 £	31 March 2019 £
<u>Investments at Amortised Costs</u>				
Financial Asset Held for Sale			10,000	10,000
Loans and receivables			10,151,367	12,392,535
<b>Total Investments</b>	<b>0</b>	<b>0</b>	<b>10,161,367</b>	<b>12,402,535</b>
<u>Debtors at Amortised Cost</u>				
Loans and receivables	280,044	265,462		
Financial assets carried at contract amount			1,296,482	1,120,601
<b>Total Debtors</b>	<b>280,044</b>	<b>265,462</b>	<b>1,296,482</b>	<b>1,120,601</b>
<u>Borrowings at Amortised Cost</u>				
Financial liabilities at amortised cost	-136,377	-125,983	-10,393	-10,393
<b>Total Borrowings</b>	<b>-136,377</b>	<b>-125,983</b>	<b>-10,393</b>	<b>-10,393</b>
<u>Creditors at Amortised Cost</u>				
Financial liabilities carried at contract amount			-1,122,616	-902,798
<b>Total Creditors</b>	<b>0</b>	<b>0</b>	<b>-1,122,616</b>	<b>-902,798</b>

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

	2017/18		2018/19	
	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables
	£	£	£	£
Interest expenses	7,828	17,961	7,033	
Interest Income		-38,963		-92,326
<b>Total</b>	<b>7,828</b>	<b>-21,002</b>	<b>7,033</b>	<b>-92,326</b>

Fair Values of Assets and Liabilities

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

- For loans from the Public Works Loan Board the fair value has been calculated by reference to the premature repayment set of rates in force on 31 March 2018 and 31 March 2019 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 2018		31 March 2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£	£	£	£
Financial Liabilities	146,770	185,696	136,377	174,471

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 2018		31 March 2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£	£	£	£
Long-term debtors	280,044	280,044	265,462	265,462

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

**16 SHORT TERM DEBTORS**

	31 March 2018	31 March 2019
	£	£
Central government bodies	511,326	489,245
Other local authorities	440,774	86,100
Public corporations and trading funds	31	
Other entities and individuals		
- Other Debtors	768,326	602,892
- Business Rates	272,835	263,098
- Council Tax	213,588	212,995
- Prepayments	133,639	160,758
- Impairment	-364,959	-375,510
<b>Total</b>	<b>1,975,560</b>	<b>1,439,578</b>

**17 CASH AND CASH EQUIVALENTS**

	31 March 2018	31 March 2019
	£	£
Cash held by the Council	15,403	15,628
Bank Current Accounts	220,984	201,907
Short Term Investments	9,915,000	12,175,000
<b>Total</b>	<b>10,151,387</b>	<b>12,392,535</b>

**18 SHORT TERM CREDITORS**

	31 March 2018	31 March 2019
	£	£
Central government bodies	-679,230	-964,631
Other local authorities	-1,441,063	-1,319,160
Public corporations and trading funds	-29,125	
Other entities and individuals		
- Other Creditors	-371,584	-398,039
- Business Rates	-86,129	-81,183
- Council Tax	-62,049	-71,910
- Commuted Sums	-421,376	-658,001
- Refundable Deposits	-12,624	-12,624
- Receipts in Advance	-35,799	-52,856
<b>Total</b>	<b>-3,138,979</b>	<b>-3,558,404</b>

## Notes to the Core Financial Statements

### 19 PROVISIONS

The only provision, which is shown in the table below, relates to amounts set aside to meet potential future liabilities from appeals 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 6.

Business Rates Appeals Provision	2017/18 £	2018/19 £
<b>Balance at 1 April</b>	<b>507,560</b>	<b>388,560</b>
Movements in provisions in the year	-119,000	21,413
<b>Balance at 31 March</b>	<b>388,560</b>	<b>409,973</b>

### 20 USABLE RESERVES

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

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

31 March 2018 £	31 March 2019 £
2,533,703 General Fund Balance	2,472,111
8,547,420 Earmarked General Fund Reserves	9,272,065
842,867 Usable Capital Receipts Reserve	1,086,608
305,428 Capital Grants Unapplied	380,059
<b>12,229,418 Total Usable Reserves</b>	<b>13,210,843</b>

#### General Fund Balance

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

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

2017/18 £	2018/19 £
<b>2,716,569 Opening General Fund Balance</b>	<b>2,533,703</b>
-182,866 Net amount added to (taken from) General Fund Balance	-61,592
<b>2,533,703 Closing General Fund Balance</b>	<b>2,472,111</b>

## Notes to the Core Financial Statements

Earmarked General Fund Reserves

Unlike the general fund balance, the council's Earmarked General fund Reserves have been set aside for a specific purpose. The Council has a variety of earmarked reserves and the specific details of each one can be seen at Note 12.

