

RIBBLE VALLEY BOROUGH COUNCIL

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Dear Councillor

The next meeting of the **ACCOUNTS & AUDIT COMMITTEE** is at **6.30PM on WEDNESDAY, 25 NOVEMBER 2020 by Zoom.**

I do hope you can be there.

Yours sincerely

CHIEF EXECUTIVE

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

AGENDA

Part 1 – items of business to be discussed in public

1. Apologies for absence.
- ✓ 2. Minutes of the meeting held on 12 February 2019 – copy enclosed.
3. Declarations of Pecuniary and Non-Pecuniary Interests (if any).
4. Public Participation (if any).

DECISION ITEMS

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

- ✓ 7. Audit Findings Report – report of Grant Thornton – copy enclosed.
- ✓ 8. Letter of Representation – report of Director of Resources – copy enclosed.
- ✓ 9. Approval of Audited Statement of Accounts 2019/2020 – report of Director of Resources – copy enclosed.
- ✓ 10. Review of the Council's Arrangements under the Localism Act 2011 – report of Chief Executive – copy enclosed.

INFORMATION ITEMS

- ✓ 11. Internal Audit Annual Report 2019/2020 – report of Director of Resources – copy enclosed.
- ✓ 12. Internal Audit Progress Report 2020/2021 – report of Director of Resources – copy enclosed.
- ✓ 13. Independent Review of Local Authority Financial Reporting and External Audit in England – report of Director of Resources – copy enclosed.
- ✓ 14. External Audit Plan – report of Grant Thornton – copy enclosed.
- ✓ 15. Housing Benefit Assurance Process – Increased Fees – report of Director of Resources – copy enclosed.
- ✓ 16. Local Government Audit and Financial Reporting: The Redmond Review – report of Grant Thornton – copy enclosed.

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

None.

RIBBLE VALLEY BOROUGH COUNCIL

REPORT TO ACCOUNTS & AUDIT COMMITTEE

Agenda Item No 5

meeting date: 25 NOVEMBER 2020
title: LOCAL CODE OF CORPORATE GOVERNANCE
submitted by: DIRECTOR OF RESOURCES
principal author: SUZANNE RAWSON

1. PURPOSE

1.1. To consider the revised Local Code of Corporate Governance.

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

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

2. BACKGROUND

2.1. The CIPFA/Solace publication 'Delivering Good Governance in Local Government' highlights that it is crucial that governance arrangements are applied in a way that demonstrates the 'spirit and ethos' of good governance, which cannot be achieved only through rules and procedures.

2.2. Effectively, the CIPFA/Solace publication is referring to the fact that good governance needs to be embedded within an organisation. It needs to be within every aspect of the council's culture.

2.3. One of the ways in which this culture is guided within the council is through the annual review and publication of our Local Code of Corporate Governance, which is reviewed and approved annually by this committee. The Local Code of Corporate Governance is the council's **forward looking** statement of how the governance culture of the organisation will be driven.

2.4. Within a framework of seven core principles, the Code looks to steer the application of good governance in everything that members and staff undertake by highlighting how their work on behalf of the council will be approached.

2.5. Through the approval of the Code, the council is demonstrating that in everything it undertakes, its members and staff will:

- Behave with integrity, demonstrating strong commitment to ethical values and respecting the rule of the law;
- Ensure openness and comprehensive stakeholder engagement;
- Define outcomes in terms of sustainable economic, social and environmental benefits;
- Determine the interventions necessary to optimise the achievement of intended outcomes;
- Develop the council's capacity, including the capability of its leadership and the individuals within it;
- Manage risk and performance through robust internal control and strong public financial management; and

- Implement good practices in transparency, reporting and audit to deliver effective accountability.

3. ANNUAL REVIEW OF THE LOCAL CODE OF CORPORATE GOVERNANCE

- 3.1. An annual review of the Council's Code has been undertaken and is attached at Annex 1. There are no further changes proposed to the Local Code of Corporate Governance that is currently in place.
- 3.2. The document clearly communicates the key Governance principles and the expected 'behaviours' or culture that the CIPFA/Solace publication 'Delivering Good Governance in Local Government' would expect of an organisation such as our own.
- 3.3. Also within the document is a clear linkage to how such 'behaviours' or culture can be evidenced within the council, principle by principle.
- 3.4. The format of the document also links closely with the structure of the Annual Governance Statement. The Annual Governance Statement is the **backward looking** review of how the council has performed or acted in relation to the principles that it said it would abide by as detailed within the Local Code of Corporate Governance at the beginning of the year.
- 3.5. As such the Local Code of Corporate Governance is the council's **forward looking** statement of how the governance culture of the organisation will be driven.
- 3.6. Following approval the Local Code of Corporate Governance will also be published on the council's website.

4. EMBEDDING THE LOCAL CODE OF CORPORATE GOVERNANCE

- 4.1. As referred to above, and within the CIPFA/Solace publication 'Delivering Good Governance in Local Government', good governance cannot be achieved only through rules and procedures, and it must be embedded within the culture of the council.
- 4.2. As such, subject to restrictions around Covid-19, we will seek to undertake wider training and endeavour to raise awareness levels with staff and members, covering the seven principles and the manner in which we will approach our work as detailed within the Code. As a result we hope to further strengthen this aspect of the council's culture.

5. RISK ASSESSMENT

- 5.1 The approval of this report may have the following implications:
 - Resources – the only resource needed will be through the training of staff and members and awareness raising exercises, but it is anticipated this will be met from existing budget, or using existing internal staff.
 - Technical, Environmental and Legal – None
 - Political – None
 - Reputation – The Council must ensure that it has a sound system of internal control in place. Failing to adhere to the principles detailed in the Local Code of Corporate Governance has the potential to significantly harm the reputation of the council.
 - Equality & Diversity – None

6. RECOMMENDED THAT COMMITTEE

- 6.1 Approve the attached reviewed Local Code of Corporate Governance, which is attached at Annex 1.

INTERNAL AUDITOR

DIRECTOR OF RESOURCES

AA8-20/SR/AC
11 November 2020

BACKGROUND PAPERS

None

For further information please ask for Suzanne Rawson.

Local Code of Corporate Governance

July 2020



Ribble Valley
Borough Council

www.ribblevalley.gov.uk

Local Code of Corporate Governance

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Local Code of Corporate Governance

Introduction

Corporate Governance is the system by which the Council directs and controls its functions and relates to the community. The Code of Corporate Governance sets out the Council's governance standards. These standards ensure the Council is doing the right things, in the right way in a timely, inclusive, open, effective, honest and accountable manner.

The Council has accepted the definition of Governance as stated within the CIPFA/SOLACE Framework:

Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved.

To deliver good governance in the public sector, both governing bodies and individuals working for public sector entities must try to achieve their entities objectives while acting in the public interest at all times.

Acting in the public interest implies primary consideration of the benefits for society, which should result in positive outcomes for service users and other stakeholders.

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

The guidance defines the seven core principles, each supported by sub-principles that then underpin our governance framework.

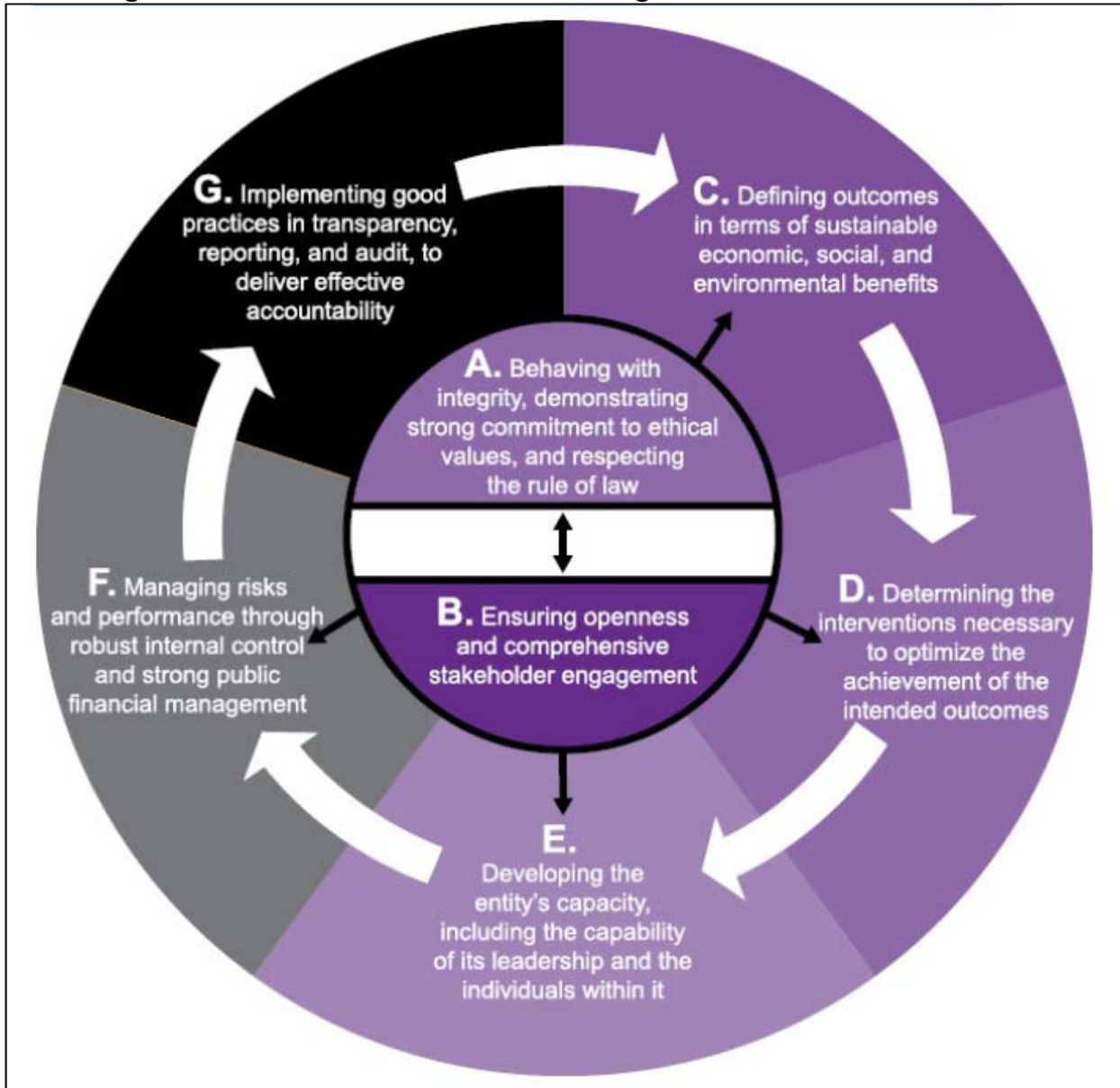
- Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.
- Ensuring openness and comprehensive stakeholder engagement.
- Defining outcomes in terms of sustainable economic, social and environmental benefits.
- Determining the interventions necessary to optimise the achievement of the intended outcomes.
- Developing the council's capacity, including the capability of its leadership and the individuals within it.
- Managing risks and performance through robust internal control and strong public financial management.
- Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

Full details of these principles and the actions we will take to ensure that we fulfil their requirements are given at the end of this Code. We also outline how we evidence that we are satisfying such requirements.

Local Code of Corporate Governance

The diagram below is taken from the International Framework and illustrates the various principles of good governance in the public sector and how they relate to each other.

Achieving the Intended Outcomes While Acting in the Public Interest at all Times



Benefits of a Code of Corporate Governance

The documents and arrangements set out in the framework within this code demonstrate that the council continually seeks to ensure it remains well governed and that to deliver good governance the Council must seek to achieve its objectives whilst acting in the public interests at all times.

The Internal Audit team is responsible for ensuring that the Code is reviewed annually as part of the preparation of the Annual Governance Statement. Any revisions to the Code are reported to the Accounts and Audit Committee for approval as part of this process.

Local Code of Corporate Governance

PRINCIPLE A: Behaving with integrity, demonstrating strong commitment to ethical values and respecting rules of law

We are accountable not only for how much we spend, but also for how we use the resources under our stewardship. This includes accountability for outputs, both positive and negative, and for the outcomes we have achieved. In addition, we have an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies.

It is essential that we can demonstrate the appropriateness of all our actions across all activities and have mechanisms in place to encourage and enforce adherence to ethical values and to respect the rule of law.

What we will do:	How this is evidenced:
<p>Behaving with Integrity:</p> <ul style="list-style-type: none"> - ensure members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the council. - ensure that members take the lead in establishing specific standard operating principles or values for the council and its staff and that they are communicated and understood. These will build on the Seven Principles of Public Life (the Nolan Principles). - lead by example and use the above standard operating principles or values as a framework for decision making and other actions. - demonstrate, communicate and embed our standard operating principles and values through our policies and processes - which will be reviewed on a regular basis to ensure that they are operating effectively. 	<ul style="list-style-type: none"> • Council Constitution • Standing Orders • Officer Delegation Scheme • Code of Corporate Governance • Members' Code of Conduct • Code of Conduct for Staff • Safeguarding Policy • Complaints Procedure • Anti-Fraud & Corruption Policy • Whistleblowing Policy • Appraisal Scheme • Induction Process – Members & Officers • Training Records • Gifts & Hospitality Register • Register of Interests – Members & Officers

Local Code of Corporate Governance

What we will do:	How this is evidenced:
<p>Demonstrating Strong Commitment to Ethical Values:</p> <ul style="list-style-type: none"> - seek to establish, monitor and maintain the council's ethical standards and performance. - underpin personal behaviour with ethical values and ensure they permeate all aspects of the council's culture and operation. - develop and maintain robust policies and procedures which place emphasis on agreed ethical values - ensure that external providers of services on behalf of the council are required to act with integrity and in compliance with ethical standards expected by the council 	<ul style="list-style-type: none"> • Council Constitution • Financial Regulations • Code of Corporate Governance • Members' Code of Conduct • Code of Conduct for Staff • Complaints Procedure • Appraisal Scheme • Procurement Strategy • Standard Terms & Conditions of Purchase • Recruitment & Selection Policy
<p>Respecting the rule of law:</p> <ul style="list-style-type: none"> - ensure members and staff demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations - create the conditions to ensure that the statutory officers, other key post holders, and members, are able to fulfil their responsibilities in accordance with legislative and regulatory requirements - strive to optimise the use of the full powers available for the benefit of citizens, communities and other stakeholders - deal with breaches of legal and regulatory provisions effectively - ensure corruption and misuse of power are dealt with effectively 	<ul style="list-style-type: none"> • Council Constitution • CIPFA's Statement on the Role of the Chief Financial Officer in Local Government completed as part of the Corporate Governance Review. • Officer Delegation Scheme • Powers of the Council and its committees • Anti-Fraud & Corruption Policy • Complaints Procedure

Local Code of Corporate Governance

PRINCIPLE B: Ensuring openness and comprehensive stakeholder engagement

The council is run for the public good, therefore we look to ensure openness in our activities. We look to ensure clear, trusted channels of communication and consultation are used to engage effectively with all groups of stakeholders, such as individual citizens and service users, as well as institutional stakeholders.

What we will do:	How this is evidenced:
<p>Openness</p> <ul style="list-style-type: none"> - ensure an open culture through demonstrating, documenting and communicating the council's commitment to openness. - make decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. The presumption is for openness. If that is not the case, we will look to provide a justification for the reasoning for keeping a decision confidential. - provide clear reasoning and evidence for decisions in both public records and explanations to stakeholders and be explicit about the criteria, rationale and considerations used. In due course, we will ensure that the impact and consequences of those decisions are clear - use formal and informal consultation and engagement to determine the most appropriate and effective interventions/ courses of action. 	<ul style="list-style-type: none"> • Council Constitution • Freedom of Information Act • Council's website • Corporate Strategy • Ribble Valley Citizens Panel • Reports and Minutes of Meetings are held on the Council's website. • Standing Orders • Community Strategy • Communications Strategy
<p>Engaging comprehensively with institutional stakeholders:</p> <ul style="list-style-type: none"> - effectively engage with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably. - develop formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively. - ensure that partnerships are based on: <ul style="list-style-type: none"> • trust • a shared commitment to change • a culture that promotes and accepts challenge among partners <p>and that the added value of partnership working is explicit.</p>	<ul style="list-style-type: none"> • Ribble Valley Citizens Panel • Community Strategy • Financial Regulations • Communications Strategy

Local Code of Corporate Governance

What we will do:	How this is evidenced:
<p>Engaging with individual citizens and service users effectively:</p> <ul style="list-style-type: none">- establish a clear policy on the type of issues that the council will meaningfully consult with or involve communities, individual citizens, service users and other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcomes- ensure that communication methods are effective and that members and officers are clear about their roles with regard to community engagement- encourage, collect and evaluate the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs.- implement effective feedback mechanisms in order to demonstrate how views have been taken into account.- balance feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity.- take account of the impact of decisions on future generations of tax payers and service users.	<ul style="list-style-type: none">• Community Strategy• Financial Regulations• Communications Strategy

Local Code of Corporate Governance

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

The long-term nature and impact of the Council's responsibilities mean that we should define and plan outcomes and that these should be sustainable. Decisions should further our purpose, contribute to intended benefits and outcomes, and remain within the limits of authority and resources. Input from all groups of stakeholders, including citizens, service users, and institutional stakeholders, is vital to the success of this process and in balancing competing demands when determining priorities for the finite resources available.

What we will do:	How this is evidenced:
<p>Defining outcomes</p> <ul style="list-style-type: none"> - have a clear vision, which is an agreed formal statement of the Council's purpose and intended outcomes containing appropriate performance indicators, which provide the basis for the overall strategy, planning and other decisions. - specify the intended impact on, or changes for, stakeholders including citizens and service users. It could be immediately or over the course of a year or longer. - deliver defined outcomes on a sustainable basis within the resources that will be available. - identify and manage risks to the achievement of outcomes. - manage service users' expectations effectively with regard to determining priorities and making the best use of the resources available. 	<ul style="list-style-type: none"> • Corporate Strategy • Core Strategy • Community Strategy • Risk Management Policy • Performance Indicators
<p>Sustainable economic, social and environmental benefits:</p> <ul style="list-style-type: none"> - consider and balance the combined economic, social and environmental impact of policies and plans when taking decisions about service provision. - take a longer-term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the Council's intended outcomes and short-term factors such as the political cycle or financial constraints. - determine the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs. - ensure fair access to services 	<ul style="list-style-type: none"> • Capital Programme • Council Constitution • Officer Delegation Scheme • Ribble Valley Citizens Panel • Equality Duty

Local Code of Corporate Governance

PRINCIPLE D: Determining the interventions necessary to optimise the achievement of the intended outcomes

The Council achieves its intended outcomes by providing a mixture of legal, regulatory, and practical interventions (courses of action). Determining the right mix of these courses of action is a critically important strategic choice that the Council has to make to ensure intended outcomes are achieved. There needs to be robust decision-making mechanisms to ensure that our defined outcomes can be achieved in a way that provides the best trade-off between the various types of resource inputs while still enabling effective and efficient operations. Decisions made need to be reviewed frequently to ensure that achievement of outcomes is optimised.

What we will do:	How this is evidenced:
<p>Determining interventions:</p> <ul style="list-style-type: none"> - ensure decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and associated risks. Therefore ensuring best value is achieved. - consider feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills, land and assets and bearing in mind future impacts. 	<ul style="list-style-type: none"> • Standing Orders • Community Strategy • Minutes of Meetings are held on the Council's website.
<p>Planning interventions:</p> <ul style="list-style-type: none"> - establish and implement robust planning and control cycles that cover strategic and operational plans, priorities and targets. - engage with internal and external stakeholders in determining how services and other courses of action should be planned and delivered. - consider and monitor risks facing each partner when working collaboratively, including shared risks. - ensure arrangements are flexible and agile so that the mechanisms for delivering goods and services can be adapted to changing circumstances. - establish appropriate key performance indicators (KPIs) as part of the planning process in order to identify how the performance of services and projects is to be measured. - ensure capacity exists to generate the information required to review service quality regularly. - prepare budgets in accordance with objectives, strategies and the medium term financial strategy. - inform medium and long term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy. 	<ul style="list-style-type: none"> • Communications Strategy • Financial Regulations • Risk Management Policy • Performance Indicators • Revenue Budget • Medium Term Financial Strategy • Capital Programme

Local Code of Corporate Governance

What we will do:	How this is evidenced:
<p>Optimising achievement of intended outcomes:</p> <ul style="list-style-type: none">- ensure the medium term financial strategy integrates and balances service priorities, affordability and other resource constraints.- ensure the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term.- ensure the medium term financial strategy sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage.- ensure the achievement of 'social value' through service planning and commissioning.	<ul style="list-style-type: none">• Medium Term Financial Strategy• Budget Working Group• Capital Programme

Local Code of Corporate Governance

PRINCIPLE E: Developing the entity’s capacity, including the capability of its leadership and the individuals within it

The Council needs appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mindset, to operate efficiently and effectively and achieve intended outcomes within the specified periods. We must ensure that we have both the capacity to fulfil our mandate and to make certain that there are policies in place to guarantee that management has the operational capacity for the organisation as a whole.

Because both individuals and the environment in which we operate will change over time, there is a continuous need for us to develop our capacity as well as the skills and experience of individual staff members. Leadership in the Council is strengthened by the participation of people with many different types of backgrounds, reflecting the structure and diversity of communities.

What we will do:	How this is evidenced:
<p>Developing the entity’s capacity:</p> <ul style="list-style-type: none"> - review operations, performance and use of assets on a regular basis to ensure their continuing effectiveness. - improve resource use through appropriate application of techniques such as benchmarking and other options in order to determine how resources are allocated so that defined outcomes are achieved effectively and efficiently. - recognise the benefits of partnerships and collaborative working where added value can be achieved. - develop and maintain an effective workforce plan to enhance the strategic allocation of resources. 	<ul style="list-style-type: none"> • Council Constitution • Appraisal Scheme • Performance Indicators • Capital Programme • Workforce Profile Report • Corporate Training • Training Policy • Induction Process – Members & Officers

Local Code of Corporate Governance

Developing the capability of the entity's leadership and other individuals:

- develop protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained.

- publish a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of Full Council.

- ensure the leader and the chief executive have clearly defined and distinctive leadership roles within a structure whereby the chief executive leads in implementing strategy and managing the delivery of services and other outputs set by members and each provides a check and a balance for each other's authority.

- develop the capabilities of members and senior management to achieve effective leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks by:

- ensuring members and staff have access to appropriate induction tailored to their role and that ongoing training and development matching individual and organisational requirements is available and encouraged
- ensuring members and officers have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and ensuring that they are able to update their knowledge on a continuing basis
- ensuring personal, organisational and system-wide development through shared learning, including lessons learnt from governance weaknesses both internal and external

- ensure that there are structures in place to encourage public participation.

- take steps to consider the leadership's own effectiveness and ensuring leaders are open to constructive feedback from peer review and inspections.

- hold staff to account through regular performance reviews which take account of training or development needs.

- ensure arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing

- [Council Constitution](#)
- [Officer Delegation Scheme](#)
- [Financial Regulations](#)
- [Standing Orders](#)
- [Protocol for Member and Officer Relations](#)
- Publication Subscriptions
- Induction Schemes
- Appraisal Scheme
- Training Records
- Training Policy
- [Ribble Valley Citizens Panel](#)
- Human Resources Policies

Local Code of Corporate Governance

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

The Council needs to ensure that the governance structures that it oversees have implemented, and can sustain, an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important and integral parts of a performance management system and are crucial to the achievement of outcomes. Risk should be considered and addressed as part of all decision making activities. A strong system of financial management is essential for the implementation of policies and the achievement of intended outcomes, as it will enforce financial discipline, strategic allocation of resources, efficient service delivery and accountability. It is also essential that a culture and structure for scrutiny are in place as a key part of accountable decision making, policy making and review. A positive working culture that accepts, promotes and encourages constructive challenge is critical to successful scrutiny and successful service delivery. Importantly, this culture does not happen automatically, it requires repeated public commitment from those in authority.

What we will do:	How this is evidenced:
<p>Managing risk:</p> <ul style="list-style-type: none"> - recognise that risk management is an integral part of all activities and must be considered in all aspects of decision making. - implement robust and integrated risk management arrangements and ensure that they are working effectively. - ensure that responsibilities for managing individual risks are clearly allocated. 	<ul style="list-style-type: none"> • Risk Management Policy • Grace Risk Management System
<p>Managing performance:</p> <ul style="list-style-type: none"> - monitor service delivery effectively including planning, specification, execution and independent post implementation review. - make decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the organisation's financial, social and environmental position and outlook. - encourage effective and constructive challenge and debate on policies and objectives to support balanced and effective decision making. - provide members and senior management with regular reports on service delivery plans and on progress towards outcome achievement. - ensure there is consistency between specification stages (such as budgets) and post implementation reporting (e.g. financial statements). 	<ul style="list-style-type: none"> • Pentana Performance Database • Training Records • Financial Regulations • Standing Orders • Minutes of Meetings • Council Website

Local Code of Corporate Governance

What we will do:	How this is evidenced:
<p>Robust internal control:</p> <ul style="list-style-type: none"> - align the risk management strategy and policies on internal control with achieving objectives. - evaluate and monitor risk management and internal control on a regular basis. - ensure effective counter fraud and anti-corruption arrangements are in place. - ensure additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor. - ensure an audit committee, which is independent and accountable to Full Council: <ul style="list-style-type: none"> • provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment. • that its recommendations are listened to and acted upon. 	<ul style="list-style-type: none"> • Risk Management Policy • Audit Plan • TEICAFF Protecting the Public Purse 2016 • Annual Governance Statement • External Audit Review of Internal Audit • Accounts & Audit Terms of Reference • Training Records • Anti-Fraud & Corruption Policy
<p>Managing data:</p> <ul style="list-style-type: none"> - ensure effective arrangements are in place for the safe collection, storage, use and sharing of all data. - ensure effective arrangements are in place and operating effectively when sharing data with other bodies. - review and audit regularly the quality and accuracy of data used in decision making and performance monitoring. 	<ul style="list-style-type: none"> • Document Retention Policy • Data Protection Policy • Council Forms • Council's website • Data Quality Policy • Pentana Performance Database
<p>Strong public financial management:</p> <ul style="list-style-type: none"> - ensure financial management supports both long term achievement of outcomes and short-term financial and operational performance. - ensure well-developed financial management is integrated at all levels of planning and control, including management of financial risks and controls 	<ul style="list-style-type: none"> • Medium Term Financial Strategy • Treasury Management Strategy & Policy

Local Code of Corporate Governance

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

Accountability is about ensuring that those making decisions and delivering services are answerable for them. Effective accountability is concerned not only with reporting on actions completed, but also ensuring that stakeholders are able to understand and respond as the organisation plans and carries out its activities in a transparent manner. Both external and internal audit contribute to effective accountability.

What we will do:	How this is evidenced:
<p>Implementing good practice in transparency:</p> <ul style="list-style-type: none"> - write and communicate reports for the public and other stakeholders in a fair, balanced and understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate. - strike a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand. 	<ul style="list-style-type: none"> • Council's website – Open & Data Transparency Section
<p>Implementing good practices in reporting:</p> <ul style="list-style-type: none"> - report at least annually on performance, value for money and stewardship of resources to stakeholders in a timely and understandable way. - ensure members and senior management own the results reported - ensure robust arrangements for assessing the extent to which the principles contained in the CIPFA/SOLACE Delivering Good Governance in Local Government Framework 2016 have been applied and publishing the results on this assessment, including an action plan for improvement and evidence to demonstrate good governance (the annual governance statement) - ensure that the Framework is applied to jointly managed or shared service organisations as appropriate. - ensure the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other, similar organisations. 	<ul style="list-style-type: none"> • External Audit Reports • Statement of Accounts • Council Constitution • Annual Governance Statement

Local Code of Corporate Governance

What we will do:	How this is evidenced:
<p>Assurance and effective accountability:</p> <ul style="list-style-type: none"> - ensure that recommendations for corrective action made by external audit are acted upon - ensure an effective internal audit service with direct access to members is in place, providing assurance with regard to governance arrangements and that recommendations are acted upon. - welcome peer challenge, reviews and inspections from regulatory bodies and implementing recommendations. - gain assurance on risks associated with delivering services through third parties and that this is evidenced in the annual governance statement. - ensure that when working in partnership, arrangements for accountability are clear and the need for wider public accountability has been recognised and met. 	<ul style="list-style-type: none"> • External Audit Reports • CIPFA's Role of the Head of Internal Audit • Financial Regulations • Internal Audit Manual • Annual Governance Statement • Community Strategy

RIBBLE VALLEY BOROUGH COUNCIL

REPORT TO ACCOUNTS & AUDIT COMMITTEE

DECISION

Agenda Item No 6

meeting date: 25 NOVEMBER 2020
title: ANNUAL GOVERNANCE STATEMENT
submitted by: DIRECTOR OF RESOURCES
principal author: SUZANNE RAWSON

1 PURPOSE

- 1.1. To provide members with details of the Annual Governance review for 2019/20 and seek approval of the resulting Annual Governance Statement.
- 1.2. Relevance to the Council's ambitions and priorities:
 - Community Objectives – none identified.
 - Corporate Priorities – assessing the Council's system of internal control contributes to the achievement of the corporate priority of being a well-managed Council.
 - Other Considerations – none identified.

2 BACKGROUND

- 2.1. All councils are required to prepare an Annual Governance Statement each year in accordance with the 'Delivering Good Governance in Local Government Framework' and to report publicly on the extent to which they comply with their own Local Code of Corporate Governance. This should include how we have monitored the effectiveness of our governance arrangements in the previous financial year, and detail any planned changes in the coming period.
- 2.2. The Annual Governance Statement is the **backward looking** review of how the Council has performed or acted in relation to the principles that it said it would abide by as detailed within the Local Code of Corporate Governance at the beginning of the year. As such the Local Code of Corporate Governance is the council's **forward looking** statement of how the governance culture of the organisation will be driven.
- 2.3. The process of preparing the Annual Governance Statement should itself add value to the governance and internal control framework of the council.

3 GOVERNANCE REVIEW

- 3.1. A detailed exercise has been undertaken in the annual review of the council's governance arrangements. As previously mentioned this review reflects on the council's Local Code of Corporate Governance and how it has actually performed.
- 3.2. The annual review examines the seven principles of:
 - Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of the law;
 - Ensuring openness and comprehensive stakeholder engagement;
 - Defining outcomes in terms of sustainable economic, social and environmental benefits;
 - Determining the interventions necessary to optimise the achievement of intended outcomes;

- Developing the council's capacity, including the capability of its leadership and the individuals within it;
- Managing risks and performance through robust internal control and strong public financial management; and
- Implementing good practices in transparency, reporting and audit to deliver effective accountability.

3.3. In reviewing how the council and its staff and members have acted over the period of review, evidence is also gathered to support the conclusion reached. Examples of evidence that is used to support the conclusion is detailed in the Local Code of Corporate Governance.

Review of Significant Governance Issues Raised in the Annual Governance Statement 2018/19

3.4. There were a number of actions recommended in the 2018/19 annual governance review, and progress with these is detailed in the attached statement and summarised below.

Subject Area	Description	Status	Action
Peer Challenge Review <i>This was carried forward from the 2017/18 review and raised again in the 2018/19 review</i>	As a result of the recommendations of the Peer Challenge Review carried out in 2017/18, the approved action plan from has been attached at Annex 1 for implementation in line with the timescales identified.	Whilst a number of actions are completed there are a number of outstanding actions that continue to be addressed and are being monitored. The latest status is provided at Annex 1.	To be carried forward and addressed in 2020/21
Refuse Vehicle Maintenance Costs <i>This was carried forward from the 2017/18 review and raised again in the 2018/19 review</i>	A significant increase in refuse vehicle maintenance costs was highlighted to the relevant committees and Budget Working Group during 2017/18 and also then in 2018/19.	Causes of the increase in costs were identified and a number of actions were identified by the Council's Corporate Management Team to minimise the ongoing impact of increased vehicle maintenance costs. The actions helped to reduce the level of overspend however there continued to be an overspend on the budget for 2018/19 and this has again been a significant issue in 2019/20.	To be carried forward and addressed in 2020/21
Communications Strategy <i>This was carried forward from the 2017/18 review and raised again in the 2018/19 review</i>	The council does not have an up to date Communications Strategy in place. It is important that there is a structured approach in place as to how the council interacts with its internal and external stakeholders with changing patterns of communication.	The new Corporate Communications Strategy 2019-2021 was approved by Policy and Finance Committee on 18 th June 2019.	Completed

Subject Area	Description	Status	Action
Members Code of Conduct – Complaints Process <i>This was a significant issue in the 2018/19 review</i>	In light of the considerable disruption to council business over the last 18 months it is recommended that the members Code of Conduct is reviewed and the process for dealing with such complaints.	This review was due to be undertaken in 2019/20. It has started but has not yet been completed.	To be carried forward and addressed in 2020/21

Review of Significant Governance Issues for 2019/20

- 3.5. There have been a number of areas raised as a result of this year's annual review. These are detailed within the statement and summarised below. A number of these are carried forward from the 2018/19 review as detailed above.

Peer Challenge Review <i>Carried Forward from 2017/18 and 2018/19 reviews</i>	<p>Work continues to address the issues raised as part of the Peer Challenge Review in 2017/18 and follow-up visit in September 2019. The recommendations made at that time are attached at Annex 1, showing progress and the outstanding issues as last reported to Policy and Finance Committee.</p> <p>As part of this review it is recognised that progress has been made, but that the outstanding recommendations need to be addressed.</p>	<p>Remaining actions to be addressed and an updated report to be taken to Policy and Finance Committee.</p>
Refuse Vehicle Maintenance Costs <i>Carried Forward from 2017/18 and 2018/19 reviews</i>	<p>There has continued to be an overspend in refuse vehicle maintenance costs which have been highlighted to the relevant committees during the year.</p> <p>Work needs to continue to review the overspend and the associated budgets.</p>	<p>A full detailed report to be prepared by the Head of Service, exploring the underlying reasons for the significant overspends seen in each of the recent years (£170k in 2019/20) and detailing proposed action.</p>
Members Code of Conduct – Complaints Process <i>Carried Forward from 2018/19 review</i>	In light of the considerable disruption to council business over the last 18 months it is recommended that the members Code of Conduct is reviewed and the process for dealing with such complaints.	A review has been undertaken and a report prepared for presentation to the Accounts and Audit Committee. This has been delayed due to Covid-19 and the suspension of committee meetings. To be presented to the November 2020 committee meeting.

- 3.6. Progress in addressing the issues raised will be monitored during the year and will also be reviewed at the time of next year's annual review.

3.7. The Annual Governance Statement must be published alongside the council's Statement of Accounts and is currently on the council website together with the draft (subject to audit) copy of the Statement of Accounts. Once approved this will be updated to reflect the approval of the Statement of Accounts and the Annual Governance Statement at this meeting.

4 RISK ASSESSMENT

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

- Resources – work is underway on addressing the issues that have been raised as part of the annual governance review and it is anticipated that all actions can be completed within existing budgets and staffing resources.
- Technical, Environmental and Legal – None identified
- Political – None identified
- Reputation – The Council must ensure that it has a sound system of internal control in place. Failing to adhere to the principles detailed in the Local Code of Corporate Governance has the potential to significantly harm the reputation of the council.
- Equality & Diversity – None identified

5 RECOMMENDED THAT COMMITTEE

5.1. Approve the attached Annual Governance Statement 2019/20, which is attached at Annex 1.

INTERNAL AUDITOR

DIRECTOR OF RESOURCES

AA14-20/SR/AC
11 November 2020

BACKGROUND PAPERS

None

For further information please ask for Suzanne Rawson.

Annual Governance Statement

2019/20



Ribble Valley
Borough Council

www.ribblevalley.gov.uk

Annual Governance Statement **2019/20**

1. SCOPE OF RESPONSIBILITY

- 1.1 Ribble Valley Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards; that public money is safeguarded and properly accounted for, and is used economically, efficiently and effectively. The council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, the council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, including arrangements for the management of risk and for dealing with issues which arise.
- 1.3 The council has approved and adopted a Local Code of Corporate Governance, which is reviewed annually and is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government (2016). A copy of the Local Code is on our website at www.ribblevalley.gov.uk.
- 1.4 This statement explains how the council has complied with the Local Code and also how it meets the requirements of the Accounts and Audit (England) Regulations 2015, which requires all relevant bodies to prepare an Annual Governance Statement.
- 1.5 The council's annual review of the effectiveness of its corporate governance for 2019/20 provides assurance on the governance arrangements in place, the progress made against significant governance issues raised at the last annual review and includes an action plan to address significant governance issues identified through this year's review.

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

- 2.1. The governance framework comprises the systems and processes, culture and values by which the council is directed and controlled, and its activities through which it accounts to, engages with and leads its communities. It enables the council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.
- 2.2. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.
- 2.3. The governance framework has been in place at the council for the year ended 31 March 2020 and up to the date of approval of the statement of accounts.

3. THE GOVERNANCE FRAMEWORK

- 3.1 The Local Code of Corporate Governance is structured across the seven principles detailed in the CIPFA/SOLACE Framework Delivering Good Governance in Local Government (2016). The governance framework review below has followed this same format.

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

Behaving with Integrity

- 3.2. The council's Constitution sets out how the council operates, how decisions are made and the procedures that are followed to ensure that these are efficient, transparent and accountable to local people. The Constitution is published on the council's website and is reviewed annually.
- 3.3. The standards of ethical behaviour expected from Members and Staff are defined in codes of conduct that are distributed as part of the induction process. On an annual basis Register of Interest forms are completed by both staff and members. The council also operates an annual performance appraisal process for all staff.
- 3.4. All Councillors have to register and declare certain pecuniary interests such as employment, land holdings and contracts with the council, which is published on the council's website. Councillors must declare such interests at meetings which they attend and this is minuted.
- 3.5. There are also procedures laid down for staff and councillors relating to the receipt of gifts and hospitality, and the recording of such.
- 3.6. Included in the Constitution are the terms of reference for Committees and a protocol for Member/Officer Relations.
- 3.7. The council has a Scheme of Delegation to Officers within the Constitution. This clearly details a number of specific areas that are delegated to officers for the purposes of decision-making, without the requirement for a decision to be made by the council, a Committee or sub-Committee.
- 3.8. The council is committed to the highest possible standards of openness, integrity and accountability. In line with this commitment the council has adopted a whistle-blowing policy to encourage employees and others with serious concerns to come forward in confidence.
- 3.9. The procedures for the public to follow in order to register a complaint regarding the deliverance of the council's services or a breach of the member's code of conduct are detailed on the council's website.
- 3.10. The terms of reference for the Accounts and Audit Committee includes responsibilities around the monitoring and promotion of standards.

Demonstrating Strong Commitment to Ethical Values

- 3.11. Under its terms of reference, the Accounts and Audit Committee champions high standards of ethical governance from elected members and the council as a whole.
- 3.12. The Local Government Association (LGA) is currently in the process of reviewing the 'Model Code of Conduct'. This is suggested national good practice and councils can adopt this code or abide by their own local code. It is proposed that the updated Model Code of Conduct will be taken to LGA General Assembly at the July 2020 annual conference.
- 3.13. The Council has its own Code of Conduct for Members. Allegations that the Code has been breached are dealt with under a procedure approved by the Accounts and Audit Committee. In the Annual Governance Statement for 2018/19 it was recommended that a review of the Members Code of Conduct be carried out in 2019/20. A review has been undertaken and a report has been prepared for presentation to the Accounts and Audit Committee however this has been delayed due to Covid-19 and the suspension of committee meetings.

- 3.14. Whilst the codes of conduct for members and staff are in place, there has been no formal training on ethical awareness over the 2019/20 financial year, but this has been done as part of the new members' induction following local elections in May 2019. It is recommended that there should be an annual refresher on the key elements of the Constitution for all members and that this be included in the members' training plan. The council's performance appraisal process does not specifically take account of values and ethical behaviour.
- 3.15. Procurement activity is undertaken in line with the council's Contract Procedure Rules and Financial Regulations, with any requirements to seek exemption from the same being reported to, or requested from, the relevant service committee through submission of a report.
- 3.16. The council's ethical requirements are expressed through its procurement activity in the form of contract documents and its standard terms and conditions of purchase.

Respecting the Rule of Law

- 3.17. The council has designated the Head of Legal and Democratic Services as Monitoring Officer. The Monitoring Officer has the specific duty to ensure that the council, its officers and its elected members maintain the highest standard of conduct in all they do and as such holds three main roles:
- to report on matters they believe are, or are likely to be, illegal or amount to maladministration;
 - to be responsible for matters relating to the conduct of councillors and officers; and
 - to be responsible for the operation of the council's Constitution.
- 3.18. With reference to the Constitution, this is reviewed annually and approved by Full Council. The council's Monitoring Officer has statutory reporting duties in respect of unlawful decision making and maladministration.
- 3.19. The council's Chief Executive, in the statutory role of Head of Paid Service is responsible for:
- the manner in which the discharge by the council of their different functions is coordinated;
 - the number and grades of staff required by the council for the discharge of their functions;
 - the organisation of the council's staff; and
 - the appointment and proper management of the council's staff.
- 3.20. The council's Chief Financial Officer (S151 Officer) is the Director of Resources. The council complies with CIPFA's Statement on the Role of the Chief Financial Officer in Local Government.
- 3.21. The council's decision-making hierarchy and terms of reference for each committee are clearly identified within the Constitution.
- 3.22. Any legal advice provided by officers would be retained on the relevant files for future reference. Committee reports include a section in respect of legal risks, and the input from the legal team should be sought in the completion of this section where relevant.
- 3.23. The council has in place an Anti-Fraud and Corruption Policy which was due to be reviewed in 2019/2020. This has been postponed and will now be reviewed in 2020/21.

Principle B - Ensuring openness and comprehensive stakeholder engagement

Openness

- 3.24. Council meetings are open to the public, other than in limited circumstances where consideration of confidential or exempt information means that the public are excluded. Each meeting also includes public participation with an opportunity to speak regarding items on the agenda.
- 3.25. The council utilises its website to provide an open culture with access to meeting agendas, reports and minutes. Transparency information is also reported in a timely manner and is grouped together for ease of access.
- 3.26. The information which residents use most, such as Council Tax and Planning can be accessed quickly and easily from the main page.
- 3.27. The council's priorities and core values are clearly identified in the Corporate Strategy 2019-2023 and includes key actions. This is available on the council website, as is the Community Strategy. The Community Strategy is currently under review and will be completed in 2020/21. It will cover the period 2020-2025.
- 3.28. All decisions of the council are made in accordance with principles laid down in the Constitution. All reports follow a format that is repeated across all committees and where a decision is needed, they provide the information necessary for members. Any further requests for information are minuted.
- 3.29. A set timetable is in place for meetings, the production and distribution of agenda packs, and the holding of briefings prior to the meeting between key officers and committee chairs and vice-chairs.
- 3.30. We make use of a Citizens Panel and other consultations and surveys wherever possible in informing decisions.

Engaging Comprehensively with Institutional Stakeholders

- 3.31. The council's Communications Strategy for 2019-2021 can be viewed on the council's website.
- 3.32. The council does not have any formal partnerships in place and so there were no reviews to be undertaken in this area. There was representation on the Local Enterprise Partnership for only part of the year.

Engaging Stakeholders Effectively, Including Individual Citizens and Service Users

- 3.33. When the council is looking to consult, it reviews the parties that need to be involved and looks to ensure that those with an interest are involved. The council has previously been part of the Infusion Research partnership which assisted the Council with research and consultation activity. Any future consultation will be arranged on an ad-hoc basis as and when required and, if required, expertise will be procured from research and consultation consultants.
- 3.34. The council has a Citizens Panel which can be used to enable the council to access the views of Ribble Valley people. The results can be used to develop policies and strategies, inform decision-making and identify where service improvements may be required.
- 3.35. The bi-annual Perception Survey was due to be undertaken in May 2020 but this has been delayed due to the impact of Covid-19 on the Council's day to day operations. The survey

provides residents with the opportunity to have their say on a range of issues affecting their locality and quality of life. When the survey is undertaken a report of its findings will be reported to Policy and Finance Committee in due course.

- 3.36. The council actively promotes the use of its social media sites and engagement with its website.

Principle C – Defining Outcomes in Terms of Sustainable Economic, Social and Environmental Benefits

Defining Outcomes

- 3.37. The council's vision, priorities and objectives are clearly set out in the approved Corporate Strategy document 2019 - 2023, which is available to view on the council's website. The Corporate Strategy Action Plan sets out underlying actions that have been established in order to support, and measure progress towards, the achievement of the council's objectives detailed in the strategy. The document is reviewed on an annual basis. There are no individual service plans in place.
- 3.38. The Core Strategy 2008-28 sets out the long-term vision for the Borough and the strategic policies that will deliver that vision, including the Development Management policies.
- 3.39. The Community Strategy 2014-2019 sets out the Council's community aspirations, needs and priorities. The strategy outlines a series of priorities and objectives, including tackling rural isolation, affordable housing, tourism, the environment and public transport. The Strategy will be reviewed in 2020 to cover the period 2020-2025.
- 3.40. The Medium-Term Financial Strategy outlines how we intend to raise and use the resources needed to deliver our services and priorities over the medium term. The financial strategy includes a budget forecast that is reviewed bi-annually. The Medium-Term Financial Strategy is a 3-year strategy which is fully reviewed annually to reflect any changes. The strategy covers both revenue and capital budgets.
- 3.41. The council has a performance management framework which allows it to monitor progress on a number of key service areas. Progress is reported to the Corporate Management Team and final outturn performance is reported to relevant Service Committees at the end of the financial year.
- 3.42. The Council's Risk Register sets out the risks that we have to manage to help us achieve our objectives.
- 3.43. The council also has processes in place to identify and manage risks. The Risk Register is used to provide assurance over actions being taken to manage key risks, and to inform risk management planning and help in seeking to mitigate such risks.

Sustainable Economic, Social and Environmental Benefits

- 3.44. Consideration is given to economic, social and environmental benefits in the assessing of bids for the council's capital programme.
- 3.45. As capital resources are limited, a large proportion of the capital programme is committed to the ongoing replacement of items such as vehicles and plant. The latest environmental best practice is always reflected upon when procuring such items, within the budgets that are available.

- 3.46. Full detailed information is provided to members in the budget setting process for both revenue and capital. The Budget Working Group is valued and allows for more focused work to be undertaken and specific guidance to be given to Service Committees.
- 3.47. All decision reports include a section on risks, which includes those risks in relation to the decision to be taken by members:
- Resources.
 - Technical, Environmental and Legal.
 - Political.
 - Reputation.
 - Equality and Diversity.
- 3.48. The council's Core Values state that we will:
- Lead the Community;
 - Strive to achieve excellence;
 - Ensure that access to services is available to all;
 - Treat everyone equally;
 - Respect all individuals and their views; and
 - Appreciate and invest in our staff.

Principle D – Determining the Interventions Necessary to Optimise the Achievement of the Intended Outcomes

Determining Interventions

- 3.49. It is ensured that the financial management of the council is sound, by regular and timely reporting to budget holders, Management Team, Leaders and the Council as a whole. Budget setting, control and reporting requirements are set out in the council's Financial Regulations, which have full regard to internal and external regulations and relevant codes of practice.
- 3.50. Capital and Revenue budgets are monitored closely and reports on budget allocations and actual performance are provided to the Corporate Management Team and to relevant Committees. Further reporting is provided to the Budget Working Group and minutes of the same are reported to Policy and Finance Committee.
- 3.51. Delegation of decision making to officers is detailed in the Constitution so that they can deal with the day-to-day running of the service without the need to constantly refer matters back to Committees. Details of what decisions are taken in this way are included in the Scheme of Delegation in the council's Constitution. Further specific delegations may be granted through recommendation in public reports to Committee.