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

2017/18 £	2018/19 £
<b>6,785,206</b> Opening Earmarked General Fund Reserves	<b>8,547,420</b>
2,821,789 Amounts added to Earmarked General Fund Reserves	2,634,222
-1,059,575 Amounts taken from Earmarked General Fund Reserves	-1,909,577
<b>8,547,420</b> Closing Earmarked General Fund Reserves	<b>9,272,065</b>

Capital Grants Unapplied

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

2017/18 £	2018/19 £
<b>197,687</b> Opening Capital Grants Unapplied	<b>305,428</b>
292,406 Amounts added to Capital Grants Unapplied	511,481
-184,665 Amounts taken from Capital Grants Unapplied	-436,850
<b>305,428</b> Closing Capital Grants Unapplied	<b>380,059</b>

Usable Capital Receipts Reserve

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

2017/18 £	2018/19 £
<b>804,279</b> Opening Usable Capital Receipts Reserve	<b>842,867</b>
63,588 Amounts added to the Usable Capital Receipts Reserve	247,991
-25,000 Amounts taken from the Usable Capital Receipts Reserve	-4,250
<b>842,867</b> Closing Usable Capital Receipts Reserve	<b>1,086,608</b>

## Notes to the Core Financial Statements

## 21 UNUSABLE RESERVES

31 March 2018 £		31 March 2019 £
6,880,184	Capital Adjustment Account	7,158,190
120,613	Collection Fund Adjustment Account	300,110
8,830,697	Revaluation Reserve	9,148,982
-15,402,324	Pension Reserve	-15,413,000
-52,706	Accumulated Absences Account	-67,162
<b>376,464</b>	<b>Total Unusable Reserves</b>	<b>1,127,120</b>

**Capital Adjustment Account**

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

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

Note 10 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.



## Notes to the Core Financial Statements

2017/18 £		2018/19 £	£
<b>7,044,683</b>	<b>Balance at 1 April</b>		<b>6,880,184</b>
	<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive income and Expenditure statement</b>		
-889,263	- Charges for depreciation and impairment of non-current assets	-926,775	
	- Revaluation losses on Property, Plant and Equipment	12,575	
-21,025	- Amortisation of intangible assets	-2,395	
-284,408	- Revenue expenditure funded from capital under statute	-448,630	
	- Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-9,750	
<b>-1,194,696</b>			<b>-1,374,975</b>
213,979	Adjusting amounts written out of the Revaluation Reserve		283,518
<b>6,063,966</b>	<b>Net written out amount of the cost of non-current assets consumed in the year</b>		<b>5,788,727</b>
	<b>Capital financing applied in the year</b>		
25,000	- Use of Capital Receipts Reserve to finance new capital expenditure		
62,427	- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	144,444	
184,665	- Application of grants to capital financing from the Capital Grants Unapplied Account	292,406	
131,820	- Statutory provision for the financing of capital investment charged against the General Fund	129,840	
412,306	- Capital expenditure charged against the General Fund balance	802,773	
<b>816,218</b>			<b>1,369,463</b>
<b>6,880,184</b>	<b>Balance at 31 March</b>		<b>7,158,190</b>

## Notes to the Core Financial Statements

### Collection Fund Adjustment Account

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

2017/18 £		2018/19 £
107,926	<b>Balance at 1 April</b>	120,613
9,865	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	-13,131
2,822	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	192,628
120,613	<b>Balance at 31 March</b>	300,110

### 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.

2017/18 £		2017/18 £
7,256,758	<b>Balance at 1 April</b>	8,830,696
1,787,918	Upward revaluation of assets	1,016,949
	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	-415,145
1,787,918	<b>Surplus or Deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services</b>	601,804
-213,980	Difference between fair value depreciation and historical cost depreciation	-283,518
-213,980	<b>Amount written off to the Capital Adjustment Account</b>	-283,518
8,830,696	<b>Balance at 31 March</b>	9,148,982

## 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.

2017/18 £		2018/19 £
<b>-17,283,324</b>	<b>Balance at 1 April</b>	<b>-15,402,324</b>
2,930,000	Remeasurements of the net defined benefit liability/(asset)	934,000
-2,058,000	Reversal of items relating to retirement benefits debited or credited to the surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	-1,968,000
1,009,000	Employer's pensions contributions and direct payments to pensioners payable in the year	1,023,324
<b>-15,402,324</b>	<b>Balance at 31 March</b>	<b>-15,413,000</b>

## Notes to the Core Financial Statements

### Accumulated Absences Account

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

Adjustments are only made through this account where the change in the level of compensated absences earned moves by more than 10% - hence the adjustment made in 2018/19.

2017/18 £		2018/19 £
-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	-67,162
0	<b>Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements</b>	-14,456
-52,706	Balance at 31 March	-67,162

## 22 CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

2017/18 £		2018/19 £
-21,002	Interest received	-92,325
7,828	Interest paid	7,033
-13,174	<b>Net Interest</b>	<b>-85,292</b>

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

2017/18 £		2018/19 £
-63,588	Proceeds from the sale of property, plant and equipment and intangible assets	-243,741
-63,588		-243,741

## Notes to the Core Financial Statements

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

2017/18 £		2018/19 £
-889,263	Depreciation	-926,775
0	Impairment and downward valuations	12,575
-21,025	Amortisation	-2,395
-334,318	(Increase)/decrease in creditors	-107,100
330,776	Increase/(decrease) in debtors	-558,276
17,801	Increase/(decrease) in inventories	-20,455
119,000	(Increase)/decrease in provisions	-21,413
-1,049,000	Movement in pension liability	-944,676
0	Carrying amount of Property, Plant and Equipment sold	-9,750
62,427	Capital Grants and Contributions Applied	144,444
-284,408	Revenue Expenditure Funded from Capital Under Statute	-448,630
412,306	Capital Expenditure Charged against General Fund Balances	802,773
292,406	Capital Grants and Contributions Unapplied Credited to the Comprehensive Income and Expenditure Statement	367,037
0	Accumulated Absences	-14,455
<b>-1,343,298</b>		<b>-1,727,096</b>