Planning Interventions

- 3.52. There are clear timetables in place for the various Service Committee meetings. These are published on the council's website.
- 3.53. A timetable is set and approved by the Policy and Finance Committee for the council budget setting process, detailing key dates for meetings to consider reports on capital and revenue

budgets and the setting of fees and charges. Also included in such timetables are the regular meetings of the Budget Working Group.

- 3.54. A further timetable is also set by the Accounts and Audit Committee for the closure of accounts process, similarly detailing key dates and meetings in the process. The closure of accounts for 2019/20 has been impacted by the Covid-19 pandemic which has seen the deadline for the issuing of a draft Statement of Accounts postponed from 31 May 2020 to 31 August 2020. Likewise, the date for publishing the audited accounts has been postponed from 31 July 2020. The Council now has until 30 November 2020 to do this.
- 3.55. Where relevant, service areas provide key performance indicators which are monitored and reported on centrally to all service committees at the end of the financial year. There is also in-year monitoring and reporting to the Corporate Management Team. It is likely that due to the effect of Covid-19 on the council's resources and additional demands placed upon the council during the period of the pandemic, there will be an impact on the achievement of some of the key performance indicators, particularly in the 2020/21 financial year.
- 3.56. All service budgets are matched to the various council priorities and analysis of the distribution of the budgets across priorities is given in the Medium-Term Financial Strategy for both revenue and capital.
- 3.57. The medium-term financial forecast is reported to the Policy and Finance Committee twice a year and is also reported to the Budget Working Group. Clear budget guidance is given to all service committees through the Budget Working Group and also to the finance team and budget holders.

Optimising Achievement of Intended Outcomes

- 3.58. The council balances service priorities whilst setting the overall budget in line with the work of the Budget Working Group. This includes both revenue and capital budgets.
- 3.59. Very little of the council's procurement activity falls under the requirements of the Public Contracts Regulations due to the level of expenditure involved. As a result, the undertakings around The Public Services (Social Value) Act 2012 are satisfied through the various Framework Agreements that are used.

Principle E – Developing the Entity's Capacity, Including the Capability of its Leadership and the Individuals Within it.

Developing the Entity's Capacity

- 3.60. The council has a performance appraisal process in place for all staff. As part of this process targets are set and also future training needs are identified for provision at a service level, or where applicable through the provision of corporate level training.
- 3.61. The requirement for key property, plant and equipment is reviewed on a regular basis, particularly through the capital programme process and the bidding for resources with a detailed narrative on need.
- 3.62. Various service areas undertake differing levels of service comparison with other local authorities. There is no formal planned benchmarking of services; however, ad-hoc service comparisons are undertaken as needed.
- 3.63. During 2019/20 the Local Government Association (LGA) carried out a follow-up visit in relation to the Corporate Peer Challenge review that they undertook with the Council in 2017/18. The team were on-site from 26 to 27 September 2019.

- 3.64. The key areas that the Peer Challenge team looked at on their initial visit in 2017 were the issues of leadership, governance, corporate capacity and financial resilience. In addition, the agreed scope of the Peer Challenge included:
- Promoting Local Growth
 - Balancing Growth and Housing
- 3.65. There were a number of suggestions and observations made following the Corporate Peer Challenge review that led to some key recommendations for the Council. These were put into an action plan and their implementation was monitored periodically.
- 3.66. The latest version of the action plan, prepared in advance of the follow-up visit is attached at Annex A. It has not yet been presented to Policy and Finance Committee due to the impact of Covid-19 and suspension of committee meetings.
- 3.67. The council does not have a workforce plan in place, it currently takes more of a reactive approach in terms of staffing, however it is intended to devise a plan in 2020/21.

Developing the Capability of the Entity's Leadership and Other Individuals

- 3.68. The functions of statutory officers are detailed in the Constitution and the roles of the Committees are documented within the Constitution. The arrangements in place for the discharge of functions by specific officers under delegation are set out in the Officer Delegation Scheme.
- 3.69. The Corporate Management team meets on a weekly basis to discuss matters of strategic and operational importance to the council. Weekly meetings take place between the Chief Executive (Head of Paid Service) and the Leader of the Council.
- 3.70. The Chief Executive leads on implementing strategy and managing service delivery and other outputs set by members.
- 3.71. The council's Constitution is reviewed annually, including the Scheme of Delegation. Additionally, the Standing Orders, Financial Regulations and Contract Procedure Rules are all reviewed annually. As a result of Covid-19 a temporary addendum to Part 4 of the Constitution (Standing Orders) has been approved that, amongst other matters, allows meetings and voting to be conducted remotely via internet access.
- 3.72. To enable Elected Members and Senior Officers to have a shared understanding of their respective roles the Council has a Protocol governing Member and Officer relations.
- 3.73. All newly elected members receive an induction and an ongoing training plan for members is in place, however it needs to be reviewed and refreshed. Requests for training by members and senior management will always be considered.
- 3.74. A standard induction process is in place for members and also for staff. The HR team does not tailor staff inductions to the employee's specific role, however further induction is generally provided separately by the relevant section.
- 3.75. The council's performance management appraisal process includes a section reviewing past training and identifying new training that may be required for the employee. This training may be provided at a service level, or if there is demand, at a corporate level.
- 3.76. Records are monitored regarding member attendance, but there is no formal review of individual member performance or training needs. There are no personal development plans in place for members.

- 3.77. The council undertook a Peer Challenge review led by the LGA who carried out an assessment and provided feedback. The key areas that the team looked at were the issues of leadership, governance, corporate capacity and financial resilience. There were a number of suggestions and observations made within the report that led to some key recommendations for the council. An action plan was formulated to implement recommendations and the latest version of the plan is attached at Annex A.
- 3.78. The council has a staff handbook which is published on its Intranet, ensuring that all policies are available to staff. There is also a hard copy maintained at various sites for those with no access to the Intranet.
- 3.79. With regards to the physical and mental wellbeing of staff, the council offers a range of proactive measures including a formal programme of Health and Safety training and advice/guidance on coping with stress. There is also an osteopathy policy and the Cultural and Leisure Services Team offers Tai Chi sessions as well as advice on healthy living that includes weight and blood pressure checks. Various tips and articles are also published for all staff in the monthly newsletter.

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

Managing Risk

- 3.80. The council has embedded a structure and system for identifying, evaluating and monitoring all significant business risks at an operational level. The council has a risk management policy in place which is published on the council's Intranet site. The policy clearly outlines the processes and responsibilities that are in place and the monitoring procedures to be followed.
- 3.81. The Corporate Management Team receive monthly risk management updates and areas of high risk are reported promptly to Accounts and Audit Committee for scrutiny.

Managing Performance

- 3.82. Where relevant, service areas provide key performance indicators which are monitored and reported on centrally to all service committees at the end of the financial year. There is also in-year monitoring and reporting to the Corporate Management Team. Whilst the Performance Management Framework was reviewed in 2018, it is recommended that a review of performance indicators is undertaken as a number of them are no longer relevant or do not actually measure performance.
- 3.83. Various service areas undertake differing levels of service comparison with other local authorities. There is no formal, planned benchmarking of services; however, ad-hoc service comparisons are undertaken as needed.
- 3.84. Performance against budget is reported to the Corporate Management Team and also on a regular basis to service committees. The overall position is also considered in reports to the Policy and Finance Committee.
- 3.85. Outturn reports are also reported to all services committees and this is also considered by the Budget Working Group and used in the budgeting process for future years.
- 3.86. A set timetable is in place for meetings, the production and distribution of agenda packs, and the holding of briefings prior to the meeting between key officers and committee chairs and vice-chairs. Included in the Constitution are the terms of reference for all committees. The minutes of all meetings are published on the council's website.

- 3.87. Debate and discussion on issues is actively encouraged at committee meetings. The council also have a call-in procedure for any decisions, which allows for further scrutiny. The call-in procedure should normally only apply to decisions which are considered to be contrary to policy or not in accordance with the budget.
- 3.88. Full detailed information is provided to members in the budget setting process for both revenue and capital. The Budget Working Group is valued and allows for more focused work to be undertaken and specific guidance to be given to Service Committees.
- 3.89. Budget setting, control and reporting requirements are set out in the council's Financial Regulations, which have full regard to internal and external regulations and relevant codes of practice.
- 3.90. It is likely that performance levels and consequently budgets, will be impacted by Covid-19. The virus has seen the council having to redeploy some staff into different roles during the pandemic.
- 3.91. In order to retain some level of normal day to day operations the council invested in technology in order to allow some members of staff to work remotely from home. As a result, the council has incurred the costs of purchasing new hardware and software, some of which will have ongoing costs for the foreseeable future, for example, licenses to allow council meetings to be conducted online. Some of these costs were incurred within 2019/20 but will largely impact on the 2020/21 financial year.

Robust Internal Control

- 3.92. Internal Audit is an independent and objective appraisal function established by the council for reviewing the system of internal control. This is in compliance with Regulation 5 of the Accounts and Audit Regulations 2015 that specifically requires a local authority to undertake an adequate and effective system of internal audit.
- 3.93. An Internal Audit Plan is produced each financial year and is risk based. This is agreed and monitored by the Accounts and Audit Committee. The reporting process for Internal Audit requires a report of each audit to be submitted to the relevant service. The report includes recommendations for improvements that are included with an Action Plan.
- 3.94. Since February 2020 there has been a vacancy for the role of Principal Auditor within the Internal Audit Team and although this did not adversely impact upon the achievement of the 2019/20 Audit Plan it will undoubtedly impact on the 2020/21 plan, the longer the position remains vacant. During 2020/21 Audit Team staffing has also been impacted upon by Covid-19 which has resulted in the need for one of the Audit Team members to assist the Finance Team. As with the vacancy, this will also impact on the achievement of the 2020/21 Audit Plan. It will be assured that any audit work undertaken by this member of the Audit Team does not cover this service area in 2020/21.
- 3.95. The Risk Management Strategy is reviewed on a regular basis and is approved by the Accounts and Audit Committee.
- 3.96. The European Institute for Combatting Corruption and Fraud (TEICCAF) issues a checklist for the 'Protecting the Public Purse' document. Authorities are encouraged to use the checklist to ensure that they have sound governance and counter-fraud arrangements in place and that they are working as intended. No significant issues were highlighted as a result of this review.
- 3.97. The Fighting Fraud and Corruption Locally strategy (2016-2019) was developed by local authorities and counter fraud experts. It set out the approach local authorities should take and the main areas of focus over the three-year period in order to transform counter fraud

and corruption performance. There is a checklist to measure counter fraud and corruption culture and response. No issues were highlighted as a result of this review. A new strategy has been devised for 2020.

- 3.98. The Accounts and Audit Committee normally meets four times a year and has a clear Terms of Reference. Ad-hoc training is provided to members as and when required and open debate and discussion on all items is encouraged.
- 3.99. Regular consideration is given to high-level risks that have been flagged as areas of concern, and where necessary action is called for, or references made to relevant service committees.

Managing Data

- 3.100. The council is committed to safeguarding the personal data it holds and sharing this data only in circumstances required or permitted by law. Personal data is processed in accordance with the Data Protection Act 2018 and GDPR and in particular the key principles of both.
- 3.101. The council's ICT Manager is the designated Data Protection Officer. This creates the potential for conflict of interest, but the Council continually seek to mitigate any perceived risks in this area.
- 3.102. The council has a Data Protection Policy which is published on the council's Intranet and is available to all staff.
- 3.103. There has been no formal training for staff on data protection over the last financial year, however since the introduction of GDPR in May 2018 the Council has obtained a license to rollout GDPR training for all staff and members. It is planned for this to be undertaken in 2020/21.
- 3.104. The Council's current Data Retention Policy is dated February 2010 and it is recommended that this be reviewed in light of the introduction of GDPR.
- 3.105. The council has a Data Quality Policy in place. Any staff involved in providing performance indicator data are required to acknowledge that they have read and understood the policy.
- 3.106. The Internal Audit team reviews the accuracy of the performance indicators that are published at the end of the financial year.
- 3.107. The council makes information available to the public via the Freedom of Information Act 2000 and the Environmental Information Regulations 2004. Individuals may also access their own personal data by exercising the right of subject access under the Data Protection Act 2018.
- 3.108. The council complies with the Local Government Transparency Code 2015 by publishing accurate data online in the areas mandated by the Code.

Strong Public Financial Management

- 3.109. Regular monitoring of the council's financial position helps ensure that services perform within the resources allocated to them. Mechanisms within the Financial Regulations allow for flexibility in meeting demands that could not be anticipated.
- 3.110. The medium-term financial strategy (MTFS) is the council's key financial planning document. It aims to provide the council with assurance that the council's spending plans are affordable over the medium term.

- 3.111. More detailed short-term financial information is provided through the council's detailed and summary budget books. The budget books and the medium-term financial strategy are all published on the council's website.
- 3.112. Budget monitoring against these financial plans is reported in full to service committees with variances highlighted and action plans regarding specific areas published within the reports where relevant. All committee reports are published on the council's website and meetings are minuted.
- 3.113. The Budget Working Group plays a key role in considering the Council's finances and are key in developing the council's budgets, making recommendations to Policy and Finance. The minutes of the group are reported to the Policy and Finance Committee and are again published on the council's website.
- 3.114. All reports across all committees are published in a consistent style.
- 3.115. Financial outturn reports are presented to all service committees.
- 3.116. The council's approach to Financial Management ensures that public money is safeguarded at all times ensuring value for money. Its approach supports both long-term achievement of objectives and shorter term financial and operational performance.
- 3.117. The Chief Finance Officer (Director of Resources) ensures that appropriate advice is given on all financial matters, proper financial records and accounts are kept, and oversees an effective system of internal financial control.
- 3.118. As part of the 2018/19 assurance review, the Director of Resources highlighted the need to provide formal training to members and staff on the council's Financial Regulations and Contract Procedure Rules. This was in light of the new administration following the elections in May 2019 and the high proportion of newly elected members. Although formal training has not taken place the Director has briefed members on relevant financial matters prior to committee meetings and it is intended for formal training to take place in 2020/21.

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

Implementing Good Practice in Transparency

- 3.119. The council follows the Local Government Transparency Code 2015, which includes requirements and recommendations for local authorities to publish certain types of data.
- 3.120. All transparency-related data is published together in a single area on the council's website.
- 3.121. Content on the council's website seeks to meet the needs of the public and where issues are raised through social media, or through the council's contact centre, steps are taken to ensure information is made available where possible on the website to satisfy the queries being raised.
- 3.122. Socitm is the Society for Innovation, Technology and Modernisation. Their mission is to maximise the effectiveness of ICT and digital technology in public sector organisations. Socitm has partnered with Silktide, a leading provider of website testing and governance software to rate the accessibility of public sector organisation websites in line with website accessibility laws, with which all public sector websites must comply by 22nd September 2020.

- 3.123. Silktide measures Council websites on their accessibility out of 100 and ranks the top 30. Although the council is not in the top 30, it scores 70 out of 100 which is deemed to be rated 'good'.

Implementing Good Practices in Reporting

- 3.124. All transparency-related data is published together in a single area on the council's website.
- 3.125. The council's Statement of Accounts are published in a timely manner (see section 3.55 of this report regarding the impact of Covid-19) and are published on the council's website. The Statement of Accounts includes a narrative statement which allows for a more understandable format of the outturn position of the council, away from the statutory presentation requirements seen in the statements themselves. Financial outturn reports are presented to all service committees.
- 3.126. Following external audit, the Statement of Accounts is approved by the Accounts and Audit Committee.
- 3.127. The Council explains how it reviews its governance arrangements, and how it has complied with CIPFA's "Delivering Good Governance in Local Government (2016)" principles by producing this Annual Governance Statement (AGS). This includes an action plan identifying what governance challenges it will need to address in the next financial year.
- 3.128. Financial performance is also reported throughout the year to all service committees. Such documents are openly available on the council's website.

Assurance and Effective Accountability

- 3.129. The council's external auditors, Grant Thornton attend the meetings of the Accounts and Audit Committee and provide reports to the members of that committee.
- 3.130. The external auditor prepares an Annual Audit Letter which is reported to the council's Accounts and Audit Committee. Any actions that may arise from that report would be monitored by the Accounts and Audit Committee to ensure compliance and that they result in positive improvements. This year's External Audit report for the period 2019/20 has been delayed due to Covid-19.
- 3.131. A review has been undertaken of CIPFA's Statement on the Role of the Head of Internal Audit and no issues were identified. Compliance with the Public Sector Internal Audit Standards was also confirmed.
- 3.132. The work of the council's Internal Audit team is reported on a regular basis to the Accounts and Audit Committee.
- 3.133. The Council welcomed a re-visit by the Peer Challenge Review team during the 2019/20 financial year and the updated action plan prepared for that visit has been included as part of this statement. A further updated version of the action plan exists however it has not yet been reported to Policy and Finance Committee due to delays caused by Covid-19.

4. REVIEW OF EFFECTIVENESS

- 4.1. Ribble Valley Borough Council has a legal responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. This was done by following the CIPFA/SOLACE Delivering Good Governance in Local Government Framework (2016).

- 4.2. After conducting this review, the Council has assurance that its governance arrangements and systems of control are robust and reflect the principles of the Code of Corporate Governance. This section explains what arrangements were reviewed, and how this assurance was achieved.

Corporate Management Team

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

Corporate Level Review

- 4.4. The Corporate Management Team reviewed the compilation of the Annual Governance Statement and consisted of the following officers during 2019/20.

- Chief Executive (Head of Paid Service)
- Director of Resources (S151 Officer)
- Director of Community Services
- Director of Economic Development and Planning

- 4.5. The group has considered a detailed corporate level review of the council's system of governance in accordance with the guidance provided by CIPFA/SOLACE.

Directorate Level Review

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

Monitoring Officer

- 4.7. As the council's Monitoring Officer, the Head of Legal and Democratic Services has a duty to monitor and review the operation of the Constitution to ensure its aims and principles are given full effect. The council reviews the Constitution each year at its Annual Meeting. As the Head of Legal and Democratic Services retired in February 2020 assurances this year were provided by the Temporary Monitoring Officer with regard to the matters that fall within their jurisdiction. The new Head of Legal and Democratic Services took up their post in June 2020.

Accounts and Audit Committee

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

Internal Audit

- 4.9. Internal Audit is responsible for monitoring the quality and effectiveness of the system of governance and internal control. A risk-based Internal Audit Plan is produced each financial year. The reporting process for Internal Audit requires a report of each audit to be submitted

to the relevant Directorate. The report includes recommendations for improvements that are included within an Action Plan and require agreement or rejection by Heads of Service. The process includes follow-up reviews of agreed recommendations to ensure that they are acted upon.

- 4.10. The Internal Audit Annual Report contains an opinion on the overall levels of internal control (a view based on the relative significance of the systems reviewed during the year, in the context of the totality of the control environment).
- 4.11. The overall internal audit opinion for the period 1 April 2019 to 31 March 2020 provides substantial assurance, in that the Council can place substantial reliance on the level of control in operation

External Audit

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

Peer Review Challenge

- 4.13. The review of effectiveness this year continued to take into account the findings and action plan of the Corporate Peer Challenge review which took place during 2017/18. The Peer Challenge team focussed on the key areas of leadership, governance, corporate capacity and financial resilience. The action plan was periodically updated and monitored and reported to Policy and Finance Committee. The latest version of the action plan, prepared in advance of the Peer Challenge Team's follow-up visit on 26-27 September 2019 is attached at Annex A.

European Institute for Combatting Corruption and Fraud (TEICCAF) – Protecting the Public Purse Checklist

- 4.14. The European Institute for Combatting Corruption and Fraud (TEICCAF) issued a checklist for the 'Protecting the Public Purse' document. Authorities were encouraged to use the checklists to ensure that they have sound governance and counter-fraud arrangements in place and that they are working as intended.

'Fighting Fraud and Corruption Locally 2016-19'

- 4.15. The 'Fighting Fraud and Corruption Locally 2016-19' strategy set out the approach local authorities should take and the main areas of focus in order to transform counter fraud and corruption performance in the three-year period covering 2016-2019. There is a checklist to measure counter fraud and corruption culture and response. A new strategy has been devised for 2020.

CIPFA 'The Role of the Chief Financial Officer in Local Government'

- 4.16. CIPFA published a document on the Role of the Chief Financial Officer. Achieving value for money and securing stewardship are key components of the Chief Financial Officer's role and the document includes a list of principles that were assessed as part of this review of governance arrangements

CIPFA 'The Role of the Head of Internal Audit'

- 4.17. The Head of Internal Audit occupies a critical position in any organisation, helping it to achieve its objectives by giving assurance on its internal control arrangements and

playing a key role in promoting good corporate governance. This CIPFA document is to clarify the role of the Head of Internal Audit and to raise its profile.

5. SIGNIFICANT GOVERNANCE ISSUES

5.1. A governance issue arises when something has gone wrong which will affect the achievement of the council's objectives. There is a need to respond and often recover from an issue and in financial terms, responding and recovering may add significant cost to the organisation or its processes. An issue may arise unexpectedly or may result from a poorly managed risk.

5.2. Whilst determining the significance of an issue will always contain an element of judgement, an issue is likely to be significant if one or more of the following criteria applies:

- It has significantly prejudiced or prevented achievement of a principal objective;
- It has resulted in the need to seek additional funding to allow it to be resolved, or has required a significant diversion of resources from another service area;
- It has had a material impact on the accounts;
- It has been identified by the Accounts and Audit Committee as significant;
- It has resulted in significant public interest or has seriously damaged reputation;
- The governance issue may, or has been publicly reported by a third party as a significant governance issue;
- It has resulted in formal actions being taken by the Section 151 Officer or Monitoring Officer.

6. REVIEW OF SIGNIFICANT GOVERNANCE ISSUES RAISED IN THE ANNUAL GOVERNANCE STATEMENT 2018/19

6.1 Within last year's review there were a number of issues raised as part of the Annual Governance statement for 2018/19. The status of these issues is provided in the table below:

Subject Area	Description	Status	Action
<p>Peer Challenge Review <i>This was carried forward from the 2017/18 reviewed and raised again in the 2018/19 review</i></p>	<p>As a result of the recommendations of the Peer Challenge Review carried out in 2017/18, the approved action plan from has been attached at Annex 1 for implementation in line with the timescales identified.</p>	<p>Whilst a number of actions are completed there are a number of outstanding actions that continue to be addressed and are being monitored. The latest status is provided at Annex 1.</p>	<p>To be carried forward and addressed in 2020/21</p>
<p>Refuse Vehicle Maintenance Costs <i>This was carried forward from the 2017/18 reviewed and raised again in the 2018/19 review</i></p>	<p>A significant increase in refuse vehicle maintenance costs was highlighted to the relevant committees and Budget Working Group during 2017/18 and also then in 2018/19</p>	<p>Causes of the increase in costs were identified and a number of actions were identified by the Council's Corporate Management Team to minimise the ongoing impact of increased vehicle maintenance costs. The actions helped to reduce the level of overspend however there continued to be an overspend on the budget for 2018/19 and this has again been a significant issue in 2019/20.</p>	<p>To be carried forward and addressed in 2020/21</p>
<p>Communications Strategy <i>This was carried forward from the 2017/18 reviewed and raised again in the 2018/19 review</i></p>	<p>The council does not have an up to date Communications Strategy in place. It is important that there is a structured approach in place as to how the council interacts with its internal and external stakeholders with changing patterns of communication.</p>	<p>The new Corporate Communications Strategy 2019-2021 was approved by Policy and Finance Committee on 18th June 2019.</p>	<p>Completed</p>
<p>Members Code of Conduct – Complaints Process <i>This was a significant issue in the 2018/19 review</i></p>	<p>In light of the considerable disruption to council business over the last 18 months it is recommended that the members Code of Conduct is reviewed and the process for dealing with such complaints</p>	<p>This review was due to be undertaken in 2019/20. It has started but has not yet been completed.</p>	<p>To be carried forward and addressed in 2020/21</p>

7. REVIEW OF SIGNIFICANT GOVERNANCE ISSUES 2019/20

7.1 In considering the criteria for significant governance issues as listed at section 5 there are a number of areas to be raised as part of this Annual Governance Statement for 2019/20.

7.2 A number of these are items that have been carried forward from the review of actions raised as part of the Annual Governance Statements in 2017/18 and 2018/19 as work continues to address these areas (see section 6). It must be noted that progress has been made in the areas that have been carried forward, but that this work needs to continue to fully address the issues raised.

Action Plan

Subject Area	Details	Action
<p>Peer Challenge Review <i>Carried Forward from 2017/18 and 2018/19 reviews</i></p>	<p>Work continues to address the issues raised as part of the Peer Challenge Review in 2017/18 and follow-up visit in September 2019. The recommendations made at that time are attached at Annex 1, showing progress and the outstanding issues as last reported to Policy and Finance Committee.</p> <p>As part of this review it is recognised that progress has been made, but that the outstanding recommendations need to be addressed.</p>	<p>Remaining actions to be addressed and an updated report to be taken to Policy and Finance Committee in November</p>
<p>Refuse Vehicle Maintenance Costs <i>Carried Forward from 2017/18 and 2018/19 reviews</i></p>	<p>There has continued to be an overspend in refuse vehicle maintenance costs which have been highlighted to the relevant committees during the year.</p> <p>Work needs to continue to review the overspend and the associated budgets.</p>	<p>A full detailed report to be prepared by the Head of Service, exploring the underlying reasons for the significant overspends seen in each of the recent years (£170k in 2019/20) and detailing proposed action</p>
<p>Members Code of Conduct – Complaints Process <i>Carried Forward from 2018/19 review</i></p>	<p>In light of the considerable disruption to council business over the last 18 months it is recommended that the members Code of Conduct is reviewed and the process for dealing with such complaints</p>	<p>A review has been undertaken and a report prepared for presentation to the Accounts and Audit Committee. This has been delayed due to Covid-19 and the suspension of committee meetings. To be presented to the November 2020 committee meeting.</p>

7.3 We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that have been identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signed:




Leader of the Council
On behalf of Ribble Valley Borough Council



Chief Executive





CORPORATE PEER CHALLENGE - ACTION PLAN



Key Recommendations:


- 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.



	Outstanding (deadline passed)
	Partial Completion/Ongoing (deadline not yet reached)
	Completed




Issue (from the report)	Required Action	Milestones	Due Date	Lead	Update	Status
Strengthen engagement with staff and partners to ensure clarity of vision and desired outcomes in relation to the Corporate Strategy, priorities and initiatives						
More needs to be done to ensure clarity of vision and priorities. Key to this will be recognising and valuing the good work that the council has already undertaken which provide the building blocks for the future.	<ul style="list-style-type: none"> • Mini review of the existing Corporate Strategy 	<ul style="list-style-type: none"> • Revised Corporate Strategy – CMT & Leader • Revised Corporate Strategy – Policy and Finance Committee 	<ul style="list-style-type: none"> • July 2018 	<ul style="list-style-type: none"> • CEO/ Principal Policy and Performance Officer 	<ul style="list-style-type: none"> • Completed – reported to Policy and Finance Committee June 2018 	<ul style="list-style-type: none"> • 
A new Corporate Strategy will be developed next year. This provides an opportunity for the Leadership to develop a clear timetable of engagement with both staff and partners. This will	<ul style="list-style-type: none"> • Inform staff, public and other key stakeholders of the revised Corporate Strategy and progress updates 	<ul style="list-style-type: none"> • Circulation of revised Corporate Strategy to staff • Publish revised Corporate Strategy on the Council's website 	<ul style="list-style-type: none"> • July 2018 	<ul style="list-style-type: none"> • Principal Policy and Performance Officer 	<ul style="list-style-type: none"> • Completed – information in Backchat and published on the Council's website 	<ul style="list-style-type: none"> • 

Issue (from the report)	Required Action	Milestones	Due Date	Lead	Update	Status
<p>help ensure wider ownership of the vision, ambitions and priorities.</p> <p>The council need to ensure continued, timely engagement of staff at all levels to ensure wider understanding and buy in.</p> <p>It is important that the council continues to engage staff at all levels of the organisation to ensure ownership of future ambitions and priorities. Feeding back to staff following the staff survey is key.</p> <p>Regular Corporate Strategy progress updates to staff and celebration of successes will help to keep the whole organisation engaged around delivery of the plan.</p>	<ul style="list-style-type: none"> Review Internal Communications Develop a shared vision for the Borough 	<ul style="list-style-type: none"> Review of Internal Communications – Personnel Committee Report to Policy and Finance setting out plans for developing new Corporate Strategy 2019-2023 Develop new Corporate Strategy 2019-2023 	<ul style="list-style-type: none"> September 2018 September 2018 September 2019 	<ul style="list-style-type: none"> Head of HR/ Principal Communications Officer CEO/ Principal Policy and Performance Officer 	<ul style="list-style-type: none"> Following the Staff Survey an action plan was developed and approved by personnel Committee in June 2018. Several actions around Internal Communications were included and are now being implemented. Reported to Policy and Finance Committee September 2018 A new Corporate Strategy for 2019-2023 was approved by Policy and Finance Committee in September 2019.. 	<ul style="list-style-type: none">   
Review the Performance Management Framework linked to the Corporate Strategy						
<p>As part of the development of the new Corporate Strategy, the framework should be reviewed to ensure it is rooted in the priorities and ambitions of the council moving forward.</p> <p>There are opportunities to review the monitoring information shared with committees to maintain clear governance, ownership and constructive challenge.</p>	<ul style="list-style-type: none"> Review the Performance Management Framework in light of revised Corporate Strategy Review performance monitoring information provided to committees to enable progress with key priorities to be better monitored 	<ul style="list-style-type: none"> Revised Performance Management Framework and Indicators 	<ul style="list-style-type: none"> September 2018 	<ul style="list-style-type: none"> CMT, Heads of Service and Principal Policy and Performance Officer 	<ul style="list-style-type: none"> Review of Performance Management Framework reported to Policy and Finance Committee September 2018. Review of Performance Indicators is ongoing. 	<ul style="list-style-type: none"> 

Issue (from the report)	Required Action	Milestones	Due Date	Lead	Update	Status
Review the resourcing of Corporate Strategy priorities						
<p>Ensuring capacity to deliver corporate priorities.</p> <p>The challenge now will be to ensure good 'succession planning' for the years to come.</p>	<ul style="list-style-type: none"> Consider resource implications of new Corporate Strategy and Council priorities 	<ul style="list-style-type: none"> Periodic review of priorities and resources 2019/2020 Budget – review of priorities and resources 	<ul style="list-style-type: none"> 6 monthly February 2019 	<ul style="list-style-type: none"> CMT 	<ul style="list-style-type: none"> Ongoing 	<ul style="list-style-type: none"> 
<p>Anecdotal evidence suggesting delivery of appraisals and one to ones may be patchy in some areas. The council should consider reviewing its current approach to ensure consistency across all teams.</p> <p>There is also an opportunity to review the current appraisal system, including competency-based approaches. This should be aligned to the development of a new Corporate Strategy next year so that the appraisal system is rooted firmly within the council's future priorities and ambitions and the type of council it wants to be.</p>	<ul style="list-style-type: none"> Review the Performance Appraisal system 	<ul style="list-style-type: none"> Revised Performance Appraisal System – Personnel Committee 	<ul style="list-style-type: none"> September 2018 	<ul style="list-style-type: none"> CMT/ Head of HR 	<ul style="list-style-type: none"> The Performance Appraisal System was reviewed in April 2018. 95% of the 2018/2019 appraisals were conducted (an improvement on previous years). 	<ul style="list-style-type: none"> 

Issue (from the report)	Required Action	Milestones	Due Date	Lead	Update	Status
<p>The council may benefit from further work to review its use of ICT linked to its ambitions for the future. The peer team had a sense that some service areas may still rely quite heavily on paper copies of documents and files. If this is the case, could more be done to reduce the need for this which may have the potential to reduce the costs of printing as well as supporting the council's sustainability agenda?</p>	<ul style="list-style-type: none"> Produce a comprehensive IT Strategy 	<ul style="list-style-type: none"> Adoption of IT Strategy – Policy and Finance Committee 	<ul style="list-style-type: none"> July 2018 	<ul style="list-style-type: none"> Head of Financial Services 	<ul style="list-style-type: none"> Adopted by Policy and Finance Committee - June 2018 	<ul style="list-style-type: none"> 

Issue (from the report)	Required Action	Milestones	Due Date	Lead	Update	Status
Develop an Economic Development Strategy						
<p>Develop an Economic Strategy that better reflects the borough's standing as a key player in the region.</p> <p>Economic Development to play a key part in overseeing the Economic Development Strategy.</p> <p>An Economic Development Strategy developed with partners should help prioritise resources and future investment in the key areas that will make a difference.</p> <p>The new strategy might include how to attract new and diverse industries, inward investment, marketing of key employment sites, higher value jobs for local people (harnessing good local educational outcomes) and branding.</p> <p>The Economic Development Strategy should reflect the council's appetite for risk in terms of economic development investment going forward.</p> <p>The Economic Development Strategy could be used to help raise the economic profile of the borough both regionally and nationally.</p>	<ul style="list-style-type: none"> Develop a comprehensive Economic Development Strategy that is realistic and achievable and follows the Council's vision and priorities for the economic development of the Borough 	<ul style="list-style-type: none"> Production of Comprehensive Economic Development Strategy Report to Economic Development Committee 	<ul style="list-style-type: none"> September 2018 December 2018 	<ul style="list-style-type: none"> Director of Economic Development and Planning 	<ul style="list-style-type: none"> This action was delayed due to the appointment of a new Director (in post August 2018). The due date was amended accordingly with the intention of reporting the Strategy to Economic Development committee in January 2019. Economic Development Committee approved the publication version of The Economic Plan in September 2019. At the start of 2019 the Council set up an Economic Partnership with businesses in the Borough. Information gathered at the initial two events has been used to formulate a draft Economic Plan which will be reported to Economic Development Committee in June and subject to public consultation. The final plan is expected to be finalised in autumn 2019. 	<ul style="list-style-type: none">  

Issue (from the report)	Required Action	Milestones	Due Date	Lead	Update	Status
<p>Work with partners to better articulate growth ambitions.</p> <p>Become a stronger voice regionally and nationally, particularly through the Local Enterprise Partnership (LEP). The council have a real opportunity to raise their profile through the LEP; stepping up to the plate to harness their relatively strong economic position to better influence and shape future work. In particular, discussions relating to the Strategic Economic Plan and Growth Deal for Lancashire.</p>	<ul style="list-style-type: none"> Attempt to gain Council representation on the LEP 	<ul style="list-style-type: none"> Seat on the LEP Board 	<ul style="list-style-type: none"> December 2018 	<ul style="list-style-type: none"> Council Leader 	<ul style="list-style-type: none"> The Leader of the Council has recently been appointed to the LEP Board. 	<ul style="list-style-type: none"> 
<p>The council should continue to work in partnership with the other councils in the region outside of any Combined Authority if it is to realise its ambitions for the borough, particularly the LEP.</p>	<ul style="list-style-type: none"> Political Leadership and Member involvement through Lancashire Leaders 	<ul style="list-style-type: none"> Agreed system of collaborative working 	<ul style="list-style-type: none"> December 2018 	<ul style="list-style-type: none"> Council Leader 	<ul style="list-style-type: none"> The Leader regularly attends meetings of both District Leaders and the Lancashire-wide Leaders group. 	<ul style="list-style-type: none"> 
<p>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</p>						
<p>Through infrastructure planning and costing, the council should maximise contributions to meet infrastructure needs arising from development.</p> <p>There may be opportunities to review the pre-application offer</p>	<ul style="list-style-type: none"> Absorb changes to National Planning Policy Framework (NPPF) 	<ul style="list-style-type: none"> Outline Plan to Planning Committee 	<ul style="list-style-type: none"> April/ May 2018 	<ul style="list-style-type: none"> Head of Regeneration and Housing 	<ul style="list-style-type: none"> Changes to NPPF were published later than anticipated (24 July). We are now operating to the changes which are reflected in current planning policy decisions and integrated into the Development Plan review process. 	<ul style="list-style-type: none"> 

Issue (from the report)	Required Action	Milestones	Due Date	Lead	Update	Status
<p>to developers, agents and architects to strengthen current approaches, including early engagement with councillors. Holding the line on viability, particularly in the face of demands around affordable housing, is key. Recognising there is often the opportunity to adjust the housing mix and/or tenure, which can deal with some of the gap on the viability to maintain affordable housing numbers, is also important.</p> <p>Explore opportunities to develop an 'implementation group' to take a programme-based approach to oversee delivery of major sites with planning permission and associated infrastructure.</p> <p>The council should continue to share learning and offer support to parishes who wish to pursue neighbourhood plans.</p>	<ul style="list-style-type: none"> Articulate the vision for the area in terms of house building and economic development 	<ul style="list-style-type: none"> Discussion and debate on the extent of new development 	<ul style="list-style-type: none"> September 2018 	<ul style="list-style-type: none"> Head of Regeneration and Housing 	<ul style="list-style-type: none"> This will be incorporated into the Local Plan review. 	<ul style="list-style-type: none">
	<ul style="list-style-type: none"> Review the Core Strategy Determine infrastructure requirements Consider adopting the Community Infrastructure Levy 	<ul style="list-style-type: none"> Interim reports to Planning Committee Updated Core Strategy/Local Plan Review 	<ul style="list-style-type: none"> Throughout 2018 - 2020 March 2020 	<ul style="list-style-type: none"> Head of Regeneration and Housing 	<ul style="list-style-type: none"> In November 2019 a reviewed concluded, and members determined, to review the Core Strategy. Members have considered the Planning White Paper and are considering the implication for the Local Plan Programme. 	<ul style="list-style-type: none">
	<ul style="list-style-type: none"> Support the development of neighbourhood plans 	<ul style="list-style-type: none"> Support to be offered as required 	<ul style="list-style-type: none"> Ongoing 	<ul style="list-style-type: none"> Head of Regeneration and Housing 	<ul style="list-style-type: none"> Web pages have been updated. Assistance is offered whenever requested. Longridge Neighbourhood Plan has now been adopted. The Council has undertaken measures to promote Neighbourhood Plans with Parishes. 	<ul style="list-style-type: none">
Strengthen engagement between the Leadership and Corporate Management Team – this includes the chairs of committees						
<p>Strengthen engagement between the Leadership and Corporate Management Team in order to take the council forward positively; the council should consider a 'top team development' session to begin to shape this work going forward.</p>	<ul style="list-style-type: none"> Review the Council's Governance arrangements 	<ul style="list-style-type: none"> Conduct review of the Council's Governance arrangements Report to Policy and Finance Committee 	<ul style="list-style-type: none"> September 2018 	<ul style="list-style-type: none"> CEO/ Head of Legal Services 	<ul style="list-style-type: none"> The review of the Council's Governance arrangements takes place annually as part of the Annual Accounts and any issues raised are considered by the Accounts and Audit Committee The Annual Governance Statement 2018/2019 has made recommendations with regards to governance issues 	<ul style="list-style-type: none">

Issue (from the report)	Required Action	Milestones	Due Date	Lead	Update	Status
<p>To ensure continued cohesive leadership of the council in meeting the challenges ahead, the development of a standard approach to senior member and Corporate Leadership Team engagement should be considered. Investing this time together will support collaborative working. This might involve regular meetings e.g. quarterly, between the Leader, committee chairs and CLT. It could also involve a future programme of 'top team days' – particularly leading up to the development of the new Corporate Strategy next year.</p> <p>The relationships between members and officers, including communication and understanding of respective roles, will be key in helping the council move forward positively. To this end, the council may benefit from re-visiting its current Member Officer protocol to ensure continued understanding and buy in across the council.</p>	<ul style="list-style-type: none"> Organise training sessions for senior members and officers 	<ul style="list-style-type: none"> Identify training requirements Develop training programme 	<ul style="list-style-type: none"> July 2018 	<ul style="list-style-type: none"> Head of Legal Services/ Head of HR 	<ul style="list-style-type: none"> Annual Training Plan is being compiled and will include Member training. Member training is regularly reported to Personnel Committee. The focus has recently shifted to inductions for new members following the local elections. 	<ul style="list-style-type: none">
	<ul style="list-style-type: none"> Revisit the Officer/ Member Protocol 	<ul style="list-style-type: none"> Report to Accounts and Audit Committee 	<ul style="list-style-type: none"> July 2018 	<ul style="list-style-type: none"> CEO/ Monitoring Officer 	<ul style="list-style-type: none"> The Head of Legal reported the Member Officer Protocol, as a part 1 Information item, to each committee in the 2nd cycle 2018/19 	<ul style="list-style-type: none">
	<ul style="list-style-type: none"> Create a forum for two-way communications between senior members and corporate management team 	<ul style="list-style-type: none"> Regular meetings with CMT/Committee Chairmen 	<ul style="list-style-type: none"> Commencing April 2018 	<ul style="list-style-type: none"> CEO 	<ul style="list-style-type: none"> CMT and Senior members held an Away Day was in May 2018. The intention is to hold similar meetings at regular intervals. The next one to be organised will look at setting the new Council's priorities for the 2019-2023 Corporate Strategy. The Chief Executive has meetings with the Leader and Deputy Leader of the Conservative group and the Leader of the Liberal Democrats on a regular basis 	<ul style="list-style-type: none">



The Audit Findings for Ribble Valley Borough Council

This version of the report is a draft. Its contents and subject matter remain under review and its contents may change and be expanded as part of the finalisation of the report.

Year ended 31 March 2020

16 November 2020



Contents



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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Headlines

This table summarises the key findings and other matters arising from the statutory audit of Ribble Valley Borough Council Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2020 for those charged with governance.

Covid-19	<p>The outbreak of the Covid-19 coronavirus pandemic has had a significant impact on the normal operations of the Council. The Council has had to administer grants to businesses. The finance team have had to adapt to cover other front line duties.</p> <p>Authorities are still required to prepare financial statements in accordance with the relevant accounting standards and the CIPFA Code of Practice, albeit to an extended deadline for the preparation of the financial statements up to 31 August 2020 and the date for audited financial statements to 30 November 2020</p>	<p>Our audit risk assessment included the impact of the pandemic on our audit and the audit plan. The plan included an additional financial statement risk in respect of Covid -19 and highlighted the impact on our VfM approach. Further detail is set out on page 7.</p> <p>Restrictions for non-essential travel has meant audit staff have had to work remotely although Council staff have been in the office. We have used video calling to have regular meetings with finance staff and also confirm the accuracy of information produced by the entity.</p> <p>The accounts were provided to us on the 28 August 2020. Working papers have been provided throughout the audit through our cloud based system we use called 'Inflo'. Although we are pleased to report that the Council has worked well with the audit team in collaborating to identify solutions to hurdles presented by remote working, there has been a increased challenge in this area due to the timeliness of receipt of some working papers. Our 'inflo' document sharing system has helped facilitate this but inevitably the remote working has impacted on delivery and additional resources have been necessary on both sides to complete the work in accordance with the new extended reporting timetable.</p>
Financial Statements	<p>Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Council's financial statements:</p> <ul style="list-style-type: none">• give a true and fair view of the financial position of the Council and the Council's income and expenditure for the year; and• have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014. <p>We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p>	<p>Our audit work was completed remotely during August-November . Our findings are summarised on pages 6 to 17. We have identified no adjustments to the financial statements that have impacted the Council's Comprehensive Income and Expenditure Statement. Audit adjustments are detailed in Appendix A.</p> <p>Our work is ongoing and from the work completed to date there are no matters of which we are aware that would require modification of our audit opinion or material changes to the financial statements, subject to the outstanding matters listed on page 5.</p> <p>We have concluded that the other information to be published with the financial statements is consistent with our knowledge of your organisation.</p> <p>Our anticipated audit report opinion will be unqualified including an Emphasis of Matter paragraph, highlighting property, plant and equipment and pension property valuation material uncertainties</p>

Headlines

This table summarises the key findings and other matters arising from the statutory audit of Ribble Valley Borough Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2020 for those charged with governance.

Value for Money arrangements	Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report if, in our opinion, the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VfM) conclusion').	<p>We have completed our risk based review of the Council's value for money arrangements. We have concluded that Ribble Valley Borough Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources.</p> <p>We have updated our VfM risk assessment to document our understanding of your arrangements to ensure critical business continuity in the current environment. We have not identified any new VfM risks in relation to Covid-19.</p> <p>We therefore anticipate issuing an unqualified value for money conclusion, as detailed in Appendix C. Our findings are summarised on pages 18 to 20.</p>
Statutory duties	<p>The Local Audit and Accountability Act 2014 ('the Act') also requires us to:</p> <ul style="list-style-type: none"> • report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and • To certify the closure of the audit. 	<p>We have not exercised any of our additional statutory powers or duties</p> <p>We have completed the majority of work under the Code and expect to be able to certify the completion of the audit once we receive instructions from WGA.</p>

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance and timely collaboration provided by the finance team and other staff during these unprecedented times.

Audit approach

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the Council's business and is risk based, and in particular included:

- An evaluation of the Council's internal controls environment, including its IT systems and controls;
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

We have not had to alter our audit plan, as communicated to you on the 10 September 2020.

Conclusion

Our work on the audit of your financial statements is ongoing and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Accounts and Audit Committee meeting on 25 November 2020, as detailed in Appendix C. These outstanding items include:

- completion of going concern review, finalising the work on PPE valuations with the responses from the valuer, completion of cut-off testing, completion of work on the NDR Provision, and reconciling the payroll expenditure to the ledger.
- completion of a small number of outstanding audit procedures and review of the work;
- receipt of the final report from the auditor of Lancashire Local Government Pension Scheme;
- receipt of management representation letter; and
- review of the final set of financial statements and subsequent procedures.

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality levels remain the same as reported in our audit plan.

	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	418,000	• This equates to 2% of your gross operating expenditure for 2018/19 year and is considered to be the level above which users of the financial statements would wish to be aware in the context of overall expenditure.
Performance materiality	313,500	• Based on 75% of materiality derived from the risk of misstatement
Trivial matters	20,000	• Based on a 5% of materiality
Materiality for Senior Officer Remuneration	5,000	• Due to the sensitive nature of the disclosure

Significant audit risks

Risks identified in our Audit Plan

Covid- 19

The global outbreak of the Covid-19 virus pandemic has led to unprecedented uncertainty for all organisations, requiring urgent business continuity arrangements to be implemented. We expect current circumstances will have an impact on the production and audit of the financial statements for the year ended 31 March 2020, including and not limited to;

- Remote working arrangements and redeployment of staff to critical front line duties may impact on the quality and timing of the production of the financial statements, and the evidence we can obtain through physical observation
- Volatility of financial and property markets will increase the uncertainty of assumptions applied by management to asset valuation and receivable recovery estimates, and the reliability of evidence we can obtain to corroborate management estimates
- Financial uncertainty will require management to reconsider financial forecasts supporting their going concern assessment and whether material uncertainties for a period of at least 12 months from the anticipated date of approval of the audited financial statements have arisen; and
- Disclosures within the financial statements will require significant revision to reflect the unprecedented situation and its impact on the preparation of the financial statements as at 31 March 2020 in accordance with IAS1, particularly in relation to material uncertainties.

We therefore identified the global outbreak of the Covid-19 virus as a significant risk, which was one of the most significant assessed risks of material misstatement

Auditor commentary

We:

- worked with management to understand the implications the response to the Covid-19 pandemic had on the organisation’s ability to prepare the financial statements and update financial forecasts and assessed the implications for our materiality calculations. No changes were made to materiality levels previously reported. The draft financial statements were provided on 28th August 2020;
- liaised with other audit suppliers, regulators and government departments to co-ordinate practical cross-sector responses to issues as and when they arose.
- evaluated the adequacy of the disclosures in the financial statements that arose in light of the Covid-19 pandemic;
- evaluated whether sufficient audit evidence could be obtained through remote technology;
- evaluated whether sufficient audit evidence could be obtained to corroborate significant management estimates such as assets and the pension fund liability valuations ;
- evaluated management’s assumptions that underpin the revised financial forecasts and the impact on management’s going concern assessment;
- discussed with management the implications for our audit report where we have been unable to obtain sufficient audit evidence.

The results of our work concluded that appropriate arrangements had been put in place to manage the COVID 19 situation.

Due to the potential impact of Covid-19 on the valuation of the Local Government Pension Fund (LGPS) property assets. Lancashire's LGPS accounts include a material uncertainty around the valuation of property assets and the fund auditor intends to include an emphasis of matter in their auditor’s report in this regard. Your financial statements disclosures have been updated (note 6) to reflect this and our audit report will also contain an “emphasis of matter” paragraph relating to this matter. This is not a modification or qualification of the opinion and is consistent with other audited bodies where the valuer has highlighted a material valuation uncertainty

Significant audit risks

Risks identified in our Audit Plan

ISA240 revenue risk – the Council's reported revenue contains fraudulent transactions.

Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.

This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.

Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Authority, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:

- there is little incentive to manipulate revenue recognition
- opportunities to manipulate revenue recognition are very limited
- the culture and ethical frameworks of local authorities, including Ribble Valley Borough Council, mean that all forms of fraud are seen as unacceptable.

Auditor commentary

We rebutted this risk in our Audit Plan and no changes to our assessment have been reported in the audit plan.

Significant audit risks

Risks identified in our Audit Plan

Management override of controls

Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.

We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.

Valuation of land and buildings (Periodic revaluation with desktop valuation in intervening years)

The Authority revalues its land and buildings on a five-yearly basis. In the intervening years, to ensure the carrying value in the Authority financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, the Authority requests a desktop valuation from its valuation expert to ensure that there is no material difference. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£15 million) and the sensitivity of this estimate to changes in key assumptions.

We therefore identified valuation of land and buildings as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.

Auditor commentary

We;

- evaluated the design effectiveness of management controls over journals
- analysed the journals listing and determined the criteria for selecting high risk unusual journals
- tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration
- gained an understanding of the accounting estimates and critical judgements applied made by management and considered their reasonableness with regard to corroborative evidence
- evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.

Our audit work is complete, and has not identified any issues in respect of management override of controls to date.

We:

- evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work
- evaluated the competence, capabilities and objectivity of the valuation expert
- wrote to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the Code are met
- challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding, the Authority's valuer's report and the assumptions that underpin the valuation.
- test revaluations made during the year to see if they had been input correctly into the Authority's asset register

Our audit work is still in progress, we have discussed the requirement to disclose the material uncertainty around the PPE revaluation with the Council and the Council has subsequently made additional disclosures in Note 13. We need to review the responses from the valuer and corroborate the assumptions used.

Significant audit risks

Risks identified in our Audit Plan

Valuation of the pension fund net liability

The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.

The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£15 million) in the Authority's balance sheet and the sensitivity of the estimate to changes in key assumptions.

We therefore identified valuation of the Authority's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement

Auditor commentary

We;

- updated our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluate the design of the associated controls;
- evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;
- assessed the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation;
- assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability;
- tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary;
- undertook procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and

At the time of drafting this report, we are yet to receive the information and assurances requested from the auditor of Lancashire Pension Fund that will enable us to conclude our procedures in this area.

We are aware that there is a possibility that the Pension Fund Auditor will include an emphasis of matter in the audit report drawing attention to a material valuation uncertainty relating to the Fund's real estate portfolio. Where this is the case, we will need to consider the impact on our own report and the need for associated disclosure within the financial statements.

Our audit work is in progress, but has not identified any issues in respect of valuation of the net liability.

Significant findings – other issues

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan and a summary of any significant control deficiencies identified during the year.

Issue	Commentary
<p>IFRS 16 implementation has been delayed by one year</p> <p>Although the implementation of IFRS 16 has been delayed to 1 April 2021, audited bodies still need to include disclosure in their 2019/2020 statements to comply with the requirement of IAS 8 para 31. As a minimum, we would expect audited bodies to disclose the title of the standard, the date of initial application and the nature of the changes in accounting policy for leases.</p>	<p>Note 4 makes brief reference to IFRS16. We are satisfied that your disclosure is consistent with the requirements of IAS 8.</p>

Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment
Provisions for NNDR appeals - £0.595m	<p>The Council is liable for successful appeals against business rates charged to business in 2019/20 and earlier financial years in their proportionate share. A provision has therefore been made for the best estimate of the amount that businesses have been overcharged up to 31 March 2020. The estimate has been calculated using the latest Valuation Office Agency (VOA) ratings list of appeals and the analysis of successful appeals to date.</p> <p>The provision has increased by £185,014 in 2019/20.</p>	<ul style="list-style-type: none"> Our audit work in this area is still outstanding. At the time of writing we are awaiting for detailed workings on the basis of calculation. 	TBC

Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment
Land and Buildings – Other - £12.999m	<p>Other land and buildings comprises £6.866m of specialised assets such as leisure centres and museums, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings (£6.36m) are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. The Council has engaged Taylor Weaver to complete the valuation of properties as at 31 March 2020 on a five yearly basis. 100% of total assets were revalued during 2019/20.</p> <p>Due to the profile of the portfolio of Council's assets, management do not deem it appropriate to value on an alternative basis. The assets valued on a DRC basis are sufficiently specialised that an alternate use would not be commercially viable for a prospective purchaser and there is little evidence of an active market for these assets to be able to value on an EUV basis.</p> <p>Contrary to RICS guidance, the Council's valuer has not disclosed a material uncertainty in the valuation of the Council's land and buildings at 31 March 2020 as a result of Covid-19. The Council has included disclosures in Note 13 to outline Covid-19 has no impact on non current assets.</p> <p>The valuation of properties valued by the valuer has resulted in a net decrease of £2.81m. The total year end valuation of Other land and buildings was £12.999m, a net decrease of £2.021m from 2018/19 (£15.020m).</p>	<ul style="list-style-type: none"> • We have no concerns over the competence, capabilities and objectivity of the valuation expert (Taylor Weaver) used by the Council. • The valuer has agreed clear terms of reference for this work with the Council in advance of the work being performed, including within which were the assumptions that were going to be applied to this work. • We have reviewed the assumptions applied by the Valuer to the valuation performed, and have confirmed they are reasonable and appropriate given the nature of the assets held by the Council. • There have been no changes to the valuation methods this year. • We have reviewed and are satisfied with the completeness and accuracy of the information provided to the valuer to determine the estimate • We have reviewed the work done by management on those assets not revalued during 2019/20 to confirm that the value held within the financial statements is not materially different to their carrying value. 	
		<p>The Council have amended Note 13 to disclose the estimation uncertainty of Property, Plant and Equipment</p>	

Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
 - We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
 - We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
 - We consider management's process is appropriate and key assumptions are neither optimistic or cautious
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Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment
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Net pension liability – £14.971m

The Council's net pension liability at 31 March 2020 is £14.971m (PY £15.413m) comprising Lancashire Local Government Pension Scheme (LGPS).

The Council uses Mercers to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years.

The latest full actuarial valuation was completed in 2020. A roll forward approach is used in intervening periods which utilises key assumptions such as life expectancy, discount rates, salary growth and investment return. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £2.121m net actuarial loss during 2019/20.

We have no concerns over the competency, capability and objectivity of the actuary used by the Council.

We have used the work of PwC, as auditor's expert to assess the methodology and assumptions made by the actuary. See below for consideration of the key assumptions used by the actuary.

Assumption	Actuary Value	PwC range	Assessment
Discount rate	2.4%	2.3% – 2.4%	●
Pension increase rate	2.20%	2.20%	●
Salary growth	3.6%	3.35% - 3.6%	●
Life expectancy – Males currently aged 45 / 65	22.3 23.8	20.9 – 23.2 22.5 – 24.7	●
Life expectancy – Females currently aged 45 / 65	25 26.8	24 – 25.8 25.9 – 27.7	●

We have reviewed the assumptions used for each of these variables. Our own independent actuary has also confirmed that they are comfortable that the assumptions used by Mercers are reasonable for the purpose of valuing the liabilities at 31 March 2020.

Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Significant findings – matters discussed with management

This section provides commentary on the significant matters we discussed with management during the course of the audit.

Significant matter	Commentary
The most significant events that occurred during the year was the Covid-19 pandemic.	During the year we have considered the challenges arising from Covid-19. We are satisfied that management responded swiftly and appropriately to the challenges of Covid-19.
We also discussed the assumptions underpinning the basis of valuation used on PPE.	We are satisfied with the basis of valuation and are satisfied this meets the requirements of the Code.
Significant matters on which there was disagreement with management, except for initial differences of opinion because of incomplete facts or preliminary information that are later resolved by the auditor obtaining additional relevant facts or information	No disagreements with management occurred during the audit.
Other matters that are significant to the oversight of the financial reporting process.	None to report.

Significant findings – going concern

Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).

Going concern commentary

Management's assessment process

- Cash flow periods ended November 2021
- Judgements and assumptions taken

Auditor commentary

The 2020/21 budget was finalised in February 2020 and in late March the global pandemic of Covid-19 was announced affecting the economy and public sector bodies. The short term effects has resulted in increased costs for public service bodies to meet the needs of the public and uncertainty over future funding as the government looks to support a decline in the economy. This therefore affects the short to medium term budget forecasts for the Council.

Assumptions underpinning the budget forecast in the short term are now uncertain. The Council approved a balanced budget for 2020/21. We have assessed the reasonableness of the assumptions underlying this forecast in light of the global pandemic and have reviewed management's cashflow forecast up to November 2021.

Work performed

Management have provided us with a written assessment of going concern which we have reviewed in conjunction with cash flow forecasts and the MTFS.

Our work included:

- determining whether the conclusions made by the management regarding the decision not to disclose any going concern material uncertainties in the financial statements were prudent and appropriate;
- we have reviewed management's assessment in the light of the Council's position and the national context and assessed the underlying assumptions used to support management's preparation of the accounts on a going concern basis;
- reviewing cash flow forecasts up to November 2021 to assess the existence of any material uncertainties related to going concern and ensuring the Council have cash to meet expenditure.

Concluding comments

Based on the audit work performed over the going concern assumption adopted by management, we are satisfied that it remains appropriate for the Council to prepare accounts on a going concern basis as at 31 March 2020. The Council have a reasonable expectation that the services they provide will continue for the foreseeable future. For this reason we consider it appropriate for the entity to continue to adopt the going concern basis in preparing the financial statements.

We are finalising the review of the cash flow forecast however from work completed to date we do not consider there to be a material uncertainty which would cast doubt on the ability of the entity to continue as a going concern.

Other matters for communication

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Auditor commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Accounts and Audit Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Council, which is included in the Accounts and Audit Committee papers.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to the bank and investment bodies. This permission was granted and the requests were sent. All of these requests were returned with positive confirmation.
Disclosures	Our review found no material omissions in the financial statements.
Audit evidence and explanations/significant difficulties	All information and explanations requested from management are being provided. Our audit identified some delays with the audit evidence provided with the financial statements which has resulted in the audit taking longer to complete than in previous years. However we acknowledge the challenging circumstances with the remote working environment.

Other responsibilities under the Code

Issue	Commentary
Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement and Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect – refer to appendix C.</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a numbers of areas:</p> <ul style="list-style-type: none"> • If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the other information of which we are aware from our audit • If we have applied any of our statutory powers or duties <p>We have nothing to report on these matters .</p>
Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>Detailed work is not required as the Council does not exceed the threshold.</p>
Certification of the closure of the audit	<p>We will be able to certify the closure of the 2019/20 audit of Ribble Valley Borough Council.</p>

Value for Money

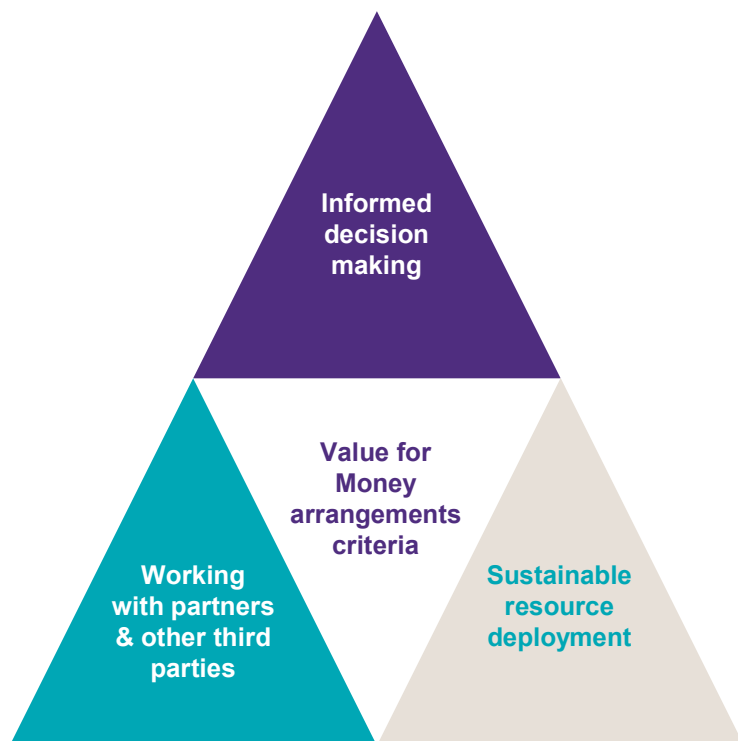
Background to our VFM approach

We are required to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council. In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in April 2020. AGN 03 identifies one single criterion for auditors to evaluate:

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

This is supported by three sub-criteria, as set out below:



Risk assessment

We carried out an initial risk assessment in February 2020 and identified one significant risks in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated these risks to you in our Audit Plan dated April 2020.

We have continued our review of relevant documents up to the date of giving our report, and have not identified any further significant risks where we need to perform further work.

We have not identified any new VFM risks in relation to Covid-19. We do not consider Covid-19 to be a significant risk given the date of the pandemic.

We carried out further work only in respect of the significant risks we identified from our initial and ongoing risk assessment. Where our consideration of the significant risks determined that arrangements were not operating effectively, we have used the examples of proper arrangements from AGN 03 to explain the gaps in proper arrangements that we have reported in our VFM conclusion

Value for Money

Our work

AGN 03 requires us to disclose our views on significant qualitative aspects of the Council's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the significant risks that we identified in the Council's arrangements. In arriving at our conclusion, our main considerations were:

- Financial Sustainability – reviewing the Council's financial outturn in line with the current events.

We have set out more detail on the risks we identified, the results of the work we performed, and the conclusions we drew from this work on page 20.

Overall conclusion

Based on the work we performed to address the significant risks, we are satisfied that the Council had proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The text of our report, which confirms this can be found at Appendix C.

Significant difficulties in undertaking our work

We did not identify any significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

Significant matters discussed with management

There were no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or those charged with governance.

Value for Money

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk	Findings	Conclusion
<p>Financial Sustainability</p>	<p>During 2019/20 the Council delivered a deficit of £96k which was transferred from the General Fund reserves and a revenue contribution to the earmarked reserve of £2.8m was made. £2.3m of Earmarked reserves were used to fund the capital program. Total earmarked reserves at 31/3/2020 stood at £9.8m and general fund balance at £2.4m.</p>	<p>We conclude that there are appropriate arrangements in place for the in year reporting and monitoring of the financial position.</p>
<p>Consistent with previous years the Council has delivered its planned outturn for 2018/19 with a net revenue underspend of £47k. The council holds £9.272m in Earmarked Reserves and £2.472m in General Fund reserves. Although the Council were estimating budget gaps these have been met by the 19/20 finance settlement.</p>	<p>Appropriate reporting arrangements exist at the Council. The Council's financial position is reported to the Policy and Finance Committee on a quarterly basis, alongside summary financial reports from other Committees. The COVID pandemic meant that a number of meetings were deferred and in May 2020, an emergency Council meeting was held which approved a temporary addendum to the Council's Standing Orders to allow for meetings to be held virtually. Virtual Committee meetings are now occurring and the latest financial position is reported, alongside other financial information.</p>	
<p>Therefore although the Council is required to make savings they are not onerous and the Council has a good track record of achieving savings. However, in light of the events taking place in 2019/20 which include the floods and now COVID 19 we will review the impact of these issues on the Council's finances.</p>	<p>The Council has already assessed the impact of Covid 19 to date and this was reported in the Council's Covid 19 Financial update report that went to the Policy and Finance Committee in November 2020. The Council has received Covid funding totalling £803k, to meet the £671k associated costs so far of COVID 19. The Council have also reported the income lost due to Covid in the first four months of 2020/21 to Central Government, various deductions need to be made on this and the amount which can be claimed back is £193k. Collection Fund losses are estimated to be £1.980m. The Council currently expects all Covid related costs to be funded by Central Government support.</p>	
	<p>Through regular monitoring of the costs associated with Covid and the loss of income the Council has a good understanding of the financial implications arising from the pandemic, and are well placed to assess the likely affect on the 2021/22 budget. The budget setting process has already started which will factor in these uncertainties.</p>	
	<p>In the year, the Council received a visit to follow up on the Corporate Peer challenge review which took place in 2017. An action plan was in place to address the recommendations of this review and the peer group were happy with the progress being made. All recommendations were concluded as either complete or in progress.</p>	
	<p>The follow up review concluded that the Council delivers good core services through a committed workforce achieving high levels of customer satisfaction and value for money.</p>	

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix B

Independence and ethics

Audit and Non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services were identified as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

	Fees £	Threats identified	Safeguards
Audit related			
Certification of Housing Benefit Claim	16,000	Self-Interest because this is a recurring fee	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £16,000 in comparison to the total fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review because GT provides audit services	To mitigate against the self review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.

Audit adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure omission	Detail	Auditor recommendations	Adjusted?
Movement in Reserves Note 21 Unusable Reserves – Revaluation reserve	Amendment required to ensure that the revaluation reserve figures for revaluation reconciled through to the CIES for the deficit of revaluation of PPE Assets.	Amend the accounts to ensure the Movements in Reserves Disclosure reconciles to the revaluation reserve.	✓
Note 13 Estimation Uncertainty	The note needs to be amended to ensure the material uncertainty around the PPE Valuation is disclosed.	Amend the accounts to include this disclosure	✓
Note 14 Heritage Assets	Revaluation increases were included in the disposals row and not revaluations.	Amend the accounts to include this in the correct row.	✓
Note 15 Financial Instruments	The disclosure in the table is not IFRS 9 compliant and refers to superseded terminology.	Amend to ensure IFRS 9 compliance	✓
Note 27 External Audit Costs	The note is to be adjusted to include the 2019/20 additional fee.	Amend the accounts to include this disclosure	✓
Note 34 Defined Benefit Pension Schemes	This note is to include further narrative in relation to the McCloud adjustment.	Amend the accounts to include this disclosure	✓
A number of other minor disclosure and typographical errors were identified which have been amended			

Fees

We confirm below our final fees charged for the audit and provision of non-audit services.

Audit fees	Proposed fee	Final fee
Council Audit – Fees per Audit Plan	37,106	TBC
- Proposed fee Variation	5,566	
Total audit fees (excluding VAT)	£42,672	TBC

The fees in the financial statement include £4,500 in relation to the 2018/19 Audit as well as an audit rebate of £(3,117).

The proposed indicative fee of £37,106 has been approved by PSAA. We set out in our audit plan how the Financial Reporting Council's has set its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and robust testing. This coupled with the recent impact of Covid 19 and the time taken in managing the audit in a more remote working environment, has clearly impacted our work and we will need to review the actual audit inputs required at the conclusion of our work to assess any fee implications arising from this.

Over the past six months the current Covid-19 pandemic has had a significant impact on all of our lives, both at work and at home. The impact of Covid-19 on the audit of the financial statements for 2019/20 has been multifaceted. This includes:

- Revisiting planning - we have needed to revisit our planning and refresh risk assessments, materiality and testing levels. This has resulted in the identification of a significant risk at the financial statements level in respect of Covid-19 necessitating the issuing of an addendum to our original audit plan as well as additional work on areas such as going concern and disclosures in accordance with IAS1 particularly in respect to material uncertainties.
- Management's assumptions and estimates - there is increased uncertainty over many estimates including property, pension and other investment valuations. Many of these valuations are impacted by the reduction in economic activity and we are required to understand and challenge the assumptions applied by management. There are similar challenges for management and ourselves on areas such as credit loss allowances and other provisions. We are discussing with management the need to include an Emphasis of Matter in the Audit Report in respect of the material uncertainty on property values.
- Financial resilience assessment – we have been required to consider the financial resilience of audited bodies. Our experience to date indicates that Covid-19 has impacted on the financial resilience of all local government bodies. This has increased the amount of work that we need to undertake on the sustainable resource deployment element of the VFM criteria necessitating enhanced and more detailed reporting in our ISA260.
- Remote working across our local government audits, the most significant impact in terms of delivery has been the move to remote working. As a firm, having reflected on government guidelines our audit staff were advised to work from home wherever possible. Naturally, working in a more remote environment means that discussions with officers and progress of our work has taken longer than normal. These are understandable and arise from the availability of the relevant information and/or the availability of key staff (due to shielding or other additional Covid-19 related demands). In many instances the delays are caused by our inability to sit with an officer to discuss a query or working paper. Gaining an understanding via Teams or phone is more time-consuming.

We have been discussing this issue with PSAA over the last few months and note these issues are similar to those experienced in the commercial sector and NHS. In both sectors there has been a recognition that audits will take longer with commercial audit deadlines being extended by 4 months and NHS deadline by a month. The FRC has also issued guidance to companies and auditors setting out its expectation that audit standards remain high and of additional work needed across all audits. The link attached <https://www.frc.org.uk/covid-19-guidance-and-advice> (see guidance for auditors) sets out the expectations of the FRC.

Please note that these proposed additional fees are subject to approval by PSAA in line with the Terms of Appointment.

Fees

Non-audit fees for other services	Proposed fee	Final fee
Audit Related Services HBAP Claim	16,000	TBC
Total non- audit fees (excluding VAT)	£16,000	TBC



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

DECISION

Agenda Item No 8

meeting date: 25 NOVEMBER 2020
title: LETTER OF REPRESENTATION
submitted by: DIRECTOR OF RESOURCES
principal author: JANE PEARSON

1 PURPOSE

1.1 To approve the Letter of Representation for 2019/20 on behalf of the Council.

2 BACKGROUND

2.1 As you will be aware, each year our external auditors request a letter of representation from management confirming all material items have been disclosed within the financial statements.

2.2 The letter sets out assurances from the Council to Grant Thornton that relevant accounting standards have been complied with and gives further assurances that the Council has disclosed information where to withhold it would have undermined the accuracy and reliability of the Statement of Accounts.

2.3 The letter also covers my own responsibilities and those of the Council in producing the annual accounts for the authority. Grant Thornton requires you to approve the Letter of Representation before they can issue their opinion and conclusion on our accounts for 2019/20.

3 2019/20 LETTER OF REPRESENTATION

3.1 The letter sets out assurances from the Council to Grant Thornton that relevant accounting standards have been complied with and gives further assurances that the Council has disclosed information where to withhold it would have undermined the accuracy and reliability of the Statement of Accounts.

4 RECOMMENDED THAT COMMITTEE

4.1 Approve the Letter of Representation to Grant Thornton for 2019/20.

DIRECTOR OF RESOURCES

AA16-20/JP/AC
11 November 2020

For further information please ask for Jane Pearson



RIBBLE VALLEY BOROUGH COUNCIL

Please ask for: Jane Pearson

Our ref: JP2-20/AC

Your ref:

17 November 2020

Council Offices
Church Walk, Clitheroe
BB7 2RA

Tel: 01200 425111

www.ribblevalley.gov.uk

Dear Sirs

Ribble Valley Borough Council Financial Statements for the year ended 31 March 2020

This representation letter is provided in connection with the audit of the financial statements of Ribble Valley Borough Council for the year ended 31 March 2020 for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- i. We have fulfilled our responsibilities for the preparation of the Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements.
- vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- vii. Except as disclosed in the financial statements:
 - a. there are no unrecorded liabilities, actual or contingent

Chief Executive: Marshal Scott CPFA

Directors: John Heap B.Eng. C.Eng. MICE, Nicola Hopkins MTCP MRTPI, Jane Pearson CPFA

- b. none of the assets of the Council has been assigned, pledged or mortgaged
 - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x. The financial statements are free of material misstatements, including omissions.
- xi. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiii. We have updated our going concern assessment and cashflow forecasts in light of the Covid-19 pandemic. We continue to believe that the Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements

Information Provided

- xiv. We have provided you with:
 - a. access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - b. additional information that you have requested from us for the purpose of your audit; and
 - c. access to persons within the Council via remote arrangements, in compliance with the nationally specified social distancing requirements established by the government in response to the Covid-19 pandemic, from whom you determined it necessary to obtain audit evidence.
- xv. We have communicated to you all deficiencies in internal control of which management is aware.
- xvi. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xvii. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xviii. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council, and involves:
 - a. management;
 - b. employees who have significant roles in internal control; or
 - c. others where the fraud could have a material effect on the financial statements.
- xix. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- xx. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

- xxi. We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.
- xxii. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

- xxiii. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

- xxiv. The disclosures within the Narrative Report fairly reflect our understanding of the Council's financial and operating performance over the period covered by the financial statements.

Approval

The approval of this letter of representation was minuted by the Council's Accounts and Audit Committee at its meeting on 25 November 2020.

Name:

Position: Director of Resources

Date.....

Signed on behalf of Ribble Valley Borough Council

Yours faithfully

Jane Pearson
Director of Resources

Grant Thornton UK LLP
4 Hardman Square
Spinningfields
Manchester
M3 3EB

RIBBLE VALLEY BOROUGH COUNCIL REPORT TO POLICY AND FINANCE COMMITTEE

Agenda Item No 9

meeting date: 25 NOVEMBER 2020
title: APPROVAL OF AUDITED STATEMENT OF ACCOUNTS FOR 2019/20
submitted by: DIRECTOR OF RESOURCES
principal author: LAWSON ODDIE

1 PURPOSE

1.1 To seek Member approval of the Statement of Accounts for 2019/20, 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 As a result of the Covid-19 pandemic, the timeline for the closure of the accounts for 2019/20 was changed by the Government. The Accounts and Audit Regulations 2015 would ordinarily require that the Council release for audit and publish its draft Statement of Accounts by 31 May and then to have the audited Statement of Accounts approved and published by 31 July.

2.3 These deadlines were extended to 31 August for the publishing of the draft accounts and 30 November to publish the audited accounts.

2.4 Our full Statement of Accounts were signed off for audit by the Director of Resources on 28 August 2020 and the audit has now been completed.

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

2.6 Members' role in approval of the Statement of Accounts following the conclusion of the audit is to demonstrate their ownership of the statements, their confidence in the Director of Resources (Section 151 Officer) and the process by which accounting records are maintained and the statements prepared.

2.7 The position for each of our committees has been reported during recent meetings and included details of the variances against the budget estimate. Understanding of our outturn position for 2019/20 will help in the budget setting process for the 2021/22 financial year, and also in revising the estimate for the current financial year.

3 STATEMENT OF ACCOUNTS FOR 2019/20

- 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.
- 3.2 Members will be taken through the full statement of accounts for 2019/20 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 2 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 2019/20

- 4.1 Shown below is the final position for the 2019/20 financial year.

Committee	Original Estimate	Revised Estimate	Actual	Original Estimate Compared to Actual	Revised Estimate Compared to Actual
	£'000	£'000		£'000	£'000
Community Services	4,024	4,062	4,146	122	84
Economic Development	289	298	269	-20	-29
Health & Housing	1,003	982	795	-208	-187
Planning & Development	392	569	241	-151	-328
Policy & Finance	2,243	2,150	2,016	-227	-134
Committee Expenditure	7,951	8,061	7,467	-484	-594
Interest Payable	7	7	7	0	0
Parish Precepts	451	451	451	0	0
Interest Received	-100	-100	-114	-14	-14
Net Operating Expenditure	8,309	8,419	7,811	-498	-608
Impairment Losses/(Gains) on Outstanding Debts	0	0	6	6	6
Precept from Collection Fund (including parish precepts)	-3,948	-3,948	-3,948	0	0
Collection Fund Surplus - Council Tax	-62	-62	-62	0	0
Levy Account Surplus	-21	0	-5	16	-5
New Homes Bonus	-1,666	-1,666	-1,666	0	0
Business Rates Baseline Funding	-1,441	-1,441	-1,441	0	0
Retained Rates Income	-582	-582	-582	0	0
S31 Grant	-1,636	-1,659	-1,709	-73	-50
Retained Rates - Renewable Energy	-94	-94	-83	11	11

Committee	Original Estimate	Revised Estimate	Actual	Original Estimate Compared to Actual	Revised Estimate Compared to Actual
	£'000	£'000		£'000	£'000
Contribution to Pilot Pool Risk Reserve	30	33	0	-30	-33
Contribution to Pilot Pool Strategic Growth Fund	148	166	2	-146	-164
Collection Fund Surplus - Business Rates	-224	-224	-224	0	0
Deficit/(Surplus) for year before Capital Adjustments and Transfers to/(from) Earmarked Reserves	-1,187	-1,058	-1,901	-714	-843
Depreciation	-1,005	-933	-933	72	0
Minimum Revenue Provision	126	126	126	0	0
Net Transfer to/(from) earmarked reserves	2,160	2,021	2,804	644	783
Deficit/(Surplus) for Year	94	156	96	2	-60

- 4.2 You will see we have made a deficit of £96,000 during the year, compared with the Revised Estimate which showed a deficit of £156,000, and the Original Estimate which showed a deficit of £94,000. 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 2019/20 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
<u>Expenditure Variations</u>			
Agency Staff	27	0	27
Salaries	-16	1	-15
Tuition Fees and Training Expenses	-26	2	-24
Energy Costs	23	0	23
General Repairs and Maintenance	-28	29	1
Vehicle Repairs and Maintenance	158	0	158
Vehicle Running Costs	-18	0	-18
Communications and Computing	-35	12	-23
Equipment, Furniture and Materials	25	5	30
Promotional Activities and Publicity	-27	-2	-29
Printing and Stationery	-18	6	-12

Variation	£'000	Impact on Earmarked Reserves £'000	Net Variance £'000
Rent Allowance Payments	-10	0	-10
Total Expenditure Variances	55	53	108
<u>Income Variations</u>			
Rent Allowances Grant	11	0	11
Covid-19 Support Grant Tranche 1	-24	4	-20
Storm Ciara S31 grant in respect of Council Tax Relief	-19	0	-19
Use of Commuted Sums	-388	388	0
Recycling District Grant Fund	-16	14	-2
Government Flood Community Recovery Grant	-66	18	-48
Other Grants, Reimbursements and Contributions	-53	34	-19
Sale of Equipment and Materials	-32	32	0
Fees and Charges	-47	8	-39
Total Income Variances	-634	498	-136
Other Variations	-15	-4	-19
Net Variation on Committee Expenditure	-594	547	-47
Impact of Corporate Variances on Earmarked Reserves		236	236
Net Variation after Corporate Movements on Earmarked Reserves	-594	783	189
Impairment Losses/(Gains) on Outstanding Debts			6
Levy Account Surplus			-5
Increased S31 Grants			-50
Retained Rates - Renewable Energy			11
Contribution to Pilot Pool Risk Resilience Reserve			-33
Contribution to Pilot Pool Strategic Economic Growth and Financial Sustainability Fund			-164
Increased Interest Received			-14
Decrease in amount to take from balances compared to Revised Estimate			-60

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 the setting aside of Commuted Sums/S106 monies in to the Capital Earmarked Reserve for use on the Primrose Lodge Blue and Greenway Project (£388k).

4.5 There has also been a 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

4.6 As mentioned earlier in the report, we had originally planned to take £93,896 from general fund balances to help finance the 2019/20 spending plans. However, this was revised later in the year to taking £155,965 from general fund balances. The final position shows that the council has taken £94,465 from general fund balances.

General Fund Balance	£'000
General Fund Balances: Brought forward at 1 April 2019	2,472,111
Deficit in 2019/20 taken from General Fund Balances	-96,465
General Fund Balances: Carried forward at 31 March 2020	2,375,646

Earmarked Reserves

- 4.7 With regard to earmarked reserves, in support of the revenue account and excluding capital transactions, we had originally planned to add £2,160,402. However, this was revised later in the year to adding £2,020,951 to earmarked reserves. The final position shows that the council has added £2,803,867 to earmarked reserves for revenue purposes.
- 4.8 For capital purposes we used £2,310,163 from earmarked reserves to fund the capital programme.
- 4.9 The overall net movement was £493,704 added to earmarked reserves. Full details of the movement on our earmarked reserves is shown on page 87 of the Statement of Accounts at note 12.

Earmarked Reserves	£
Earmarked Reserves: Brought forward at 1 April 2019	9,272,064
Net added to Earmarked Reserves for revenue purposes	2,803,867
Net taken from Earmarked Reserves for capital purposes	-2,310,163
Earmarked Reserves: Carried forward at 31 March 2020	9,765,768

- 4.10 Some of the larger in-year additions to earmarked reserves have been from unused in year receipt of New Homes Bonus (£561,486) and Business Rates Growth (£1,920,439). There has also been the set aside of £388,473 to the Capital Earmarked Reserve for use on the Primrose Lodge Blue and Greenway Project in 2019/20. **It must be remembered that much of the earmarked reserves are set aside for use in funding the capital programme over the coming years.**

Business Rates in 2019/20

- 4.11 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 also hold a Business Rates Volatility Earmarked Reserve to cushion any potential impacts (£1.682m), should this be needed.
- 4.12 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.

Business Rates Element	£'000
Total Business Rates Income Forecast for 2019/20	-14,976
Less Payable to Central Government	3,744
Less Payable to Lancashire County Council	2,621

Business Rates Element	£'000
Less Payable to Lancashire Combined Fire Authority	225
Balance Retained by Ribble Valley Borough Council	-8,386
Less Tariff Payable to Central Government	6,364
Baseline Business Rates Income of £1,440,000 plus Growth of £582,000	-2,022
Business Rates retained on Renewable Energy Schemes	-83
Section 31 Grants	-1,709
Less Contribution to the Strategic Growth Fund	2
Less Business Rates Collection Fund Surplus	-224
Overall Net Retained Business Rates Related Income	-4,036
Business Rates Income Used In-Year	
Baseline Business Rates Income	1,440
Use of other Business Rates Related Income, Including Growth	676
Total Business Rates Income Used In-Year	2,116
Balance set aside in the Business Rates Growth Earmarked Reserve	1,920

Collection Fund

- 4.13 As billing authority, the council maintains a separate Collection Fund for the collection of and distribution of council tax and business rates.
- 4.14 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.
- 4.15 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.
- 4.16 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.
- 4.17 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.
- 4.18 Full details of the Collection Fund position can be seen at Annex 3, but in summary the overall opening balance on the collection fund at 1 April 2019 was a surplus of £1.282m and the closing balance was a surplus of £1.103m.

	Council Tax	Business	Total
	£'000	Rates	Collection
	£'000	£'000	Fund
	£'000	£'000	£'000
Opening Balance - Surplus	706	576	1,282
Income	42,383	15,829	58,212
Expenditure	42,306	16,085	58,391
Closing Balance - Surplus	783	320	1,103

Full details of the Collection Fund position can be seen on page 130 of the Statement of Accounts.

Capital

4.19 During the year the Council spent £2,781,747 on capital schemes. The main areas of expenditure included:

- Edisford Sports Complex
- Replacement Vehicles and Plant.
- ICT Hardware and Software
- Support for the Primrose Lodge Blue and Greenway Project
- Play Area Improvements.
- Payment of Housing Related Grants.

4.20 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	1,912,440	1,800,520	1,787,147	-125,293	-13,373
Economic Development Committee	20,000	20,000	0	-20,000	-20,000
Planning and Development Committee	14,500	324,920	276,243	261,743	-48,677
Policy and Finance Committee	196,250	162,720	122,542	-73,708	-40,178
Health and Housing Committee	545,000	1,254,710	595,815	50,815	-658,895
Total Capital Expenditure	2,688,190	3,562,870	2,781,747	93,557	-781,123
Grants and Contributions	-320,000	-346,370	-383,445	-63,445	-37,075
Borrowing	-175,000	-118,000	-88,139	86,861	29,861
Earmarked Reserves	-2,193,190	-3,098,500	-2,310,163	-116,973	788,337
Total Resources	-2,688,190	-3,562,870	-2,781,747	-93,557	781,123

- 4.21 As shown in the table above, comparing spend to budget, there is a variance of £781,123 between the revised capital programme and actual spend.
- 4.22 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 £781,123 variance, £774,410 is accounted for as slippage in to the 2020/21 financial year, and is summarised below:

Scheme Name	Slippage in to the 2020/21 Financial Year £
Play Area Improvements	2,830
Replacement CCTV System	4,840
Edisford Access Barrier	1,740
Edisford Sport Complex	2,450
Car Parks Payment Systems	1,500
Primrose Lodge Blue and Greenway Project	48,680
Committee Administration System	12,350
Replacement PCs and Windows 10 compatibility	10,000
Council Offices Lift Replacement	2,700
Financial System Upgrade	8,430
Disabled Facilities Grants	329,960
Landlord/Tenant Grants	58,300
Clitheroe Market Improvements	29,860
Longridge Affordable Housing Scheme	125,770
Chipping Community Housing Grant	115,000
Gateway Signs Scheme	20,000
Total Capital Slippage	774,410

Balance Sheet

- 4.23 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.
- 4.24 The main movements on the balance sheet between 31 March 2019 and 31 March 2020 are summarised below:

Long Term Assets:

- **Property, Plant and Equipment** has seen a substantial downward movement due to the full revaluation exercise that has been undertaken this year. Since the last full revaluation five years ago there has been a change in valuer used and in accordance with requirements, only annual desktop revaluation exercises undertaken annually. However, in year there have also been some sizeable additions to the balance sheet here – such as the Edisford Sports Complex.

Current Assets:

- **Short Term Debtors** has increased largely due to movements in year end balances relating to the business rates pool arrangements. Further increases have also been seen due to a higher debtor for central government in respect of the VAT reclaim at year end and also outstanding grant funding in respect of flooding following Storm Ciara.
- **Cash and Cash Equivalents** has increased largely due to the Government's early payment of full year Section 31 grants in respect of business rates (£1.252m). This early payment was due to covid-19 and was facilitated by the Government to help support cash flow for councils. This was paid in full by the government in respect of 2020/21 financial year at the end of March 2020.

Current Liabilities:

- **Short Term Creditors** increase is largely tied in to the variance above described under Cash and Cash Equivalents. As the Section 31 grants were paid by the government in March 2020 in respect of the 2020/21 financial year, this has been accounted for as a Receipt in Advance, which falls under Short Term Creditors grouping on the balance sheet. Other large movements have again been in respect of the business rates pool arrangements, and also due to commuted sums/S106 monies received in year.

Unusable Reserves:

- **Capital Adjustment Account** has largely increased as a result of the Edisford Sports Complex and other schemes in the capital programme where they haven't been funded from borrowing. Partly offsetting this is in-year depreciation and also schemes that have been charged back to the revenue accounts and not added to the balance sheet as assets – notably grant payment schemes in the capital programme such as Disabled Facility Grants and the Primrose Lodge Blue and Greenway Project. The assets that haven't been charged back to the revenue account have been added to the balance sheet under Long Term Assets as detailed above, being the opposite side to this accounting entry.
- **Revaluation Reserve** has decreased as a result of the downward valuation of a number of the council's assets following the 5-year revaluation. This downward revaluation reduces any available past upward valuation gains that have previously been set aside in this unusable reserve and account for the balance seen here. This is the opposite side of the accounting entry seen under Long Term Assets.

Covid-19 Impact

Covid-19 infections started in 2019/20, and the economic impact escalated particularly with the beginning of lock down on 23 March 2020. The effects of the pandemic have been considered in measuring assets and liabilities wherever relevant, based on facts and circumstances at year-end.

The Covid-19 pandemic has had a major impact on the council, although the financial impact will likely be primarily in 2020/21 and perhaps 2021/22 and beyond.

At the 31 March 2020 we see no impact on the valuations of our non-current assets (land and buildings) as they will all continue to be used by the council, and our overall assets have a low level of reliance on commercial occupants, meaning values are affected to a lower extent. Where asset values are based on income attained, there may be temporary future impacts to be seen at 31 March 2021 valuations (i.e. Car Parks, due to lower income levels in 2020/21).

In respect of the pension fund, the outbreak of Covid-19 has impacted on global financial markets. There have been a number of material factors which make it difficult to quantify the potential outcome for financial markets. Although there has been significant variation to individual fund values (both increases and decreases), as at the end of June 2020 investments across the entire pension fund were valued overall at a higher value than in the financial statements at 31 March 2020.

Looking past the 2019/20 financial year, key impacts will be around substantial falls in service income, particularly over the periods of lockdown, but also beyond as restrictions on services limit the numbers that are able to utilise our services. Key areas that have been impacted in the early part of 2020/21 have been the Ribblesdale Pool, Edisford 3G Facility, Trade Waste Services and Car Parking.

Additionally, there will be increased service expenditure as facilities are prepared for reopening in line with government guidance.

Other than restrictions that were brought in as a result of the lockdown, the council's facilities continued to be staffed and operated as normal, other than for a number of staff that worked from home. Where staff would normally have worked at facilities that were prevented from opening, they were redeployed to other key service areas, including the Community Hub, assisting our most vulnerable residents. No staff were furloughed.

In addition to the work on the Community Hub, there has been a considerable amount of work in distributing grant income from the government to support eligible businesses. Other considerations that have also resulted from the level of grant income we have received as a council have been around curating such funds for cash flow purposes in as low risk a manner as possible, with temporary approved changes to our normal treasury management arrangements and limits.

It is inevitable that the pandemic will impact on the achievement of the forward capital programme and the timings of investment of our resources in those projects, for 2020/21 and also beyond. We will work to minimise the impact on the achievement of our priority actions within the corporate strategy, but it is envisaged that there will be some level of impact across all areas.

Looking at the council's finances, and those of our residents and businesses, there will be an impact on the level of business rates attained and council tax received as personal and business circumstances change. This also includes the timing differences seen between the granting of further government-initiated reliefs and discounts to businesses and the compensation for the same to the council through Section 31 grants.

This will particularly impact on the Collection Fund initially, but will then fall on the council's general fund as timings for the distribution of losses on the collection fund play through. The government has recently addressed the issue around the sudden impact of collection fund losses on council general fund balances through the ability to phase the recovery of any losses over longer timelines than those originally set out in regulations.

The pandemic has afforded the council an opportunity to review various areas of working practices and remote working, part of which has coincided with the end of term on existing software licencing contracts, although this has come at an extra cost.

5 CONCLUSION

- 5.1 The final outturn of a **deficit of £96,000** means that we have taken £60,000 **less** from general fund balances than was estimated when we prepared the Revised Estimates.
- 5.2 There has also been £783,000 more (revenue only) added to earmarked reserves than forecast at revised estimate. This was largely due to 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. There is also the set aside of a number of grants in Earmarked Reserves due to the accounting treatment required for grants received but yet to be spent i.e. where grant conditions have been met or otherwise do not exist.
- 5.3 The Covid-19 pandemic carries with a high level of uncertainty. Whilst the Government is currently supporting the council for additional expenditure and lost income, together with financial support for the wider local economy, how long this will last, and what the longer-term impacts will be are unknown.
- 5.4 Added to this is great uncertainty around how local government will be funded in the medium to longer term, as the Government have reduced the planned spending review to a one-year spending review for 2021/22. This will be announced on 25 November 2020

6 RISK ASSESSMENT

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

7 RECOMMENDED THAT COMMITTEE

- 7.1 Approve the audited Statement of Accounts for 2019/20.

HEAD OF FINANCIAL SERVICES

DIRECTOR OF RESOURCES

AA17-20/LO/AC
16 November 2020




Statement of Accounts

[Audited]

2019/2020

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.

 01200 425111

 lawson.oddie@ribblevalley.gov.uk


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

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Independent Auditors' Report to Members

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Narrative Report

1 INTRODUCTION

Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (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).

Narrative Report

2 RIBBLE VALLEY DEMOGRAPHICS AND ECONOMY

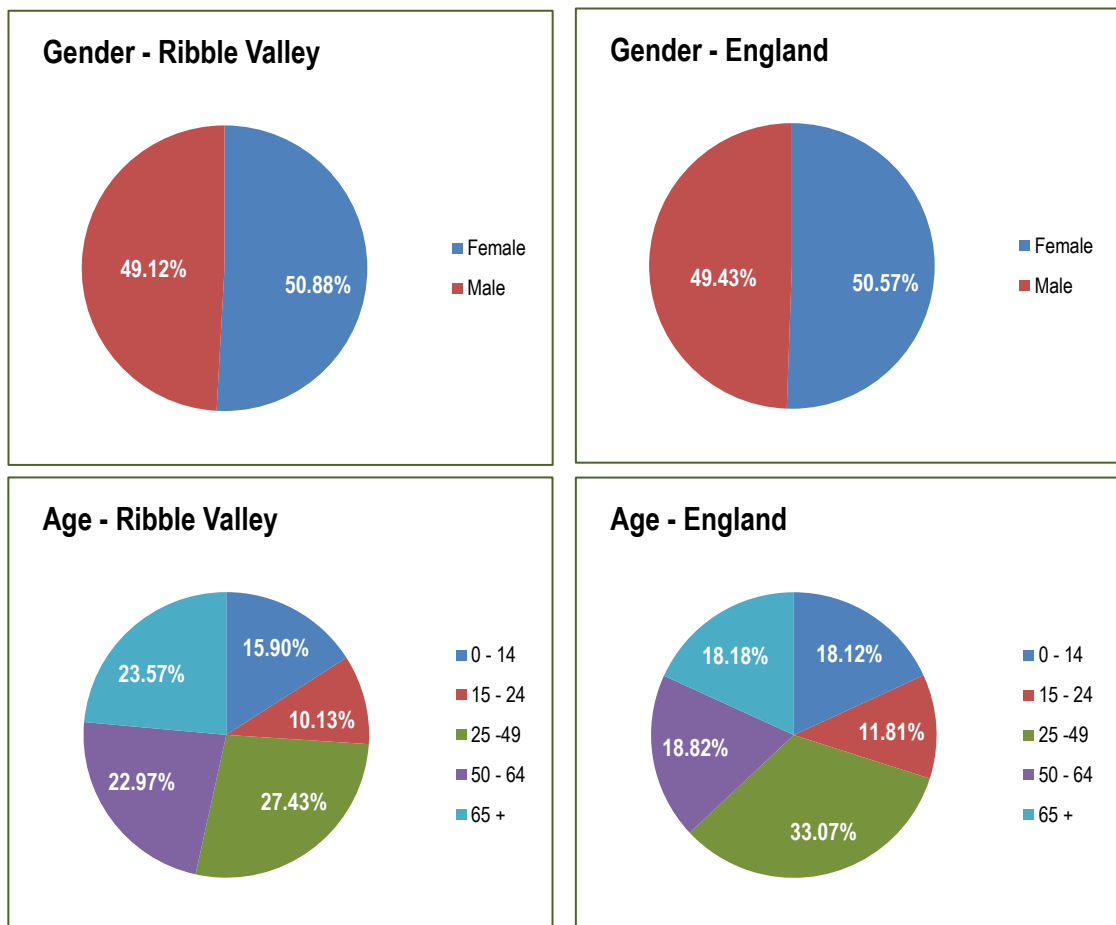
Locality

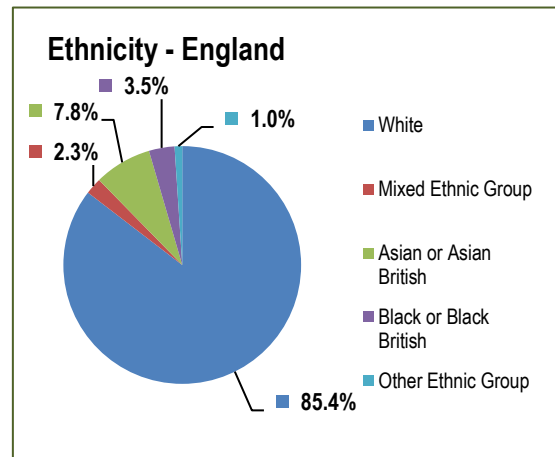
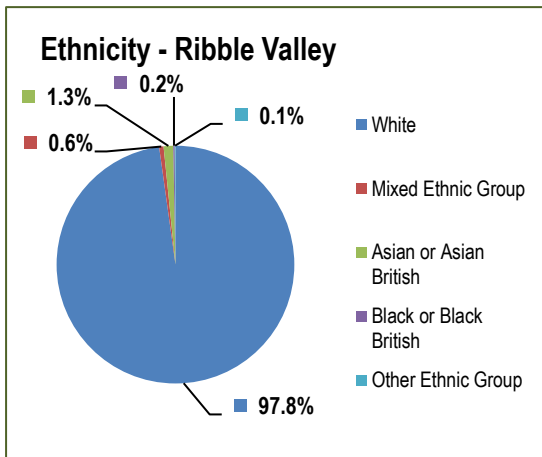
Ribble Valley is in the County of Lancashire bordering neighbouring councils in Pennine Lancashire, Craven District Council in North Yorkshire, South Ribble, Preston, Wyre and Lancaster Borough Councils. The administrative centre for the district is the historic market town of Clitheroe. The industrial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

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

Population

Shown below are key population figures as provided by the Office for National Statistics. These are based on 2018 Mid-Year Estimates for gender and age and March 2011 (Census) for Ethnicity. The total population for the borough, based on these statistics, is 60,057. The statistics for Ribble Valley are shown alongside those for England as a whole for comparison.