### 23 CASH FLOW STATEMENT – INVESTING ACTIVITIES

2017/18 £		2018/19 £
756,546	Purchase of property, plant and equipment, investment property and intangible assets	1,340,321
-63,588	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-243,741
-905,085	Other receipts from investing activities	-1,306,542
<b>-212,127</b>	<b>Net cash flows from investing activities</b>	<b>-209,962</b>

### 24 CASH FLOW STATEMENT – FINANCING ACTIVITIES

2017/18 £		2018/19 £
22,893	Repayments of short- and long-term borrowing	10,394
198,721	Other payments for financing activities	-361,947
<b>221,614</b>	<b>Net cash flows from financing activities</b>	<b>-351,553</b>

**Notes to the Core Financial Statements**

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**25 MEMBERS' ALLOWANCES**

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

	2017/18	2018/19
	£	£
Basic Allowance	142,838	145,108
Special Responsibility Allowances	72,240	74,900
Expenses	4,541	4,215
	<b>219,619</b>	<b>224,223</b>

## Notes to the Core Financial Statements

## 26 OFFICERS' EMOLUMENTS

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

## Remuneration Disclosure (excluding Pension Contributions)

Post Holder Information	Salary	Benefits in Kind	Total Remuneration excluding Pension Contributions	Salary	Benefits in Kind	Total Remuneration excluding Pension Contributions
	2017/18 £	2017/18 £	2017/18 £	2018/19 £	2018/19 £	2018/19 £
Chief Executive <sup>1</sup>	107,552	9,115	<b>116,667</b>	103,688	10,090	<b>113,778</b>
Director of Community Services	80,427	1,973	<b>82,400</b>	82,038	4,492	<b>86,530</b>
Director of Resources	80,427	10,737	<b>91,164</b>	82,038	11,430	<b>93,468</b>
Director of Economic Development and Planning Services <sup>2</sup>	0	0	<b>0</b>	49,206	0	<b>49,206</b>
Head of Financial Services	52,638	6,129	<b>58,767</b>	53,691	7,451	<b>61,142</b>
Head of Planning Services	52,638	5,821	<b>58,459</b>	53,691	6,626	<b>60,317</b>
Head of Legal and Democratic Services <sup>3</sup>	42,110	3,655	<b>45,765</b>	42,953	4,238	<b>47,191</b>
	<b>415,792</b>	<b>37,430</b>	<b>453,222</b>	<b>467,305</b>	<b>44,327</b>	<b>511,632</b>

<sup>1</sup> The values for the Chief Executive include Acting Returning Officer Fees, which fluctuate from year to year depending on the elections called. 2018/19 £389 (all of which was pensionable); 2017/18 £6,281 (£5,656 of which was pensionable)

<sup>2</sup> The post of Director of Economic Development and Planning Services is a new post in 2018/19 and the post holder started in the role on 6 August 2018. The full year equivalent of the pay received in year was £75,174 and therefore this officer is required to be disclosed in this note.

<sup>3</sup> The Head of Legal and Democratic Services works part-time and the role equates to 0.8 full time equivalent. The full time equivalent salary for this post was £53,691 in 2018/19 (£52,638 in 2017/18) and therefore this officer is required to be disclosed in this note.

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

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

## Notes to the Core Financial Statements

The table below shows the contribution rates that applied in the 2017/18 and 2018/19 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 2017/18	Salary Banding 2018/19	Employee Contribution Rate
£0 - £13,700	£0 - £14,100	5.50%
> £13,701 - £21,400	> £14,101 - £22,000	5.80%
> £21,401 - £34,700	> £22,001 - £35,700	6.50%
> £34,701 - £43,900	> £35,701 - £45,200	6.80%
> £43,901 - £61,300	> £45,201 - £63,100	8.50%
> £61,301 - £86,800	> £63,101 - £89,400	9.90%
> £86,801 - £102,200	> £89,401 - £105,200	10.50%
> £102,201 - £153,300	> £105,201 - £157,800	11.40%
> £153,301	> £157,801	12.50%

For 2017/18 and 2018/19, 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 at the beginning of the financial year in settlement of its in year pension contribution liabilities.

This fixed single discounted payment in both years 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	2017/18	2018/19
Percentage Contribution Rate <i>(This is the rate from which the fixed single discounted payment was calculated by the pension fund - see below)</i>	16.5%	16.5%
Actual Fixed Single Discounted Payment Made	£760,200	£767,700
Lump Sum Payment from the Council <i>(in respect of pension fund deficit recovery)</i>	£173,500	£179,900

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



## Notes to the Core Financial Statements

## Remuneration Disclosure (including Pension Contributions)

Post Holder Information	Total Remuneration excluding Pension Contributions 2017/18 £	Pension Contributions 2017/18 £	Total Remuneration including Pension Contributions 2017/18 £	Total Remuneration excluding Pension Contributions 2018/19 £	Pension Contributions 2018/19 £	Total Remuneration including Pension Contributions 2018/19 £
Chief Executive <sup>1</sup>	116,667	17,643	<b>134,310</b>	113,778	17,109	<b>130,887</b>
Director of Community Services	82,400	13,270	<b>95,670</b>	86,530	13,536	<b>100,066</b>
Director of Resources	91,164	13,270	<b>104,434</b>	93,468	13,536	<b>107,004</b>
Director of Economic Development and Planning Services <sup>2</sup>	0	0	<b>0</b>	49,206	8,119	<b>57,325</b>
Head of Financial Services	58,767	8,685	<b>67,452</b>	61,142	8,859	<b>70,001</b>
Head of Planning Services	58,459	8,685	<b>67,144</b>	60,317	8,859	<b>69,176</b>
Head of Legal and Democratic Services <sup>3</sup>	45,765	6,948	<b>52,713</b>	47,191	7,087	<b>54,278</b>
	<b>453,222</b>	<b>68,501</b>	<b>521,723</b>	<b>511,632</b>	<b>77,105</b>	<b>588,737</b>

<sup>1</sup> The values for the Chief Executive include Acting Returning Officer Fees, which fluctuate from year to year depending on the elections called. 2018/19 £389 (all of which was pensionable); 2017/18 £6,281 (£5,656 of which was pensionable)

<sup>2</sup> The post of Director of Economic Development and Planning Services is a new post in 2018/19 and the post holder started in the role on 6 August 2018. The full year equivalent of the pay received in year was £75,174 and therefore this officer is required to be disclosed in this note.