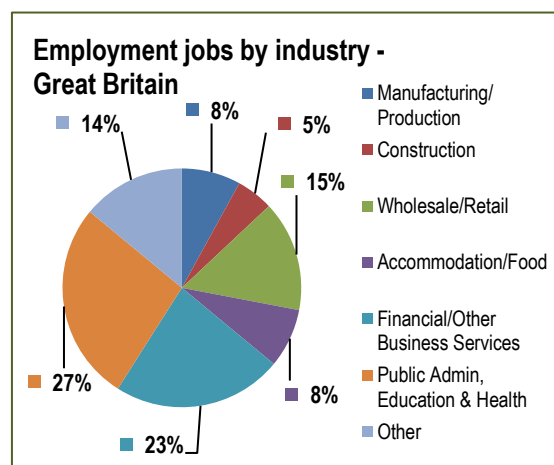
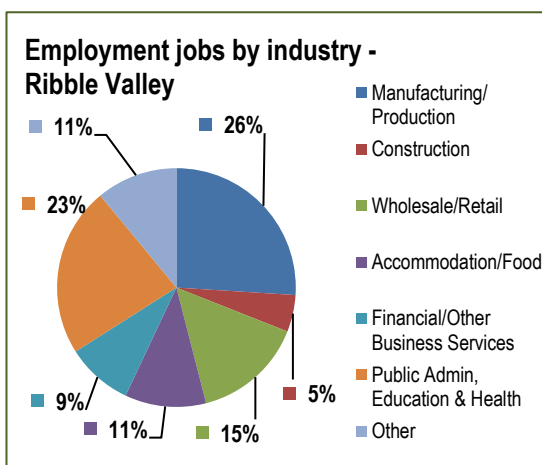


Local Economy and Business Information

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.

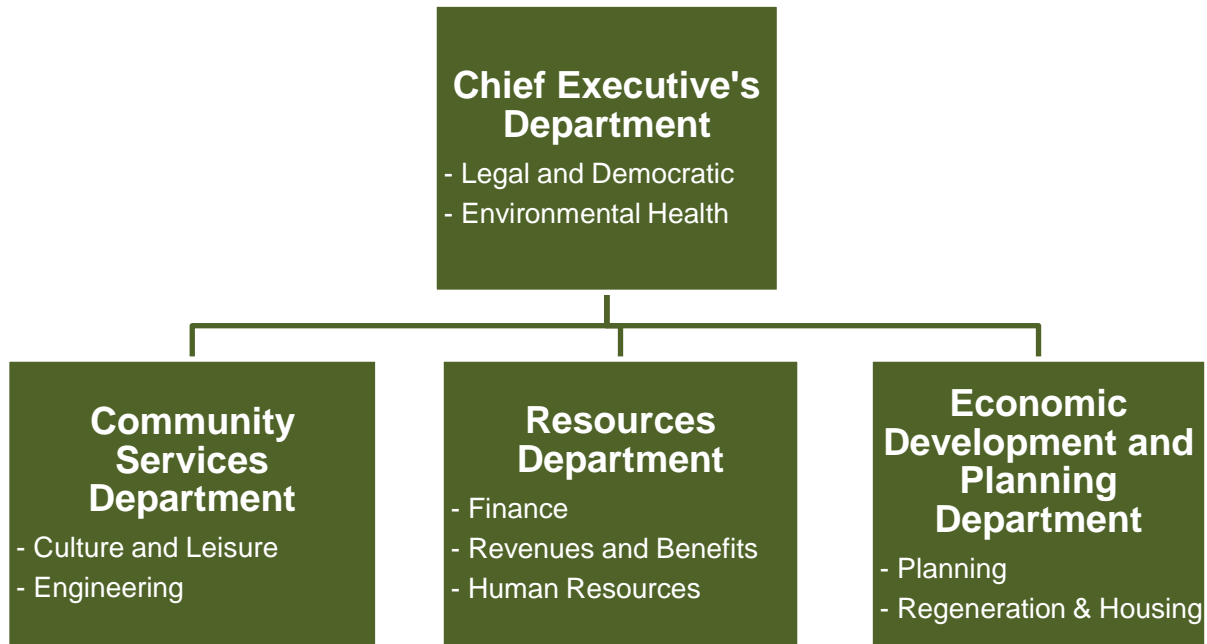
The area also has a strong agricultural association, with high value meat and milk products, and has a large number of farm holdings in the dairy and grazing categories. A number of farming businesses have diversified to offer locally produced food and drink, retail and leisure facilities and tourist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



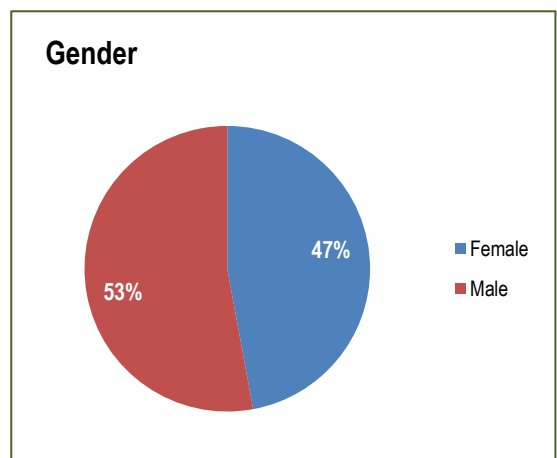
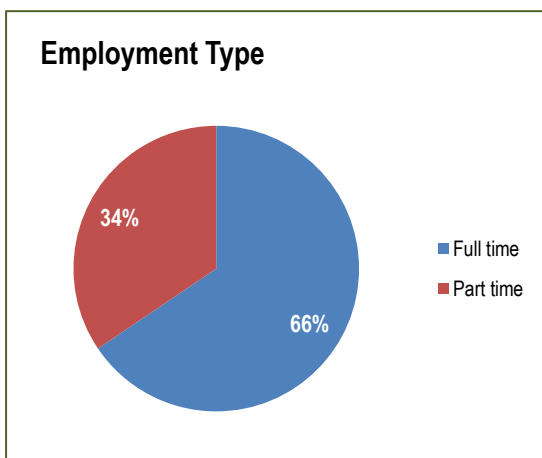
Narrative Report

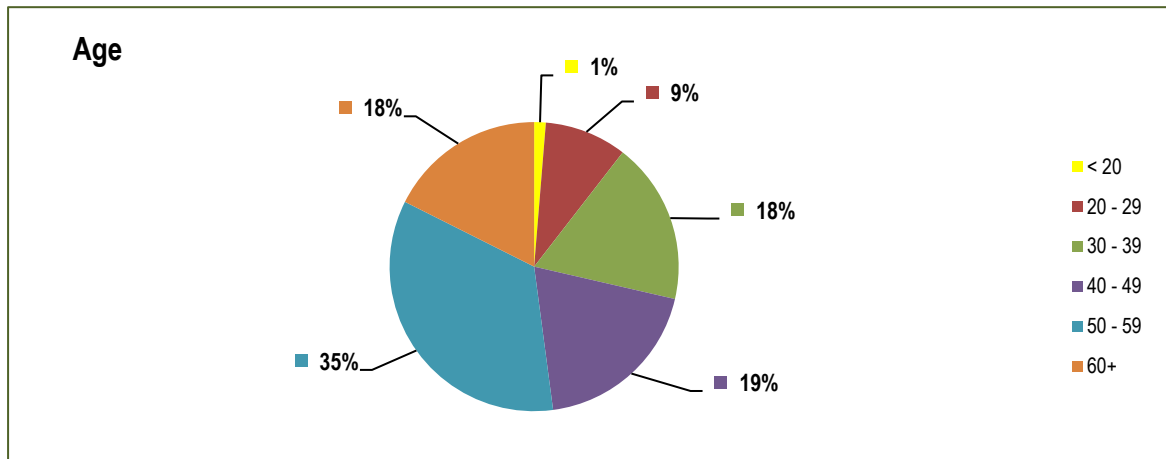
3 OUR EMPLOYEES

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 2020 the council employed 238 members of staff. The overall establishment consisted of 236 posts, of which 17 were vacant posts at 31 March. The tables below provide some information on the profile of our employees as at the end of the 2019/20 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. The last full election for Ribble Valley Councillors was on 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.

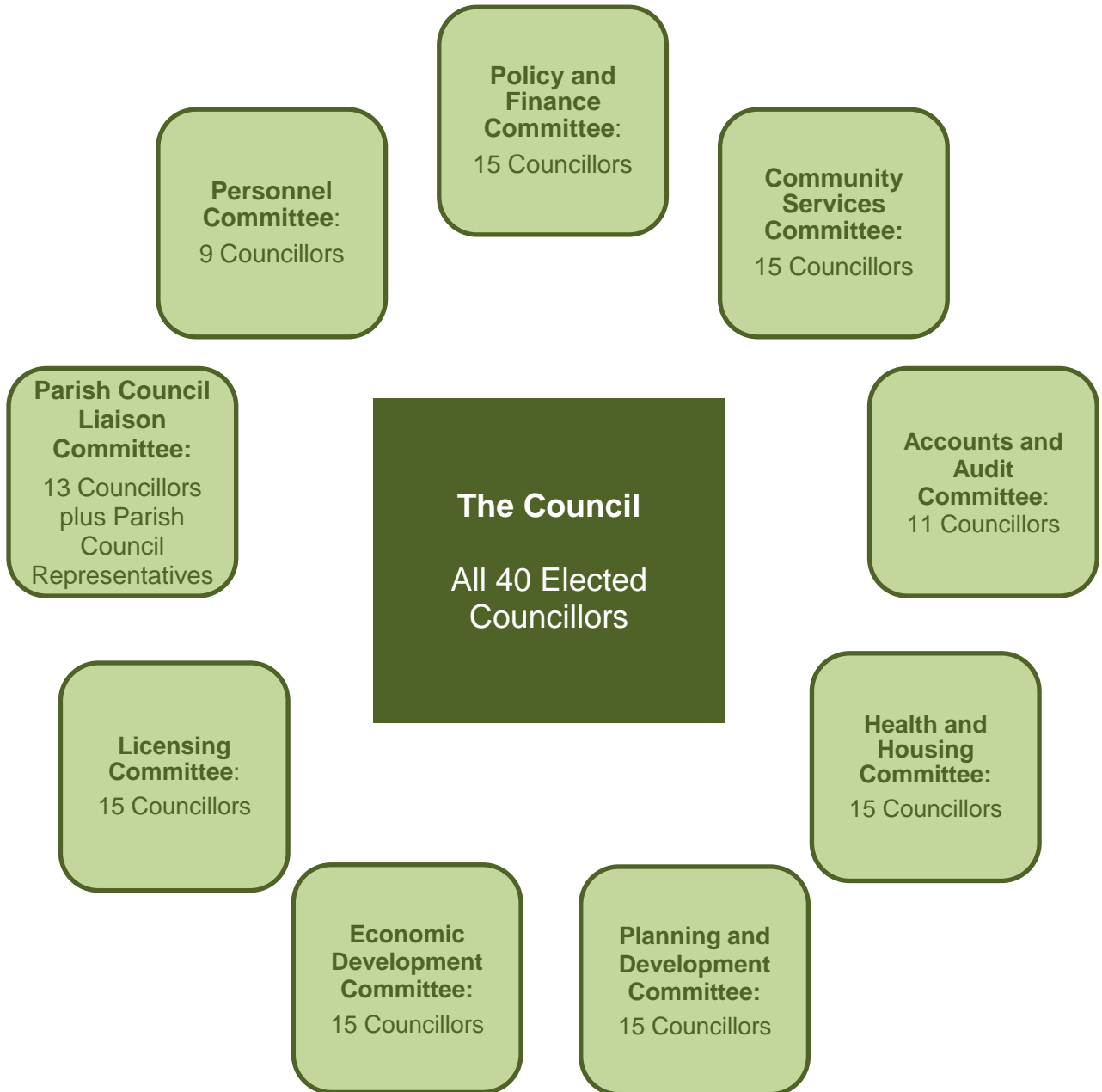
As well as representing the public, Councillors also represent political parties. As at 31 March 2020, our Councillors represented the following parties:

Conservative Party	28 Councillors
Liberal Democrat Party	10 Councillors
Independent	2 Councillors
Total	40 Councillors

The Council operates a Committee System, membership of committees reflects the political balance of the council.

Narrative Report

The diagram below shows the committee structure as at the 31 March 2020, and which operated throughout the 2019/20 financial year.



5 OUR FINANCIAL PERFORMANCE - REVENUE

Whilst the Comprehensive Income and Expenditure Statement is presented on the basis of our committee structure, it also includes a number of items that need adjusting 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	4,024	4,062	4,146	122	84
Economic Development	289	298	269	-20	-29
Health & Housing	1,003	982	795	-208	-187
Planning & Development	392	569	241	-151	-328
Policy & Finance	2,243	2,150	2,016	-227	-134
Committee Expenditure	7,951	8,061	7,467	-484	-594
Interest Payable	7	7	7	0	0
Parish Precepts	451	451	451	0	0
Interest Received	-100	-100	-114	-14	-14
Net Operating Expenditure	8,309	8,419	7,811	-498	-608
Impairment Losses on Outstanding Debts	0	0	6	6	6
Precept from Collection Fund (including parish precepts)	-3,948	-3,948	-3,948	0	0
Collection Fund Surplus - Council Tax	-62	-62	-62	0	0
Levy Account Surplus	-21	0	-5	16	-5
New Homes Bonus	-1,666	-1,666	-1,666	0	0
Business Rates Baseline Funding	-1,441	-1,441	-1,441	0	0
Retained Rates Income	-582	-582	-582	0	0
S31 Grant	-1,636	-1,659	-1,709	-73	-50
Retained Rates - Renewable Energy	-94	-94	-83	11	11
Contribution to Pilot Pool Risk Reserve	30	33	0	-30	-33
Contribution to Pilot Pool Strategic Growth Fund	148	166	2	-146	-164
Collection Fund Surplus - Business Rates	-224	-224	-224	0	0
(Surplus) for year before Capital Adjustments and Transfers to/(from) Earmarked Reserves	-1,187	-1,058	-1,901	-714	-843
Depreciation	-1,005	-933	-933	72	0
Minimum Revenue Provision	126	126	126	0	0
Net Transfer to earmarked reserves	2,160	2,021	2,804	644	783
Deficit for Year	94	156	96	2	-60

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	4,024	4,062	4,146	122	84
Economic Development	289	298	269	-20	-29
Health & Housing	1,003	982	795	-208	-187
Planning & Development	392	569	241	-151	-328
Policy & Finance	2,243	2,150	2,016	-227	-134
Committee Expenditure	7,951	8,061	7,467	-484	-594

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	7,020	6,932	6,927	-93	-5
Premises Related	1,760	1,840	1,796	36	-44
Transport Related	1,758	1,755	2,024	266	269
Supplies & Services	1,671	2,068	2,004	333	-64
Third Party Payments	365	413	406	41	-7
Transfer Payments	6,000	6,016	6,068	68	52
Support Services	6,747	6,904	6,691	-56	-213
Depreciation and Impairment	1,005	933	933	-72	0
Total Expenditure	26,326	26,861	26,849	523	-12
Government Grants	-6,039	-6,108	-6,158	-119	-50
Other Grants and Contributions	-100	-250	-797	-697	-547
Customer and Client Receipts	-3,345	-3,405	-3,488	-143	-83
Recharges and Oncosts	-8,891	-9,037	-8,939	-48	98
Total Income	-18,375	-18,800	-19,382	-1,007	-582
Net Expenditure	7,951	8,061	7,467	-484	-594

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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	110
Decrease in Levy Account Surplus Receipt	21
Increase in S31 Grants Receivable	-23
Increase in Forecast Contribution to Pilot Pool Risk Reserve	3
Increase in Forecast Contribution to Pilot Pool Strategic Growth Fund	18
Decrease in amount to be removed for Depreciation	72
Decrease in amount to set aside in Earmarked Reserves	-139
Net increase in amount to take from balances for the year	62

How our revenue services are financed

As shown earlier our total actual net expenditure for committees was £7.467m. 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.

After allowing for the above further movements, the council was then left with net expenditure of £9.712m to be financed. This expenditure was financed from our major sources of income as detailed below:

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	-3,497
Precept relating to all Parishes	-451
Collection Fund Surplus	-62
Total Net Council Tax Income	-4,010

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.

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

Business Rates Element	£'000
Total Business Rates Income Forecast for 2019/20	-14,976
Less Payable to Central Government	3,744
Less Payable to Lancashire County Council	2,621
Less Payable to Lancashire Combined Fire Authority	225
Balance Retained by Ribble Valley Borough Council	-8,386
Less Tariff Payable to Central Government	6,364
Baseline Business Rates Income of £1,440,000 plus Growth of £582,000	-2,022
Business Rates retained on Renewable Energy Schemes	-83
Section 31 Grants	-1,709
Less Contribution to the Strategic Growth Fund	2
Business Rates Collection Fund Surplus	-224
Overall Net Retained Business Rates Related Income	-4,036

In 2019/20 this council was a part of the 75% Lancashire Business Rates Pilot Pool which meant that we were able to retain a greater share of business rates income.

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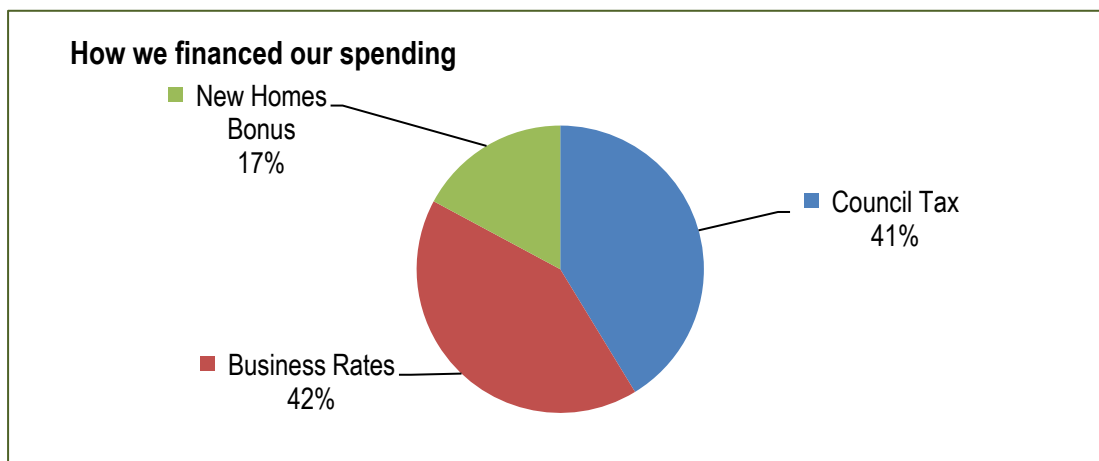
New Homes Bonus

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 2019/20 was £1,666,486 and is shown in the table below (2018/19 £1,575,908)

New Homes Bonus	£'000
2016/17 Allocation	-398
2017/18 Allocation	-390
2018/19 Allocation	-414
2019/20 Allocation	-464
Total New Homes Bonus received in 2019/20	-1,666

Looking forward, there are substantial changes to New Homes Bonus. The 2020/21 element of New Homes Bonus will be paid for one year only. The legacy payments of the bonus in respect of growth in 2019/20, 2018/19 and 2017/18 will continue to be paid in 2020/21 but it is not clear if these will continue to be paid in future years.



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

During 2019/20 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):

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Variation	£'000
<u>Expenditure Variations</u>	
Agency Staff	27
Salaries	-16
Tuition Fees and Training Expenses	-26
Energy Costs	23
General Repairs and Maintenance	-28
Vehicle Repairs and Maintenance	158
Vehicle Running Costs	-18
Communications and Computing	-35
Equipment, Furniture and Materials	25
Promotional Activities and Publicity	-27
Printing and Stationery	-18
Rent Allowance Payments	45
Total Expenditure Variances	110
<u>Income Variations</u>	
Rent Allowances Grant	11
Covid-19 Support Grant Tranche 1	-24
Storm Ciara S31 grant in respect of Council Tax Relief	-19
Use of Commuted Sums	-388
Recycling District Grant Fund	-16
Government Flood Community Recovery Grant	-66
Recovery of Rent Allowance Payments	-55
Other Grants, Reimbursements and Contributions	-53
Sale of Equipment and Materials	-32
Fees and Charges	-47
Total Income Variances	-689
Other Variations	-15
Net Variation on Committee Expenditure	-594
Increased Interest Received	-14
Variation on Net Operating Expenditure	-608
Impairment Losses on Outstanding Debts	6
Levy Account Surplus	-5
Increased S31 Grants	-50
Retained Rates - Renewable Energy	11
Contribution to Pilot Pool Risk Resilience Reserve	-33
Contribution to Pilot Pool Strategic Economic Growth and Financial Sustainability Fund	-164

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Variation	£'000
Variation on (Surplus) for Year Before Capital Adjustments and Transfers to/(from) Earmarked Reserves	-843
Extra Transfers to Earmarked Reserves (for Revenue)	783
Decrease in amount to take from balances compared to Revised Estimate	-60

General Fund Balances and Earmarked Reserves

We had originally planned to take £93,896 from general fund balances to help finance the 2019/20 spending plans. However, this was revised later in the year to taking £155,965 from general fund balances. The final position shows that the council has taken £96,465 from general fund balances.

General Fund Balance	£'000
General Fund Balances: Brought forward at 1 April 2019	2,472,111
Deficit in 2019/20 taken from General Fund Balances	-96,465
General Fund Balances: Carried forward at 31 March 2020	2,375,646

With regard to earmarked reserves, in support of the revenue account and excluding capital transactions, we had originally planned to add £2,160,402. However, this was revised later in the year to adding £2,020,951 to earmarked reserves.

The final position shows that the council has added £2,803,867 to earmarked reserves for revenue purposes. For capital purposes we took £2,310,163 from earmarked reserves to fund the capital programme. The overall net movement was £493,704 added to earmarked reserves.

Earmarked Reserves	£
Earmarked Reserves: Brought forward at 1 April 2019	9,272,064
Net added to Earmarked Reserves for revenue purposes	2,803,867
Net taken from Earmarked Reserves for capital purposes	-2,310,163
Earmarked Reserves: Carried forward at 31 March 2020	9,765,768

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 £2,781,747 on capital schemes. The main areas of expenditure included:

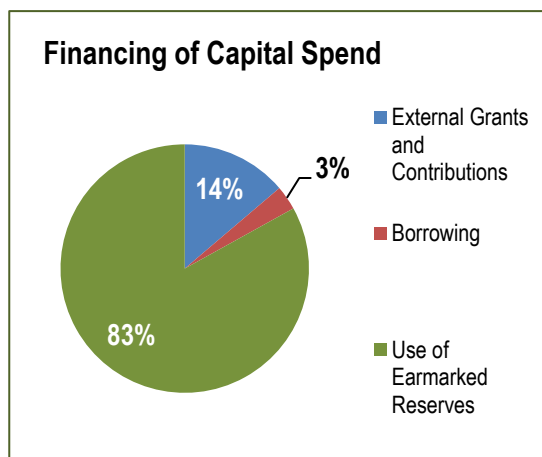
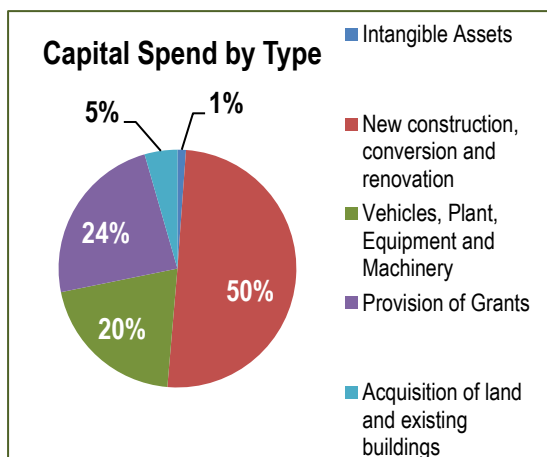
- Edisford Sports Complex
- Replacement Vehicles and Plant.
- ICT Hardware and Software
- Support for the Primrose Lodge Blue and Greenway Project
- Play Area Improvements.
- Payment of Housing Related Grants.

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	1,912,440	1,800,520	1,787,147	-125,293	-13,373
Economic Development Committee	20,000	20,000	0	-20,000	-20,000
Planning and Development Committee	14,500	324,920	276,243	261,743	-48,677
Policy and Finance Committee	196,250	162,720	122,542	-73,708	-40,178
Health and Housing Committee	545,000	1,254,710	595,815	50,815	-658,895
Total Capital Expenditure	2,688,190	3,562,870	2,781,747	93,557	-781,123
Grants and Contributions	-320,000	-346,370	-383,445	-63,445	-37,075
Borrowing	-175,000	-118,000	-88,139	86,861	29,861
Earmarked Reserves	-2,193,190	-3,098,500	-2,310,163	-116,973	788,337
Total Resources	-2,688,190	-3,562,870	-2,781,747	-93,557	781,123

Shown below are summaries of the type of expenditure that is represented in the £2,781,747 of capital expenditure shown in the table above and its financing.

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As shown in the table above, comparing spend to budget, there is a variance of £781,123 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 £781,123 variance, £774,410 is accounted for as slippage in to the 2020/21 financial year, and is summarised below:

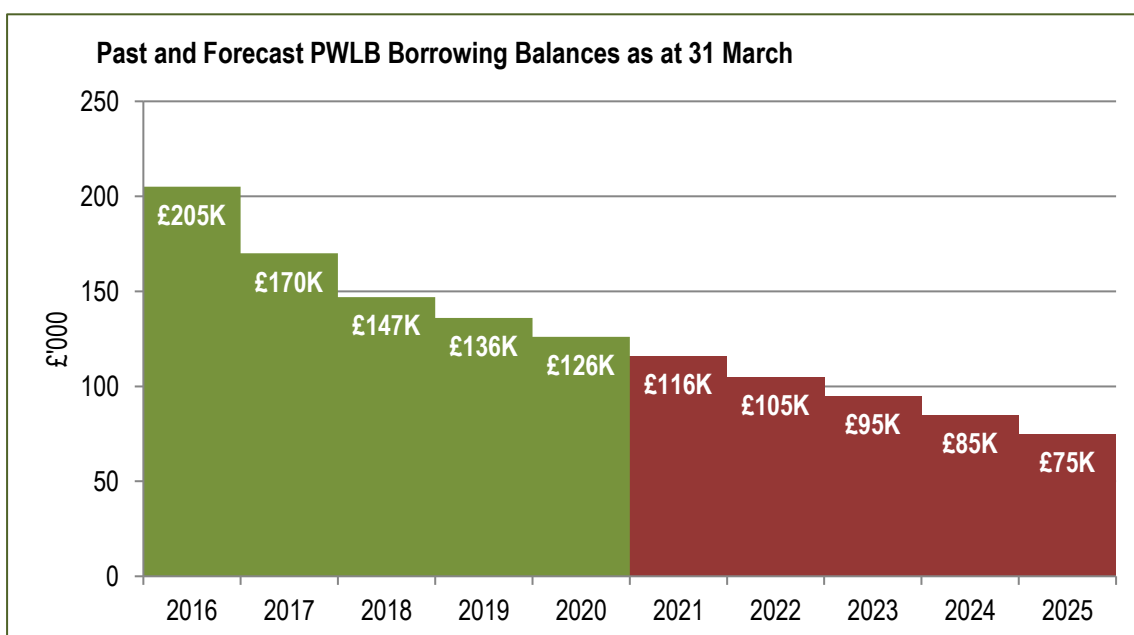
Scheme Name	Slippage in to the 2020/21 Financial Year £
Play Area Improvements	2,830
Replacement CCTV System	4,840
Ediasford Access Barrier	1,740
Edisford Sport Complex	2,450
Car Parks Payment Systems	1,500
Primrose Lodge Blue and Greenway Project	48,680
Committee Administration System	12,350
Replacement PCs and Windows 10 compatibility	10,000
Council Offices Lift Replacement	2,700
Financial System Upgrade	8,430
Disabled Facilities Grants	329,960
Landlord/Tenant Grants	58,300
Clitheroe Market Improvements	29,860
Longridge Affordable Housing Scheme	125,770
Chipping Community Housing Grant	115,000
Gateway Signs Scheme	20,000
Total Capital Slippage	774,410

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 2020 was £126k. 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 2020) 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

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either a forecast surplus or deficit, which is declared in the following January each year and is either paid to or collected from precepting bodies in the following financial year.

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

Due to the change of circumstances for businesses, the actual amount of business rates collected can be higher or lower than the total amount required to be paid out in fixed shares. This results in either a forecast surplus or deficit, which is declared in the following January each year and is either paid to or collected from Central Government, Ribble Valley Borough Council, Lancashire County Council and Lancashire Fire and Rescue in the following financial year. Performance of the Collection fund for 2019/20 is summarised in the table below, compared to the forecast performance.

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Collection Fund	Original Estimate	Revised Estimate	Actual	Original Estimate Compared to Actual	Revised Estimate Compared to Actual
	£'000	£'000	£'000	£'000	£'000
Council Tax - Expenditure					
Total of all Precepts	41,489	41,489	41,489	0	0
Total Council Tax Surplus distributed	619	619	619	0	0
Council Tax Benefit	0	0	11	11	11
Bad Debts Provision	313	100	187	-126	87
Expenditure Subtotal - Council Tax	42,421	42,208	42,306	-115	98
Business Rates - Expenditure					
Total Business Rates Surplus distributed	560	560	560	0	0
Cost of Collection	91	91	91	0	0
Enterprise Zones	133	221	210	77	-11
Renewable Energy Schemes	94	94	83	-11	-11
Total Distribution of Business Rates	14,976	14,976	14,976	0	0
Appeals Provision	488	38	38	-450	0
Bad Debts Provision	163	130	127	-36	-3
Expenditure Subtotal - Business Rates	16,505	16,110	16,085	-420	-25
Total Expenditure	58,926	58,318	58,391	-535	73
Council Tax - Income					
Surplus Brought Forward	619	706	706	87	0
Council Tax Income	41,802	42,363	42,355	553	-8
Council Tax Benefits	0	0	1	1	1
Flood Discounts - Chargeable to General Fund	0	0	19	19	19
Family Annexes Discount - Chargeable to General Fund	0	0	8	8	8
Income Subtotal - Council Tax	42,421	43,069	43,089	668	20
Business Rates - Income					
Surplus Brought Forward	560	576	576	16	0
Transitional Protection	169	197	197	28	0
Net Rates Payable (before appeals)	15,776	15,793	15,632	-144	-161
Income Subtotal - Business Rates	16,505	16,566	16,405	-100	-161
Total Income	58,926	59,635	59,494	568	-141
Council Tax Surplus carried forward	0	861	783	783	-78
Business Rates Surplus carried forward	0	456	320	320	-136
Total Net Surplus carried forward	0	1,317	1,103	1,103	-214

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8 OUR NON-FINANCIAL PERFORMANCE

The Council's Performance on Corporate Ambitions

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

Ambition 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. Our response to the Covid-19 pandemic began in the 2019/20 financial year and included a focus on our most vulnerable citizens through the establishment of the Community Hub. We have also endeavoured to enhance the services that we have available for provision online.
- **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. We continually encourage feedback from our residents and act promptly and proactively where possible to trends in feedback and comment through our social media presence and website.

Ambition 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.

- **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. In September 2019 the council published its Economic Plan 2019-2022, which focuses on five priority action areas of People; Places; Business Support and Growth; Connectivity; and Tourism. At the end of the 2019/20 financial year the council put in to place the processes for its rapid response to the Covid-19 pandemic and the distribution of vital grant support to many eligible businesses throughout the borough.
- **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 continue to seek improvements to rail connections to the borough and at the start of the 2020/21 financial year have been informed that our bid to the Government's Ideas Fund to work up a business case to reopen the Clitheroe to Hellifield rail line and look at options for increasing rail travel has been successful.
- **To work with our partners to ensure that the infrastructure in the Ribble Valley is improved:** There is ongoing work through the planning process to ensure that the road infrastructure supports new developments. Our continued work on the Ideas fund work in respect of the Clitheroe to Hellifield rail line will see continued work with partners and the community.

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

- **To improve the health of people living and working in our area:** We continued to provide important leisure services such as Ribblesdale Pool, football pitches, parks and play areas. The Council completed a significant capital scheme providing 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.
- **To improve the opportunity for people to participate in cultural, 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 facilities 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 work 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

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advisory group (ESAG) to ensure any events held in the Ribble Valley are carried out safely.

- **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.

Ambition 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:** Through its planning powers the Council 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 continues to undertake a series of high-profile patrols specially targeted areas to reduce the incidence of dog fouling, and due to the success of the scheme employed a further dog warden for a six-month period in year.
- **To be an environmentally sustainable area, prepared for the future**
We continue to seek to minimise the use of single-use plastics within the council and reduce the use of paper wherever possible.
- **To aspire to be a carbon neutral borough by 2030**
The Council's Climate Change Working Group has met on several occasions and is preparing an action plan to work towards being a carbon neutral borough by 2030.

Ambition 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 an adequate mix of 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.

- **To develop the right housing in the right places**

Within the 2019/20 financial year the council engaged consultancy support to undertake a strategic housing and economic needs assessment in line with the commitment set out in the Core Strategy. The draft assessment was put out to public consultation in year.

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.

A new survey had been due to take place towards the end of the 2019/20 financial year. However, this has now been postponed and it is hoped that it will instead take place during the 2020/21 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 on the last survey.
- 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.

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Local Community

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

Change and Improvement

We continue to meet the improvement areas highlighted as part of the Corporate Peer Challenge that was carried out in November 2017. Following this review 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 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.

The council has made significant progress on satisfying the action plan and the Peer Challenge Team revisited the Council for two days at the end of September 2019 to carry out their follow-up review. The purpose of the visit was to review progress made since the original Peer Challenge in 2017 and included a review of the new Corporate Strategy 2019-2023 and the Economic Development Plan.

In summary the peer team felt that:

- “Ribble Valley Borough Council has made clear progress in taking forward the recommendations made by the peer team in 2017.”
- “...it was evident from conversations with staff, members and partners that there is respect for both the political and managerial leadership of the Council and that member and officer relationships are positive.”
- “The challenge now that the new Corporate Strategy has been adopted is to ensure ambitions and values are fully embedded and understood.”
- “...the team found that staff have a strong commitment and passion for Ribble Valley and for working together across council service areas to achieve the best outcomes for residents.”
- “The continued achievements of the Council in relation to service delivery and customer satisfaction (as shown by LG Inform data and the Council’s 2018

perception survey) and prudent financial management are a credit to both the dedication and commitment of members and officers.”

- “Ensuring recruitment and retention of talented and skilled staff will be critical for future continued success.”

The Peer Challenge team make the following recommendations:

- Continue to strengthen communication and engagement approaches in relation to the Corporate Strategy and Economic Plan to ensure ambitions and values are fully embedded and understood. This should include opportunities for more face to face engagement with staff.
- Take a fresh look at the Council’s Performance Management Indicators to ensure they are fully aligned to and drive forward delivery of the new Corporate Plan 2019 - 2023.
- Develop a delivery plan which clearly articulates and captures the priorities and associated resources for each year of the Economic Plan, which can then be clearly overseen by the Economic Development Committee.
- Consider aligning the time frame of the Economic Plan to that of the Corporate Strategy and Medium-Term Financial Strategy (2019 – 2023)
- Agree a future programme of ‘top team days’ and/or meetings with senior members and the Corporate Management Team. This will support collaborative working and delivery of corporate ambitions.
- Develop the Council’s Workforce Plan to support succession planning, talent management and the recruitment, retention and reward of staff.
- Explore opportunities for the Council to continue to challenge itself, building on its strong financial position. This includes areas such as organisational transformation, service re-design, commercialisation and digitisation. It should also include future appetite for risk, investment and further income generation.

In addition to the Peer Challenge review actions, smarter working with our existing ICT infrastructure across all services is seen as a key area for improvement. This will allow us to ensure that we maximise the return from our investment and drive efficiencies in providing our services. We continue to work hard to enable better connectivity of our systems to our website to help our customers access our services at times that are convenient to them.

Additionally, hand in hand with the better use of our ICT infrastructure, we will seek to maximise the flexibilities that are afforded to us through recent Microsoft licencing changes and through the opportunities given by using Microsoft 365.

Narrative Report

9 PENSIONS

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

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

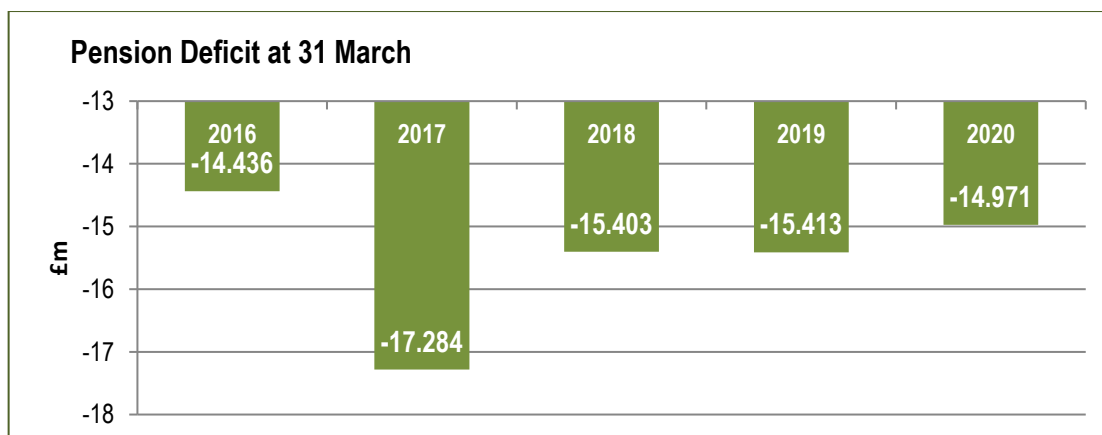
The net pension asset/liability in respect of the surplus/deficit on the pension fund, as calculated by the fund's actuary, is included in the council's balance sheet. In Ribble Valley Borough Council's case the net liability as at 31 March 2020 decreased to £14.971m (31 March 2019 £15.413m). The reason for the decrease in net liability is due to a mixture of reasons.

Looking firstly at the benefit obligation there has been an increase here due to Past Service Costs of £660,000 (2018/19 nil). This relates to the impact of the McCloud case (£426,000) and Guaranteed Minimum Pension (GMP) indexation (£234,000).

Other impacts have been in respect of movements experienced in the following areas under remeasurements.

	£'000
Remeasurements (liabilities)	
Experience loss	967
Gain on financial assumptions	-1,085
Gain on demographic assumptions	-2,421
Remeasurements (assets)	418
Net movement from remeasurements	-2,121

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 2019.



10 COVID-19 IMPACT

Covid-19 infections started in 2019/20, and the economic impact escalated particularly with the beginning of lock down on 23 March 2020. The effects of the pandemic have been considered in measuring assets and liabilities wherever relevant, based on facts and circumstances at year-end.

The Covid-19 pandemic has had a major impact on the council, although the financial impact will likely be primarily in 2020/21 and perhaps 2021/22 and beyond.

At the 31 March 2020 we see no impact on the valuations of our non-current assets (land and buildings) as they will all continue to be used by the council, and our overall assets have a low level of reliance on commercial occupants, meaning values are affected to a lower extent. Where asset values are based on income attained, there may be temporary future impacts to be seen at 31 March 2021 valuations (i.e. Car Parks, due to lower income levels in 2020/21).

In respect of the pension fund, the outbreak of Covid-19 has impacted on global financial markets. There have been a number of material factors which make it difficult to quantify the potential outcome for financial markets. Although there has been significant variation to individual fund values (both increases and decreases), as at the end of June 2020 investments across the entire pension fund were valued overall at a higher value than in the financial statements at 31 March 2020.

Looking past the 2019/20 financial year, key impacts will be around substantial falls in service income, particularly over the period of lockdown, but also beyond as restrictions on services limit the numbers that are able to utilise our services. Key areas that have been impacted in the early part of 2020/21 have been the Ribblesdale Pool, Edisford 3G Facility, Trade Waste Services and Car Parking.

Additionally, there will be increased service expenditure as facilities are prepared for reopening in line with government guidance.

Other than restrictions that were brought in as a result of the lockdown, the council's facilities continued to be staffed and operated as normal, other than for a number of staff that worked from home. Where staff would normally have worked at facilities that were prevented from opening, they were redeployed to other key service areas, including the Community Hub, assisting our most vulnerable residents. No staff were furloughed.

In addition to the work on the Community Hub, there has been a considerable amount of work in distributing grant income from the government to support eligible businesses. Other considerations that have also resulted from the level of grant income we have received as a council have been around curating such funds for cash flow purposes in as low risk a manner as possible, with temporary approved changes to our normal treasury management arrangements and limits.

Narrative Report

It is inevitable that the pandemic will impact on the achievement of the forward capital programme and the timings of investment of our resources in those projects, for 2020/21 and also beyond. We will work to minimise the impact on the achievement of our priority actions within the corporate strategy, but it is envisaged that there will be some level of impact across all areas.

Looking at the council's finances, and those of our residents and businesses, there will be an impact on the level of business rates attained and council tax received as personal and business circumstances change. This also includes the timing differences seen between the granting of further government-initiated reliefs and discounts to businesses and the compensation for the same to the council through Section 31 grants.

This will particularly impact on the Collection Fund initially, but will then fall on the council's general fund as timings for the distribution of losses on the collection fund play through. The government is looking to address the issue around the sudden impact of collection fund losses on council general fund balances with a view to phasing the recovery of any losses over longer timelines than those currently set out in regulations.

The pandemic has afforded the council an opportunity to review various areas of working practices and remote working, part of which has coincided with the end of term on existing software licencing contracts.

11 CURRENT ECONOMIC CLIMATE AND OUTLOOK

There is currently major uncertainty around the key funding streams that we receive from the Government.

In early 2019, the Government consulted on reforms to the Business Rates Retention Scheme. This was planned to be implemented in 2020/21, but has now been delayed.

In addition, a fair funding review is being carried out, which will set new baseline funding allocations for local authorities. In December 2018, the government published a "Review of local authorities' relative needs and resources", which consulted on the assessment of relative needs, relative resources and transitional arrangements. This consultation outlined Government proposals to change the way in which the funding, and assessment of need is calculated for Local Authorities. Again, this was planned to be implemented in 2020/21, but has now been delayed.

Despite the level of uncertainty, a budget forecast was prepared at the time of setting the revenue budget for 2020/21 at the start of February 2020. This was based on many assumptions due to the high level of uncertainty around future local government funding.

	2020/21 Forecast £	2021/22 Forecast £	2022/23 Forecast £	2023/24 Forecast £
Net Expenditure	7,456,927	7,546,699	7,630,862	7,924,843
Interest Receipts	-75,000	-75,000	-75,000	-75,000
Use of Superannuation Reserve	-36,512	-36,512	-36,512	-36,512
Rural Services Grant	-107,921	0	0	0
Use of Business Rates Growth	-875,514	-675,514	-675,514	-675,514
Use of New Homes Bonus	-1,105,000	-1,105,000	-1,105,000	-1,105,000
Use of Balances	-142,812	-250,000	-250,000	-250,000
Savings Required	0	-281,360	-205,909	-337,468
Budget Requirement	5,114,168	5,123,313	5,282,927	5,445,349
Negative Revenue Support Grant	0	109,000	109,000	109,000
Business Rates Baseline	-1,354,393	-1,354,393	-1,354,393	-1,354,393
Collection Fund Surplus	-81,910	-25,000	-25,000	-25,000
Precept	3,677,865	3,852,920	4,012,534	4,174,956
Taxbase	23,623	23,977	24,217	24,459
Band D Council Tax	£155.69	£160.69	£165.69	£170.69
Projected/Actual Council Tax increase	£5 max	£5 max	£5 max	£5 max

Narrative Report

The forecast assumes our funding stays at the 2020/21 level and with the reintroduction of negative revenue support grant, 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.

The budget forecast at the time estimated a budget gap of £281k in 2021/22, £206k in 2022/23 and £337k in 2023/24. However, it is important to note the high levels of uncertainty across this forecast, and to highlight the further potential impacts of Covid-19 on vastly reduced income levels, increased expenditure, and also government support.

In 2019/20 this Council was a member of the new Lancashire Business Rate Pilot Pool which meant that locally we retained 75% of business rate growth. The Pilot was for one year only following the delay to the introduction of business rates reforms. In 2020/21 the council is a member of a new Lancashire Business Rates Pool on a 50% business rates retention basis.

In respect of New Homes Bonus, whilst the Government have already said that in future there will be no legacy payments made for new allocations but that previous years' allocations will attract legacy payments, we expect further significant reforms or even replacement of the current scheme.

The Government have stated that it is not clear that the New Homes Bonus scheme in its current form is focussed on incentivising homes where they are needed most. Alongside the Provisional Grant Settlement for 2020/21 they announced that they will consult on the future of housing incentivising. This will include moving to a new, more targeted approach that rewards local authorities where they are ambitious in delivering the homes they need, and which is aligned with other measures around planning performance.

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 and the impacts of Covid-19.

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.

12 PRINCIPAL RISKS AND UNCERTAINTIES

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

Risks are scored based on their gross and net likelihood and impact levels, gross being the likelihood and impact level if no controls were in place and net being the risk level once controls have been considered.

Risks are then allocated an overall risk score based on these levels, translating to green risks, amber risks and red risks. All red risks are closely monitored and reported in detail to Corporate Management Team and Accounts and Audit Committee.

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

Future of Local Government Finance Settlement

- Outcome of Fair Funding Review 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.
- The impact of Covid-19.

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.

Unable to Meet Service Demands

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

Planning

- Outcomes of Planning for the Future consultation

Covid-19

- Impact on businesses and households within the borough – including financial impact.

Narrative Report

- Ability to adapt to alternative working practices.
- Vast reductions in service income and increased direct and in-direct costs.
- Impact on general fund balances.
- Potential impact on staffing levels due to sickness and/or self-isolation.

Combined Authority Plans

- Implications for the future of Ribble Valley Borough Council under any government conditions.

13 THE STATEMENTS

The Council's statement of accounts for the year ended 31 March 2020 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 2019/20 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 is a summary of the changes that have taken place in the bottom half of the Balance Sheet over the financial year. It does this by analysing:

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

Comprehensive Income and Expenditure Statement

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

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

Balance Sheet

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

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

Cash Flow Statement

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

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

Collection Fund Statement

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

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

Statement of Responsibilities

Statement of Responsibilities

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

The Authority's Responsibilities

The authority is required to:

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

The Director of Resources' Responsibilities

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

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

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

The Director of Resources has also:

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

I hereby certify that the Statement of Accounts gives a true and fair view of the financial position of the authority at the reporting date and its income and expenditure for the year ended 31 March 2020.

Jane L Pearson
Director of Resources CPFA
25 November 2020

Approval of the Statement of Accounts

I confirm that these accounts, including the Comprehensive Income and Expenditure Statement on page 63 and the Balance Sheet on page 67, were approved by the Accounts and Audit Committee at its meeting held on 25 November 2020.

Signed by:

Chairman of Accounts and Audit Committee
25 November 2020

Statement of Accounting Policies

1 GENERAL PRINCIPLES

The Statement of Accounts summarises the Council's transactions for the 2019/20 financial year and its position at the year-end of 31 March 2020. 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 2019/20*, supported by International Financial Reporting Standards (IFRS).

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

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

2 ACCRUALS OF INCOME AND EXPENDITURE

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

- Revenue from 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.

Statement of Accounting Policies

3 CASH AND CASH EQUIVALENTS

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

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

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

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

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

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

5 CHARGES TO REVENUE FOR NON-CURRENT ASSETS

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

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

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

Statement of Accounting Policies

6 COUNCIL TAX AND NON-DOMESTIC RATES (NDR)

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

Accounting for Council Tax and NDR

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

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

7 EMPLOYEE BENEFITS

Benefits Payable during Employment

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council.

An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit.

The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs. Should the value of 'holiday entitlements earned by employees but not taken' not move materially from one financial year end to the next, then the existing accrual level is maintained.

Statement of Accounting Policies

Termination Benefits

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

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

Post-Employment Benefits

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

The Local Government Pension Scheme

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

- The liabilities of the Lancashire County Pension Fund attributable to Ribble Valley Borough Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 2.4% (2.5% 31 March 2019) based on the indicative rate of return on AA rated corporate bonds.
- The assets of the Lancashire County Pension Fund attributable to Ribble Valley Borough Council are included in the Balance Sheet at their fair value:
 - Quoted securities – current bid price
 - Unquoted securities – professional estimate
 - Unitised securities – current bid price
 - Property – market value
- The Change in the Net Pensions Liability is analysed into the following components:

Statement of Accounting Policies

- **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 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.

Statement of Accounting Policies

The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

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

8 EVENTS AFTER THE REPORTING PERIOD

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

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

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

9 FINANCIAL INSTRUMENTS

Financial Liabilities

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

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

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.

Statement of Accounting Policies

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 (i.e. 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

10 GOVERNMENT GRANTS AND CONTRIBUTIONS

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

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

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

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

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

11 HERITAGE ASSETS

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

Heritage Assets are

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

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

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

Statement of Accounting Policies

- 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. These heritage assets have been included on the Council's balance sheet at insurance valuation.
- The civic regalia can be viewed by appointment through contact with the main council offices or alternatively the current civic regalia can be viewed at most mayoral functions.
- The acquisition of further Civic Regalia would not be made, and a programme of ongoing maintenance is carried out to ensure that the condition of the items is maintained.

Statement of Accounting Policies

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

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

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

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

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

14 LEASES

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

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

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

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

Statement of Accounting Policies

Operating Leases Where the Council is Lessee

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

Operating Leases Where the Council is Lessor

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

15 OVERHEADS AND SUPPORT SERVICES

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

16 PROPERTY, PLANT AND EQUIPMENT

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

- The purchase price

Statement of Accounting Policies

- 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
- Surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective
- All other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV)

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

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

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

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

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

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

Statement of Accounting Policies

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 2020	
	Revalued Amount in Balance Sheet £	Equivalent Carrying Amount Under Cost Model £
Other Land and Buildings	12,998,547	7,927,814
Vehicles, Plant, Furniture and Equipment	2,098,477	2,098,477
Infrastructure Assets	262,717	262,717
Community Assets	1,564,248	1,551,938
Surplus Assets (Not for Sale)	24,761	18,493
Assets Under Construction	11,313	11,313
Total	16,960,063	11,870,752

Impairments

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

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

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

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

Depreciation

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

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

Statement of Accounting Policies

	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

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

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

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

Componentisation

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

17 PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions

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

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

Contingent Liabilities

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

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

Contingent Assets

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

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

18 RESERVES

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by 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

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

20 VAT

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

21 FAIR VALUE MEASUREMENT

The Council measures some of its non-financial assets such as surplus assets and some of its financial instruments at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

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

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

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

Comprehensive Income and Expenditure Statement

Comprehensive Income and Expenditure Statement

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

The Comprehensive Income and Expenditure Statement consolidates all the gains and losses experienced by the Council during the financial year. As Councils do not have any equity in their Balance Sheets, these gains and losses reconcile to the overall movement in net worth.

The Comprehensive Income and Expenditure Statement has two sections:

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

Comprehensive Income and Expenditure Statement

2018/19			2019/20				
Gross Expenditure £	Gross Income £	Net Expenditure £		Gross Expenditure £	Gross Income £	Net Expenditure £	Note
8,324,390	-4,232,337	4,092,053	Community Services Committee	8,987,394	-4,533,335	4,454,059	
373,037	-68,242	304,795	Economic Development Committee	370,427	-81,709	288,718	
7,828,900	-6,870,026	958,874	Health and Housing Committee	7,379,587	-6,440,783	938,804	
1,459,750	-932,312	527,438	Planning and Development Committee	1,782,057	-1,174,453	607,604	
2,945,060	-873,937	2,071,123	Policy and Finance Committee	4,204,852	-1,349,937	2,854,915	
20,931,137	-12,976,854	7,954,283	Cost of Services	22,724,317	-13,580,217	9,144,100	1/2
			Other Operating Expenditure				
		435,183	Payment of Precepts to Parishes			450,764	
		24,000	Pensions Administration Expenses			29,000	32
		-238,241	(Gains)/Losses on the Disposal of non-Current Assets			33,489	
			Financing and Investment Income and Expenditure				
		7,033	Interest Payable on Debt			6,527	
		-92,326	Investment Interest Income			-113,422	
		-8,569	Impairment Losses/(Gains)			5,746	
		374,000	Net Interest on the net defined benefit liability (asset)			352,000	32
		-47,726	Gain on Trading Accounts			-22,334	
			Taxation and Non-Specific Grant Income				
		-3,943,505	Council Tax			-4,014,273	8
		-1,889,056	Non Domestic Rates Income and Expenditure			-2,274,104	8/11
		-109,149	Revenue Support Grant (RSG)			0	8
		-3,000	Capital Grants and Contributions			0	8
		-2,659,205	Other Non-Specific Grants			-3,379,891	8
		-196,278	(Surplus) or Deficit on Provision of Services			217,602	1/2
		-601,803	(Surplus) or Deficit on Revaluation of Property, Plant and Equipment Assets			2,810,189	
		-934,000	Actuarial Gains on Pensions Assets/Liabilities			-2,121,000	32
		-1,535,803	Other Comprehensive Income and Expenditure			689,189	
		-1,732,081	Total Comprehensive Income and Expenditure			906,791	

The Notes to the Core Financial Statements and the Statement of Accounting Policies form part of the Statement of Accounts

Movements in Reserves Statement

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Council, analysed into 'usable' reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable' reserves.

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

The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

Movements in Reserves Statement

Movements in 2019/20	General Fund Balance £	Earmarked General Fund Reserves £	Total General Fund Balance £	Capital Grants Unapplied £	Usable Capital Receipts Reserve £	Total Usable Reserves £	Unusable Reserves £	Total Council Reserves £
Balance as at 31 March 2019	2,472,111	9,272,065	11,744,176	380,059	1,086,608	13,210,843	1,127,120	14,337,963
Total Comprehensive Income and Expenditure	-711,305	493,703	-217,602			-217,602	-689,189	-906,791
Adjustments between Accounting Basis and Funding Basis Under Regulations <i>See Note 10</i>	614,840		614,840	7,581		622,421	-622,421	0
Increase/(Decrease) in Year	-96,465	493,703	397,238	7,581	0	404,819	-1,311,610	-906,791
Balance at 31 March 2020 Carried Forward	2,375,646	9,765,768	12,141,414	387,640	1,086,608	13,615,662	-184,490	13,431,172

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 £
Balance as at 31 March 2018	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
Increase/(Decrease) in Year	-61,592	724,645	663,053	74,631	243,741	981,425	750,656	1,732,081
Balance at 31 March 2019 Carried Forward	2,472,111	9,272,065	11,744,176	380,059	1,086,608	13,210,843	1,127,120	14,337,963

The Notes to the Core Financial Statements and the Statement of Accounting Policies form part of the Statement of Accounts

Balance Sheet

Balance Sheet

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

Reserves are reported in two categories:

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

Balance Sheet

31 March 2019		31 March 2020	Note
£		£	
Long Term Assets			
18,747,386	Property, Plant and Equipment	16,960,063	13
917,217	Heritage Assets	944,857	14
36,105	Intangible Assets	71,626	
265,462	Long Term Debtors	258,083	15
19,966,170	Total Long Term Assets	18,234,629	
Current Assets			
10,000	Financial Asset Held for Sale	10,000	15
54,933	Inventories	49,050	
1,439,578	Short Term Debtors	2,361,104	6/15/16
12,392,535	Cash and Cash Equivalents	14,783,508	15/17
13,897,046	Total Current Assets	17,203,662	
Current Liabilities			
-17,893	Short Term Borrowing	-17,894	
-3,558,404	Short Term Creditors	-6,307,648	15/18
-409,973	Provisions	-594,987	6/19
-3,986,270	Total Current Liabilities	-6,920,529	
Long Term Liabilities			
-125,983	Long Term Borrowing	-115,590	15
-15,413,000	Net Pensions Liability	-14,971,000	6/32
-15,538,983	Total Long Term Liabilities	-15,086,590	
14,337,963	Net Assets	13,431,172	
Usable Reserves			
2,472,111	General Fund Balance	2,375,646	20
9,272,065	Earmarked General Fund Reserves	9,765,768	12
1,086,608	Usable Capital Receipts Reserve	1,086,608	
380,059	Capital Grants Unapplied	387,640	
13,210,843	Total Usable Reserves	13,615,662	
Unusable Reserves			
7,158,190	Capital Adjustment Account	8,586,778	21
300,110	Collection Fund Adjustment Account	251,248	
9,148,982	Revaluation Reserve	6,034,168	
-15,413,000	Pension Reserve	-14,971,000	32
-67,162	Accumulated Absences Account	-85,684	
1,127,120	Total Unusable Reserves	-184,490	
14,337,963	Total Reserves	13,431,172	

The Notes to the Core Financial Statements and the Statement of Accounting Policies form part of the Statement of Accounts

Cash Flow Statement

Cash Flow Statement

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

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

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

2018/19 £		2019/20 £	Note
-196,278	Net (Surplus) or Deficit on the Provision of Services	217,602	
-1,727,096	Adjustments to Net Surplus or Deficit on the Provision of Services for Non-Cash Movements	-3,074,151	22
243,741	Adjustments for Items Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities	0	22
-1,679,633	Net Cash Flows from Operating Activities	-2,856,549	
-209,962	Investing Activities	87,319	23
-351,553	Financing Activities	378,257	24
-2,241,148	Net Increase or decrease in Cash and Cash Equivalents	-2,390,973	
10,151,387	Cash and Cash Equivalents 1 April	12,392,535	
12,392,535	Cash and Cash Equivalents 31 March	14,783,508	17

The Notes to the Core Financial Statements and the Statement of Accounting Policies form part of the Statement of Accounts

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.

2019/20	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	4,145,598	308,461	4,454,059
Economic Development Committee	269,462	19,256	288,718
Health and Housing Committee	795,372	143,432	938,804
Planning and Development Committee	240,587	367,017	607,604
Policy and Finance Committee	2,016,244	838,671	2,854,915
Net Cost of Services	7,467,263	1,676,837	9,144,100
Other Income and Expenditure	-7,864,503	-1,061,995	-8,926,498
(Surplus) or Deficit	-397,240	614,842	217,602
Opening General Fund Balance at 31 March 2019	-11,744,175		
Closing General Fund Balance as at 31 March 2020	-12,141,415		

Notes to the Core Financial Statements

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
Net Cost of Services	7,417,851	536,432	7,954,283
Other Income and Expenditure	-8,080,903	-69,658	-8,150,561
(Surplus) or Deficit	-663,052	466,774	-196,278
Opening General Fund Balance at 31 March 2018	-11,081,123		
Closing General Fund Balance as at 31 March 2019	-11,744,175		

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.

2019/20	Net Expenditure Chargeable to the General Fund £	Adjustments for Capital Purposes £	Net Change for the Pensions Adjustments £	Other Statutory Adjustments £	Net Expenditure in the Comprehensive Income and Expenditure Statement £
Community Services Committee	4,145,598	22,320	282,656	3,485	4,454,059
Economic Development Committee	269,462		19,345	-89	288,718
Health and Housing Committee	795,372	23,188	97,855	22,389	938,804
Planning and Development Committee	240,587	276,242	89,966	809	607,604
Policy and Finance Committee	2,016,244	16,231	808,177	14,263	2,854,915
Net Cost of Services	7,467,263	337,981	1,297,999	40,857	9,144,100
Other Income and Expenditure	-7,864,503	-1,469,524	381,000	26,529	-8,926,498
(Surplus) or Deficit	-397,240	-1,131,543	1,678,999	67,386	217,602

Notes to the Core Financial Statements

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

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 i.e. 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 Statutory 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.

2018/19 £	2019/20 £
Expenditure	
7,619,743 Employee Expenditure	8,689,244
12,916,706 Other Service Expenses	13,262,393
856,783 Depreciation, Amortisation and Impairment	1,271,250
24,000 Pensions Administration Costs	29,000
7,033 Interest Payments	6,527
435,183 Precepts and Levies	450,764
21,859,448 Total Expenditure	23,709,178
Income	
-5,974,078 Fees and Charges and Other Service Income	-6,492,648
-238,241 Gain or Loss on Disposal of Non-Current Assets	33,489
-5,832,561 Income from Council Tax and Business Rates	-6,288,377
-9,918,520 Government Grants, Contributions and Donations	-10,630,619
-92,326 Interest and Investment Income	-113,422
-22,055,726 Total Income	-23,491,577
-196,278 (Surplus) or Deficit on Provision of Services	217,601

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

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

- **IFRS 16 Leases:** this will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases). CIPFA/LASAAC have deferred implementation of IFRS16 for local government to 1 April 2021.
- **IAS 19 Employee Benefits:** this will require the remeasurement of net pension asset/liability following plan amendments, curtailments or settlements to be used to determine current service cost and net interest for the remainder of the year after the change to the plan. The updating of these assumptions only applies to changes from 1st April 2020 and, since this could result in positive, negative or no movement in the net pension liability, no prediction can be made of the possible accounting impact.

5 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set at the beginning of the Statement of Accounts, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- There 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 2020 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Notes to the Core Financial Statements

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Pensions Liability	<p>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> <p>There have been substantial falls in equity markets in March 2020 in relation to the COVID-19 pandemic resulting in a reduction in asset values for accounting purposes.</p>	<p>Mercer Limited are the actuaries for the Lancashire County Pension Fund. The Pension Fund Deficit for Ribble Valley at 31 March 2020 was £14.971m. The following sensitivity analysis is provided by Mercer Limited:</p> <ul style="list-style-type: none"> • +0.1% p.a. discount rate as at 31 March 2020: deficit would be £13.884m • +0.1% p.a. inflation as at 31 March 2020: deficit would be £16.076m • +0.1% p.a. pay growth as at 31 March 2020: deficit would be £15.108m • 1-year addition to members' life expectancy as at 31 March 2020: deficit would be £16.812m • +1% change in 2019/20 investment returns: deficit would be £14.434m • -1% change in 2019/20 investment returns: deficit would be £15,508m
Arrears	<p>At 31 March 2020, the Council had a balance of sundry debtors of £747,323 (including overpaid housing benefits). A review of significant balances suggested that an impairment of doubtful debts of £170,063 (including overpaid housing benefits) was appropriate. However, the level of such an allowance may fluctuate in adequacy.</p>	<p>If collection rates were to deteriorate, a 10% increase in the impairment would equate to £17,006</p>
Business Rates Appeals Provision	<p>At the 31 March the Council made a provision on the Collection Fund of £1,062,477 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 £594,987 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.</p>	<p>If anticipated appeals were to be 10% higher than those allowed for in the provision, the increase would equate to £106,248 in total or a £59,499 share for this council.</p>
Property, Plant and Equipment Valuations	<p>The reporting date for the valuations, 31 March 2020, was in the midst of the Covid-19 pandemic. On 19 March 2020 the Royal Institution of Chartered Surveyors issued a Valuation Notification to all RICS members identifying that issues caused by the pandemic mean valuations are prepared at a time of 'material valuation uncertainty'. Consequently, less certainty and a higher degree of caution should be attached to our valuations than would normally be the case. Valuations reported should also be kept under frequent review</p>	<p>A variation of 10% in the value of the council's land and buildings would be approximately £1.696m. A reduction would result in a reduction to the revaluation reserve and/or a loss charged to the comprehensive income and expenditure statement. An increase in estimated valuations would result in the reversal of any negative revaluations previously charged to the comprehensive income and expenditure statement and/or increases to the revaluation reserve and/or gains charged to the comprehensive income and expenditure statement.</p>

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 2019/20 £5.68m was paid out (£6.28m in 2018/19), after taking in to 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 £5.71m was received from the Department for Work and Pensions in 2019/20 (£6.34m in 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, Dunsop Bridge and Chipping. The Council, through committees, have full control of the level of the car parking charges that are set.

In 2019/20 the Council received £403,464 in income from chargeable car parks (in 2018/19 £392,985). This income excludes that received from parking fines.

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 2019/20 the council received £673,673 in planning application fees, which help fund the provision of the service. (£673,661 in 2018/19).

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 2019/20 the Council received £1,708,862 through various business rates Section 31 grants (£954,930 in 2018/19).

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

	2018/19 £	2019/20 £
Ribble Valley Borough Council Precept	-3,451,102	-3,497,364
Precept Relating to Parishes	-435,183	-450,764
Surplus Received in Year (Declared January Prior to Start of Year)	-70,351	-61,419
Movement on Collection Fund (Surplus)/Deficit at Year End	13,131	-4,726
Total Council Tax	-3,943,505	-4,014,273

Non-Domestic Rates Income and Expenditure

	2018/19 £	2019/20 £
Ribble Valley Borough Council Share of Business Rates Income	-5,848,942	-8,386,713
Less Tariff Payable to Central Government	4,147,262	6,364,376
(Surplus)/Deficit Payment in Year (Declared January Prior to Start of Year)	25,165	-224,211
Movement on Collection Fund Deficit/(Surplus) at Year End	-192,628	53,588
Business Rates Retained on Renewable Energy Schemes	-92,478	-83,293
10% Retained Levy Payable to Lancashire County Council under Business Rates Pooling Arrangements	72,565	
Contribution to the Lancashire Pilot Pool Strategic Economic Growth and Financial Sustainability Fund		2,149
Overall Net Retained Business Rates Related Income	-1,889,056	-2,274,104

Revenue Support Grant

This is a source of funding that has seen a significant decrease over past years and stopped in 2018/19. As such this grant was not received in 2019/20 (£109,149 in 2018/19).

Capital Grants and Contributions

	2018/19 £	2019/20 £
Longridge Town Council	-3,000	0
Total Capital Grants and Contributions	-3,000	0

Notes to the Core Financial Statements

Other Non-Specific Grants

	2018/19 £	2019/20 £
New Homes Bonus	-1,575,908	-1,666,486
Rural Areas Delivery Grant	-107,921	0
Levy Account Surplus	-20,446	-4,543
Business Rates Section 31 Grants		
Small Business Rates Relief (SBRR) Scheme	-847,033	-1,316,044
SBRR on Existing Properties where 2nd Property is Occupied	-7,043	-4,213
'New Empty' Properties	-18	0
Multiplier Cap	-49,431	-77,498
Discretionary Scheme	-18,651	-12,043
Pub Relief Scheme	-18,586	11
Rural Rate Relief	-8,040	-11,672
Supporting Small Businesses	-6,021	-7,462
In Lieu of Transitional Relief	-107	0
Retail Discount	0	-271,504
Flooding Relief	0	-8,437
Other Non-Specific Grants	-2,659,205	-3,379,891

9 EVENTS AFTER THE REPORTING PERIOD

The Statement of Accounts was authorised for issue on the 25 November 2020. 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 2020, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The impact from the Covid-19 pandemic on the council is on-going and cannot be quantified to date, the Council continues to assess the impact on the Council's financial situation but is certain significant financial losses will occur. The impact of Covid-19 after the 31 March is explained in more detail in the Narrative Report.

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

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 a council are required to be paid and out of which all liabilities of the council 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 2019/20	Usable Reserves			Movement in Unusable Reserves £
	General Fund Balance £	Capital grants Unapplied £	Capital Receipts Reserve £	
Adjustments primarily involving the Capital Adjustment Account				
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</u>				
Charges for depreciation and impairment of non-current assets	926,003			-926,003
Revaluation losses on Property Plant and Equipment (Charged to surplus or Deficit on Provision of Services)	69,320			-69,320
Amortisation of Intangible Assets	7,221			-7,221
Capital Grants and Contributions Applied	-33,635			33,635
Revenue Expenditure Funded from Capital Under Statute	659,687			-659,687
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	33,489			-33,489
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Account</u>				
Statutory Provision for the Financing of Capital investment	-126,075			126,075
Capital expenditure charged against General Fund Balances	-2,310,163			2,310,163
Adjustments primarily involving the Capital Grants Unapplied Account				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-357,391	357,391		
Application of grants to capital financing transferred to the Capital Adjustment Account		-349,810		349,810
Adjustments primarily involving the Capital Receipts Reserve				
Transfer of Cash Sale Proceeds Credited as Part of the Gain/Loss on Disposal to the Comprehensive Income and Expenditure Statement	0		0	
Contribution from the Capital Receipts Reserve towards administrative cost of Non-Current asset disposals	0		0	

Notes to the Core Financial Statements

Movements in 2019/20	Usable Reserves			Movement in Unusable Reserves £
	General Fund Balance £	Capital grants Unapplied £	Capital Receipts Reserve £	
Adjustments primarily involving the Pensions Reserve				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	2,716,000			-2,716,000
Employer's pensions contributions and direct payments to pensioners payable in the year	-1,037,000			1,037,000
Adjustments primarily involving the Collection Fund Adjustment Account				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income collected for the year in accordance with statutory requirements	48,862			-48,862
Adjustments primarily involving the Accumulated Absences Account				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	18,522			-18,522
Total Adjustments	614,840	7,581	0	-622,421

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 £	
Adjustments primarily involving the Capital Adjustment Account				
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</u>				
Charges for depreciation and impairment of non-current assets	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
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Account</u>				
Statutory Provision for the Financing of Capital investment	-129,840			129,840
Capital expenditure charged against General Fund Balances	-802,773			802,773
Adjustments primarily involving the Capital Grants Unapplied Account				
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
Adjustments primarily involving the Capital Receipts Reserve				
Transfer of Cash Sale Proceeds Credited as Part of the Gain/Loss on Disposal to the Comprehensive Income and Expenditure Statement	-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 £	
Adjustments primarily involving the Pensions Reserve				
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
Adjustments primarily involving the Collection Fund Adjustment Account				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income collected for the year in accordance with statutory requirements	-179,497			179,497
Adjustments primarily involving the Accumulated Absences Account				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	14,456			-14,456
Total Adjustments	466,775	74,631	243,741	-785,147

11 LANCASHIRE BUSINESS RATES POOL

In 2016/17, 2017/18 and 2018/19 this Council was part of the Lancashire Business Rates Pool. 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 included most but not all of the local authorities in Lancashire, was designated by the Secretary of State for Housing, Communities and Local Government and originally operated with allocations on the basis of the 50% business rates retention scheme.

In 2019/20 we successfully submitted a bid along with 15 other authorities in Lancashire to become a 75% Business Rate Pilot Pool. This meant that 75% of collected rates were retained in Lancashire rather than 50%.

A comparison of the business rates income allocations in 2018/19 and 2019/20 are shown in the table below:

	2018/19	2019/20
District Authorities	40%	56%
Lancashire County Council	9%	17.5%
Lancashire Combined Fire Authority	1%	1.5%
	50%	75%
Central Government	50%	25%
Total	100%	100%
Unitary Authorities	49%	73.5%

Notes to the Core Financial Statements

Lancashire Business Rates Pilot Pool Members 2019/20	Authority Type	Tariffs and Top-Ups in Respect of 2019/20 £	Total Growth above Baseline Under 75% Scheme £	Additional Retained Growth above that under the 50% Scheme £
Blackburn with Darwen Unitary Authority	Top-Up	-27,209,155	6,290,545	2,096,849
Blackpool Unitary Authority	Top-Up	-27,136,666	965,342	321,780
Burnley Borough Council	Tariff	8,389,841	3,894,421	1,112,691
Chorley Borough Council	Tariff	10,116,103	2,888,454	825,273
Fylde Borough Council	Tariff	11,921,669	3,971,482	1,134,710
Hyndburn Borough Council	Tariff	5,350,206	644,806	184,230
Pendle Borough Council	Tariff	5,125,168	2,363,324	675,236
Preston Borough Council	Tariff	27,181,715	1,627,197	464,913
Ribble Valley Borough Council	Tariff	6,364,376	2,331,874	666,250
Rossendale Borough Council	Tariff	4,595,868	1,820,769	520,220
South Ribble Borough Council	Tariff	15,149,823	4,667,725	1,333,636
West Lancashire Borough Council	Tariff	13,287,104	2,905,817	830,233
Wyre Borough Council	Tariff	10,760,888	2,011,984	574,853
Lancashire County Council	Top-Up	-164,645,542	9,362,315	4,448,284
Lancashire Combined Fire Authority	Top-Up	-17,656,850	957,163	311,393
Central Government	-	118,405,452	-	-
Total		0	46,703,218	15,500,551

In 2019/20 the governance arrangements for the pilot pool were approved such that any retained growth above that which would have been received under the previous 50% scheme was to be split on the following basis:

- Risk Resilience Reserve: The first 5% of any additional growth was to be used to create a new risk resilience reserve to mitigate against any extra loss arising from being a pilot member.
- Strategic Economic Growth and Financial Sustainability Fund: A further 25% of the additional growth was to be set aside to create a Lancashire wide fund to be used to target strategic economic growth and improve financial sustainability and allocated based on unanimous decisions of the Pilot Pool Governing Body after the closure of the financial year.

The position on the Pilot Pool for 2019/20, based upon the final submitted NNDR3 returns, is detailed below:

Notes to the Core Financial Statements

Lancashire Business Rates Pilot Pool Members 2019/20	Additional Retained Growth above that under the 50% Scheme £	5% Due to Risk Resilience Reserve £	25% Due to Strategic Economic Growth and Financial Sustainability Fund £
Blackburn with Darwen Unitary Authority	2,096,849	104,842	524,212
Blackpool Unitary Authority	321,780	16,089	80,445
Burnley Borough Council	1,112,691	55,635	278,173
Chorley Borough Council	825,273	41,264	206,318
Fylde Borough Council	1,134,710	56,736	283,678
Hyndburn Borough Council	184,230	9,212	46,058
Pendle Borough Council	675,236	33,762	168,809
Preston Borough Council	464,913	23,246	116,228
Ribble Valley Borough Council	666,250	33,313	166,563
Rosendale Borough Council	520,220	26,011	130,055
South Ribble Borough Council	1,333,636	66,682	333,409
West Lancashire Borough Council	830,233	41,512	207,558
Wyre Borough Council	574,853	28,743	143,713
Lancashire County Council	4,448,284	222,414	1,112,071
Lancashire Combined Fire Authority	311,393	15,570	77,848
Total	15,500,551	775,028	3,875,138

During the year an advance request for use of the Strategic Economic Growth and Financial Sustainability Fund was considered and agreed by the Governing Body in respect of expenditure to be incurred by Lancashire County Council in the creation of the Greater Lancashire Plan. This was to be capped at £400,000.

At a later point in the year, and in light of the Covid-19 pandemic financial pressures, it was decided by the Governing Body that the expenditure on the Great Lancashire Plan would instead only be funded up to the £50,000 that had been defrayed at that point. It was also agreed that all authorities would retain any remaining balance on the Strategic Economic Growth and Financial Sustainability Fund to help them meet their own financial resilience pressures under the pandemic.

In accordance with the Memorandum of Understanding for the Pilot Pool, the Risk Resilience Reserve would be retained by each Pool member, unless it was evidenced at the end of the financial year through the completion of the NNDR3 returns that such funds were needed.

The outturn position showed that the Risk Resilience Reserve was not needed and that the only payment due to the Strategic Economic Growth and Financial Sustainability Fund was the £50,000 in total towards the Greater Lancashire Plan. The overall position is shown in the table below:

Notes to the Core Financial Statements

Lancashire Business Rates Pilot Pool Members 2019/20	Total Growth above Baseline Under 75% Scheme £	Actual Payments Due to the Strategic Economic Growth and Financial Sustainability Fund £	Net Business Rates Growth Above the Baseline Retained by Local Authority £
Blackburn with Darwen Unitary Authority	6,290,545	6,764	6,283,781
Blackpool Unitary Authority	965,342	1,038	964,304
Burnley Borough Council	3,894,421	3,589	3,890,832
Chorley Borough Council	2,888,454	2,662	2,885,792
Fylde Borough Council	3,971,482	3,660	3,967,822
Hyndburn Borough Council	644,806	594	644,212
Pendle Borough Council	2,363,324	2,178	2,361,146
Preston Borough Council	1,627,197	1,500	1,625,697
Ribble Valley Borough Council	2,331,874	2,149	2,329,725
Rosendale Borough Council	1,820,769	1,678	1,819,091
South Ribble Borough Council	4,667,725	4,302	4,663,423
West Lancashire Borough Council	2,905,817	2,678	2,903,139
Wyre Borough Council	2,011,984	1,854	2,010,130
Lancashire County Council	9,362,315	14,349	9,347,966
Lancashire Combined Fire Authority	957,163	1,005	956,158
Total	46,703,218	50,000	46,653,218

As part of the pool arrangements, one authority must be designated as lead authority, which in the case of the Lancashire Business Rates Pilot Pool is Ribble Valley Borough Council. As part of this arrangement a fee of £30,000 is payable, charged equally to all members of the pool by Ribble Valley Borough Council in their role as lead.

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 2019/20.

General Fund	Balance at 31 March 2018 £	Transfers In 2018/19 £	Transfers Out 2018/19 £	Balance at 31 March 2019 £	Transfers In 2019/20 £	Transfers Out 2019/20 £	Balance at 31 March 2020 £
Reserves for Shorter Term Service Commitments							
Community Services							
Committee Grants Fund <i>Used to fund various Community Services Committee grants</i>	17,975	16,980		34,955		-17,042	17,913
Audit Reserve Fund <i>Used for computer audit</i>	12,335			12,335			12,335
Refuse Collection <i>To fund refuse collection costs of bin replacements.</i>	68,497	6,542	-27,724	47,315	22,295	-10,000	59,610
Amenity Cleansing Reserve <i>Used to fund known future amenity cleansing works</i>	5,750	24,160		29,910		-18,080	11,830
Clitheroe Food Festival <i>Resources set aside or used to help support the costs associated with the Clitheroe Food Festival</i>	17,736		-3,910	13,826		-6,921	6,905
Two-Way Radio Reserve <i>Contributions from the Lancashire Resilience Forum towards the running of the two-way radio system and future enhancements</i>	0			0	718		718
Promotional Activities Reserve <i>To fund planned publicity and promotional activities</i>	0	5,000		5,000		-5,000	0
Total Reserves for Shorter Term Service Commitments	122,293	52,682	-31,634	143,341	23,013	-57,043	109,311
Reserves to Smooth the Revenue Impact of Longer-Term Cyclical Costs							
Elections Fund <i>Used to fund local elections held once every four years</i>	87,000	33,000	-18,232	101,768	36,852	-113,502	25,118
Revaluation of Assets Reserve <i>To contribute towards the revaluation of the Council's assets every five years.</i>	7,290	2,110		9,400	2,420	-9,400	2,420

Notes to the Core Financial Statements

General Fund	Balance at 31 March 2018 £	Transfers In 2018/19 £	Transfers Out 2018/19 £	Balance at 31 March 2019 £	Transfers In 2019/20 £	Transfers Out 2019/20 £	Balance at 31 March 2020 £
Pensions Triennial Revaluation Reserve							
<i>Savings on contribution rates, set aside with a view to offsetting any future pensions fund deficits</i>	12,778	29,450		42,228	26,364		68,592
Total Reserves to Smooth the Revenue Impact of Longer Term Cyclical Costs	107,068	64,560	-18,232	153,396	65,636	-122,902	96,130
Reserves for Trading or Business Units							
Building Control Fund							
<i>Available to equalise net expenditure over a three-year period</i>	-41,160		-7,993	-49,153		-29,602	-78,755
Total Reserves for Trading or Business Units	-41,160		-7,993	-49,153	0	-29,602	-78,755
Reserves for Sums Set Aside for Major Schemes such as Capital Projects							
Capital							
<i>Used to fund the capital programme</i>	860,472	835,243	-802,772	892,943	2,348,987	-2,310,163	931,767
ICT Renewals							
<i>To fund future software and hardware pressures</i>	167,789	3,130	-26,048	144,871		-22,131	122,740
Vehicle & Plant Renewals Reserve							
<i>Resources set aside to fund future replacement of Vehicles and Plant through the capital programme</i>	438,000		-386,965	51,035			51,035
Total Reserves for Sums Set Aside for Major Schemes such as Capital Projects	1,466,261	838,373	-1,215,785	1,088,849	2,348,987	-2,332,294	1,105,542
Reserves for Longer Term Strategic or Corporate Items							
VAT Shelter Reserve							
<i>Funds received from the post LSVT VAT Shelter arrangements, partly used to contribute towards the future financing of the capital programme</i>	1,223,054	37,779	-52,964	1,207,869	32,963	-136,379	1,104,453
Fleming VAT Claim							
<i>VAT recovered from 'Fleming' claim challenge to HMRC</i>	67,271		-6,452	60,819		-2,000	58,819

Notes to the Core Financial Statements

General Fund	Balance at 31 March 2018 £	Transfers In 2018/19 £	Transfers Out 2018/19 £	Balance at 31 March 2019 £	Transfers In 2019/20 £	Transfers Out 2019/20 £	Balance at 31 March 2020 £
<u>Insurance</u>							
<i>Available to meet any costs following demise of Municipal Mutual Insurance Company</i>	14,581			14,581			14,581
<u>Repairs and Maintenance</u>							
<i>To fund emergency repairs and maintenance items, including legionella and asbestos abatement</i>	29,299	31,100	-15,320	45,079			45,079
<u>Post LSVT</u>							
<i>To fund any costs post LSVT which may arise, such as pension fund liabilities</i>	219,075		-36,512	182,563		-36,513	146,050
<u>Restructuring Reserve</u>							
<i>To fund costs resulting from restructuring reviews</i>	207,317		-10,284	197,033		-9,130	187,903
<u>Equipment Reserve</u>							
<i>To fund essential and urgent equipment requirements</i>	123,517	14,866	-56,775	81,608	30,413	-28,366	83,655
<u>Invest to Save Fund</u>							
<i>To fund future invest to save projects</i>	250,000		-18,169	231,831	5,559	-228	237,162
<u>Planning Reserve</u>							
<i>To fund any future potential planning issues such as Local Development Plan expenditure and Planning Appeals</i>	124,980	113,278	-105,707	132,551	1,676	-92,584	41,643
<u>Housing Benefit Reserve</u>							
<i>To help meet the challenges facing the service in the coming years</i>	100,000			100,000			100,000
<u>Business Rates Volatility Reserve</u>							
<i>To provide some protection against business rates volatilities</i>	1,682,000			1,682,000			1,682,000
<u>Business Rates Growth Reserve</u>							
<i>Business rates growth used to support revenue expenditure or the capital programme.</i>	221,060	873,020	-94,508	999,572	1,920,439	-1,345,397	1,574,614
<u>New Homes Bonus Reserve</u>							
<i>To help support revenue and capital expenditure</i>	1,886,771	470,908	-139,469	2,218,210	561,486	-361,547	2,418,149

Notes to the Core Financial Statements

General Fund	Balance at 31 March 2018 £	Transfers In 2018/19 £	Transfers Out 2018/19 £	Balance at 31 March 2019 £	Transfers In 2019/20 £	Transfers Out 2019/20 £	Balance at 31 March 2020 £
Total Reserves for Longer Term Strategic or Corporate Items	6,148,925	1,540,951	-536,160	7,153,716	2,552,536	-2,012,144	7,694,108
<i>Reserves for External Funding where Expenditure has yet to be Incurred</i>							
<u>Performance Reward Grant</u> <i>Performance Reward Grant received and used to fund associated projects</i>	67,577			67,577			67,577
<u>Land Charges Reserve</u> <i>To fund any potential restitution claims for personal search fees</i>	46,794	4,323		51,117			51,117
<u>Pendle Hill User Reserve</u> <i>To fund improvement schemes on Pendle Hill</i>	44,510	191	-20,280	24,421		-22,240	2,181
<u>Crime Reduction Partnership Reserve</u> <i>To fund cost of crime reduction initiatives</i>	34,608	4,494		39,102	4,550	-5,593	38,059
<u>Exercise Referral and Up and Active Reserve</u> <i>To fund potential residual staffing costs and to hold other service grants</i>	13,771		-1,183	12,588		-7,556	5,032
<u>Housing Related Grants Reserve</u> <i>Residual grant received, to be committed to future grant funded schemes</i>	198,705		-36,165	162,540	45,368	-1,456	206,452
<u>Planning Policy Related Grants Reserve</u> <i>To provide short term capacity support when dealing with housing planning applications</i>	5,850			5,850			5,850
<u>Community Right to Bid/Challenge</u> <i>To fund any future costs under the Community Right to Bid and Community Right to Challenge Regulations</i>	45,124			45,124			45,124
<u>Grant Funded Sports Development</u> <i>To finance future Sports Development grant funded expenditure</i>	3,640		-650	2,990	7,737	-40	10,687

Notes to the Core Financial Statements

General Fund	Balance at 31 March 2018 £	Transfers In 2018/19 £	Transfers Out 2018/19 £	Balance at 31 March 2019 £	Transfers In 2019/20 £	Transfers Out 2019/20 £	Balance at 31 March 2020 £
<u>Whalley Moor Reserve</u> <i>Grant received towards work at Whalley Moor Woodland</i>	4,520			4,520			4,520
<u>Individual Electoral Registration Reserve</u> <i>Grant received for the implementation of Individual Electoral Registration which will be used to fund this work</i>	16,590			16,590			16,590
<u>Rural Services Reserve</u> <i>Grant received with the purpose of supporting rural services</i>	105,544		-21,494	84,050		-8,658	75,392
<u>Neighbourhood Planning Reserve</u> <i>MHCLG Neighbourhood Planning Grant received to fund future related expenditure</i>	10,069	6,064		16,133			16,133
<u>Repossession Prevention Fund Reserve</u> <i>Ring-fenced MHCLG funded reserve to help prevent repossessions and homelessness.</i>	28,491			28,491			28,491
<u>Parish Grant Reserve</u> <i>PRG resources set aside to fund the Parish Grant Scheme</i>	36,819			36,819		-1,050	35,769
<u>Custom and Self Build Register Grant Reserve</u> <i>Grant funding towards maintenance of a register of individuals, and associations of individuals, seeking to acquire serviced plots of land in the area</i>	45,000	28,750		73,750	15,000		88,750
<u>Brownfield Register Grant Reserve</u> <i>Grant funding towards preparation and maintenance of a register of brownfield sites suitable for residential development.</i>	16,420	7,397		23,817	2,446		26,263

Notes to the Core Financial Statements

General Fund	Balance at 31 March 2018 £	Transfers In 2018/19 £	Transfers Out 2018/19 £	Balance at 31 March 2019 £	Transfers In 2019/20 £	Transfers Out 2019/20 £	Balance at 31 March 2020 £
<u>Flood Resilience, Response and Recovery Grant Reserve</u> <i>Grant funding relating to residual Flood Resilience Grants and also in respect of flood response and recovery</i>	20,000		-20,000	0	18,408		18,408
<u>EU Exit Funding Reserve</u> <i>Grant funding relating to impacts in respect of the EU Exit</i>	0	17,484		17,484	34,968		52,452
<u>Cyber Resilience Grant Reserve</u> <i>Grant funding in respect of Cyber Resilience work</i>	0	10,600		10,600			10,600
<u>Pendle Hill Landscape Partnership Reserve</u> <i>To fund schemes in respect of the Pendle Hill Landscape Partnership</i>	0	20,000		20,000		-20,000	0
<u>Housing Benefits New Burden Grants Reserve</u> <i>Grant income to support new burdens in respect of Housing Benefits</i>	0	11,983		11,983		-7,314	4,669
<u>LCTS New Burdens Grant Reserve</u> <i>Grant income to support new burdens in respect of Localised Council Tax Support</i>	0	26,370		26,370		-8,000	18,370
<u>Parks Improvement Funding Reserve</u> <i>Grant funding to support improvements to parks</i>	0			0	10,000	-2,889	7,111
<u>Covid-19 Response</u> <i>Balance of grant income received prior to the end of the 2019/20 financial year in respect of the response to the Covid-19 pandemic.</i>	0			0	3,835		3,835
Total Reserves for External Funding where Expenditure has yet to be Incurred	744,032	137,656	-99,772	781,916	142,312	-84,796	839,432
Total of all Earmarked Reserves	8,547,420	2,634,222	-1,909,576	9,272,065	5,132,484	-4,638,781	9,765,768

13 PROPERTY, PLANT AND EQUIPMENT

Movements in 2019/20	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	Assets Under Construction £'000	Total Property, Plant and Equipment £'000
<i>Cost or Valuation</i>							
At 1 April 2019	15,064	5,122	360	1,593	25		22,164
Additions/Acquisitions	1,393	678				9	2,080
Derecognition - Disposal		-415	-15				-430
Reclassification (to)/from Surplus Assets		-3				3	0
Revaluation decreases recognised in the Revaluation Reserve	-3,385						-3,385
Revaluation decreases recognised in the Surplus/Deficit on the Provision of Services	-7						-7
At 31 March 2020	13,065	5,382	345	1,593	25	12	20,422
<i>Accumulated Depreciation and Impairments</i>							
At 1 April 2019	-44	-3,274	-73	-26			-3,417
Derecognition - Disposal		411					411
Depreciation Charge	-493	-420	-10	-3	-1		-927
Depreciation written out to the Revaluation Reserve	473						473
Depreciation written out to the Surplus/Deficit on the Provision of Services	-2						-2
Impairment reversals recognised in the Revaluation Reserve	61						61
Impairment losses recognised in the Surplus/Deficit on the Provision of Services	-61						-61
At 31 March 2020	-66	-3,283	-83	-29	-1	0	-3,462
Net Book Value							
at 31 March 2019	15,020	1,848	287	1,567	25	0	18,747
at 31 March 2020	12,999	2,099	262	1,564	24	12	16,960

Notes to the Core Financial Statements

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
<i>Cost or Valuation</i>						
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 recognised in the Revaluation Reserve	165					165
Revaluation decreases recognised in the Surplus/Deficit on the Provision of Services	-56					-56
At 31 March 2019	15,064	5,123	359	1,593	25	22,164
<i>Accumulated Depreciation and Impairments</i>						
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 recognised in the Revaluation Reserve	-53					-53
Impairment reversals recognised in the Surplus/Deficit on the Provision of Services	53					53
Reclassification (to)/from Surplus Assets	-1				1	0
At 31 March 2019	-44	-3,275	-72	-26	0	-3,417
Net Book Value						
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

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 2020 the Council had an approved capital programme of £2,455,140 for 2020/21 and had £774,410 of budget slippage from the 2019/20 capital programme that was rolled forward to be spent in 2020/21. At 31 March 2020, the Council had capital commitments of £387,337, of which £31,956 related to 2019/20 capital programme slippage and £355,381 related to the 2020/21 capital programme.

Of the £387,337 capital commitments, £364,100 related to property, plant and equipment and £23,237 related to intangible assets.

Effects of Changes in Estimates

In 2019/20 the Council made no material changes to its accounting estimates for Property, Plant and Equipment.

Notes to the Core Financial Statements

Revaluations

The freehold and leasehold properties, which comprise the Council's property portfolio, were fully revalued on 1 March 2020 by Taylor Weaver Ltd (Alex Taylor BSc MRICS and Neil Weaver MRICS, RICS registered valuers) and Lea Hough & Co Chartered Surveyors (Michael Harrison BSc (Hons) MRICS). The valuations were made in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institute of 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.

There has been a substantial downward movement in our Other Land and Buildings valuations due to the full revaluation exercise that has been undertaken this year. Since the last full revaluation five years ago there has been a change in valuer used and in accordance with requirements, only annual desktop revaluation exercises undertaken annually.

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.

Covid-19 Impact

At the 31 March 2020 we see no impact on the valuations of our non-current assets as they will all continue to be used by the council, and our overall assets have a low level of reliance on commercial occupants. This position has been confirmed by our external valuers.

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 2019	852	65	917
Disposals (Stolen Items)	26	-14	12
Revaluations		16	16
At 31 March 2020	878	67	945
<i><u>Cost or Valuation</u></i>			
At 1 April 2018	827	65	892
Revaluations	25		25
At 31 March 2019	852	65	917

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

In 2019/20 the only disposal recognised under Civic Regalia above is in respect of the theft of several sets of unique and irreplaceable mayoral chains from the Ribble Valley Civic Suite. The theft constitutes the loss of important and unique civic artefacts.

There were no additions to or disposals of the council's Heritage Assets in the 2018/19.

Notes to the Core Financial Statements

15 FINANCIAL INSTRUMENTS

Categories of Financial Instruments

The following categories of financial instruments are carried in the Balance Sheet:

	2018/19		2019/20	
	Carrying Amount £	Fair Value £	Carrying Amount £	Fair Value £
<u>Financial Assets Measured at Amortised Cost</u>				
Investments	12,402,535	12,402,535	14,793,508	14,793,508
Total Investments	12,402,535	12,402,535	14,793,508	14,793,508
Long-Term Debtors	265,462	265,462	258,083	258,083
Short-Term Debtors	1,120,601	1,120,601	1,850,922	1,850,922
Total Debtors	1,386,063	1,386,063	2,109,005	2,109,005
Total Financial Assets	13,788,598	13,788,598	16,902,513	16,902,513

The Financial Instruments categorised above represent:

- Amounts shown under Investments consist of cash held by the Council, bank accounts, short term investments and subscribed for shares in the UK Municipal Bonds Agency plc (Local Capital Finance Company).
- Amounts shown under Long-Term Debtors consist of car loans and a loan to Roefield Leisure Centre.
- Amounts shown under Short-Term Debtors represents net operational (sundry) debtors.

	2018/19		2019/20	
	Carrying Amount £	Fair Value £	Carrying Amount £	Fair Value £
<u>Financial Liabilities Measured at Amortised Cost</u>				
Long-Term Borrowing	-125,983	-161,174	-115,590	-151,581
Short-Term Borrowing	-10,393	-13,297	-10,393	-13,629
Total Borrowings	-136,376	-174,471	-125,983	-165,210
Short-Term Creditors	-902,798	-902,798	-1,934,819	-1,934,819
Total Creditors	-902,798	-902,798	-1,934,819	-1,934,819
Total Financial Liabilities	-1,039,174	-1,077,269	-2,060,802	-2,100,029

The Financial Instruments categorised above represent:

- Amounts shown under Long-Term and Short-Term borrowings are loans with the Public Works Loan Board. 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.
- Amounts shown under Short-Term Creditors are the Council's operational creditors.