<sup>3</sup> The Head of Legal and Democratic Services works part-time and the role equates to 0.8 full time equivalent. The full time equivalent salary for this post was £53,691 in 2018/19 (£52,638 in 2017/18) 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:

	2017/18	2018/19
£50,000 - £54,999	4	5
£55,000 - £59,999	***3	***1
£60,000 - £64,999		2
£65,000 - £69,999		
£70,000 - £74,999		
£75,000 - £79,999		**1
£80,000 - £84,999	1	
£85,000 - £89,999		1
£90,000 - £94,999	1	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. 2018/19 £389 (all of which was pensionable); 2017/18 £6,281 (£5,656 of which was pensionable)

\*\* The post of Director of Economic Development and Planning Services is a new post in 2018/19 and the post holder started in the role on 6 August 2018. The full year equivalent of the pay received in year was £75,174 and therefore this officer is required to be disclosed in this note.

\*\*\* 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 £53,691 in 2018/19 (£52,638 in 2017/18) and therefore this officer is required to be disclosed in this note.

There were no redundancy payments made in 2018/19 or 2017/18.

**27 EXTERNAL AUDIT COSTS**

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

	2017/18 £	2018/19 £
Fees payable to Grant Thornton UK LLP with regard to external audit services carried out by the appointed auditor for the year	40,202	30,956
Fees payable to Grant Thornton UK LLP for the certification of grant claims and returns for the year.	7,321	11,191
Public Sector Audit Appointments (PSAA) Rebate	-4,975	
<b>Total</b>	<b>42,548</b>	<b>42,147</b>

**28 GRANT INCOME**

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2018/19 and 2017/18:

	2017/18 £	2018/19 £
<b><i>Credited to Taxation and Non Specific Grant Income</i></b>		
Revenue Support Grant	-304,319	-109,149
New Homes Bonus	-1,576,990	-1,575,908
Business Rates S31 Grant	-902,819	-954,930
Rural Services Delivery Grant	-86,603	-107,921
Transition Grant	-20,345	
Levy Account Surplus		-20,446
Capital Grants	-3,000	-3,000
<b>Total Credited to Taxation and Non Specific Grant Income</b>	<b>-2,894,076</b>	<b>-2,771,354</b>
<b><i>Credited to Services</i></b>		
<b><i>Grants Received for Capital Purposes</i></b>		
Disabled Facilities Grant - Main Funding	-297,106	-320,991
Disabled Facilities Grant - additional funding	-31,466	-93,365
Funding from Onward Homes towards Disabled Facilities Grant	0	-85,451
LCC Affordable Warmth Grant	-23,261	-8,674
<b>Total Grants Received for Capital Purposes</b>	<b>-351,833</b>	<b>-508,481</b>

## Notes to the Core Financial Statements

	2017/18 £	2018/19 £
<b><u>Grants Received for Revenue Purposes</u></b>		
Business Rates Administration	-88,997	-88,160
Lancashire Highways Partnership	-11,684	-11,680
DWP - Rent Allowance and Rent Rebate Subsidy	-6,673,691	-6,338,892
DWP and MHCLG Council Tax and Housing Benefit Administration Grant	-132,518	-122,400
Ribble Valley Community Safety Partnership	-13,300	-10,047
DWP LA Data Sharing IT Costs Funding	-12,469	-20,894
Individual Electoral Registration Grant	-31,764	-25,411
DWP - Discretionary Housing Payments Fund	-46,638	-38,233
MHCLG (via LCC) Flood Resilience Grants	-269,087	20,000
MHCLG - Custom and Self Build Grant	-30,000	-30,000
MHCLG - Business Rates Relief Admin Grant	-12,000	
MHCLG - Flexible Homelessness Support Grant	-40,000	-41,000
DWP - Universal Credit Service Funding	-11,426	-12,259
LCC - Domestic Abuse Support Worker and Support Services Grant	-42,884	-10,469
MHCLG - EU Exit Funding		-17,484
MHCLG - High St Community Clean-Up		-11,660
MHCLG - Local Authority Parks Improvement Funding		-10,000
MHCLG - Business Rates Transitional Protection Payments		-187,371
MHCLG - Neighbourhood Plan		-20,000
LGA - Cyber Resilience Grant		-10,600
Other Grants	-64,138	-60,121
<b>Total Grants Received for Revenue Purposes</b>	<b>-7,480,596</b>	<b>-7,046,681</b>
<b>Total Credited to Services</b>	<b>-7,832,429</b>	<b>-7,555,162</b>

Where the Council receives grants, contributions and donations which have conditions attached to them that will require the monies or property to be returned to the giver, such grants, contributions and donations are not recognised as income in the Comprehensive Income and Expenditure Statement. At the end of both financial years there have been no such grants, contributions or donations.