Income, Expense, Gains and Losses

The amounts shown below are recognised in the Comprehensive Income and Expenditure Statement under the (Surplus) or Deficit on Provision of Services:

	2018/19	2019/20
	£	£
<u>Financial Liabilities</u>		
Interest expenses	7,033	6,527
Total Expense in Surplus or Deficit on the Provision of Service	7,033	6,527
<u>Financial Assets</u>		
Interest income	-92,326	-113,422
Total Income in Surplus or Deficit on the Provision of Service	-92,326	-113,422

Fair Values of Assets and Liabilities

Financial liabilities and financial assets represented above under the section titled Categories of Financial Instruments 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 2019 and 31 March 2020 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 Debtors and Creditors is taken to be the invoiced amount.

Notes to the Core Financial Statements

16 SHORT TERM DEBTORS

	31 March 2019	31 March 2020
	£	£
Central government bodies	489,245	633,919
Other local authorities	86,100	721,765
Other entities and individuals		
- Other Debtors	602,892	648,815
- Business Rates	263,098	439,616
- Council Tax	212,995	236,293
- Prepayments	160,758	184,456
- Impairment	-375,510	-503,760
Total	1,439,578	2,361,104

17 CASH AND CASH EQUIVALENTS

	31 March 2019	31 March 2020
	£	£
Cash held by the Council	15,628	1,927
Bank Current Accounts	201,907	2,881,581
Short Term Investments	12,175,000	11,900,000
Total	12,392,535	14,783,508

To allow added flexibility and speed to the response to the Covid-19 pandemic, particularly in the payment of grant support, a higher level of cash was held in the council's Bank Current Accounts at the end of the financial year rather than as Short-Term Investments as would ordinarily have been the case.

This was facilitated through a temporary change to our cash limits normally operated under the treasury management policies and practices.

18 SHORT TERM CREDITORS

	31 March 2019	31 March 2020
	£	£
Central government bodies	-964,631	-487,224
Other local authorities	-1,319,160	-2,491,881
Other entities and individuals		
- Other Creditors	-398,039	-492,226
- Business Rates	-81,183	-59,904
- Council Tax	-71,910	-76,347
- Commuted Sums	-658,001	-1,405,310
- Refundable Deposits	-12,624	-13,784
- Receipts in Advance	-52,856	-1,280,972
Total	-3,558,404	-6,307,648

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	2018/19	2019/20
	£	£
Balance at 1 April	388,560	409,973
Movements in provisions in the year	21,413	185,014
Balance at 31 March	409,973	594,987

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.

Notes to the Core Financial Statements

31 March 2019 £		31 March 2020 £
2,472,111	General Fund Balance	2,375,646
9,272,065	Earmarked General Fund Reserves	9,765,768
1,086,608	Usable Capital Receipts Reserve	1,086,608
380,059	Capital Grants Unapplied	387,640
13,210,843	Total Usable Reserves	13,615,662

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.

2018/19 £		2019/20 £
2,533,703	Opening General Fund Balance	2,472,111
-61,592	Net amount added to (taken from) General Fund Balance	-96,465
2,472,111	Closing General Fund Balance	2,375,646

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.

2018/19 £		2019/20 £
8,547,420	Opening Earmarked General Fund Reserves	9,272,065
2,634,222	Amounts added to Earmarked General Fund Reserves	5,132,484
-1,909,577	Amounts taken from Earmarked General Fund Reserves	-4,638,781
9,272,065	Closing Earmarked General Fund Reserves	9,765,768

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.

Notes to the Core Financial Statements

2018/19 £		2019/20 £
305,428	Opening Capital Grants Unapplied	380,059
511,481	Amounts added to Capital Grants Unapplied	357,391
-436,850	Amounts taken from Capital Grants Unapplied	-349,810
380,059	Closing Capital Grants Unapplied	387,640

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.

2018/19 £		2019/20 £
842,867	Opening Usable Capital Receipts Reserve	1,086,608
247,991	Amounts added to the Usable Capital Receipts Reserve	0
-4,250	Amounts taken from the Usable Capital Receipts Reserve	0
1,086,608	Closing Usable Capital Receipts Reserve	1,086,608

21 UNUSABLE RESERVES

31 March 2019 £		31 March 2020 £
7,158,190	Capital Adjustment Account	8,586,778
300,110	Collection Fund Adjustment Account	251,248
9,148,982	Revaluation Reserve	6,034,168
-15,413,000	Pension Reserve	-14,971,000
-67,162	Accumulated Absences Account	-85,684
1,127,120	Total Unusable Reserves	-184,490

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. The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and subsequent costs.

Notes to the Core Financial Statements

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.

2018/19 £		2019/20 £	£
6,880,184	Balance at 1 April		7,158,190
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive income and Expenditure statement		
-926,775	- Charges for depreciation and impairment of non-current assets	-926,003	
12,575	- Revaluation losses on Property, Plant and Equipment	-69,320	
-2,395	- Amortisation of intangible assets	-7,221	
-448,630	- Revenue expenditure funded from capital under statute	-659,687	
-9,750	- 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	-33,489	
-1,374,975			-1,695,720
283,518	Adjusting amounts written out of the Revaluation Reserve		304,625
5,788,727	Net written out amount of the cost of non-current assets consumed in the year		5,767,095
	Capital financing applied in the year		
144,444	- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	33,635	
292,406	- Application of grants to capital financing from the Capital Grants Unapplied Account	349,810	
129,840	- Statutory provision for the financing of capital investment charged against the General Fund	126,075	
802,773	- Capital expenditure charged against the General Fund balance	2,310,163	
1,369,463			2,819,683
7,158,190	Balance at 31 March		8,586,778

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.

2018/19 £		2019/20 £
120,613	Balance at 1 April	300,110
-13,131	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	4,726
192,628	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	-53,588
300,110	Balance at 31 March	251,248

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.

2018/19 £		2019/20 £
8,830,696	Balance at 1 April	9,148,982
1,016,949	Upward revaluation of assets	843,866
-415,145	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	-3,427,260
	Impairment losses	-226,795
601,804	Surplus or Deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	-2,810,189
-283,518	Difference between fair value depreciation and historical cost depreciation	-290,315
	Accumulated gains on assets sold or scrapped	-14,310
-283,518	Amount written off to the Capital Adjustment Account	-304,625
9,148,982	Balance at 31 March	6,034,168

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.

2018/19 £		2019/20 £
-15,402,324	Balance at 1 April	-15,413,000
934,000	Remeasurements of the net defined benefit liability/(asset)	2,121,000
-1,968,000	Reversal of items relating to retirement benefits debited or credited to the surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	-2,716,000
1,023,324	Employer's pensions contributions and direct payments to pensioners payable in the year	1,037,000
-15,413,000	Balance at 31 March	-14,971,000

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%.

2018/19 £		2019/20 £
-52,706	Balance at 1 April	-67,162
52,706	Settlement or cancellation of accrual made at the end of the preceding year	67,162
-67,162	Amounts accrued at the year end of the current year	-85,684
-14,456	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	-18,522
-67,162	Balance at 31 March	-85,684

22 CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

2018/19 £		2019/20 £
-92,325	Interest received	-113,422
7,033	Interest paid	6,527
-85,292	Net Interest	-106,895

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

2018/19 £		2019/20 £
-243,741	Proceeds from the sale of property, plant and equipment and intangible assets	0
-243,741		0

Notes to the Core Financial Statements

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

2018/19 £	2019/20 £
-926,775 Depreciation	-926,003
12,575 Impairment and downward valuations	-69,320
-2,395 Amortisation	-7,221
-107,100 Increase in creditors	-3,075,175
-558,276 Increase/(decrease) in debtors	883,974
-20,455 Decrease in inventories	-5,883
-21,413 Increase in provisions	-185,014
-944,676 Movement in pension liability	-1,679,000
-9,750 Carrying amount of Property, Plant and Equipment sold	-33,489
144,444 Capital Grants and Contributions Applied	33,635
-448,630 Revenue Expenditure Funded from Capital Under Statute	-659,687
802,773 Capital Expenditure Charged against General Fund Balances	2,310,163
367,037 Capital Grants and Contributions Unapplied Credited to the Comprehensive Income and Expenditure Statement	357,391
-14,455 Accumulated Absences	-18,522
-1,727,096	-3,074,151

23 CASH FLOW STATEMENT – INVESTING ACTIVITIES

2018/19 £	2019/20 £
1,340,321 Purchase of property, plant and equipment, investment property and intangible assets	2,758,335
-243,741 Proceeds from the sale of property, plant and equipment, investment property and intangible assets	0
-1,306,542 Other receipts from investing activities	-2,671,016
-209,962 Net cash flows from investing activities	87,319

24 CASH FLOW STATEMENT – FINANCING ACTIVITIES

2018/19 £	2019/20 £
10,394 Repayments of short- and long-term borrowing	10,392
-361,947 Other payments for financing activities	367,865
-351,553 Net cash flows from financing activities	378,257

25 MEMBERS' ALLOWANCES

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

	2018/19	2019/20
	£	£
Basic Allowance	145,108	148,293
Special Responsibility Allowances	74,900	75,280
Expenses	4,215	4,006
	224,223	227,579

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
	2018/19 £	2018/19 £	2018/19 £	2019/20 £	2019/20 £	2019/20 £
Chief Executive ¹	103,688	10,090	113,778	119,022	7,416	126,438
Director of Community Services	82,038	4,492	86,530	83,679	6,382	90,061
Director of Resources	82,038	11,430	93,468	83,679	8,477	92,156
Director of Economic Development and Planning Services ²	49,206	0	49,206	78,247	12,043	90,290
Head of Financial Services	53,691	7,451	61,142	54,765	8,447	63,212
Head of Planning Services	53,691	6,626	60,317	54,765	7,417	62,182
Head of Legal and Democratic Services ³	42,953	4,238	47,191	40,161	4,521	44,682
	467,305	44,327	511,632	514,318	54,703	569,021

¹ The values for the Chief Executive include Acting Returning Officer Fees, which fluctuate from year to year depending on the elections called. 2019/20 £13,657 (all of which was pensionable); 2018/19 £389 (all of which was pensionable).

² The post of Director of Economic Development and Planning Services was 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 2018/19 was £75,174 and therefore this officer was required to be disclosed in this note for that year.

³ The Head of Legal and Democratic Services worked part-time and the role equates to 0.8 full time equivalent. The full time equivalent salary for this post was £54,765 in 2019/20 (£53,691 in 2018/19) and therefore this officer is required to be disclosed in this note. This officer retired from the post on 29 February 2020. Had they remained in post for the full financial year the salary would have been £43,812.

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

Notes to the Core Financial Statements

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 dependent upon salary level as shown in the table below.

The table below shows the contribution rates that applied in the 2018/19 and 2019/20 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 2018/19	Salary Banding 2019/20	Employee Contribution Rate
£0 - £14,100	£0 - £14,400	5.50%
> £14,101 - £22,000	> £14,401 - £22,500	5.80%
> £22,001 - £35,700	> £22,501 - £36,500	6.50%
> £35,701 - £45,200	> £36,501 - £46,200	6.80%
> £45,201 - £63,100	> £46,201 - £64,600	8.50%
> £63,101 - £89,400	> £64,601 - £91,500	9.90%
> £89,401 - £105,200	> £91,501 - £107,700	10.50%
> £105,201 - £157,800	> £107,701 - £161,500	11.40%
> £157,801	> £161,501	12.50%

For 2018/19 and 2019/20, 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	2018/19	2019/20
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	£767,700	£775,400
Lump Sum Payment from the Council <i>(in respect of pension fund deficit recovery)</i>	£179,900	£186,500

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 2018/19 £	Pension Contributions 2018/19 £	Total Remuneration including Pension Contributions 2018/19 £	Total Remuneration excluding Pension Contributions 2019/20 £	Pension Contributions 2019/20 £	Total Remuneration including Pension Contributions 2019/20 £
Chief Executive ¹	113,778	17,109	130,887	126,438	19,639	146,077
Director of Community Services	86,530	13,536	100,066	90,061	13,807	103,868
Director of Resources	93,468	13,536	107,004	92,156	13,807	105,963
Director of Economic Development and Planning Services ²	49,206	8,119	57,325	90,290	12,911	103,201
Head of Financial Services	61,142	8,859	70,001	63,212	9,036	72,248
Head of Planning Services	60,317	8,859	69,176	62,182	9,036	71,218
Head of Legal and Democratic Services ³	47,191	7,087	54,278	44,682	6,627	51,309
	511,632	77,105	588,737	569,021	84,863	653,884

¹ The values for the Chief Executive include Acting Returning Officer Fees, which fluctuate from year to year depending on the elections called. 2019/20 £13,657 (all of which was pensionable); 2018/19 £389 (all of which was pensionable).

² The post of Director of Economic Development and Planning Services was 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 2018/19 was £75,174 and therefore this officer was required to be disclosed in this note for that year.

³ The Head of Legal and Democratic Services worked part-time and the role equates to 0.8 full time equivalent. The full time equivalent salary for this post was £54,765 in 2019/20 (£53,691 in 2018/19) and therefore this officer is required to be disclosed in this note. This officer retired from the post on 29 February 2020. Had they remained in post for the full financial year the salary would have been £43,812.

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 also includes those officers listed in the previous tables, which showed officers where their **salary element** was more than £50,000:

	2018/19	2019/20
£50,000 - £54,999	5	5
£55,000 - £59,999	***1	***1
£60,000 - £64,999	2	2
£65,000 - £69,999		
£70,000 - £74,999		
£75,000 - £79,999	**1	
£80,000 - £84,999		
£85,000 - £89,999	1	
£90,000 - £94,999	1	**3
£95,000 - £99,999		
£100,000 - £104,999		
£105,000 - £109,999		
£110,000 - £114,999	1*	
£115,000 - £119,999		
£120,000 - £124,999		
£125,000 - £129,999		1*

* The values for the Chief Executive include Acting Returning Officer Fees, which fluctuate from year to year depending on the elections called. 2019/20 £13,657 (all of which was pensionable); 2018/19 £389 (all of which was pensionable).

** The post of Director of Economic Development and Planning Services was 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 2018/19 was £75,174 and therefore this officer was required to be disclosed in this note for that year.

*** The Head of Legal and Democratic Services worked part-time and the role equates to 0.8 full time equivalent. The full time equivalent salary for this post was £54,765 in 2019/20 (£53,691 in 2018/19) and therefore this officer is required to be disclosed in this note. This officer retired from the post on 29 February 2020. Had they remained in post for the full financial year the salary would have been £43,812.

There were four redundancy payments made in 2019/20. These totalled £6,158 and were payable due to the end of a specific fixed term contract for the provision of a service. There were no redundancy payments made in 2018/19.

Notes to the Core Financial Statements

27 EXTERNAL AUDIT COSTS

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

	2018/19 £	2019/20 £
Fees payable to Grant Thornton UK LLP with regard to external audit services carried out by the appointed auditor for the year - in respect of 2018/19	30,956	4,500
Fees payable to Grant Thornton UK LLP with regard to external audit services carried out by the appointed auditor for the year - in respect of 2019/20		37,106
Fees payable to Grant Thornton UK LLP for the certification of grant claims and returns for the year. <i>Work completed in 2019/20 but relating to the 2018/19 financial year claims</i>		4,995
Fees payable to Grant Thornton UK LLP for the certification of grant claims and returns for the year. <i>Work completed in 2018/19 but relating to the 2017/18 financial year claims</i>	11,191	
Public Sector Audit Appointments (PSAA) Rebate		-3,117
Total	42,147	43,484

28 GRANT INCOME

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2019/20 and 2018/19:

	2018/19 £	2019/20 £
<i>Credited to Taxation and Non Specific Grant Income</i>		
Revenue Support Grant	-109,149	
New Homes Bonus	-1,575,908	-1,666,486
Business Rates S31 Grant	-954,930	-1,708,862
Rural Services Delivery Grant	-107,921	
Levy Account Surplus	-20,446	-4,543
Capital Grants	-3,000	
Total Credited to Taxation and Non Specific Grant Income	-2,771,354	-3,379,891
<i>Credited to Services</i>		
<i>Grants Received for Capital Purposes</i>		
Disabled Facilities Grant - Main Funding	-320,991	-346,368
Disabled Facilities Grant - additional funding	-93,365	
Funding from Onward Homes towards Disabled Facilities Grant	-85,451	-44,658
LCC Affordable Warmth Grant	-8,674	
Total Grants Received for Capital Purposes	-508,481	-391,026

Notes to the Core Financial Statements

	2018/19 £	2019/20 £
<u>Grants Received for Revenue Purposes</u>		
Business Rates Administration	-88,160	-90,783
DWP - Rent Allowance and Rent Rebate Subsidy	-6,338,892	-5,710,579
DWP and MHCLG Local Council Tax Support and Housing Benefit Administration Grant	-122,400	-110,470
Ribble Valley Community Safety Partnership	-10,047	-6,050
DWP LA Data Sharing IT Costs Funding	-20,894	-17,085
Individual Electoral Registration Grant	-25,411	-25,936
DWP - Discretionary Housing Payments Fund	-38,233	-37,716
MHCLG (via LCC) Flood Resilience Grants	20,000	
MHCLG - Custom House and Self Build Grant	-30,000	-15,000
MHCLG - Flexible Homelessness Support Grant	-41,000	-40,000
DWP - Universal Credit Service Funding	-12,259	-11,190
LCC - Domestic Abuse Outreach Support Service Grant	-10,469	-58,491
MHCLG - EU Exit Funding	-17,484	-34,968
MHCLG - High St Community Clean-Up	-11,660	
MHCLG - Local Authority Parks Improvement Funding	-10,000	
MHCLG - Neighbourhood Plan	-20,000	
LGA - Cyber Resilience Grant	-10,600	
Together an Active Future Pathfinder Engagement Funding		-14,000
LCC - Recycling District Grant Fund		-15,600
MHCLG - Flood Grant in respect of Council Tax Relief		-18,365
MHCLG - Covid-19 Support Grant Tranche 1		-23,853
MHCLG - Flood Community Recovery Grant		-65,500
Other Grants	-60,121	-48,210
Total Grants Received for Revenue Purposes	-6,847,630	-6,343,796
Total Credited to Services	-7,356,111	-6,734,822

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

Notes to the Core Financial Statements

29 RELATED PARTY TRANSACTIONS

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

- Central Government
- 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 the 2019/20 financial year the Council made material payments of £2,967,688 to Lancashire County Council in addition to the standard in-year precepts, superannuation and business rates pool transfer payments. One member had disclosed an interest in Lancashire County Council. These transactions related to a cash flow investment £2.5m and the balance was for normal and reasonable expenditure. All transactions were administered and approved by officers and with the involvement from the Member declaring an interest.

Also, in the 2019/20 financial year the Council made a grant award to an organisation where the award was financially significant to that organisation and three Members had disclosed an interest. This was in respect of a grant for £52,500 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.

Notes to the Core Financial Statements

In the 2018/19 financial year, the Ribble Valley Citizens Advice Bureau had also received a grant of £51,500 from the Council, which was financially significant to that organisation, and two members had disclosed an interest. The Members declaring an interest in this organisation did not take part in the discussion or the decision relating to the grant award.

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

Senior Officers

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

In respect of the 2019/20 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 2018/19.

Other Public Bodies

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

- Payment of precepts to Lancashire County Council, the Police and Crime Commissioner for Lancashire, Lancashire Fire and Rescue Service and Precepting Parish and Town Councils – see Collection Fund page 132.
- Other standard business transactions between the Council and Lancashire County Council, such as superannuation payments to Lancashire Pension Fund - see Note 32.
- The Lancashire Business Rates Pool was operational during 2018/19 and 2019/20 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.

Notes to the Core Financial Statements

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
- East Lancashire Health and Wellbeing Partnership
- 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.

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.

	2018/19 £	2019/20 £
Opening Capital Financing Requirement	3,486,756	3,393,536
<u>Capital Investment</u>		
Property, Plant and Equipment	827,613	2,122,060
Revenue Expenditure Funded from Capital Under Statute	448,630	659,687
<u>Sources of Finance:</u>		
Grants and Other Contributions	-436,850	-383,445
Sums set aside from revenue:		
- Revenue Contributions	-802,773	-2,310,163
- Minimum Revenue Provision	-129,840	-126,075
Closing Capital Financing Requirement	3,393,536	3,355,600
<u>Explanation of Movements in Year</u>		
Decrease in Underlying Need to Borrow (Unsupported by Government Financial Assistance)	-93,220	-37,936
Decrease in Capital Financing Requirement	-93,220	-37,936

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 2019 £	31 March 2020 £
Not later than one year	89,807	84,815
Later than one year and not later than five years	178,336	147,460
Later than five years	402,908	396,209
	671,051	628,484

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 £99,775 (£85,884 in 2018/19).

Operating Leases with the Council as Lessor

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

The future minimum lease payments receivable are:

	31 March 2019 £	31 March 2020 £
Not later than one year	-91,144	-98,502
Later than one year and not later than five years	-218,949	-311,508
Later than five years	-481,471	-505,330
	-791,564	-915,340

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 2019/20 income included under the Cost of Services in the Comprehensive Income and Expenditure Statement in relation to the above leases was £93,922 (£100,023 in 2018/19).

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

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	
	2018/19	2019/20
	£'000	£'000
Comprehensive Income and Expenditure Statement		
Cost of Services		
- current service costs	1,570	1,675
- past service costs		660
Other Operating Expenditure		
- administration expenses	24	29
Financing and Investment Income and Expenditure		
- net interest expense	374	352
Total Post employment Benefit Charged to the Surplus or Deficit on the Provision of Services	1,968	2,716
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
Remeasurement of the net defined benefit liability comprising		
- return on plan assets (excluding the amount included in the net interest expenses)	-4,252	418
- actuarial gains and losses arising on changes in financial assumptions	3,318	-1,085
- actuarial gains and losses arising on changes in experience		967
- actuarial gains and losses arising on changes in demographic assumptions		-2,421
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Account	1,034	595
Movement in Reserves Statement		
- reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	-1,968	-2,716
Actual amount charged against the General Fund Balance for pensions in the year:		
- employers' contributions payable to the scheme	1,024	1,037

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2020 is a gain of £2,121,000 (31 March 2019 gain of £934,000).

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	2018/19 £'000	2019/20 £'000
Present value of the defined benefit obligation	68,377	68,294
Fair value of plan assets	-52,964	-53,323
Net liability arising from defined benefit obligation	15,413	14,971

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

Local Government Pension Scheme	2018/19 £'000	2019/20 £'000
Opening fair value of scheme assets	48,023	52,964
Interest Income	1,254	1,280
Remeasurements gain/(loss):		
- the return on plan assets, excluding the amount included in the net interest expense	4,252	-418
Administration Expenses	-24	-29
Contributions from employer	1,024	1,037
Contributions from employees into the scheme	314	314
Benefits/transfers paid	-1,879	-1,825
Closing fair value of scheme assets	52,964	53,323

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

Local Government Pension Scheme	2018/19 £'000	2019/20 £'000
Opening balance at 1 April	63,426	68,377
Current service cost	1,570	1,675
Interest cost	1,628	1,632
Contributions from scheme participants	314	314
Past service costs		660
Remeasurement (gains) and losses:		
- Experience loss		967
- Actuarial (gains)/losses arising from changes in financial assumptions	3,318	-1,085
- Actuarial gains arising from changes in demographic assumptions		-2,421
Benefits/transfers paid	-1,879	-1,825
Closing balance at 31 March	68,377	68,294

Notes to the Core Financial Statements

Pensions Ruling – The McCloud Case

The case concerned the transitional protections given to scheme members, who in 2012 were within 10 years of their normal retirement age, in the judges and fire fighters schemes as part of public services pension reforms. Judgements have upheld claimants' cases that the method of implementation of the Career Average Revalued Earnings (CARE) schemes discriminated against younger members.

In preparing the 2018/19 accounts, the actuarial calculations of the net change to pension liabilities as a result of the above judgments was not considered material, with no charge made to the Comprehensive Income and Expenditure Statement (CIES). The Council's accounts for 2019/20 include this liability for the first time as a 'Past Service Cost' in the sum of £660k, as disclosed above. This cost has been reported within the Surplus/Deficit on Provision of Services line in the 2019/20 CIES in accordance with the Code.

This calculation has been based on member data held by the actuary at 31 March 2019.

Local Government Pension Scheme Assets Comprised:

Local Government Pension Scheme	Quoted	31 March 2019	31 March 2020
Fair value of scheme assets	Y/N	£'000	£'000
Cash			
- Cash and Cash Equivalents	N	0	0
- Cash accounts	N	270	1,493
- Net Current Assets/(Liabilities)	N	37	-906
Subtotal Cash		307	587
Bonds			
- UK corporate	Y	359	640
- Overseas corporate	N	262	693
- UK index linked	Y	1,862	0
- Overseas fixed interest	N	0	0
Subtotal Bonds		2,483	1,333
Property			
- Offices	N	1,035	0
- Offices/warehouse	N	137	0
- Industrial/warehouse	N	1,600	213
- Shops	N	382	0
- Retail warehouse	N	713	53
- Shopping centre	N	180	0
- Multi let commercial building	N	889	480
Subtotal Property		4,936	746
Alternatives			
- Overseas private equity	N	4,071	4,266
- Infrastructure	N	7,487	7,359
- Credit funds	N	3,761	8,425
- Pooled fixed income	N	5,761	2,826
- Indirect property funds	N	811	3,786
- Overseas pooled equity funds	N	23,347	23,995
Subtotal Alternatives		45,238	50,657
Total		52,964	53,323

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 2019.

The significant assumptions used by the actuary have been:

Local Government Pension Scheme	2018/19	2019/20
Mortality Assumptions		
Longevity at 65 for current pensioners:		
Men	22.8 years	22.3 years
Women	25.5 years	25.0 years
Longevity at 65 for future pensioners:		
Men	25.1 years	23.8 years
Women	28.2 years	26.8 years
Rate of Consumer Price Index (CPI) Inflation	2.2%	2.1%
Rate of increase in salaries (<i>adjustment made for short term pay restraint in line with the latest actuarial valuation</i>)	3.7% *	3.6%
Rate of increase in pensions	2.3%	2.2%
Rate for discounting scheme liabilities	2.4%	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)	1,841
Rate of inflation (+0.1% per annum)	1,105
Rate of increase in salaries (+0.1% per annum)	137
Rate of discounting scheme liabilities (+0.1% per annum)	-1,087

Impact on the Council's Cash Flows

The objectives of the scheme are to keep employers' contributions at as constant a rate as possible.

An actuarial valuation of the Lancashire County Pension Fund was carried out as at 31 March 2019 to determine the contribution rates with effect from 1 April 2020 to 31 March 2023. On the basis of the assumptions adopted, the Fund's assets of £8,410m represented 100% of the Fund's past service liabilities of £8,398m (the "Solvency Funding Target") at the valuation date. The surplus at the valuation was therefore £12 million.

The valuation also showed that a Primary contribution rate of 17.4% of pensionable pay per annum was required from employers. The Primary rate is calculated as being sufficient, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date.

The funding objective as set out in the Funding Strategy Statement (FSS) is to achieve and maintain a solvency funding level of 100% of liabilities (the solvency funding target). In line with the FSS, where a shortfall exists at the effective date of the valuation a deficit recovery plan will be put in place which requires additional contributions to correct the shortfall. Equally, where there is a surplus it is usually appropriate to offset this against contributions for future service, in which case contribution reductions will be put in place to allow for this.

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 £904,000 in employer contributions to the scheme in 2020/21.

The weighted average duration of the defined benefit obligation for scheme members is 16 years based on later of 31 March 2019 and admission date (17 years based on later of 31 March 2016 and admission date for 2018/19).

Scheme History

Local Government Pension Scheme	2015/16	2016/17	2017/18	2018/19	2019/20
	£'000	£'000	£'000	£'000	£'000
Present Value of Liabilities	54,250	64,082	63,426	68,377	68,294
Fair Value of Assets	-39,814	-46,798	-48,023	-52,964	-53,323
Deficit in the scheme	14,436	17,284	15,403	15,413	14,971

Notes to the Core Financial Statements

The liabilities show the underlying commitments that the council has in the long run to pay post-employment (retirement) benefits. The total liability of £14.971m 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.

Impact of Covid-19

In respect of the pension fund, the outbreak of Covid-19 has impacted on global financial markets. There have been a number of material factors which make it difficult to quantify the potential outcome for financial markets. Although there has been significant variation to individual fund values (both increases and decreases), as at end of June 2020, investments across the entire pension fund were valued overall at a higher value than in the financial statements at 31 March 2020.

33 CONTINGENT LIABILITIES

Housing Stock Transfer Warranties

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

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

In addition the following specific warranties have been given:

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

Warranties by the Council in favour of Ribble Valley Homes

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

In addition the following specific warranties have been given:

- Warranty not exceeding £27m for up to 25 years from 1 April 2008 in respect of environmental pollution.
- Unlimited warranty for up to 15 years from 1 April 2008 in respect of claims relating to asbestos pollution, except in respect of the first £381,000 of costs and expenses in aggregate incurred in relation to the removal and treatment works.

- Unlimited warranty for an unlimited period in respect of claims relating to exposure to asbestos.
- Unlimited warranty for an unlimited period in respect of vires claims.
- Warranty for any losses arising as a result of incorrect application of the 2012 rent convergence.

34 CONTINGENT ASSETS

VAT Sharing Arrangement

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

35 NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

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

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

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

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;

Notes to the Core Financial Statements

- Its maximum and minimum exposures to fixed and variable rates;
- Its maximum and minimum exposures to the maturity structure of its debt;
- Its maximum annual exposures to investments maturing beyond a year.
- by approving a Treasury Management Strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance;

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

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

Credit risk

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

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

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

- Investments to Building Societies limited to top 8 based on total assets (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 2020 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 £503,760 of which £16,663 relates to sundry debts (or £170,063 when including impairment for total Housing Benefit recovery impairment). The balance of £333,697 is in respect of this Council's share of the Council Tax and Business Rates impairment of debts.

Notes to the Core Financial Statements

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 2020 that this was likely.

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

	Amount at 31 March 2020	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2020	Estimated maximum exposure to default and uncollectability at 31 March 2020	Estimated maximum exposure at 31 March 2019
	£ A	% B	% C	£ (A x C)	£
Deposits with banks and building societies	11,900,000	0.00%	0.00%	0	0
Customers (Sundry Debt including overpaid Housing Benefits recovered from ongoing benefit)	747,324	3.79%	22.76%	170,063	164,317

The council expects settlement terms from debtors of no greater than 14 days. On this basis £672,418 of the sundry debtor balance at 31 March 2020 is past its due date for payment (£372,376 at 31 March 2019); 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 2019 £'000	As at 31 March 2020 £'000
Less than 30 days	92	305
30 days to 59 days	21	55
60 days to 89 days	8	5
90 days to 119 days	1	10
120 days +	307	321
	429	696

Notes to the Core Financial Statements

Liquidity risk

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

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

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

The maturity analysis of financial liabilities is as follows:

Financial Liabilities by Maturity Risk	31 March 2019 £'000	31 March 2020 £'000
Less than one year	10	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	35	25
	136	126

Market Risk

Interest Rate Risk

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

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

The 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 £168,260. 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.

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 2019/20

Collection Fund

2018/19 Total £'000		2019/20 Council Tax £'000	2019/20 Business Rates £'000	2019/20 Total £'000	Notes
Income					
39,743	Income from Council Tax Payers	42,355		42,355	
0	Transfers From General Fund - Council Tax Benefits	1		1	
0	Transfers From General Fund - Flood Relief	19		19	
6	Transfers From General Fund - Family Annexes	8		8	
15,375	Income from Business Ratepayers		15,632	15,632	1
187	Transitional Protection Payments		196	196	
	Share of Estimated Deficit				
31	- Central Government			0	
6	- Lancashire County Council			0	
25	- Ribble Valley Borough Council			0	
1	- Lancashire Combined Fire Authority			0	
55,374		42,383	15,828	58,211	
Expenditure					
	Precepts and Demands:				3
29,656	- Lancashire County Council	31,253		31,253	
3,886	- Ribble Valley Borough Council (including parishes)	3,948		3,948	
4,064	- Police and Crime Commissioner (PCC) for Lancashire	4,675		4,675	
1,545	- Lancashire Combined Fire Authority	1,613		1,613	
	Business Rates				
7,311	- Central Government		3,744	3,744	
1,316	- Lancashire County Council		2,621	2,621	
5,849	- Ribble Valley Borough Council		8,386	8,386	
146	- Lancashire Combined Fire Authority		225	225	
	Share of Estimated Surplus:				
0	- Central Government		280	280	
525	- Lancashire County Council	469	50	519	
70	- Ribble Valley Borough Council	61	224	285	
28	- Lancashire Combined Fire Authority	24	6	30	
71	- Police and Crime Commissioner (PCC) for Lancashire	64		64	
7	Transfers to General Fund - Council Tax Benefits	12		12	
88	Costs of Collection		91	91	
92	Renewable Energy Schemes		83	83	
104	Provision for Bad/Doubtful Debts	187	126	313	4
195	Enterprise Zone		210	210	
0	Transitional Protection Payments			0	
54	Provision for Appeals		38	38	5
55,007		42,306	16,084	58,390	
367	(Deficit)/Surplus for the Year	77	-256	-179	
915	Surplus Brought Forward	706	576	1,282	
1,282	Surplus Carried Forward	783	320	1,103	
Allocated to					
288	- Central Government		84	84	6
586	- Lancashire County Council	590	54	644	
300	- Ribble Valley Borough Council	74	177	251	
74	- Police and Crime Commissioner (PCC) for Lancashire	88		88	
34	- Lancashire Combined Fire Authority	31	5	36	
1,282		783	320	1,103	

Collection Fund

1 BUSINESS RATES

In 2013/14, the administration of Business Rates changed following the introduction of a business rates retention scheme which aims to give Councils a greater incentive to grow businesses but also increases the financial risk due to volatility and non-collection of rates. Instead of paying NDR to the central pool, local authorities retain a proportion of the total collectable rates due.

In 2018/19 this Council was part of the Lancashire Business Rates Pool which operated on the 50% business rates retention scheme. In 2019/20 we became a 75% Business Rates Pilot Pool, which meant that 75% of collected rates were retained in Lancashire rather than 50% as previously.

The table below shows what this means in respect of retained shares across the two years.

	2018/19	2019/20
District Authorities	40%	56%
Lancashire County Council	9%	17.5%
Lancashire Combined Fire Authority	1%	1.5%
	50%	75%
Central Government	50%	25%
Total	100%	100%
Unitary Authorities	49%	73.5%

The business rates shares payable for 2019/20 were estimated before the start of the financial year as £3.744m to Central Government, £2.621m to Lancashire County Council, £0.225m to Lancashire Combined Fire Authority and £8.387m to Ribble Valley Borough Council. These sums have been paid in 2019/20 and charged to the collection fund in year.

When the business rates retention 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 £6.364m from the general fund.

The total income from business rate payers collected in 2019/20 was £15.632m (£15.375m in 2018/19).

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 2020. 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 2020 has been calculated at £1.062m (31 March 2019 £1.025m)

The total non-domestic rateable value at 31 March 2020 was £39,303,492 compared to £39,376,242 at 31 March 2019 based on the 2010 listing. The non-domestic rateable value at 31 March 2020 on the 2017 listing was £42,937,595 compared to £42,243,495 at 31 March 2019.

The national non-domestic multiplier (rate in the pound) for the year 2019/20 was 50.4 pence compared to 49.3 pence in the year 2018/19.

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

Collection Fund

2 COUNCIL TAX BASE

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

In 2019/20 the Council set a band D council tax of £1,768.21 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	3,645	3,009.7	2,006.5
B	7/9	5,118	4,493.9	3,495.3
C	8/9	5,080	4,561.0	4,054.2
D	1	4,597	4,216.3	4,216.3
E	11/9	3,644	3,426.7	4,188.1
F	13/9	2,284	2,168.9	3,132.8
G	15/9	1,880	1,787.0	2,978.3
H	18/9	203	195.1	390.1
Totals		26,463	23,869.6	24,467.7
			Adjustments	-1,083.3
			Adjustment for Collection Rate	-175.4
			Council Tax Base	23,209

3 BAND D COUNCIL TAX

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

	2018/19 £	2019/20 £
Lancashire County Council Precept	29,656,258	31,253,007
Police and Crime Commissioner (PCC) for Lancashire Precept	4,063,960	4,675,453
Lancashire Combined Fire Authority Precept	1,544,969	1,612,562
Ribble Valley Borough Council Demand (excluding Parishes)	3,451,102	3,497,364
Total to be Met From Council Tax	38,716,289	41,038,386
Divided by Council Tax Base (Band D Equivalent Dwellings)	22,902	23,209
Band D Council Tax (Average excluding Parishes)	£1,690.52	£1,768.21

4 PROVISION FOR LOSSES

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

	Council Tax £	NNDR £	Total £
Opening Balance 1 April 2019	580,000	390,000	970,000
Write Offs in Year	-26,823	-46,494	-73,317
Increase to Provision	186,823	126,494	313,317
Closing Balance 31 March 2020	740,000	470,000	1,210,000

5 PROVISION FOR BUSINESS RATES APPEALS

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

	2018/19 £	2019/20 £
Balance at 1 April	971,400	1,024,932
Adjustment to the provision made in the year	53,532	37,545
Balance at 31 March	1,024,932	1,062,477

Collection Fund

6 PRECEPTS AND DEMANDS ON THE COLLECTION FUND

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

2018/19		2019/20	
Precept	Share of 31 March (Deficit) or Surplus	Precept	Share of 31 March (Deficit) or Surplus
£'000	£'000	£'000	£'000
29,656	534	31,253	590
4,064	74	4,675	88
1,545	28	1,613	31
3,886	70	3,948	74
39,151	706	41,489	783

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.

2018/19		2019/20	
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
7,311	288	3,744	84
1,316	52	2,621	54
146	6	225	5
5,849	230	8,386	177
14,622	576	14,976	320

Collection Fund

The Council has a statutory requirement to prepare an estimate each January of the surplus or deficit expected to arise at the end of the financial year. The total forecast surplus/deficit on the collection fund for council tax and business rates at January 2019 and January 2020 are shown in the table below.

(Deficit) or Surplus Declared January 2019				(Deficit) or Surplus Declared January 2020		
Business Rates £'000	Council Tax £'000	Total £'000		Business Rates £'000	Council Tax £'000	Total £'000
280		280	Central Government	118		118
51	469	520	Lancashire County Council	78	648	726
	64	64	Police and Crime Commissioner for Lancashire		97	97
6	24	30	Lancashire Combined Fire Authority	7	34	41
224	62	286	Ribble Valley Borough Council	253	82	335
561	619	1,180	Total	456	861	1,317

7 COVID-19 AND THE COLLECTION FUND

Looking at the council's finances, and those of our residents and businesses, there will be an impact on the level of business rates attained and council tax received as personal and business circumstances change.

This will particularly impact on the Collection Fund initially, but will then fall on the council's general fund as timings for the distributions of losses on the collection fund play through. The government is looking to address the issue around the sudden impact of collection fund losses on council general fund balances with a view to phasing the recovery of any losses over longer timelines than those currently set out in regulations.

Glossary of Terms

Glossary of Terms

Accounting Period

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

Accounting Policies

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

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

Accounting policies do not include estimation techniques.

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

Accruals

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

Accruals Basis

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

Actuarial Gains and Losses

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

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

Amortisation

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

Appointed Auditors

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

Auditor's Opinion

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

Authorised Limit

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

Balances

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

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.

Glossary of Terms

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.

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.

Glossary of Terms

Finance Lease

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

Financial Instrument

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

Financial Regulations

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

Fixed Asset

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

General Fund

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

Going Concern

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

Government Grants

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

Impairment

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

Infrastructure Assets

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

Intangible Asset

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

Interest Cost (Pensions)

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

Inventories

The amount of unused or unconsumed stocks held in expectation of future use. When use will not arise until a later period, it is appropriate to carry forward the amount to be matched to the use or consumption when it arises.

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.

Glossary of Terms

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.

Related Parties

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

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

Related Party Transactions

A related party transaction is the transfer of assets or liabilities or the performance of services by, to, or for, a related party irrespective of whether a charge is made. The materiality of related party transactions should be judged not only in terms of their significance to the authority, but also in relation to its related party.

Remuneration

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

Reserves

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

Residual Value

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

Retirement Benefits

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

Revenue Expenditure

Glossary of Terms

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

Revenue Expenditure Funded from Capital Under Statute

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

Revenue Support Grant

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

Glossary of Terms

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 REPORT TO ACCOUNTS & AUDIT COMMITTEE

Agenda Item No. 10

meeting date: WEDNESDAY 25 NOVEMBER 2020
 title: REVIEW OF THE COUNCIL'S STANDARDS ARRANGEMENTS
 (MEMBER CONDUCT)
 submitted by: CHIEF EXECUTIVE

1 PURPOSE

1.1 To review the Council's standards arrangements in light of the recommendations of the Accounts & Audit working group and the recommendations of best practice from the Committee of Standards in Public Life ("**CoSPL**").

1.2 Relevance to the Council's ambitions and priorities:

- Community Objectives – }
 - Corporate Priorities – }
 - Other Considerations – }
- The Council has a duty to promote and maintain high standards of conduct by its Members. Review of the arrangements the Council operates supports that duty.

2 BACKGROUND

2.1 On 27 November 2019, the Head of Legal Services submitted a report to committee, detailing the Council's existing standards arrangements under the Localism Act 2011 and highlighted areas committee may wish to consider as part of its review of the procedures.

2.2 The Accounts and Audit committee resolved to appoint a working group comprising of 5 of its members to carry out the review – councillors R Bennett, I Brown, D Peat, R Sherras and J Hill.

2.3 The working group met on Wednesday 12 February 2020 to consider the questions and suggestions raised by the Head of Legal Services in her report dated 27 November 2019. The working group made a number of recommendations which are detailed in a table at **Appendix 1**.

2.4 Separately to the Council's own review of its standards arrangements the CoSPL published its review on Local Government Ethical Standards in January 2019. Within that review they set out a list of 15 items of best practice. The CoSPL state that they expect any local authority can and should implement them and that they would review the implementation during 2020. They have recently written to Chief Executives requesting that an update is provided by 30 November 2020 and the Council's response will be published. The list of best practice is contained at **Appendix 2** to this report.

2.5 The review also contained a list of recommendations one of which was that the Local Government Association ("LGA") should create an updated model code of conduct, in

consultation with representative bodies of councillors and officers of all tiers of local government. The LGA has developed a model code of conduct and a copy of the current draft is enclosed as **Appendix 3** to this report. The LGA advise that this draft will be reviewed in light of discussion which took place on 22 October 2020 with the Councillors forum and a final code will then be prepared for submission to the LGA board on 3 December 2020. Committee will note that the current draft addresses the issues which both the working group and the best practice require to be included in the code of conduct.

3 ISSUES

Member's Code of Conduct

- 3.1 The Working group made a number of recommendations regarding the code of conduct, however in view of the imminent publication of the LGA Model Code of Conduct, and the fact that the current draft contains provisions which reflect the recommendations of the Working Group and the best practice recommendations it is recommended that the Council await its publication and that this be brought to the next meeting of the Accounts and Audit Committee for consideration and adoption.
- 3.2 The CoSPL 3rd recommendation for best practice is that Councils review their codes of member conduct each year and regularly seek, where possible, the views of the public, community organisations and neighbouring authorities. In order to comply with this recommendation, it is proposed that the Council review its Code of Member Conduct in the last meeting of the Accounts and Audit Committee in each municipal year, so that any revision will apply from the first meeting of the new municipal year. Officers will consult as recommended in advance of submitting the report to Committee.

Independent Persons

- 3.3 Section 28(7) of the Localism Act 2011, requires that Councils must have at least one Independent Person. The CoSPL recommends that Council should have at least two Independent Persons. The Council's current arrangements provide that the Council shall have two independent persons. One post is currently vacant due to resignation of an Independent Person earlier this year. When this issue was considered by the Working Group and their recommendation is that the Council should have three independent persons.
- 3.4 It is proposed therefore that the Council's arrangements under the Localism Act 2011 should be amended to provide for three independent persons. The Council currently has one independent person in post following the resignation of Ian Taylor earlier in the year. It was subsequently resolved by the Emergency Committee on 10 August 2020 that he would remain in post until this Committee. Mr Dearing has confirmed that he is willing to continue in post. It is therefore recommended that his appointment be confirmed as continuing and that the Council should advertise for the appointment of an additional two independent persons in accordance with the provisions of Section 28 of the Localism Act 2011.
- 3.5 The Working Group considered that there should be suitable indemnity in place for the Independent Persons acting in good faith without any undue pressure. The Council is

currently investigating with its insurer whether such an indemnity can be provided and this will be reported to the next meeting of Committee.

- 3.6 The Working Group considered that the Independent Person Protocol should be amended to provide that any agents (paid or unpaid) of the member who is the subject of the complaint, should not approach an Independent Person. A copy of the Independent Person Protocol with the proposed amendments is enclosed as **Appendix 4**. Members should consider in particular the amendments to paragraph 3.
- 3.7 The Working Group considered that the Independent Person Protocol should be amended to include express provision that the Subject Member may not contact the IP who has been consulted by the Monitoring Officer. As stated above a copy of the Independent Person Protocol with the proposed amendments is enclosed as **Appendix 4**. Members should consider in particular the amendments to paragraph 8.

Model of Procedure for dealing with complaints under the Localism Act 2011 (“Arrangements”)

- 3.8 The Working Group made recommendations for amendments to the Arrangements and these are detailed as items 12-17 of **Appendix 1**. The Arrangements have been amended to incorporate these recommendations and are shown in **Appendix 5**.
- 3.9 The Working Group also indicated that it was content for the Council’s procedure to be inline with the standard contained in the Monitoring Officer’s handbook. This has been reviewed and inserted (with any necessary amendments) as an Annex 2 to the arrangements in **Appendix 5**.
- 3.10 It is also thought helpful for the Arrangements to include a procedure for the investigation of complaints. This is included as Annex 1 to **Appendix 5**.
- 3.11 The CoSPL also makes a number of recommendations in respect of the Arrangements:
- that Councils should publish a clear and straightforward public interest test against which allegations are published;
 - where a local authority makes a decision on an allegation of misconduct following a formal investigation, a decision notice should be published as soon as possible on its website, including a brief statement of fact, the provision of the code engaged by the allegations, the view of the Independent Person, the reasoning of the decision-maker and any sanction applied;
 - A local authority should have procedures in place to address any conflicts of interest when undertaking a standards investigation. Possible steps should include asking the Monitoring Officer from a different authority to undertake the investigation;
- 3.12 The Arrangements have been amended to incorporate these recommendations (to the extent that they were not already included) and are show in **Appendix 5**.

4 RISK ASSESSMENT

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

- Resources – Resources will be required in the recruitment process for Independent Persons and in amending the relevant policies and procedures.
- Technical, Environmental and Legal – N/A
- Political – N/A
- Reputation – The Council's reputation will be enhanced by it having arrangements which incorporate the recommendations of the CoSPL.
- Equality & Diversity – N/A

5 RECOMMENDED THAT COMMITTEE

5.1 Approve the proposal for the annual review of the Member Code of Conduct as set out in paragraph 3.2.

5.2 Approve the amendment of the Council's arrangements under the Localism Act 2011, so that the Council shall have three Independent Persons.

5.3 Approve the continuation of the appointment of Mr I B Dearing as an Independent Person for a period of three years.

5.3 Authorise the Head of Legal and Democratic Services to advertise and appoint an additional two Independent Persons in accordance with Section 28 of the Localism Act 2011.

5.4 Approve the amendments to the Independent Person Protocol as shown in Appendix 4.

5.5 Approve the amendments to the Council's arrangements for dealing with standards complaints as show in Appendix 5.

MAIR HILL
HEAD OF LEGAL AND DEMOCRATIC SERVICES

MARSHAL SCOTT
CHIEF EXECUTIVE

For further information please ask for Mair Hill extension 4418

REF: MJH/Accounts&Audit/171120

BACKGROUND DOCUMENTS:

- Report to Accounts and Audit Committee 27 November 2020
- Committee on Standards on Public Life - Local Government Ethical Standards, A Review by the Committee on Standards in Public Life, January 2019.