## 29 RELATED PARTY TRANSACTIONS

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

- Central Government
- 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

Central Government has effective control over the general operation of the Council – it is responsible for providing the statutory framework within which the Council operates, provides a large proportion of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in Note 28 on grant income.

### Elected Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid is shown at Note 25.

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

In respect of the 2018/19 financial year, the council made one grant award to an organisation where the award was financially significant to that organisation and two Members had disclosed an interest. This was in respect of a grant for £51,500 awarded to Ribble Valley Citizens Advice Bureau to cover core running costs. The Members declaring an interest in this organisation did not take part in the discussion or the decision relating to the grant award.

In 2017/18 the same organisation received a grant of £60,000 and one member declared an interest. 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

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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 2018/19 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 2017/18.

### 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 130.
- Other standard business transactions between the Council and Lancashire County Council, such as superannuation payments to Lancashire Pension Fund - see Note 32.
- The Lancashire Business Rates Pool was operational during 2017/18 and 2018/19 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 11.

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

### Entities Controlled or Significantly Influenced by the Council

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

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

- 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

**30 CAPITAL EXPENDITURE AND CAPITAL FINANCING**

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

	2017/18 £	2018/19 £
<b>Opening Capital Financing Requirement</b>	<b>3,579,573</b>	<b>3,486,756</b>
<b><u>Capital Investment</u></b>		
Property, Plant and Equipment	438,992	827,613
Revenue Expenditure Funded from Capital Under Statute	284,409	448,630
<b><u>Sources of Finance:</u></b>		
Grants and Other Contributions	-247,092	-436,850
Capital Receipts	-25,000	
Sums set aside from revenue:		
- Revenue Contributions	-412,306	-802,773
- Minimum Revenue Provision	-131,820	-129,840
<b>Closing Capital Financing Requirement</b>	<b>3,486,756</b>	<b>3,393,536</b>
<b><u>Explanation of Movements in Year</u></b>		
Increase/(Decrease) in Underlying Need to Borrow (Unsupported by Government Financial Assistance)	-92,817	-93,220
<b>Increase/(Decrease) in Capital Financing Requirement</b>	<b>-92,817</b>	<b>-93,220</b>

**31 LEASES****Operating Leases with the Council as Lessee**

The council holds a number of vehicles, land and buildings on operating leases. The future minimum lease payments due are:

	31 March 2018 £	31 March 2019 £
Not later than one year	96,718	89,807
Later than one year and not later than five years	210,179	178,336
Later than five years	525,713	402,908
	<b>832,610</b>	<b>671,051</b>



## 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 £85,884 (£95,257 in 2017/18).

**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 2018 £	31 March 2019 £
Not later than one year	-96,689	-91,144
Later than one year and not later than five years	-232,088	-218,949
Later than five years	-533,730	-481,471
	<b>-862,507</b>	<b>-791,564</b>

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

In 2018/19 income included under the Cost of Services in the Comprehensive Income and Expenditure Statement in relation to the above leases was £100,023. (£89,588 in 2017/18).

## 32 DEFINED BENEFIT PENSION SCHEMES

**Participation in Pension Scheme**

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

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

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

## Notes to the Core Financial Statements

The last actuarial valuation of the Fund was carried out at 31 March 2016, and at that date showed a funding level of 90% (assets of £6.0bn against accrued liabilities of about £6.7bn). The weighted average duration of the liabilities of the Fund as a whole is 16 years, measured on the IAS19 actuarial assumptions. The duration of the liabilities for the individual employers which participate in the scheme can be significantly different from this, reflecting the profile of its employees and former employees.

### Transactions relating to Post-employment Benefits

We recognise the cost of retirement benefits in the reported cost of services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make against council tax is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund Balance via the Movement in Reserves statement during the year:

	Local Government Pension Scheme	
	2017/18 £'000	2018/19 £'000
<b>Comprehensive Income and Expenditure Statement</b>		
<b>Cost of Services</b>		
- current service costs	1,617	1,570
<b>Other Operating Expenditure</b>		
- administration expenses	23	24
<b>Financing and Investment Income and Expenditure</b>		
- net interest expense	418	374
<b>Total Post employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>2,058</b>	<b>1,968</b>
<b>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>		
<b>Remeasurement of the net defined benefit liability comprising</b>		
- return on plan assets (excluding the amount included in the net interest expenses)	-509	-4,252
- actuarial gains and losses arising on changes in financial assumptions	-2,421	3,318
<b>Total Post employment Benefit Charged to the Comprehensive Income and Expenditure Account</b>	<b>-872</b>	<b>1,034</b>
<b>Movement in Reserves Statement</b>		
- reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	-2,058	-1,968
<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>		
- employers' contributions payable to the scheme	<b>1,009</b>	<b>1,024</b>

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2019 is a gain of £934,000 (31 March 2018 gain of £2,930,000).