APPENDIX 1

ACCOUNTS AND AUDIT WORKING GROUP RECOMMENDATIONS	
Member's Code of Conduct	
1.	Should make a specific reference to bullying – failing to treat people with respect
2.	Additional questions should be added to the DPI / Related Party Interest forms to show non-pecuniary interests as well as pecuniary
The Terms of Reference for A & A committee	
3.	The current arrangements are satisfactory – there is no need for a separate Standards committee.
The Arrangements for Independent Persons	
4.	The number of Independent Persons should be increased to 3 to reduce potential conflict of interest.
5.	The usual way for recruitment should be used ie adverts but in addition Facebook etc
6.	They should not be paid other than expenses.
7.	There should be suitable indemnity in place for them acting in good faith without any undue pressure.
8.	The protocol should be amended to make it explicit that the subject member cannot speak to the IP who has been consulted by the Monitoring Officer
9.	The protocol should be amended to include that any agents – paid or unpaid – should not approach any IPs

APPENDIX 1

The Process for making a Complaint	
10.	No change is required to the procedure but an advisory note should be added that where a councillor wants to complain about another councillor from the same political group, their own group complaints process should be used first.
The Model Arrangements for Dealing with a standards complaint against a member.	
11.	A paragraph should be added into the Code regarding the requirement to keep confidentiality of complaints.
12.	Where a member refuses to accept the Council's authority or follow adopted procedures the complaint should be dealt with in their absence.
13.	Councillors should not act as witnesses if they are members of Accounts & Audit committee – or if they do they should declare a conflict of interest and take no part in the discussions.
14.	A strict timescale should also be built into the procedure for responding/submitting information.
15.	Members are expected to maintain confidentiality and support the process.
16.	The role of officers is to give advice on their professional opinions.
The rules that would apply in the event of a matter being referred to the Sub-Committee.	
17.	Representation for the complainant and subject member is out of proportion for the sanctions available The working group endorsed the rules for Standards committee hearings taken from the Monitoring Officer handbook as outlined in Appendix 2 to the report to A & A committee on 27 November 2019.

List of best practice

Our best practice recommendations are directed to local authorities, and we expect that any local authority can and should implement them. We intend to review the implementation of our best practice in 2020.

Best practice 1: Local authorities should include prohibitions on bullying and harassment in codes of conduct. These should include a definition of bullying and harassment, supplemented with a list of examples of the sort of behaviour covered by such a definition.

Best practice 2: Councils should include provisions in their code of conduct requiring councillors to comply with any formal standards investigation, and prohibiting trivial or malicious allegations by councillors.

Best practice 3: Principal authorities should review their code of conduct each year and regularly seek, where possible, the views of the public, community organisations and neighbouring authorities.

Best practice 4: An authority's code should be readily accessible to both councillors and the public, in a prominent position on a council's website and available in council premises.

Best practice 5: Local authorities should update their gifts and hospitality register at least once per quarter, and publish it in an accessible format, such as CSV.

Best practice 6: Councils should publish a clear and straightforward public interest test against which allegations are filtered.

Best practice 7: Local authorities should have access to at least two Independent Persons.

Best practice 8: An Independent Person should be consulted as to whether to undertake a formal investigation on an allegation, and should be given the option to review and comment on allegations which the responsible officer is minded to dismiss as being without merit, vexatious, or trivial.

Best practice 9: Where a local authority makes a decision on an allegation of misconduct following a formal investigation, a decision notice should be published as soon as possible on its website, including a brief statement of facts, the provisions of the code engaged by the allegations, the view of the Independent Person, the reasoning of the decision-maker, and any sanction applied.

Best practice 10: A local authority should have straightforward and accessible guidance on its website on how to make a complaint under the code of conduct, the process for handling complaints, and estimated timescales for investigations and outcomes.

Best practice 11: Formal standards complaints about the conduct of a parish councillor towards a clerk should be made by the chair or by the parish council as a whole, rather than the clerk in all but exceptional circumstances.

Best practice 12: Monitoring Officers' roles should include providing advice, support and management of investigations and adjudications on alleged breaches to parish councils within the remit of the principal authority. They should be provided with adequate training, corporate support and resources to undertake this work.

Best practice 13: A local authority should have procedures in place to address any conflicts of interest when undertaking a standards investigation. Possible steps should include asking the Monitoring Officer from a different authority to undertake the investigation.

Best practice 14: Councils should report on separate bodies they have set up or which they own as part of their annual governance statement, and give a full picture of their relationship with those bodies. Separate bodies created by local authorities should abide by the Nolan principle of openness, and publish their board agendas and minutes and annual reports in an accessible place.

Best practice 15: Senior officers should meet regularly with political group leaders or group whips to discuss standards issues.

Local Government Association

Second Draft Model Councillor Code of Conduct

Introduction

Under review

Definitions

For the purposes of this Code of Conduct a “councillor” means a member or co-opted member of a local authority. A “co-opted member” is defined in the Localism Act 2011 Section 27(4) as “a person who is not a member of the authority but who

- a) is a member of any committee or sub-committee of the local authority, or;
- b) is a member of, and represents the local authority on, any joint committee or joint sub-committee of the authority;

and who is entitled to vote on any question that falls to be decided at any meeting of that committee or sub-committee”.

For the purposes of this Code of Conduct “local authority” includes county councils, district councils, London borough councils, parish councils, town councils, fire and rescue authorities, police authorities, joint authorities, economic prosperity boards, combined authorities and National Park authorities.

Purpose of the Code of Conduct

The purpose of this Code of Conduct is to assist you, as a councillor, in modelling the behaviour that is expected of you, to provide a personal check and balance, and to set out the type of conduct that could lead to action being taken. It is also to protect you, the public, fellow councillors, local authority officers and the reputation of local government. It sets out general principles of conduct expected of all councillors and your obligations in relation to standards of conduct. The overarching aim is to create and maintain public confidence in the role of councillors and local government.

In addition to this Code, everyone in public office at all levels – such as ministers, civil servants, members, local authority officers – all who serve the public or deliver public services - should uphold the seven principles of public life. This Code has been developed in line with these seven principles of public life, which are set out in Appendix A.

Application of the Code of Conduct

The Code of Conduct applies to you as soon as you sign your declaration of acceptance of office of councillor and continues to apply to you until you cease to be a councillor.

You are expected to uphold high standards of conduct and show leadership at all times. The Code of Conduct applies to you when you are acting in your capacity as a member or representative of your local authority and applies to all forms of councillor communication and interaction. This includes at meetings, whether face-to-face or

online, as well as written, verbal, non-verbal, electronic and social media communication.

You are also encouraged to follow the Code at all other times where you use your position as a councillor.

General principles of councillor conduct

In accordance with the public trust placed in me, on all occasions I:

- act with integrity and honesty
- act lawfully
- treat all persons fairly and with respect; and
- lead by example and act in a way that secures public confidence in the office of councillor

In undertaking my role, I:

- impartially exercise my responsibilities in the interests of the local community
- do not improperly seek to confer an advantage, or disadvantage, on any person
- avoid conflicts of interest
- exercise reasonable care and diligence; and
- ensure that public resources are used prudently in accordance with my local authority's requirements and in the public interest

Standards of councillor conduct

This section sets out your obligations, which are the minimum standards of conduct required of you as a councillor. A complaint may be made against you which may result in action being taken should your conduct fall short of these standards.

Guidance is included to help explain the reasons for the obligations and how they should be followed.

General Conduct

1. *Respect*

As a councillor I:

1.1 treat other councillors and members of the public with respect.

1.2 treat authority employees, employees and representatives of partner organisations and those volunteering for the authority with respect and respect the role they play.

Respect means politeness and courtesy in behaviour, speech, and in the written word. Debate and having different views are all part of a healthy democracy. As a councillor you can express, challenge, criticise and disagree with views, ideas,

opinions and policies in a robust but civil manner. You should not, however, subject individuals, groups of people or organisations to personal attack.

In your contact with the public you should treat them politely and courteously. Rude and offensive behaviour lowers the public's expectations and confidence in its elected representatives.

In return you have a right to expect respectful behaviour from the public. If members of the public are being abusive, threatening or intimidatory you are entitled to close any conversation in person or online, and refer them to the local authority, any social media provider or if necessary, the police. This also applies to fellow councillors, where action could then be taken under the Councillor Code of Conduct and authority employees, where concerns should be raised in line with the authority's councillor-officer protocol.

2. *Bullying, harassment and discrimination*

As a councillor I:

2.1 do not bully any person.

2.2 do not harass any person.

2.3 promote equalities and do not discriminate unlawfully against any person.

The Advisory, Conciliation and Arbitration Service (ACAS) characterises bullying as offensive, intimidating, malicious or insulting behaviour, an abuse or misuse of power through means that undermine, humiliate, denigrate or injure the recipient. Bullying might be a regular pattern of behaviour or a one-off incident, happen face-to-face, on social media, in emails or phone calls, happen in the workplace or at work social events and not always be obvious or noticed by others.

The Protection from Harassment Act 1997 defines harassment as conduct that causes alarm or distress or puts people in fear of violence and must involve such conduct on at least two occasions.

It can include repeated attempts to impose unwanted communications and contact upon a person in a manner that could be expected to cause distress or fear in any reasonable person.

Unlawful discrimination is where someone is treated unfairly because of a protected characteristic. Protected characteristics are specific aspects of a person's identity defined by the Equality Act 2010. They are age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

The Equality Act 2010 places specific duties on local authorities. Councillors have a central role to play in ensuring that equality issues are integral to the local authority's performance and strategic aims, and that there is a strong vision and public commitment to equality across public services.

3. Impartiality of officers of the council

As a councillor I:

3.1 do not compromise, or attempt to compromise, the impartiality of anyone who works for, or on behalf of, the authority.

Officers work for the local authority as a whole and must be politically neutral (unless they are political assistants). They should not be coerced or persuaded to act in a way that would undermine their neutrality. Although you can question officers in order to understand, for example, their reasons for proposing to act in a particular way, or the content of a report that they have written, you must not try and force them to act differently, change their advice, or alter the content of that report, if doing so would prejudice their professional integrity.

4. Confidentiality and access to information

As a councillor I:

4.1 do not disclose information:

- a. given to me in confidence by anyone**
- b. acquired by me which I believe, or ought reasonably to be aware, is of a confidential nature, unless**
 - i. I have received the consent of a person authorised to give it;**
 - ii. I am required by law to do so;**
 - iii. the disclosure is made to a third party for the purpose of obtaining professional legal advice provided that the third party agrees not to disclose the information to any other person; or**
 - iv. the disclosure is:**
 - 1. reasonable and in the public interest; and**
 - 2. made in good faith and in compliance with the reasonable requirements of the Local Authority; and**
 - 3. I have consulted the Monitoring Officer prior to its release.**

4.2 do not improperly use knowledge gained solely as a result of my role as a councillor for the advancement of myself, my friends, my family members, my employer or my business interests.

4.3 do not prevent anyone getting information that they are entitled to by law.

Local authorities must work openly and transparently, and their proceedings and printed materials are open to the public except in certain legally defined circumstances. You should work on this basis but there will be times when it is required by law that discussions, documents and other information relating to or held

by the authority must be treated in a confidential manner. Examples include personal data relating to individuals or information relating to ongoing negotiations.

5. *Disrepute*

As a councillor I:

5.1 do not bring my role or authority into disrepute.

As a councillor you are trusted to make decisions on behalf of your community and your actions and behaviour are subject to greater scrutiny than that of ordinary members of the public. You should be aware that your actions might have an adverse impact on you, other councillors and/or your local authority and may lower the public's confidence in your or your local authority's ability to discharge your/it's functions. For example, behaviour that is considered dishonest and/or deceitful can bring your authority into disrepute.

6. *Use of position*

As a councillor I:

6.1 do not use, or attempt to use, my position improperly to the advantage or disadvantage of myself or anyone else.

Your position as a member of the authority provides you with certain opportunities, responsibilities and privileges and you make choices all the time that will impact others. However, you should not take advantage of these opportunities to further your own or others' private interests or to disadvantage anyone unfairly.

7. *Use of local authority resources and facilities*

As a councillor I:

7.1 do not misuse council resources.

7.2 will, when using or authorising the use by others of the resources of the local authority:

- a. act in accordance with the authority's requirements; and**
- b. ensure that such resources are not used for political purposes unless that use could reasonably be regarded as likely to facilitate, or be conducive to, the discharge of the functions of the authority or of the office to which the member has been elected or appointed**

You may be provided with resources and facilities by the local authority to assist you in carrying out your duties as a councillor.

Examples include:

- office support
- stationery
- equipment such as phones, and computers
- transport.

These are given to you to help you carry out your role as a councillor more effectively and are not to be used for business or personal gain. They should be used in accordance with the authority's own policies.

8. *Complying with the Code of Conduct*

As a councillor I:

- 8.1 attend any Code of Conduct training provided by my authority.**
- 8.2 cooperate with any Code of Conduct investigation and/or determination.**
- 8.3 do not intimidate or attempt to intimidate any person who is likely to be involved with the administration of any investigation or proceedings.**
- 8.4 comply with any sanction imposed on me following a finding that I have breached the Code of Conduct.**

It is extremely important for you as a councillor to demonstrate high standards, for you to have your actions open to scrutiny and for you not to undermining public trust in the authority or its governance.

Protecting your reputation and the reputation of the authority

9. *Interests*

As a councillor I :

9.1 Register and declare my interests.

You need to register your interests so that the public, authority employees and fellow councillors know which of your interests might give rise to a conflict of interest. The register is a public document that can be consulted when (or before) an issue arises. The register also protects you by allowing you to demonstrate openness and a willingness to be held accountable. You are personally responsible for deciding whether or not you should declare an interest in a meeting, but it can be helpful for you to know early on if others think that a potential conflict might arise. It is also important that the public know about any interest that might have to be declared by you or other councillors when making or taking part in decisions, so that decision making is seen by the public as open and honest. This helps to ensure that public confidence in the integrity of local governance is maintained.

You should note that failure to register or declare a disclosable pecuniary interest is a criminal offence under the Localism Act 2011.

Appendix B sets out the detailed provisions on registering and declaring interests. If in doubt you should always seek advice from your Monitoring Officer.

10. *Gifts and hospitality*

As a councillor I:

- 10.1 Do not accept gifts or hospitality which could give rise to real or substantive personal gain or a reasonable suspicion of influence on my part to show favour from persons seeking to acquire, develop or do business with the authority or from persons who may apply to the authority for any permission, licence or other significant advantage.**
- 10.2 Register with the Monitoring Officer any gift or hospitality with an estimated value of at least £50 within 28 days of its receipt.**
- 10.3 Register with the Monitoring Officer any significant gift or hospitality that I have been offered but have refused to accept.**

In order to protect your reputation and the reputation of the authority you should exercise caution in accepting any gifts or hospitality which are (or which you reasonably believe to be) offered to you because you are a councillor. The presumption should always be not to accept significant gifts or hospitality although there may be times when such a refusal may be difficult if it is seen as rudeness in which case you could accept it but must ensure it is publicly registered. However, you do not need to register gifts and hospitality which are not related to your role as a councillor, such as Christmas gifts from your friends and family. It is also important to note that it is appropriate to accept normal expenses and hospitality associated with your duties as a councillor.

Appendices

Appendix A – The Seven Principles of Public Life

The principles are:

Selflessness

Holders of public office should act solely in terms of the public interest.

Integrity

Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships.

Objectivity

Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.

Accountability

Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.

Openness

Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.

Honesty

Holders of public office should be truthful.

Leadership

Holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.

Appendix B

Registering interests

1. Within 28 days of this Code of Conduct being adopted by the authority or your election or appointment to office (where that is later) you must register with the Monitoring Officer the interests which fall within the categories set out in Table 1 (Disclosable Pecuniary Interests) and Table 2 (Other Registerable Interests).
2. You must ensure that your register of interests is kept up-to-date and within 28 days of becoming aware of any new interest in Table 1 or 2, or of any change to a registered interest, notify the Monitoring Officer.
3. Where you have a 'sensitive interest' you must notify the Monitoring Officer with reasons why you believe it is a sensitive interest. If the Monitoring Officer agrees they will withhold the interest from the public register.
4. A sensitive interest is defined in the Localism Act as an interest which, if disclosed, could lead to the councillor/member or co-opted member, or a person connected with the member or co-opted member, being subject to violence or intimidation.

Declaring interests

5. Where a matter arises at a meeting which directly relates to an interest in Table 1, you must declare the interest, not participate in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation. If it is a 'sensitive interest', you do not have to declare the nature of the interest.
6. Where a matter arises at a meeting which directly relates to an interest in Table 2, you must declare the interest. You may speak on the matter only if members of the public are also allowed to speak at the meeting but otherwise must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation. If it is a 'sensitive interest', you do not have to declare the nature of the interest.
7. Where a matter arises at a meeting which directly relates to your financial interest or well-being (and is not a Disclosable Pecuniary Interest) or a financial interest or well-being of a relative or close associate, you must declare the interest. You may speak on the matter only if members of the public are also allowed to speak at the meeting but otherwise must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation. If it is a 'sensitive interest', you do not have to declare the nature of the interest.
8. Where a matter arises at a meeting which affects –
 - a. your own financial interest or well-being;
 - b. a financial interest or well-being of a friend, relative, close associate; or
 - c. a body covered by table 1 below you must disclose the interest.
9. Where the matter affects the financial interest or well-being:
 - a. to a greater extent than it affects the financial interests of the majority of inhabitants of the ward affected by the decision and;

- b. a reasonable member of the public knowing all the facts would believe that it would affect your view of the wider public interest

you must declare the interest. You may speak on the matter only if members of the public are also allowed to speak at the meeting but otherwise must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation. If it is a 'sensitive interest', you do not have to declare the nature of the interest.

Table 1: Disclosable Pecuniary Interests

To be reformatted

DRAFT

CSPL recommendations

1. Under the Localism Act 2011 the Code of Conduct can only apply to a Councillor when they are carrying out their duties as a councillor or acting as a representative of the Authority. CSPL recommended in their 2019 Report to Government that this narrow scope should be broadened so that a local authority's code of conduct would also apply to a councillor when they claim to act, or give the impression they are acting, in their capacity as a councillor or as a representative of the local authority". If the law is changed to accept that recommendation the Code would need to be updated to reflect that change.
2. CSPL also recommended that there should be a rebuttable presumption that a councillor's behaviour in public is in an official capacity. This would include statements on publicly accessible social media and that section 27(2) of the Localism Act 2011 should be amended to permit local authorities to presume so when deciding upon code of conduct breaches." Again, if the law is changed to accept that recommendation the Code would need to be updated to reflect that change.
3. Other recommendations include:
 - a. Sanctions
 - b. Appeals through the Local Government Ombudsman
4. See CSPL website for further details
www.gov.uk/government/news/theprinciples-of-public-life-25-years



INDEPENDENT PERSON PROTOCOL

Introduction

The purpose of this protocol is to establish the relationship between each independent person (“IP”) and the various parts of the local authority involved in the process of handling standards complaints and promoting standards within the authority. In doing so it will ensure that responsibility is clear at each stage of the process and will set out the roles and responsibilities of the IPs. A flow chart illustrating the processes to be followed and the IP’s involvement in that can be found at **Appendix 1**.

Consideration Of Written Allegations

1. The Monitoring Officer (“MO”) will seek the views of at least one IP before reaching a decision on whether any further action should be taken on a written complaint.
2. When issuing the decision letter or communication, the MO will record that the IP has been consulted and that their views have been taken into account. Where the view of the MO and IP differ, the MO will record the reasons for following a particular course. The letter will make clear that it is the MO and not the IP who is the decision maker.

Matters Under Investigation

3. A member who is the subject of a complaint alleging that they have breached the code of conduct (“**Subject Member**”) may seek the views of anthe IP. A Subject member who wishes to consult an IP must do so through the MO who will either contact the IP by email/ in writing and/or arrange for a meeting to take place on Council premises. The MO shall communicate any such arrangements to the Subject Member. A Subject Member, including their agents whether paid or unpaid, must not contact an IP directly, and the IP should inform the MO immediately should any direct contact be attempted.
4. Where possible the MO will provide the IP with all available information to enable them to deal with an approach from a Subject Member.
5. Where a Subject Member seeks the views of the IP via a meeting in person, an independent note taker from within the Council will take a record of the proceedings. The

notes will be made available to all relevant parties, subject to any issues surrounding the Data Protection Act (“DPA”) and/or confidentiality.

6. The IP must agree in advance with the Subject Member rules of confidentiality but it will be the IP’s decision upon what shall remain confidential, but in the event that the matters remain confidential a note should be taken to make clear that confidential matters were discussed. Again, this is subject to the provisions of the DPA

7. The MO may also consult the IP at any time during the investigation.

7.8. The Subject Member shall not be permitted to discuss the matter with an IP with whom the MO has consulted on a particular complaint.

Reference to Accounts and Audit - Subcommittee for local hearing and determination

8.9. Where a matter has been referred to the Subcommittee for determination, the Subcommittee must seek the views of the IP before reaching its conclusions. The IP’s views should be recorded in any decision notice and where those views do not reflect the determination reasons must be given for any differences. However, it must be clear that it is the Subcommittee and not the IP who is the decision maker.

Relationship With Accounts And Audit Committee

9.10. The IP shall receive agenda and minutes of all the meetings of Accounts and Audit Committee, be allowed to request for items to be added to the agenda with the agreement of the Chair and be permitted to speak at committee (but not take part in any debate).

10.11. The IP are not members of the Accounts and Audit Committee and therefore are not part of the formal business of the meeting and cannot vote on any matters put to the meeting. They may be invited to observe confidential matters with the agreement of the Chair.

11.12. The MO or Accounts and Audit Committee may request the IP to assist in any training on conduct issues

12.13. The IP may raise any concerns about standards issues or implementation of the process with the MO or Chair of the Accounts and Audit Committee.

13.14. The IP shall be provided with access to such information and facilities within the Council premises as are necessary for them to carry out their role.

~~14.15.~~ The MO will meet or communicate as required with the IP to review relevant matters.

Other matters

~~15.16.~~ The IP shall not make any comment to the media on any matter without the prior agreement of the MO. Any requests for comments from the media shall be referred in the first instance to the MO who may refer these to the Chair of the Accounts and Audit Committee or the Subcommittee as appropriate.

~~16.17.~~ The IP will sign a Code of Conduct, including a register of interests to be held by the MO and will declare any relevant interests in relation to complaints which are received to the MO who will decide whether the interest conflicts with their role and as such they should not be involved.



Ribble Valley Borough Council **Model Arrangements** **for dealing with standards allegations under the Localism Act** **2011 (“Arrangements”)**

1 Context

- 1.1 Ribble Valley Borough Council and the Parish Councils within the district have a shared legal responsibility to promote and maintain high standards of conduct by members of the authority.
- 1.2 Ribble Valley Borough Council’s approach to investigating complaints will be proportionate to the seriousness of the complaint and the Council will in particular seek to ensure informal resolution of complaints wherever possible.
- 1.3 These “Arrangements” set out how you may make a complaint that an elected or co-opted member of this authority, ~~for~~ or of a parish council within its area,] has failed to comply with the ~~authority’s~~ Code of Conduct, and sets out how the authority will deal with allegations of a failure to comply with the a authority’s Code of Conduct.
- 1.4 Under Section 28(6) and (7) of the Localism Act 2011, the Council must have in place “arrangements” under which allegations that a member or co-opted member of the authority, ~~for~~ or of a parish council within the authority’s area], or of a Committee or Sub-Committee of the authority, has failed to comply with that authority’s Code of Conduct can be investigated and decisions made on such allegations.
- 1.5 Such arrangements must provide for the authority to appoint at least one Independent Person, whose views must be sought by the authority before it takes a decision on an allegation which it has decided shall be investigated, and whose views can be sought by the authority at any other stage, or by a ~~member~~ ~~for member, or~~ a member or co-opted member of a parish council,] against whom an allegation as been made.

2 The Code of Conduct

- 2.1 The Council has adopted a Code of Conduct for members, which can be found at Part 5 of the Council’s constitution ~~is attached as Appendix One to these arrangements~~ and is available for inspection on the Council’s~~authority’s~~ website and on request from Reception at the Council’s~~Civic~~ Offices.
- 2.2 Each Parish Council is also required to adopt a Code of Conduct. If you wish to inspect a Parish Council’s Code of Conduct, you should inspect any website

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operated by the Parish Council and request the Parish Clerk to allow you to inspect the Parish Council's Code of Conduct.

~~Each parish council is also required to adopt a Code of Conduct. If you wish to inspect a Parish Council's Code of Conduct, you should inspect any website operated by the parish council and request the parish clerk to allow you to inspect the parish council's Code of Conduct.~~

3 Making a complaint

3.1 If you wish to make a complaint, please write or email to –

~~The Monitoring Officer~~Head of Legal and Democratic Services – Diane Rice
Ribble Valley Borough Council
Council Offices
Church Walk
Clitheroe BB7 2RA

Or – [mair.hill](mailto:mair.hill@ribblevalley.gov.uk) email diane.rice@ribblevalley.gov.uk

3.2 If a disability prevents you from making your complaint in writing you may contact the Monitoring Officer by telephone on 01200 425111.

3.3 The Monitoring Officer is a senior officer of the authority who has statutory responsibility for maintaining the register of members' interests and who is responsible for administering the system in respect of complaints of member misconduct.

3.4 In order to ensure that we have all the information which we need to be able to process your complaint, please complete and send us the model complaint form, which can be downloaded from the authority's website, and is available on request from Reception at the [Council](#)ivie Offices.

3.5 When setting out your complaint you should explain which part of the relevant code of conduct you consider has been breached.

3.6 Please do provide us with your name and a contact address or email address, so that we can acknowledge receipt of your complaint and keep you informed of its progress. If you want to keep your name and address confidential, please indicate this in the space provided on the complaint form, in which case we will not disclose your name and address to the member against whom you make the complaint, without your prior consent. The authority does not normally investigate anonymous complaints, unless there is a clear public interest in doing so.

3.7 The Monitoring Officer will acknowledge receipt of your complaint within **5 working days** of receiving it, and will keep you informed of the progress of your complaint.

4 Will your complaint be investigated?

4.1 The Monitoring Officer will review every complaint received and, after consultation with the Independent Person, take a decision as to whether it merits formal investigation. This decision will normally be taken within 14 days of receipt of your complaint. Where the Monitoring Officer has taken a decision, he/she will inform you of his/her decision and the reasons for that decision.

4.2 Where he/she requires additional information in order to come to a decision, he/she may come back to you for such information, and may request information from the member

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against whom your complaint is directed. The Member will be informed that a complaint has been received and may request, and save in exceptional circumstances, will be required if requested, a copy of the complaint. Where your complaint relates to a Parish Councillor, the Monitoring Officer may also inform the Parish Council of your complaint and seek the views of the Parish Council before deciding whether the complaint merits formal investigation.

4.3 The Monitoring Officer will review the complaint and after consultation with the Independent Person may decide not to investigate your complaint if he/she decides it is inappropriate to do so. Among the reasons for taking this decision are:

- The potential seriousness of the breach (if true);
- The likely cost of an investigation in time and other resources;
- The sufficiency of evidence of the alleged breach;
- Whether the complaint falls outside of the Localism Act 2011 and/or the Code of Conduct, including for example where it is clear that the Member who is the subject of the complaint was not acting in their capacity as a Councillor at the time the alleged conduct occurred;
- Other actions either to remedy the complaint or prevent its re-occurrence (such as reference to the relevant Parish Clerk) or an informal resolution is seen as more appropriate;
- The Member is no longer a serving member of the relevant Council (other than referring a potentially criminal matter to the Police);
- Whether the complaint is anonymous – the Council will not normally investigate anonymous complaints unless there is a clear public interest in doing so;
- The passage of time – if the complaint happened so long ago that there would be little benefit in acting now;
- The complaint is one that the Monitoring Officer believes has been (or largely has been) determined before;
- Any other circumstances bearing upon the public interest.

Informal Resolution

4.4 In appropriate cases, the Monitoring Officer may seek to resolve the complaint informally, without the need for a formal investigation. Such informal resolution may involve the member accepting that his/her conduct was unacceptable and offering an apology, or other remedial action by the authority. Where the member or the authority make a reasonable offer of local resolution, but you are not willing to accept that offer, the Monitoring Officer will take account of this in deciding whether the complaint merits formal investigation.

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Referral to the Police or other agency

4.5 If your complaint identifies criminal conduct or breach of other regulation by any person, the Monitoring Officer has the power to call in the Police and other regulatory agencies.

5 **How is the investigation conducted?**

5.1 The procedure for investigating a complaint is set out in Annex 1

5.2 Where complaints are received from more than one Complainant which relate to the same or similar allegations, the Monitoring Officer has discretion to consolidate the complaints so that they are dealt with as part of one investigation and if appropriate, are heard at one hearing.

~~The Council's procedure for the investigation of misconduct complaints is as follows:~~

~~If the Monitoring Officer decides that a complaint merits formal investigation, he/she will appoint an Investigating Officer, who may be another senior officer of the authority, an officer of another authority or an external investigator. The Investigating Officer will decide whether he/she needs to meet or speak to you to understand the nature of your complaint and so that you can explain your understanding of events and suggest what documents the Investigating Officer needs to see, and who the Investigating Officer needs to interview.~~

~~The Investigating Officer would normally write to the member against whom you have complained and provide him/her with a copy of your complaint, and ask the member to provide his/her explanation of events, and to identify what documents he needs to see and who he needs to interview. In exceptional cases, where it is appropriate to keep your identity confidential or disclosure of details of the complaint to the member might prejudice the investigation, the Monitoring Officer can delete your name and address from the papers given to the member, or delay notifying the member until the investigation has progressed sufficiently.~~

~~At the end of his/her investigation, the Investigating Officer will produce a draft report and will send copies of that draft report, in confidence, to you and to the member concerned, to give you both an opportunity to identify any matter in that draft report which you disagree with or which you consider requires more consideration.~~

~~Having received and taken account of any comments which you may make on the draft report, the Investigating Officer will send his/her final report to the Monitoring Officer.~~

56 **What happens if the Investigating Officer concludes that there is no evidence of a failure to comply with the Code of Conduct?**

The Monitoring Officer will review the Investigating Officer's report and, if he/she is satisfied that the Investigating Officer's report is sufficient, the Monitoring Officer will write to you and to the member concerned, ~~and to the Parish Council, where your complaint relates to a Parish Councillor~~, notifying you that he/she is satisfied that no further action is required, and give you both a copy of the Investigating Officer's final report. If the Monitoring Officer is not satisfied that the investigation has been conducted properly or feels that there are matters requiring further clarification, he/she may ask the Investigating Officer to reconsider his/her report.

67 **What happens if the Investigating Officer concludes that there is evidence of a failure to comply with the Code of Conduct?**

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The Monitoring Officer will review the Investigating Officer's report in the same way as at paragraph 6 above, and will then either send the matter for local hearing before the Hearings Panel or, after consulting the Independent Person, seek local resolution.

6.1 Local Resolution

—The Monitoring Officer may consider that the matter can reasonably be resolved without the need for a hearing. In such a case, he/she will consult with the Independent Person and with you as complainant and seek to agree what you consider to be a fair resolution which also helps to ensure higher standards of conduct for the future. Such resolution may include the member accepting that his/her conduct was unacceptable and offering an apology, and/or other remedial action by the authority. If the member complies with the suggested resolution, the Monitoring Officer will report the matter to the Accounts and Audit Committee, ~~and the Parish Council, if the complaints relates to a Parish council,~~ for information, but will take no further action. ~~If, however~~ However, if you tell the Monitoring Officer that any suggested resolution would not be adequate, the Monitoring Officer will give further consideration to referring the matter for local hearing and may take the Independent Person's view into account in making that decision as to whether the matter should proceed to a hearing is for the Monitoring Officer, who will exercise his/her discretion reasonably. ~~the Monitoring Officer will refer the matter for a local hearing.~~

6.2 Local Hearing

7.2 If the Monitoring Officer considers that local resolution is not appropriate, or you are not satisfied by the proposed resolution, or the member concerned is not prepared to undertake any proposed remedial action, such as giving an apology, then the Monitoring Officer will report the Investigating Officer's report to the ~~Subcommittee~~ Sub-Committee comprising three Members of the Accounts and Audit Committee. Membership of the Sub-Committee will be ????? which will conduct a local hearing before deciding whether the member has failed to comply with the Code of Conduct and, if so, whether to take any action in respect of the member.

7.3 The Council has agreed a procedure for local hearings, which is attached as Annex 2 to these Arrangements.

~~Essentially, the Monitoring Officer will conduct a "pre-hearing process", requiring the member to give his/her response to the Investigating Officer's report, in order to identify what is likely to be agreed and what is likely to be in contention at the hearing, and provide advice as to the manner in which the hearing will be conducted. At the hearing, the Investigating Officer will present his/her report, call such witnesses as he/she considers necessary and make representations to substantiate his/her conclusion that the member has failed to comply with the Code of Conduct. For this purpose, the Investigating Officer may ask you as the complainant to attend and give evidence to the Sub-Committee. The member will then have an opportunity to give his/her evidence, to call witnesses and to make representations to the Sub-Committee as to why he/she considers that he/she did not fail to comply with the Code of Conduct.~~

~~The Sub-Committee, with the benefit of any advice from the Independent Person, may conclude that the member did not fail to comply with the Code of Conduct, and so dismiss the complaint. If the Sub-Committee concludes that the member did fail to comply with the Code of Conduct, the Chairman will inform the member of this finding and the Sub-Committee will then consider what action, if any, the Hearings Panel should take as a result of the member's failure to comply with the Code of Conduct. In doing this, the Sub-Committee will give the member an opportunity to make representations to the Panel and~~

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~~will consult the Independent Person, but will then decide what action, if any, to take in respect of the matter.~~

8 Who are the Hearing Panel?

8.1 The Hearing Panel is a Subcommittee selected from the Council's Accounts and Audit Committee. The Accounts and Audit Committee has decided it will comprise three members of the Committee.

8.2 The Independent Person is invited to all meetings of the Subcommittee and their views sought and taken into consideration before the Subcommittee takes any decision on whether the member's conduct constitutes a failure to comply with the Code of Conduct and as to any action to be taken following a finding of failure to comply with the Code of Conduct.

9 What happens at the end of the hearing?

9.1 At the end of the hearing, the Chair will state the decision of the Subcommittee as to whether the member failed to comply with the Code of Conduct and as to any actions which the Subcommittee resolves to take.

9.2 In accordance with the procedure at Annex 2, the Monitoring Officer shall prepare a formal decision notice in consultation with the Chair of the Subcommittee, and send a copy to you, to the subject member (and to the Parish Council), make that decision notice available for public inspection and report the decision to the next convenient meeting of the Accounts and Audit Committee.

9.3 The decision notice will include a brief statement of facts, the provisions of the code engaged by the allegations, the view of the Independent Person, the reasoning of the Subcommittee, and any sanction applied.

7.10 What action can the Sub-Committee take where a member has failed to comply with the Code of Conduct?

10.1 The Council has delegated to the Sub-Committee such of its powers to take action in respect of individual members as may be necessary to promote and maintain high standards of conduct. ~~These are set out in paragraph 7 of Annex 2 to these Arrangements. Accordingly the Sub-Committee may—~~

~~7.1— Publish its findings in respect of the member's conduct;~~

~~7.2— Report its findings to Council /or to the Parish Council/ for information;~~

~~7.3— Recommend to the member's Group Leader (or in the case of un-grouped members, recommend to Council or to Committees) that he/she be removed from any or all Committees or Sub-Committees of the Council;~~

~~7.4— Instruct the Monitoring Officer to /or recommend that the Parish Council/ arrange training for the member;~~

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~~7.5 — Remove [or recommend to the Parish Council that the member be removed] from all outside appointments to which he/she has been appointed or nominated by the authority [or by the Parish Council];~~

~~7.6 — Withdraw [or recommend to the Parish Council that it withdraws] facilities provided to the member by the Council, such as a computer, website and/or email and Internet access; or~~

~~7.7 — Exclude [or recommend that the Parish Council exclude] the member from the Council's offices or other premises, with the exception of meeting rooms as necessary for attending Council, Committee and Sub-Committee meetings.~~

~~The Sub-Committee has no power to suspend or disqualify the member or to withdraw members' or special responsibility allowances.~~

~~8 — What happens at the end of the hearing?~~

~~At the end of the hearing, the Chairman will state the decision of the Sub-Committee as to whether the member failed to comply with the Code of Conduct and as to any actions which the Sub-Committee resolves to take.~~

~~As soon as reasonably practicable thereafter, the Monitoring Officer shall prepare a formal decision notice in consultation with the Chairman of the Sub-Committee, and send a copy to you, to the member [and to the Parish Council], make that decision notice available for public inspection and report the decision where the complaint relates to a Parish Council Member to the next convenient meeting of the Council.~~

~~9 — Who are the Hearings Panel?~~

~~The Sub-Committee will be a ?? Accounts and Audit Committee. The Accounts and Audit Committee has decided that it will comprise a maximum of five members of the Council. It will be comprised of Members of the parent Committee and be politically balanced subject to availability/Members have conflicting interests.~~

~~The Independent Person is invited to attend all meetings of the Hearings Panel and his views are sought and taken into consideration before the Hearings Panel takes any decision on whether the member's conduct constitutes a failure to comply with the Code of conduct and as to any action to be taken following a finding of failure to comply with the Code of Conduct.~~

1011 Who is the Independent Person?

The Council has two ~~ommittee has 2~~ Independent Persons who applied for the post following advertisement of a vacancy for the post, and were appointed by a positive vote from a majority of all the members of Council on 17 July 2012. [to be updated following committees decision]

112 Revision of these arrangements

The Committee may by resolution agree to amend these arrangements, and has delegated to the Chairman of the Accounts and Audit Committee the right to depart from these arrangements where he/she considers that it is expedient to do so in order to secure the effective and fair consideration of any matter.

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1213 Appeals

There is no right of appeal for you as complainant or for the member against a decision of the Monitoring Officer or of the Hearings Panel

If you feel that the authority has failed to deal with your complaint properly, you may make a complaint to the Local Government Ombudsman.

Annex 1

PROCEDURE FOR INVESTIGATION OF COMPLAINTS

1 Introduction

1.1 Where the Monitoring Officer has decided to refer a complaint about a Member for investigation, the Monitoring Officer must then arrange for an Investigating Officer to investigate and prepare a report.

1.2 The following is the procedure which will normally be followed in such investigations, although the Monitoring Officer may vary the procedure in any particular case if he/she considers this desirable in the interests of justice or fairness or the effective conduct of the investigation.

1.3 Interpretation

1.3.1 "Member" means the Member of Ribble Valley Borough Council or a Parish Council within its district who is the subject of the complaint;

1.3.2 "Investigating Officer" means the person appointed by the Monitoring Officer to undertake the investigation;

1.3.3 "Complainant" means the person who has made the complaint against the Member;

1.3.4 "Sub-Committee" means any Sub-Committee to which the Accounts and Audit Committee has delegated the conduct of the hearing;

1.3.5 "Legal adviser" means the officer responsible for providing legal advice to the Sub-Committee. This may be the Monitoring Officer, another legally qualified officer of the Authority, or someone appointed for this purpose from outside the Authority.

2. Action Following Decision to Investigate

Appointment of Investigating Officer

2.1 Where the Monitoring Officer decides that an allegation should be investigated, they will appoint an Investigating Officer and instruct him/her to investigate the allegation and produce a report thereon. The Investigating Officer may be an officer of the authority, an officer of another local authority, or an external person.

2.2 The Investigating Officer may appoint persons to assist him/her and may obtain such professional advice as may be necessary for the conduct of the investigation.

2.3 The Monitoring Officer will notify in writing the Member and the Complainant and the Independent Person(s) that an investigation is to be undertaken and will confirm:

2.3.1 the identity of the Complainant;

2.3.2 the conduct which is the subject of the allegation;

2.3.3 the section(s) of the Code of Conduct which appear(s) to be relevant to the allegation;

2.3.4 the identity of the Investigating Officer.

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- 2.4 If the complaint relates to a Parish Council ,the Monitoring Officer will at the same time also notify the Clerk to the Parish Council.
- 2.5 The Monitoring Officer may withhold some or all of this information from the Member if the Complainant has demonstrated exceptional reasons as to why such information may be withheld or where disclosure of details of the complaint to the Member at this stage of the process might prejudice the investigation.
- 2.6 In most cases, it will become necessary at some point for the Member to be informed of the identity of the Complainant and in all cases, for the Member to be informed of the nature of the allegations. The Monitoring Officer will decide whether and at what stage this information will be provided to the Member.

Initial response of the Member

- 2.7 In notifying the Member of the referral for investigation, the Monitoring Officer shall also request the Member to notify the Investigating Officer in writing, within 10 working days, of the following:
- 2.7.1 whether the Member admits or denies the alleged breach of the Code;
- 2.7.2 any initial comment, explanation or representations which the Member wishes to make in relation to the allegation;
- 2.7.3 any documents the Member would wish the Investigating Officer to take into account in the investigation, where possible providing copies of these documents, and advising where the originals can be inspected;
- 2.7.4 the name, address and telephone number (or other contact details) of any person whom the Member would wish the Investigating Officer to interview in the course of the investigation, and the relevance of that person;
- 2.7.5 any information the Member would wish the Investigating Officer to seek from any person or organisation;
- 2.7.6 any other information which the Member considers might be relevant to or assist the investigation.

Supporting information from the Complainant

- 2.6 When notifying the Complainant that the matter has been referred for investigation, the Monitoring Officer shall also request that person to notify the Investigating Officer in writing within 10 working days of:
- 2.6.1 any documents which he/she would wish the Investigating Officer to take into account in the investigation, where possible providing copies of these documents, and advising where the original documents may be inspected;
- 2.6.2 the name, address and telephone number (or other contact details) of any person whom the Complainant would wish the Investigating Officer to interview in the course of the investigation and the relevance of that person;
- 2.6.3 any information which the Complainant would wish the Investigating Officer to seek from any person or organisation;

2.6.4 any additional information which the Complainant has and which might be relevant to, or assist, the investigation.

3. Conduct of Investigation

- 3.1 The purpose of the investigation is to enable the Investigating Officer to prepare a report which will provide sufficient information to determine whether the Member has acted in breach of the Code of Conduct and, where there has been a breach, whether any action should be taken, and if so, what action.
- 3.2 The Investigating Officer will conduct the investigation in such manner as he/she considers best able to ascertain all relevant facts and to achieve the purpose of the investigation, having regard to the rules of natural justice and the need for fairness.
- 3.3 The Investigating Officer will be entitled to seek all relevant information (including documents) that appears necessary or expedient to the conduct of the investigation and can make enquiries of any person believed to have such information, including the Member, the Complainant, other Members or officers of the Council and third parties. All such persons will be expected to co-operate fully with the Investigating Officer and respond properly to such enquiries and provide such information as they can and to attend for interview by the Investigating Officer if requested.
- 3.4 The Investigating Officer will be able to seek information in such manner as he/she thinks appropriate, which may include in writing, by telephone or email, or in person. He/she will attempt to arrange any interviews at a time and place convenient to those concerned.
- 3.5 Any person who appears before the Investigating Officer for interview may be accompanied by a legal representative or friend provided such a person is not a potential witness in the investigation. An interview or telephone conversation may be tape recorded to save time and ensure accuracy, but only with the consent of both the Investigating Officer and the interviewee.

Other Breaches

- 3.6 If during the investigation, the Investigating Officer becomes aware of any other matter which appears to him/her to indicate a breach of the Code by the Member (apart from the breach which he/she is currently investigating), the Investigating Officer shall report the matter to the Monitoring Officer who will provide the Member with details of the matter and invite the Member to provide a statement as to why the additional matter does not constitute a breach of the Code. The Monitoring Officer will then determine, in consultation with the Independent Person whether the additional matter should also be investigated.
- 3.7 The Monitoring Officer may in certain circumstances defer an investigation if he/she considers it appropriate, for example because it might prejudice some other investigation or court proceedings concerning the matter.

4. The Draft Report

- 4.1 On completion of his/her investigation, the Investigating Officer shall prepare a draft report marked 'confidential' setting out:

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- 4.1.1 details of the allegation;
- 4.1.2 the relevant provisions of the Code of Conduct and any relevant Protocol;
- 4.1.3 the Member's response to the allegation (if any);
- 4.1.4 any relevant information, advice and explanations obtained during the investigation;
- 4.1.5 a list of any relevant documents;
- 4.1.6 a list of persons interviewed or from whom information has been sought;
- 4.1.7 a note of any person or organisation who has failed to co-operate with the investigation and the manner of such failure;
- 4.1.8 a statement of the Investigating Officer's draft findings of fact, with reasons;
- 4.1.9 the Investigating Officer's provisional conclusion as to whether the Member has failed to comply with the Code of Conduct, with reasons.
- 4.2 The draft report will also state that it does not necessarily represent the Investigating Officer's final finding, and that he/she will produce a final report once he/she has considered any comments received on the draft report.
- 4.3 The Investigating Officer shall send a copy of the draft report, in confidence, to the Member and the Complainant, and request that they send any comments on it to him/her in writing within 10 working days of receipt. This is an opportunity for the Member and Complainant to identify any matters with which they disagree or which they believe require further consideration.

5. The Final Report

- 5.1 After the expiry of the period referred to in paragraph 4.3 (or such extended period as the Investigating Officer may allow), the Investigating Officer shall reconsider and if appropriate amend his/her draft report in the light of any comments received and expeditiously produce a final report, which will be given to the Monitoring Officer.
- 5.2 The report will state that it represents the Investigating Officer's final findings. The report should have appended to it copies of any significant documents which the Investigating Officer has relied on in reaching his/her conclusions, such as notes of telephone conversations, letters, and notes of interviews and witnesses.

Annex 2

PROCEDURE FOR HEARING OF COMPLAINTS

1. General

1.1. These rules govern the conduct of hearings by the Hearing Sub-Committee.

1.2. The hearing will be into the written allegation(s) of failure to comply with the Code of Conduct made to the Council's Monitoring Officer and investigated in accordance with the arrangements adopted by the Council.

1.3. A hearing may cover more than one allegation, or set of allegations, and more than one investigation, if the Sub-Committee is satisfied that it is expedient and fair.

1.4. In these rules:

1.4.1 "The Monitoring Officer" means the officer designated as the Monitoring Officer to the Council, provided that if the Monitoring Officer is unable to act, or has a conflict of interest (for example as a result of having conducted an investigation into the complaint) then another person or persons may perform the Monitoring Officer's role and these rules will be construed accordingly.

1.4.2 "The Subject Member" means the member or co-opted member against whom the allegation of failure to comply with the relevant Code of Conduct has been made.

1.4.3 "The Investigator" means the person who has conducted an investigation into the allegation or his or her representative at the hearing.

1.4.4 "The Complainant" means the person who made the written allegation(s) of failure to comply with the Code of Conduct.

2. Composition and voting

2.1. The Sub-Committee will comprise three voting members drawn from the Accounts and Audit Committee, one of whom shall be appointed or elected to chair the meeting. The members will be selected in accordance with the legislation on political balance on committees.

2.2. The quorum for a meeting is three members.

2.3. All matters before the Sub-Committee will be decided by a simple majority of votes cast. In the case of equality of votes, the member chairing the meeting will have a second or casting vote.

2.4. An Independent Person appointed by the Council will be normally be present at the hearing. The Sub-Committee must take the Independent Person's views into account before reaching a decision, but he or she will not participate in the hearing or in the decision as a member of the Sub-Committee. Alternatively, if the Independent Person will not be present for all or part of the hearing he or she may submit his or her views to the Sub-Committee in writing.