## 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	2017/18 £'000	2018/19 £'000
Present value of the defined benefit obligation	63,426	68,377
Fair value of plan assets	-48,023	-52,964
<b>Net liability arising from defined benefit obligation</b>	<b>15,403</b>	<b>15,413</b>

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

Local Government Pension Scheme	2017/18 £'000	2018/19 £'000
<b>Opening fair value of scheme assets</b>	<b>46,798</b>	<b>48,023</b>
Interest Income	1,167	1,254
Remeasurements gain/(loss):		
- the return on plan assets, excluding the amount included in the net interest expense	509	4,252
Administration Expenses	-23	-24
Contributions from employer	1,009	1,024
Contributions from employees into the scheme	300	314
Benefits/transfers paid	-1,737	-1,879
<b>Closing fair value of scheme assets</b>	<b>48,023</b>	<b>52,964</b>

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

Local Government Pension Scheme	2017/18 £'000	2018/19 £'000
<b>Opening balance at 1 April</b>	<b>64,082</b>	<b>63,426</b>
Current service cost	1,617	1,570
Interest Cost	1,585	1,628
Contributions from scheme participants	300	314
Remeasurement (gains) and losses:		
- Experience (gain)/loss		
- Actuarial (gains)/losses arising from changes in demographic assumptions	-2,421	3,318
- Actuarial (gains)/losses arising from changes in financial assumptions		
Benefits/transfers paid	-1,737	-1,879
<b>Closing balance at 31 March</b>	<b>63,426</b>	<b>68,377</b>

## Notes to the Core Financial Statements

***Local Government Pension Scheme Assets Comprised:***

Local Government Pension Scheme	Quoted	31 March 2018	31 March 2019
Fair value of scheme assets	Y/N	£'000	£'000
<b><i>Cash</i></b>			
- Cash and Cash Equivalents	N	-1,161	0
- Cash accounts	N	2,027	270
- Net Current Assets	N	-1,068	37
<b>Subtotal Cash</b>		<b>-202</b>	<b>307</b>
<b><i>Bonds</i></b>			
- UK corporate	Y	274	359
- Overseas corporate	N	570	262
- UK index linked	Y	1,146	1,862
- Overseas fixed interest	N	46	0
<b>Subtotal Bonds</b>		<b>2,036</b>	<b>2,483</b>
<b><i>Property</i></b>			
- Offices	N	933	1,035
- Offices/warehouse	N	100	137
- Industrial/warehouse	N	1,332	1,600
- Shops	N	389	382
- Retail warehouse	N	747	713
- Shopping centre	N	185	180
- Multi let commercial building	N	831	889
<b>Subtotal Property</b>		<b>4,517</b>	<b>4,936</b>
<b><i>Alternatives</i></b>			
- Overseas private equity	N	3,486	4,071
- Infrastructure	N	6,086	7,487
- Credit funds	N	8,849	3,761
- Pooled fixed income	N	1,185	5,761
- Indirect property funds	N	729	811
- Overseas pooled equity funds	N	21,337	23,347
<b>Subtotal Alternatives</b>		<b>41,672</b>	<b>45,238</b>
<b>Total</b>		<b>48,023</b>	<b>52,964</b>

## 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	2017/18	2018/19
<b>Mortality Assumptions</b>		
Longevity at 65 for current pensioners:		
Men	22.7 years	22.8 years
Women	25.4 years	25.5 years
Longevity at 65 for future pensioners:		
Men	25 years	25.1 years
Women	28 years	28.2 years
Rate of Consumer Price Index (CPI) Inflation	2.1%	2.2%
Rate of increase in salaries ( <i>adjustment made for short term pay restraint in line with the latest actuarial valuation</i> )	3.6%	3.7% *
Rate of increase in pensions	2.2%	2.3%
Rate for discounting scheme liabilities	2.6%	2.4%
* An adjustment has been made for short term pay restraints in line with the latest actuarial valuation		

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

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

Local Government Pension Scheme	Increase in Assumption
Impact on the Defined Benefit Obligation in the Scheme	£'000
Longevity (1 year increase in life expectancy)	1,347
Rate of inflation (+0.1% per annum)	1,155
Rate of increase in salaries (+0.1% per annum)	169
Rate of discounting scheme liabilities (+0.1% per annum)	-1,135

## Notes to the Core Financial Statements

### Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible. The County Council has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 14 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 £1,066,000 in employer contributions to the scheme in 2019/20.

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	2014/15	2015/16	2016/17	2017/18	2018/19
	£'000	£'000	£'000	£'000	£'000
Present Value of Liabilities	55,578	54,250	64,082	63,426	68,377
Fair Value of Assets	-38,455	-39,814	-46,798	-48,023	-52,964
<b>Deficit in the scheme</b>	<b>17,123</b>	<b>14,436</b>	<b>17,284</b>	<b>15,403</b>	<b>15,413</b>

The liabilities show the underlying commitments that the council has in the long run to pay post-employment (retirement) benefits. The total liability of £15.413m 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.

**33 CONTINGENT LIABILITIES**

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

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

In addition the following specific warranties have been given:

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

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

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

In addition the following specific warranties have been given:

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

## Notes to the Core Financial Statements

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### 34 CONTINGENT ASSETS

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#### VAT Sharing Arrangement

As part of the Voluntary Stock Transfer an agreement has been reached with Ribble Valley Homes Ltd to share the Value Added Tax that they can claim from HM Revenue and Customs. This arrangement is unique to Councils and Registered Social Landlords upon transfer. The agreement was planned to run for 15 years, starting in 2008/09. 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.

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

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

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

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

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

#### 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.



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**Notes to the Core Financial Statements**

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- 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 16 to the accounts shows a total provision for the impairment of debts of £375,510 of which £15,317 relates to sundry debts (£164,317 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 2019 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 2019	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2019	Estimated maximum exposure to default and uncollectability at 31 March 2019	Estimated maximum exposure at 31 March 2018
	£ A	% B	% C	£ (A x C)	£
Deposits with banks and building societies	12,175,000	0.00%	0.00%	0	0
Customers (Sundry Debt including overpaid Housing Benefits recovered from ongoing benefit)	508,696	4.11%	32.30%	164,317	170,394

The council expects settlement terms from debtors of no greater than 14 days. On this basis £372,376 of the sundry debtor balance at 31 March 2019 is past its due date for payment (£406,451 at 31 March 2018); 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 2018 £'000	As at 31 March 2019 £'000
Less than 30 days	136	92
30 days to 59 days	34	21
60 days to 89 days	12	8
90 days to 119 days	9	1
120 days +	303	307
	<b>494</b>	<b>429</b>

**Liquidity risk**

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the council has ready access to borrowings from the money markets, the Public Works Loans Board and 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 2018	31 March 2019
	£'000	£'000
Less than one year	11	10
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	45	35
	<b>147</b>	<b>136</b>

**Market Risk****Interest Rate Risk**

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

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

## 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 2018, are as follows:

Limits in Interest Rate Exposure	2018/19 Upper	2019/20 Upper	2020/21 Upper
Maximum Principal Sums Borrowed >364 Days	£7.506m	£8.080m	£6.684m
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 an additional £155,850. 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 Business Rates Retention Scheme (BRRS). 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 2018/19

## Collection Fund

2017/18 Total £'000		2018/19 Council Tax £'000	2018/19 Business Rates £'000	2018/19 Total £'000	Notes
<b>Income</b>					
37,137	Income from Council Tax Payers	39,743		39,743	
2	Transfers From General Fund - Council Tax Benefits			0	
6	Transfers From General Fund - Flood Relief			0	
8	Family Annexes Discount Grant (MHCLG)	6		6	
14,662	Income from Business Ratepayers		15,375	15,375	1
	Transitional Protection Payments		187	187	
	Share of Estimated Deficit:				
0	- Central Government		31	31	
0	- Lancashire County Council		6	6	
0	- Ribble Valley Borough Council		25	25	
0	- Lancashire Combined Fire Authority		1	1	
51,815		39,749	15,625	55,374	
<b>Expenditure</b>					
	Precepts and Demands:				3
27,466	- Lancashire County Council	29,656		29,656	
3,681	- Ribble Valley Borough Council (including parishes)	3,886		3,886	
3,719	- Police and Crime Commissioner (PCC) for Lancashire	4,064		4,064	
1,472	- Lancashire Combined Fire Authority	1,545		1,545	
	Business Rates				
7,137	- Central Government		7,311	7,311	
1,285	- Lancashire County Council		1,316	1,316	
5,710	- Ribble Valley Borough Council		5,849	5,849	
143	- Lancashire Combined Fire Authority		146	146	
	Share of Estimated Surplus:				
57	- Central Government			0	
440	- Lancashire County Council	525		525	
105	- Ribble Valley Borough Council	70		70	
25	- Lancashire Combined Fire Authority	28		28	
59	- Police and Crime Commissioner (PCC) for Lancashire	71		71	
17	Transfers to General Fund - Council Tax Benefits	7		7	
89	Costs of Collection		88	88	
100	Renewable Energy Schemes		92	92	
191	Provision for Bad/Doubtful Debts	12	92	104	4
257	Enterprise Zone		195	195	
37	Transitional Protection Payments			0	
-297	Provision for Appeals		54	54	5
51,693		39,864	15,143	55,007	
122	(Deficit)/Surplus for the Year	-115	482	367	
793	(Deficit)/Surplus Brought Forward	821	94	915	
915	(Deficit)/Surplus Carried Forward	706	576	1,282	
<b>Allocated to</b>					
47	- Central Government		288	288	6
629	- Lancashire County Council	534	52	586	
121	- Ribble Valley Borough Council	70	230	300	
84	- Police and Crime Commissioner (PCC) for Lancashire	74		74	
34	- Lancashire Combined Fire Authority	28	6	34	
915		706	576	1,282	

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**1 BUSINESS RATES**

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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 2018/19 were estimated before the start of the financial year as £7.311m to Central Government, £1.316m to Lancashire County Council, £0.146m to Lancashire Combined Fire Authority and £5.849m to Ribble Valley Borough Council. These sums have been paid in 2018/19 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 £4.147m from the general fund.

The total income from business rate payers collected in 2018/19 was £15.375m (£14.663m in 2017/18).

For the 2018/19 financial year this council was part of the Lancashire Business Rates Pool, which began on 1 April 2016 (with some changes to overall membership since it started). 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 £725,653, hence under pooling we have benefitted from extra income of £653,088. 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 total fee of £20,000 is payable, shared by all pool members, to Ribble Valley Borough Council in their role as lead.

## Collection Fund

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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 2019. 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 2019 has been calculated at £1.025m (31 March 2018 £0.971m)

The total non-domestic rateable value at 31 March 2019 was £39,376,242 compared to £39,616,767 at 31 March 2018 based on the 2010 listing. The non-domestic rateable value at 31 March 2019 on the 2017 listing was £42,243,495 compared to £41,601,151 at 31 March 2018.

The national non-domestic multiplier (rate in the pound) for the year 2018/19 was 49.3 pence compared to 47.9 pence in the year 2017/18.

The income collectable from business ratepayers differs from the yield; based on the total rateable value due to the award of transitional adjustments, empty property relief and mandatory relief.



## 2 COUNCIL TAX BASE

The gross amount of council tax payable for a property is determined by reference to a band that is allocated to the property by the Listing Officer who is an official of the Inland Revenue. There are eight property bands, A to H, each of which attracts a different level of council tax based upon the charge at band D.

In 2018/19 the Council set a band D council tax of £1,690.52 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	12	11.0	6.1
A	6/9	3,604	2,992.7	1,995.1
B	7/9	5,033	4,436.8	3,450.8
C	8/9	5,029	4,519.2	4,017.0
D	1	4,550	4,194.7	4,194.7
E	11/9	3,557	3,343.1	4,086.0
F	13/9	2,220	2,109.1	3,046.4
G	15/9	1,885	1,800.7	3,001.1
H	18/9	203	194.7	389.4
<b>Totals</b>		<b>26,093</b>	<b>23,602.00</b>	<b>24,186.6</b>
			Adjustments	-1,111.5
			Adjustment for Collection Rate	-173.1
			<b>Council Tax Base</b>	<b>22,902</b>

## Collection Fund

**3 BAND D COUNCIL TAX**

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

	2017/18 £	2018/19 £
Lancashire County Council Precept	27,465,937	29,656,258
Police and Crime Commissioner (PCC) for Lancashire Precept	3,719,481	4,063,960
Lancashire Combined Fire Authority Precept	1,472,506	1,544,969
Ribble Valley Borough Council Demand (excluding Parishes)	3,275,257	3,451,102
<b>Total to be Met From Council Tax</b>	<b>35,933,181</b>	<b>38,716,289</b>
Divided by Council Tax Base (Band D Equivalent Dwellings)	22,481	22,902
<b>Band D Council Tax (Average excluding Parishes)</b>	<b>£1,598.38</b>	<b>£1,690.52</b>

**4 PROVISION FOR LOSSES**

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

	Council Tax £	NNDR £	Total £
<b>Opening Balance 1 April 2018</b>	<b>590,000</b>	<b>340,000</b>	<b>930,000</b>
Write Offs in Year	-21,476	-42,207	<b>-63,683</b>
Increase to Provision	11,476	92,207	<b>103,683</b>
<b>Closing Balance 31 March 2019</b>	<b>580,000</b>	<b>390,000</b>	<b>970,000</b>

**5 PROVISION FOR BUSINESS RATES APPEALS**

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

	2017/18 £	2018/19 £
<b>Balance at 1 April</b>	<b>1,268,900</b>	<b>971,400</b>
Adjustment to the provision made in the year	-297,500	53,532
<b>Balance at 31 March</b>	<b>971,400</b>	<b>1,024,932</b>

**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.

2017/18			2018/19	
Precept	Share of 31 March (Deficit) or Surplus		Precept	Share of 31 March (Deficit) or Surplus
£'000	£'000		£'000	£'000
27,466	621	Lancashire County Council	29,656	534
3,719	84	Police and Crime Commissioner for Lancashire	4,064	74
1,472	33	Lancashire Combined Fire Authority	1,545	28
3,681	83	Ribble Valley Borough Council	3,886	70
<b>36,338</b>	<b>821</b>	<b>Total</b>	<b>39,151</b>	<b>706</b>

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.

2017/18			2018/19	
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
7,137	47	Central Government	7,311	288
1,285	8	Lancashire County Council	1,316	52
143	1	Lancashire Combined Fire Authority	146	6
5,710	38	Ribble Valley Borough Council	5,849	230
<b>14,275</b>	<b>94</b>	<b>Total</b>	<b>14,622</b>	<b>576</b>

## Collection Fund

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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 2018 and January 2019 are shown in the table below.

(Deficit) or Surplus Declared January 2018				(Deficit) or Surplus Declared January 2019		
Business Rates £'000	Council Tax £'000	Total £'000		Business Rates £'000	Council Tax £'000	Total £'000
-31		<b>-31</b>	Central Government	280		<b>280</b>
-6	525	<b>519</b>	Lancashire County Council	51	469	<b>520</b>
	71	<b>71</b>	Police and Crime Commissioner for Lancashire		64	<b>64</b>
-1	28	<b>27</b>	Lancashire Combined Fire Authority	6	24	<b>30</b>
-25	70	<b>45</b>	Ribble Valley Borough Council	224	62	<b>286</b>
<b>-63</b>	<b>694</b>	<b>631</b>	<b>Total</b>	<b>561</b>	<b>619</b>	<b>1,180</b>

# Glossary of Terms

## **Accounting Period**

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

## **Accounting Policies**

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

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

Accounting policies do not include estimation techniques.

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

## **Accruals**

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

## **Accruals Basis**

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

## **Actuarial Gains and Losses**

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

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

## **Amortisation**

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

## Glossary of Terms

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### 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)

### Business Rates Retention Scheme (BRRS)

Under the business rates retention scheme local authorities are able to come together, on a voluntary basis to pool their NDR, giving them scope to generate additional growth through collaborative effort and reduce levy payments.

### 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.

**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.

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## Glossary of Terms

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### **Council Tax Requirement**

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

### **Creditors**

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

### **Current Assets**

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

### **Current Liabilities**

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

### **Current Service Cost (Pensions)**

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

### **Debtor**

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

### **Depreciation**

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

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

### **Exceptional Items**

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

### **Expected Rate of Return on Pensions Assets**

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

### **Fair Value**

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



**Finance Lease**

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

**Financial Instrument**

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

**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.

## Glossary of Terms

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### **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.

**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.

## Glossary of Terms

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### Related Parties

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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

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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

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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

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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

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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

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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

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

### Revenue Expenditure Funded from Capital Under Statute

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

**Revenue Support Grant**

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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Ribble Valley  
Borough Council

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