3. Before the hearing

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3.1. Before the hearing, the Monitoring Officer will, in order to identify the issues and the evidence to be considered, and any procedural issues, provide the Subject Member with the Investigator's report and the accompanying evidence and invite the Subject Member and the Investigator to:

(a) Indicate the facts that are agreed and those that are not;

(b) Indicate the issues in dispute;

(c) Indicate whether they intend to introduce any additional evidence and the witnesses they intend to call to give evidence;

d) State whether they would like all or any part of the hearing to be conducted in private and, if so, why;

(e) State whether they intend to be present at the hearing;

(f) State whether they intend to be represented at the hearing and, if so, by whom.

3.2. The Monitoring Officer will copy the replies to the Subject Member and the Investigator or, if they so request, to their representatives.

3.3. If the member chairing the meeting, or, if none has yet been appointed or elected, the Chair of the Accounts and Audit Committee, considers that the additional evidence of any of the witnesses that are proposed to be called will not assist the Sub-Committee to determine the relevant issues (for example because the evidence or the witnesses' evidence will not be relevant, or will unnecessarily duplicate other evidence and prolong the hearing, then in consultation with the Monitoring Officer he or she may direct that the evidence or the number of witnesses should be limited. The Monitoring Officer will advise the Subject Member and the Investigator of the direction.

3.4. The Monitoring Officer will prepare a report to the meeting including the Investigator's report and the accompanying evidence. The proper officer will send the report to the members of the Sub-Committee and make it available to the public in accordance with the statutory requirements, excluding public access to any part of the report or background papers which, in the proper officer's opinion, relate only to any part of the hearing which is not likely to be open to the public.

4. Requests for adjournment and absence of parties

4.1. If before the hearing the Subject Member requests an adjournment, or indicates that he or she will not be present or represented, the Monitoring Officer will consult the member chairing the meeting, or, if none has yet been appointed or elected, the Chair of the Standards Committee. The member consulted will consider any written representations made by the Subject Member and may direct either that the hearing be adjourned or that the hearing will take place.

4.2. If the hearing then takes place, or if there has been no prior request but the Subject Member is not present at the start of the hearing, or if the Subject Member is present or represented and makes an oral request for an adjournment, then the Sub-Committee will decide whether to adjourn or proceed with the hearing, taking into account the representations that have been made. The Sub-Committee will

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consider whether it is satisfied with the reasons given for a request for an adjournment or whether, in exceptional circumstances, it is not so satisfied, and whether it is in the public interest to hear the allegations expeditiously. In the latter case the Sub-Committee may proceed with the hearing in the Subject Member's absence.

4.3. The Complainant may attend the meeting if called as a witness, or otherwise, but need not do so.

5. Representation at the hearing

5.1. The Subject Member may choose to be accompanied or represented at the hearing by a professional representative, fellow Councillor, friend or colleague.

5.2. The Complainant can be accompanied by a friend or colleague. Unless called as a witness, or requested by the Sub-Committee to address them, the Complainant has no right to participate in the meeting.

6. Conduct of the hearing

6.1. Subject to the exercise of discretion by the Chair, the order of business at the hearing shall be as set out below.

6.2. The Chair may vary the order of business at his or her discretion where he or she considers it expedient and fair to do so.

6.3. The Sub-Committee may adjourn the hearing at any time.

6.4. The Sub-Committee can decide at any time to resolve to exclude the press and public for the following part of the hearing, or for the remainder of the hearing, if it is likely otherwise that confidential or exempt information would be disclosed, in accordance with the provisions of the Local Government Act 1972.

6.5. The first items of business shall be:

(a) the election of the Chair if none has been appointed;

(b) any apologies for absence;

(c) any declarations of interest;

(d) if relevant at this time, consideration whether to exclude the press and public.

(e) if relevant, consideration of any request for an adjournment, and/or whether to proceed with the hearing in the absence of the Subject Member.

6.6. The Chair will then introduce (if present) the members of the Sub-Committee, the Independent Person, the Subject Member, any person representing the Subject Member, the Investigator, the Monitoring Officer, and any other officers present to clerk the meeting or provide legal advice to the Sub-Committee. The Chairman will explain their roles and outline the procedure for the hearing.

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6.7. Any witnesses of fact present in the room will then leave the room, apart from the Subject Member. In exceptional circumstances the Chair may permit the Complainant to remain in the room, unless it would be unfair to do so.

6.8. The evidence presented must be relevant to the issues under consideration and should not be unduly repetitious.

Presentation of the Investigation Report

6.9 The Investigator will present his or her report and accompanying evidence and call his or her witnesses, who may include the Complainant. The Investigator will not normally be permitted to introduce new issues or evidence at this stage.

6.10 The Subject Member or his or her representative may question the Investigator on the content of his or her report and may question the witnesses called by the Investigator on their evidence.

6.11 The members of the Sub-Committee may question the Investigator on the content of his or her report and may question the witnesses called by the Investigator on their evidence.

Presentation of the Subject Member's case

6.12 The Subject Member or his or her representative will present his or her case and evidence and call his or her witnesses.

6.13 The Investigator may question the Subject Member and the witnesses called by the Subject Member or his or her representative on their evidence.

6.14 The members of the Sub-Committee may question the Subject Member and the witnesses called by the Subject Member or his or her representative on their evidence.

Summing up

6.15 The Investigator will sum up his or her case.

6.16 The Subject Member or his or her representative will sum up his or her case.

6.17 In summing up, the Investigator and the Subject Member or his or her representative should express a view on any conflict of evidence and explain why, in their view, the evidence discloses or does not disclose a failure to comply with the Code of Conduct. No new evidence may normally be introduced at this stage.

Views of the Independent Person

6.18 The Chair will invite the Independent Person, if present, to express a view on the evidence and on whether it discloses a failure to comply with the Code of Conduct.

6.19 If the Independent Person is not present the Chair will read out the Independent Person's written representations.

Deliberations of the Sub-Committee

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- 6.20 If the press and public are present, the Sub-Committee will decide whether to resolve to exclude them from their deliberations. They will normally do so, because otherwise they would disclose their views on the individuals who have participated and their evidence, and the balance of the public interest favours free discussion on these matters.
- 6.21 The Subcommittee may clear the room or retire to another room. They may be accompanied by the Monitoring Officer (provided that he or she has not been involved in the hearing in any other capacity) or the legal adviser, whose role shall be limited to the provision of legal advice.
- 6.22 The Sub-Committee may re-open the hearing at any stage in order to seek additional evidence from the Investigator, the Subject Member or any witnesses present. If the additional material is not available, the Sub-Committee may adjourn the hearing and direct its production and by whom.
- 6.23 In principle the Sub-Committee should first find the material facts, including resolving any conflict of evidence, then decide if they disclose a failure to comply with the Code of Conduct.
- 6.24 The Sub-Committee must take its decision on the balance of probabilities ("is it more likely than not?") based on the evidence before it at the hearing and, exceptionally, matters within the general knowledge of the members.

The decision

- 6.25 The Sub-Committee will reconvene the hearing and the Chair will announce whether or not, on the facts found, the Sub-Committee considers that there has been a failure to comply with the Code of Conduct.
- 6.26 If the Sub-Committee has found that there is a failure to comply with the Code of Conduct, the Chair will invite the Investigator, the Subject Member and the Independent Person to make representations on the seriousness of the failure, whether or not any sanctions should be applied and, if so, what form they should take.
- 6.27 The Sub-Committee may also invite the Monitoring Officer to comment on those matters, if he or she has not been involved in the hearing in any other capacity.
- 6.28 The Sub-Committee may make recommendations as to any other matter arising to the Council, a committee or sub-committee, or the appropriate officer.

Deliberations as to sanction

- 6.29 The Sub-Committee will then consider whether to impose any sanction and, if so, in what form.
- 6.30 If the press and public are present, the Sub-Committee will decide whether to resolve to exclude them from their deliberations. The same considerations apply as under paragraph 6.13 (a).

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6.31 The Sub-Committee will seek to ensure that any sanction is reasonable and proportionate to the behaviour of the Subject Member.

6.32 The Sub Committee will have regard to all the circumstances including any local factors and also including the following:

- What was the Subject Member's intention, was he or she aware of the failure to comply with the Code of Conduct, or reckless as to the risk of so doing.
- Had the Subject Member received or declined training on the Code?
- Did the Subject Member receive advice (including in particular advice from officers) and, if so, did he or she act on that advice in good faith?
- Has there been a breach of trust, malice or dishonesty?
- Has there been financial impropriety?
- Was the subject member exercising his or her right to the freedom of expression, and if so:
 - First, was this the expression of political opinion (indicating a higher level of tolerance and a lesser sanction);
 - Second, is the sanction necessary to respond to a pressing social need, such as maintaining standards in public life, and proportionate?
- What was the result or the impact on others of the failure to comply with the Code of Conduct?
- How serious was the failure?
- Did the Subject Member stand to gain personally from the failure?
- Does the Subject Member accept that he or she was at fault?
- Did the Subject Member apologise and, if so, in what terms?
- Does the Subject Member have a record or history of misconduct, has he or she previously been reprimanded or warned of similar misconduct, and/or has he or she previously been found to have failed to comply with a code of conduct?
- Does the Subject Member have a record or history of public service and good conduct?
- How experienced is the member and does he or she have any particular role or responsibilities within the Council?
- Is there likely to be a repetition of the failure to comply with the Code of Conduct?
- Is this an isolated incident or event or is there a wider problem within the Council?

6.33 If evidence before the Sub-Committee indicates other potential failures to comply with the Code of Conduct, which have not previously been addressed, the Chair will outline the concerns and the Sub-Committee will decide whether to refer them to the Monitoring Officer.

7. Possible sanctions

7.1. The Sub-Committee may apply or recommend any one or more of the following sanctions for failure to comply with the Code of Conduct. The list is not exhaustive.

7.1.1 Censuring the member in such terms as the Sub-Committee considers appropriate;

7.1.2 Reporting the findings to the Council, or the Parish Council, for information.

7.1.3 Publishing the findings in such a manner as the Sub-Committee thinks appropriate and proportionate.

7.1.4 Recommending to the Council that he or she should be removed be removed from any or all Committees, Sub-Committees of the Council or from any or all positions or bodies to which the member has been appointed by the Council.

7.1.5 Seeking an apology from the Subject Member (which may be in terms to be approved on behalf of the Sub-Committee) if the Subject Member agrees.

7.1.6 Arranging training for the Subject Member if the Subject Member agrees.

7.1.7 If there is a clear connection between the failure to comply with the Code of Conduct and the use of Council facilities (email or equipment, for example) or premises, and it would be appropriate and proportionate to do so, withdrawing facilities or limiting access to premises: provided that although the sanction may inconvenience the Subject Member it must not prevent the Subject Member from performing his or her core function as a representative of his or her local electorate.

7.2. The Sub-Committee may specify that any sanction may take effect immediately or at a future time and/or be time-limited.

7.3. Any sanction may be suspended on condition that the Subject Member gives a satisfactory apology or attends training within a reasonable period.

7.4. The Sub-Committee may adjourn the hearing to give the Subject Member an opportunity to make a satisfactory apology and reconvene either to acknowledge that an apology has been given or to further consider the matter of sanctions.

7.5. The Sub-Committee has no power to disqualify or suspend the Subject Member or withdraw basic or special responsibility allowances.

8. Publication and notification

8.1. The Monitoring Officer will publish the name of the Subject Member and a summary of the Sub-Committee's decision and any recommendations and the reasons for them on the Council's website within 10 working days of the announcement of the decision.

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8.2. The Monitoring Officer will provide a full written decision and the reasons for the decision, and any recommendations, within 10 working days of the announcement of the decision to:

8.2.1 the Subject Member

8.2.2 the Complainant

8.2.3 the Clerk to the Parish Council (if the complaint is against a Parish Council member or co-opted member acting in that capacity)

8.2.4 the members of the Sub- Committee.

8.3 The Monitoring Officer will report the decision and any recommendations to the next ordinary meeting of the Accounts and Audit Committee for information.

RIBBLE VALLEY BOROUGH COUNCIL

REPORT TO ACCOUNTS AND AUDIT COMMITTEE

Agenda Item No 11

meeting date: 25 NOVEMBER 2020
 title: INTERNAL AUDIT ANNUAL REPORT 2019/20
 submitted by: DIRECTOR OF RESOURCES
 principal author: LAWSON ODDIE

1 PURPOSE

- 1.1 To submit to Committee the internal audit annual report for 2019/20. This report includes the Audit opinion for the 2019/20 financial year.
- 1.2 Relevance to the Council's ambitions and priorities:
- Corporate priorities - the Council seeks to maintain critical financial management and controls, and provide efficient and effective services.
 - Other considerations – the Council has a statutory duty to maintain an adequate and effective system of internal control.

2 BACKGROUND

- 2.1 Internal audit ensure that sound internal controls are inherent in all the Council's systems. All services are identified into auditable areas and then subjected to a risk assessment process looking at factors such as financial value and audit experience. A risk score is then calculated for each area.
- 2.2 An operational audit plan is then produced to prioritise resource allocation based on the risk score, with all high-risk areas being covered annually.
- 2.3 The approved Internal Audit Plan for 2019/20 was based on the provision of 673 days of internal audit work. The detailed outturn position at 31 March 2020 is attached at Annex 1 with a summary of the final position for the year being set out in the following table.

Area of Work	Resources (Audit days)		
	Planned	Actual	Variance
Fundamental (Main) Systems	230	206	-24
Other systems work	74	42	-32
Probity and Regularity	232	137	-95
Continuous Activity/On-going checks	107	77	-30
Staff Training and Development	30	28	-2
Staffing Levels (ie vacancies)	0	183	183
	673	673	0

- 2.4 With regard to the large variances between planned and actual days this is due to the level of staff vacancies experienced within the team throughout the financial year. This has impacted on each of the three posts within the team and has had an inevitable impact on the work able to be completed.
- 2.5 Priority has been given to undertaking the Fundamental Systems work and adequate audit coverage has been provided to enable the audit opinion to be reached.

- 2.6 All audit work undertaken in the year has been considered in informing the assurance opinion given later in this report. The purpose of the annual internal audit opinion is to contribute to the assurances available to those charged with governance, which supports the council's own assessment of the effectiveness of the council's system of internal control, in line with the requirements of the Accounts and Audit Regulations 2015.
- 2.7 This annual internal audit opinion will assist committee in its consideration of the Annual Governance Statement, which is included elsewhere on the agenda. The Annual Governance Statement pulls together various strands to conclude on the overall adequacy and effectiveness of the council's framework of governance, risk management and internal control.

3 ANNUAL INTERNAL AUDIT OPINION

- 3.1 The role of Head of Financial Services is responsible for producing the annual internal audit opinion. Ordinarily this would be reported by the role of Principal Auditor; however, the role of Principal Auditor is currently vacant following recruitment difficulties.
- 3.2 In giving this opinion, assurance can never be absolute. The audit work that has been completed in the 2019/20 financial year is summarised below, together with the assurance levels gained. In all cases, completed audits have resulted in the production of a report and action plan. Each audit report contains a conclusion which gives a level of assurance opinion as follows:

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

- 3.3 The table at Annex 2 sets out the assurance opinions issued in respect of all audits carried out since 1 April 2019. The table below gives a summary of the assurance levels overall.

Assurance Level	Number of Audits
Full	21
Substantial	5
Reasonable	0
Limited	0
Minimal	0

- 3.4 In my role as Head of Financial Services I am satisfied that sufficient assurance work has been carried out to allow the provision of a 'substantial' conclusion on the adequacy and effectiveness of Ribble Valley Borough Council's internal control environment.

- 3.5 My opinion is that the overall control environment of the Council is 'substantial', however it is recognised that the recurring issue of staffing vacancies and difficulties in recruiting to roles within the section has impeded the ability to fully complete the full audit plan. Notwithstanding this, adequate coverage has been able to be undertaken to allow this opinion to be formed.
- 3.6 It is also recognised that the Covid-19 pandemic has impacted on the control environment by way of changes having been made in March onwards, although this is to a minimum extent in the 2019/20 financial year. This is due to the need for changing working practices in some service areas and also new work and procedures such as the processing of the many support grants.
- 3.7 Any weaknesses or areas for review that have been identified during the year have been discussed with the relevant management and remedial actions and a timescale for improvement agreed.
- 3.8 Assurance levels on the Council's key financial systems are consistently good. Testing on the main systems was complete and all audit reports issued with full assurance levels. An assurance level of 'Full' has been provided based on the testing work that was completed in year for the Main Accounting and Sundry Debtors audits.
- 3.9 Work carried out on risk management, council policies, etc. are key elements of the Council's governance arrangements and the main messages arising from this work have been incorporated in the corporate governance review and Annual Governance Statement.
- 3.10 In all of the audit work undertaken during the year we did not identify any significant control weaknesses.

4 STAFFING ISSUES

- 4.1 Due to internal audit staff leaving the Council during 2019/20, all 3 posts have at some point been vacant. We successfully recruited to the Internal Auditor and Internal Audit Assistant posts, yet have a continuing vacancy in the role of Principal Auditor. A further attempt to recruit to the post is currently underway.
- 4.2 The situation regarding recruitment difficulties for audit roles is a national one, and is certainly being experienced by neighbouring authorities. The situation has also been exacerbated in the 2020/21 financial year by the Covid-19 pandemic.

5 UPDATE ON RED RISKS

- 5.1 All Heads of Services are required to ensure that a review of the risks that fall in their service areas is undertaken. As members will be aware, risks are graded on a red, amber and green rating, with any red risk requiring to be reported to CMT and also to this committee.
- 5.2 This requirement is in respect of risks that are scored as red after all mitigating action and controls have been put in place.
- 5.3 At the time of writing this report there are no net red risks identified for reporting to members. In respect of Covid-19 this is on the basis that government financial support continues and that other current and future local and national controls are adhered to.

6 CONCLUSION

- 6.1 Having reviewed the work of the internal audit team it is concluded that sufficient assurance work has been carried out to allow the provision of a 'substantial' conclusion on the adequacy and effectiveness of Ribble Valley Borough Council's internal control environment.
- 6.2 The internal audit function has been impacted by recruitment difficulties, but it is recognised that this is a national issue and one that is also shared by neighbouring authorities.
- 6.3 Work is ongoing to successfully recruit to the post of Principal Auditor

HEAD OF FINANCIAL SERVICES

DIRECTOR OF RESOURCES

AA9-20/LO/AC
11 November 2020

BACKGROUND PAPERS: None

For further information please ask for Lawson Oddie.

Annex 1

Internal Audit Work Completed in the 2019/20 Financial Year

Planned Days 2019/20	Actual Days 2019/20	Audit Area	Status as at 31 March 2020	Assurance Level
Fundamental (Main) Systems				
25	15	Main Accounting	Testing completed	FULL (Based on testing)
20	20	Creditors	Completed in full	FULL
20	18	Sundry Debtors	Testing completed	FULL (Based on testing)
30	30	Payroll and HR	Completed in full	FULL
40	40	Council Tax	Completed in full	FULL
40	40	Housing Benefits/CT Support	Completed in full	FULL
40	27	NNDR/Business Rates Pooling	Testing Largely Completed	FULL
15	15	Cash Receipting	Completed in full	FULL
230	206			
Other Systems Work				
15	6	VAT	Testing Underway	FULL
12	12	Treasury Management	Completed in full	FULL
15	12	Procurement	Testing completed	FULL (Based on testing)
20	0	Business Continuity	Not started	-
12	12	Asset Management	Completed in full	FULL
74	42			
Probity and Regularity				
15	0	Recruitment/Safeguarding Arrangements	Not started	-
15	12	Insurance	Testing Largely Completed	SUBSTANTIAL (Based on testing)
5	5	Land Charges	Completed in full	FULL
10	10	Fees and Charges/Cash Collection Procedures	Completed in full	FULL
12	12	Health and Safety	Completed in full	SUBSTANTIAL
10	10	Car Parking	Completed in full	FULL
5	5	VIC/Platform Gallery	Completed in full	FULL
12	12	Trade and Domestic Refuse Collection	Completed in full	FULL
15	15	Externally contracted Provision of RVBC Services	Completed in full	FULL
10	8	Environmental Health	Testing Largely Completed	FULL (Based on testing)
12	0	ICT Audit	Not started	-
5	5	Healthy Lifestyles/Up and Active	Completed in full	FULL
5	5	Ribblesdale Pool	Completed in full	SUBSTANTIAL
3	0	Museum/Café	Not started	-
12	13	Partnership Arrangements	Completed in full	SUBSTANTIAL

Planned Days 2019/20	Actual Days 2019/20	Audit Area	Status as at 31 March 2020	Assurance Level
12	20	Grants received	Completed in full	SUBSTANTIAL
12		Grants paid		
12	0	Data Protection/GDPR	Not started	-
15	0	Section 106 Agreements/Planning Enforcement	Not started	-
10	0	Building Control	Not started	-
5	5	Licences	Completed in full	FULL
5	0	Land and Property Leases	Not started	-
5	0	Outdoor Recreation	Not started	-
10	0	Planning Applications	Not started	-
232	137			
Continuous Activity/Ongoing Checks				
12	12	Income Monitoring		
20	5	Contingencies/unplanned work	Insurance/License Check and Car Park Income	
15	15	Risk Management	Continuous and ongoing work	
20	1	Corporate Governance	This work was largely put back in to the 2020/21 financial year	
5	5	Performance Indicators	Continuous and ongoing work	
35	39	Insurance	Continuous and ongoing work	
107	77			
Staff Training and Development				
30	28	Training		
30	28			
Staffing Levels				
0	198	Vacant post	Vacancies experienced across all 3 internal audit roles in year	
0	-15	Additional Resources Used	Additional internal resources used	
0	183			
673	673			

RIBBLE VALLEY BOROUGH COUNCIL REPORT TO ACCOUNTS AND AUDIT COMMITTEE

Agenda Item No 12

meeting date: 25 NOVEMBER 2020
 title: INTERNAL AUDIT PROGRESS REPORT 2020/21
 submitted by: DIRECTOR OF RESOURCES
 principal author: LAWSON ODDIE

1 PURPOSE

1.1 To report to Committee internal audit work progress to the end of October 2020.

1.2 Relevance to the Council's ambitions and priorities:

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

2 BACKGROUND

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

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

3 PROGRESS TO END OF OCTOBER 2020

3.1 The full internal audit plan for 2020/21 is attached as Annex 1 alongside progress to date. In summary resources for the year are detailed below, together with progress to the end of October:

Audit Area	2020/21 Planned Days	Actual Days to 31 October 2020
Fundamental Systems	220	48
Other Systems Work	74	0
Probity and Regularity	225	34
Continuous Activity/On-going checks	112	69
Staff Training and Development	50	71
Staffing Levels (i.e. vacancies)	0	152
Covid-19 Related	0	40
Annual Leave and Bank Holidays	99	43
Remaining Employee Days to 31 March 2021	0	323
	780	780

- 3.2 Work on Fundamental Systems is generally programmed to be undertaken towards the end of the financial year in order to ensure that there is an adequate sample size for the audit. Some preparatory work has been undertaken in these areas, in addition to residual work from the 2019/20 financial year by way of finalising and issuing reports.
- 3.3 In addition to our systems work we carry out a series of on-going checks to prevent/detect fraud and corruption.
- 3.4 Progress in the current financial year has been particularly hindered by the continued vacancy in the role of Principal Auditor, and also as the Internal Audit Assistant post has been used earlier in the year to provide valuable help in the processing of the various Covid-19 related grants. Members should note that it will be ensured that any further audit work on this service area will not be undertaken by the Internal Audit Assistant post.
- 3.5 The Principal Auditor post is currently being advertised again, with a closing date of 3 December and with interviews to take place on 17 December.
- 3.6 The situation regarding recruitment difficulties for audit roles is a national one, and is certainly being experienced by neighbouring authorities. The situation has also been exacerbated by the Covid-19 pandemic.
- 3.7 It is recognised that progress on the internal audit plan is not as had been hoped at this stage of the year and additional resources are currently being sought to help make up for this shortfall. This will then allow a firm audit opinion to be reached at the end of the financial year, and will also allow continued assurances to be given to management, and also to committee as 'those charged with governance', as the year continues.

4 REPORTS CARRIED OUT AND ASSURANCE OPINIONS

- 4.1 We use an assurance system for all audits carried out. Each completed audit report contains a conclusion which gives a level of assurance opinion as follows:

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

- 4.2 At this stage there are no finalised reports in respect of the 2020/21 financial year, with reports that have been issued having been in respect of finalising work from the 2019/20 audits.
- 4.3 A number of audits are underway and the outcome of these will be reported to your next meeting.
- 4.4 As mentioned above at 3.7, we are currently sourcing additional resources to assist in the backlog of audits and existing staff are also focusing on the fundamental system work and those areas with a high-risk score.

4.5 There are no immediate highlighted concerns regarding any failings in systems of control within services. Many services have continued to operate in a usual manner under Covid-19, with relatively minor amendments to controls needed.

4.6 There are other higher-risk processes (due to their being new) that have been put in place such as for the assessment and payment of business support grants. However much of these feed in to existing processes, i.e. System Creditors, or have had new controls put in to place.

5 UPDATE ON RED RISKS

5.1 All Heads of Services are required to ensure that a review of the risks that fall in their service areas is undertaken. As members will be aware, risks are graded on a red, amber and green rating, with any red risk requiring to be reported to CMT and also to this committee.

5.2 This requirement is in respect of risks that are scored as red after all mitigating action and controls have been put in place.

5.3 At the time of writing this report there are no net red risks identified for reporting to members. In respect of Covid-19 this is on the basis that government financial support continues and that other current and future local and national controls are adhered to.

6 CONCLUSION

6.1 Progress to date is unfortunately well behind that originally planned and as a result additional external resources are being sought in order to make up for this shortfall. This will also help ensure that a firm audit opinion can be reached at the end of the financial year and also help ensure assurance can be given to committee and management as the year progresses.

6.2 The Principal Auditor post is once again being advertised after past unsuccessful attempts to recruit. Interviews are due to be held on 17 December.

HEAD OF FINANCIAL SERVICES

DIRECTOR OF RESOURCES

AA15-20/LO/AC
18 November 2020

INTERNAL AUDIT PROGRESS TO THE END OF OCTOBER 2020

Total Planned Days for the Year 2020/21	Actual Days To End October 2020	Audit Area	Status as at 31 October 2020
Fundamental Systems			
25		Main Accounting	Not yet started
20	32	Creditors	Testing Underway – additional working paper preparation following receipt of CIPFA matrices
20	2	Sundry Debtors	Finalisation of 2019/20 Report
30		Payroll and HR	Not yet started
35	2	Council Tax	Preparatory work
40		Housing Benefits/CT Support	Not yet started
35	11	NNDR/Business Rates Pooling	Finalisation of 2019/20 Report
15	1	Cash Receipting	Preparatory work
220	48		
Non-Fundamental Systems			
15		VAT	Not yet started
12		Treasury Management	Not yet started
15		Procurement	Not yet started
20		Business Continuity	Not yet started
12		Asset Management	Not yet started
74	0		
Probity/Regularity			
10	1	Clitheroe Market	Preparatory work
15		Recruitment/Safeguarding Arrangements	Not yet started
15	7	Insurance	Finalisation of 2019/20 Report
5		Cemetery	Not yet started
10	1	Fees and Charges/Cash Collection Procedures	Preparatory work
12		Health and Safety	Not yet started
12	15	Car Parking	Testing Underway – additional working paper preparation following receipt of CIPFA matrices
5		VIC/Platform Gallery	Not yet started
12		Trade and Domestic Refuse Collection	Not yet started
5		Ribblesdale Pool	Not yet started
12		Partnership Arrangements	Not yet started
24		Grants Paid and Received	Not yet started
3		Museum and Museum Cafe	Not yet started
8	4	Environmental Health	Testing underway

Total Planned Days for the Year 2020/21	Actual Days To End October 2020	Audit Area	Status as at 31 October 2020
15		Section 106 Agreements/Planning Enforcement	Not yet started
10	4	Building Control	Preparatory work
10	1	Planning Applications	Preparatory work
12		Data Protection/GDPR	Not yet started
5		Edisford Sports Complex	Not yet started
5		Land and Property Leases	Not yet started
5		Parks and Outdoor Recreation	Not yet started
5	1	Homelessness	Preparatory work
10		ICT General Controls	Not yet started
225	34		
Continuous Activity/Ongoing Checks			
12	5	Income Monitoring	Continuous and ongoing work
25		Contingencies/unplanned work	
15	4	Risk Management	Continuous and ongoing work
20	25	Corporate Governance	Completion of the review for the 2019/20 Financial Year
5	2	Performance Indicators	Continuous and ongoing work
35	29	Insurance	Continuous and ongoing work
	4	Other Clerical Duties (ie FOI responses)	Continuous and ongoing work
112	69		
Staff Training and Development			
50	71	Training	Budgeted days set prior to college timetabling released
50	71		
Staffing Levels			
0	152	Vacant post	Ongoing recruitment difficulties for the Principal Auditor post
0	152		
Covid-19 Related			
0	40	Covid-19 Related	Largely secondment to assist with grant payments
0	40		
Annual Leave and Bank Holidays			
99	43	Annual Leave and Bank Holidays	
99	43		
Remaining Available Days to 31 March 2021			
-	323	Remaining Available Days	Excludes any use of additional resources
	323		
780	780		

RIBBLE VALLEY BOROUGH COUNCIL

REPORT TO ACCOUNTS AND AUDIT COMMITTEE

Agenda Item No 13

meeting date: 25 NOVEMBER 2020
title: INDEPENDENT REVIEW OF LOCAL AUTHORITY FINANCIAL REPORTING AND EXTERNAL AUDIT IN ENGLAND (REDMOND REVIEW)
submitted by: DIRECTOR OF RESOURCES
principal author: LAWSON ODDIE

1. PURPOSE

- 1.1. To inform members of the outcome of the Independent Review of Local Authority Financial Reporting and External Audit in England – otherwise known as the Redmond Review.
- 1.2. Relevance to the Council's ambitions and priorities:
 - Community Objectives – none identified.
 - Corporate Priorities – a well-managed Council.
 - Other Considerations – none identified.

2. BACKGROUND

- 2.1. At your meeting on 12 February 2020, members were provided with details of the Council's response to the call for views on the independent review into the arrangements in place to support the transparency and quality of local authority financial reporting and external audit in England. The review is also commonly referred to as the Redmond Review.
- 2.2. On 8 September 2020 the Government published the results of an independent review, led by Sir Tony Redmond. Local authority accounts are complex and the Review highlights a number of potential weaknesses with the current local audit framework and makes recommendations to address these. This report summarises the key findings and recommendations within the report, as well as implications for the Council.
- 2.3. Also attached at annex 1 to the report is a copy of the Local Government Association response to the outcome of the review, the comments of which officer's fully support and agree with.

3. KEY FINDINGS OF THE REDMOND REVIEW

- 3.1. The review identified a number of key issues with local audit, including:
 - An ineffective balance between price and quality with 40% of audits in 2018-19 failing to meet required reporting deadlines in part due to under-resourcing and lack of experienced staff
 - A lack of coordination and regulation of audit activity
 - Outcomes not always being effectively considered and presented to the local authority and public
 - The technical complexity of statutory accounts limiting public understanding and scrutiny
- 3.2. As result of the above findings 23 recommendations were made, with the key ones outlined below. The implementation of some of these recommendations would require changes to primary legislation however, many could be implemented without.

External Audit Regulation and Oversight

- The creation of an Office of Local Audit Regulation to procure, manage and regulate external audits. Some of the existing regulatory responsibilities, which currently sit with other bodies, to transfer to the new body.

- Revisions to the current fee structure for external audits to ensure adequate resources are deployed.
- Additional skills training for those involved in local audits and the amendment of statute to allow audit firms with the requisite capacity, skills and experience to bid for local audit work.
- The deadline for publication of audited local authority accounts to be considered in consultation with the NHS, with a view to extending the deadline from 31 July to 30 September.

Financial Reporting

- A simplified and standardised financial statement of service information and costs be made available to the public to allow comparison with the annual budget and council tax. This new statement would be prepared in addition to the statutory accounts and would be subject to audit.
- CIPFA/LASAAC to look again at the composition of the statutory accounts to see if improvements can be made to simplify their presentation and enhance their usefulness and understandability.

Governance

- The composition of audit committees be examined to ensure they have the required knowledge and expertise. Consideration should be given to the appointment of at least one suitably qualified, independent member to support elected representatives in scrutinising local authority finances.
- To demonstrate transparency and accountability, external audit would be required to submit an annual report to the first full council meeting after 30 September each year, irrespective of whether the financial accounts have been certified.
- A formal requirement for statutory officers (Chief Executive, Monitoring Officer and Section 151 Officer) to meet, at least annually, with the Key Audit Partner.

Financial Resilience and Sustainability

- The current framework for seeking assurance on financial sustainability is reviewed by MHCLG to help address the gap between stakeholder expectations and what the auditor is required to do.
- The sharing of key concerns relating to service and financial viability, between local auditors and inspectorates, prior to completion of the external auditor's report.
- In addition, an update to the NAO's Code of Audit Practice that will be applicable from 2020-21 will require auditors to provide a narrative statement on the arrangements an authority has in place to secure value for money.

- 3.3. Recommendations will now be considered by relevant bodies. A number of recommendations require primary legislation to be in place, after which the timescale for implementation will be clearer.
- 3.4. It is expected that a number of recommendations will be in place for the audit of the 2021/22 accounts, at least in part. For instance, it is proposed that for 2020/21 the new standardised financial statement of service information and costs is produced on a trial basis, with full implementation as an audited statement in 2021/22.
- 3.5. Assuming that the recommendations are implemented, key implications for the Council will include:
 - A likely increase in audit fees; with evidence suggesting audit fees collectively are at least 25% lower than required to fulfil current local audit requirements effectively.

- The requirement for the auditor to present an annual report to Full Council.
 - The appointment of at least one suitably qualified independent member to Audit Committee.
 - An additional requirement to produce a standardised statement of service information and costs.
 - A revised timetable, with a change in the reporting deadline from 31 July to 30 September.
- 3.6. Some of the recommendations made by other reviews on audit reform such as the Kingman and Brydon reviews, may also be relevant to the future of local audit and legislation to implement these is pending.
- Kingman Review: The independent review recommends that the FRC be replaced with an independent statutory regulator called the Audit, Reporting and Governance Authority.
 - Brydon Review: The review considered how the audit process and product could be developed to better serve the needs of users and the wider public interest
4. CONCLUSION
- 4.1 Recommendations will now be considered by relevant bodies. A number of recommendations require primary legislation to be in place, after which the timescale for implementation will be clearer.
- 4.2 Some of the recommendations made by other reviews on audit reform such as the Kingman and Brydon reviews, may also be relevant to the future of local audit and legislation to implement these is pending.

HEAD OF FINANCIAL SERVICES

DIRECTOR OF RESOURCES

AA13-20/LO/AC

16 November 2020

BACKGROUND PAPERS

None

For further information please ask for Lawson Oddie.

LGA RESPONSE TO THE REDMOND REVIEW**Response to the report of the Independent Review of Local Authority Financial Reporting and External Audit in England (the “Redmond Review”)**

Letter to Rt Hon Robert Jenrick MP from Cllr Richard Watts, Chair LGA Resources Board, 9 November 2020

Rt Hon Robert Jenrick MP,
Secretary of State for Housing Communities and Local Government
Ministry of Housing Communities and Local Government
Marsham Street
London
SW1P 4DF

9 November 2020

Dear Mr Jenrick,

Report of the Independent Review of Local Authority Financial Reporting and External Audit in England (the “Redmond Review”): Response from the Local Government Association

I am writing to you in my role as Chair of the Local Government Association’s Resources Board. The Local Government Association has been considering the Sir Tony Redmond’s report that was published in September and would like to respond to it and make some suggestions for a way forward. The content of this response was discussed and agreed by the LGA’s Executive Advisory Board on 22 October.

Local government is one of the best regulated and most transparent parts of the public sector in this country. As democratically elected bodies, councils understand the need for good governance, of doing the right things at the right time and to be seen to be spending public money well and wisely. The system is a complex web of checks and balances, ensuring that decisions are made in public by default and the outcomes of those decisions are also made plain. Despite escalating pressures, examples of councils failing in their responsibilities remain rare. Councils are complex organisations, and the LGA together with the sector is committed to ensuring that the way public money is spent, and local decisions are made is as clear and relevant to local residents as possible. External audit is an important part of this system.

In our response to the call for views we identified that while the basic external audit arrangements are still relevant and appropriate, there is a need for some changes. We pointed out that there is evidence that current arrangements are not working as well as they should, but that there are conflicting views about what is going wrong and why and what should be done. In our opinion the main issue is the robustness of the audit market. In particular, there are too few firms engaged in the market and too few suitably

qualified auditors employed by firms. These problems have been shown by the delays in finalising audited accounts which have been due to a shortage of suitably qualified senior staff. In addition, many councils have reported that the lack of skills and knowledge of staff undertaking audits impact on the time of council staff supporting the audit process. This is a complex and difficult problem which we do not believe will be resolved by the measures in the Redmond report, as outlined below. In particular, we think that the proposal to create a new regulatory body is not the right answer and it will require a lot more work across a whole range of bodies and stakeholders to resolve, not least the audit firms and the audit profession itself. It would not be within the power of the proposed new body to resolve this.

The case against the proposed new body is a strong one.

Bringing together auditor procurement and audit regulation in one body will create problems. This combination of functions does not occur in other industry regulating bodies. There could be a conflict of interest, for example, if auditors defend poor performance by criticising the contract. Procurement and contract management remain crucial, but this is separate from regulation and should be carried out by a separate body.

The Redmond report raises the issue of the current prices in the audit contract. It is worth reflecting that these are the prices that the market produced, again reflecting that the solution is not simple. To some extent the current pressure on prices arises from changes that have arisen since the contract award- new standards of quality for example imposed after several company failures in the private sector. If changes to regulation result in applications from audit firms to vary contracts, then the responsibility for the change occurring needs to be clear and is an additional cost on councils.

Sir Tony's recommendation that audit fees should be increased because the audit firms' margins have reduced cuts across the contracting process and could raise legal challenges by firms that weren't awarded contracts at the time of the original procurement exercise. Should the recommendation to raise fees be followed, or changes in regulation lead to higher costs of audit, councils will need to be recompensed through the new burdens process.

Since the 2014 Act only came fully into effect in 2019 (when the current round of audit contracts started), in our view it is too early to be contemplating major change. Under the current arrangements Councils are given the opportunity to opt into the Public Sector Audit and Appointments (PSAA) procurement arrangements and 98% of them have done so. The principle of local choice is something that the government invested a lot of time and effort into when introducing the current system and it is one that we continue to support. If procurement were moved to a centralised regulatory body, it could centralise the function under Government control with no sense that councils can opt in or out and retain local control.

PSAA has undertaken a wider role than just audit procurement. It has carried out improvement related activity to support councils and audit committee members in developing skills in managing local relationships with auditors, for example through initiatives such as the Local Audit Quality Forum. This work would be hard to reconcile with a regulator's remit and would likely be lost if PSAA were subsumed within a regulatory body.

Financial resilience is a major issue for councils made much more acute by the advent of COVID19, and Sir Tony recognises this, but we do have concerns over the recommendations on auditor reporting of financial resilience. The main factor affecting financial resilience is about government funding not keeping pace with the growing financial pressures on councils, not lack of control. The response to resilience should not be about auditors anticipating local democratic decision-making (for example by extrapolating from past decisions about use of reserves) or heaping controls on top of controls (for example by requiring auditors to sign off the Chief Finance Officer's sign off of the budget).

We believe that auditors have enough powers to exercise their responsibilities and provide assurance to local residents and other stakeholders. What is needed is more capacity in the market to enable these powers to be exercised.

There are many of Sir Tony's other recommendations that we do agree with. Changes to the timetable for the completion of audits would be welcome, as it has been shown that over-tightening the deadlines too much has simply put too much pressure on auditors and council finance staff at a time when capacity is lacking. We see the benefits of introducing more independent expertise onto audit committees, while preserving the important role of elected members as those responsible for governance. We welcome the proposal for an MHCLG stakeholder group and we welcome proposals to simplify the form of accounts, which have become complex to the point where even local government insiders often find them impenetrable.

We also think that the local audit market for local government cannot be considered in isolation from the local audit market for health as local NHS audit is currently undertaken by the same audit teams as local authority audit, so a solution for one affects the other. We understand that consideration of health was beyond Sir Tony's remit, but the answer has to consider both. We welcome Sir Tony's call for coordination between MHCLG and DHSC.

We propose the following as a way ahead.

1. The current procurement arrangements with PSAA should be given more time to bed in before any (externally imposed) changes are considered. 2019 is effectively the first year that the new arrangements have operated in full. There is scope for PSAA to strengthen its current role and opportunities to improve the current arrangements without the need for merging procurement and regulation in a new body, and we will press for this to happen. For example, PSAA is reviewing the fee variation process and aims to publish proposals for consultation soon.
2. As recommended by Redmond, a Liaison Committee should be established comprising key stakeholders and chaired by MHCLG. This should be as outlined in the LGA's [original submission to the review](#).
3. Market fragmentation should be reduced by incorporating the audit of local NHS (which was not included in Redmond's terms of reference) within current local procurement arrangements and adding other public bodies as well. This would help build market capacity by taking advantage of the synergy created by the two audit processes being carried out by the same firms.
4. Promote Redmond's call for coordination between MHCLG and DHSC.

5. The deadline for completion of audits should be moved back to 30 September, as recommended by Redmond.
6. Any increase in audit fees following the recommendation by Redmond should be funded through the new burdens process.
7. Proposals on simpler more transparent forms of accounts should be pursued, while ensuring that simplification does not create extra work for councils and auditors.
8. Extend the use of independent members on Audit Committees while ensuring that committees remain member led, and that Full Council retains its role as having ultimate responsibility for governance

The above outlines a practical way forward that can be implemented quickly without the need for primary legislation. I would be happy to discuss these proposals further. If you require further details or clarification of our proposals please contact the LGA via bevis.ingram@local.gov.uk.

Yours sincerely,

Cllr Richard Watts
Chair Resources Board

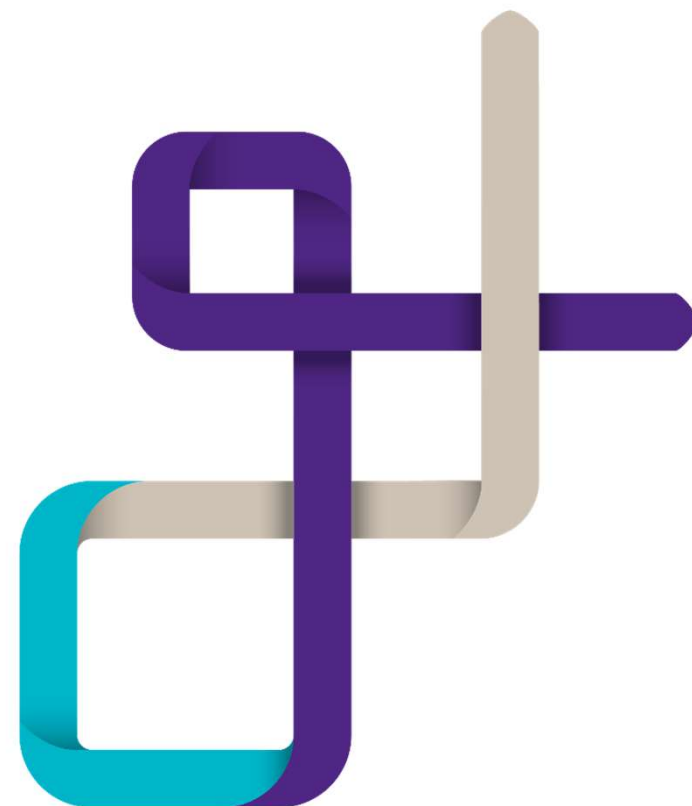


External Audit Plan

Year ending 31 March 2020

Ribble Valley Borough Council

April 2020



Contents



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

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1. Introduction & headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Ribble Valley Borough Council ('the Authority') for those charged with governance.

Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Ribble Valley Borough Council. We draw your attention to both of these documents on the [PSAA website](#).

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the:

- Authority's financial statements that have been prepared by management with the oversight of those charged with governance (the Accounts and Audit committee); and
- Value for Money arrangements in place at the Authority for securing economy, efficiency and effectiveness in your use of resources.

The audit of the financial statements does not relieve management or the Accounts and Audit Committee of your responsibilities. It is the responsibility of the Authority to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Authority is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Authority's business and is risk based.

Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Valuation of land and buildings
- Valuation of net pension fund liability
- Management override of controls
- Covid – 19 – Impact on the production and audit of the financial statements

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Materiality

We have determined planning materiality to be £0.418m (PY £0.432m) for the Authority, which equates to 2% of your prior year gross expenditure for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £0.020m (PY £0.021m).

Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money have identified the following VFM significant risks:

- Financial Sustainability

Audit logistics

Our interim visit is ongoing and our final visit will take place in August and September. Our key deliverables are this Audit Plan and our Audit Findings Report. Our audit approach is detailed in Appendix A.

Our fee for the audit will be £37,106 (PY: £35,456) for the Authority, subject to the Authority meeting our requirements set out on page 13.

Independence

We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements..

2. Key matters impacting our audit

Factors

The wider economy and political uncertainty

Local Government funding continues to be stretched with increasing cost pressures and demand from residents. For Ribble Valley Borough Council, a balanced budget has been set and the Council is expected to make savings.

At a national level, the government continues its negotiation with the EU over Brexit, and future arrangements remain clouded in uncertainty. The Authority will need to ensure that it is prepared for all outcomes, including in terms of any impact on contracts, on service delivery and on its support for local people and businesses.

Financial reporting and audit – raising the bar

The Financial Reporting Council (FRC) has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge, and to undertake more robust testing as detailed in Appendix 1.

Our work in 2018/19 has highlighted areas where local government financial reporting, in particular, property, plant and equipment and pensions, needs to be improved, with a corresponding increase in audit procedures. We have also identified an increase in the complexity of local government financial transactions which require greater audit scrutiny.

Coronavirus

The coronavirus global pandemic is impacting how people work. Whilst it is a constantly evolving picture, we are expecting the delivery of the audit to be impacted by staff at audited bodies and audit teams working remotely to avoid spreading the virus as well inevitable sick days reducing staff capacity.

The government has announced that the deadline for local government financial audits will be extended to 30 November 2020 from 31 July 2020.

Our response

- We will consider your arrangements for managing and reporting your financial resources as part of our work in reaching our Value for Money conclusion.
- We will consider whether your financial position leads to material uncertainty about the going concern of the Authority and will review related disclosures in the financial statements.

- As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and local government financial reporting. Our proposed work and fee, as set out further in our Audi Plan, has been agreed with the Director of Resources and is subject to PSAA agreement.

Since early March, we have been liaising with members of your finance team to discuss how we can work together effectively to deliver the audit despite the restrictions on unnecessary physical interaction.

Following the government's announcement on Monday 16 March, we also closed our offices for the foreseeable future and have asked our people to work from home rather than in the office.

All of our staff are set up to work remotely and we use a variety of tools to communicate and share information such as Microsoft Teams and Inflo.

3. Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<p>The revenue cycle includes fraudulent transactions (rebutted)</p>	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Authority, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Ribble Valley Borough Council, mean that all forms of fraud are seen as unacceptable 	<p>Therefore we do not consider this to be a significant risk for Ribble Valley Borough Council.</p>
<p>Management over-ride of controls</p>	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate the design effectiveness of management controls over journals • analyse the journals listing and determine the criteria for selecting high risk unusual journals • test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration • gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence • evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.

Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of land and buildings (Periodic revaluation with desktop valuation in intervening years)	<p>The Authority revalues its land and buildings on a five-yearly basis. In the intervening years, to ensure the carrying value in the Authority financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, the Authority requests a desktop valuation from its valuation expert to ensure that there is no material difference. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£15 million) and the sensitivity of this estimate to changes in key assumptions.</p> <p>We therefore identified valuation of land and buildings as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work • evaluate the competence, capabilities and objectivity of the valuation expert • write to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the Code are met • challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding, the Authority's valuer's report and the assumptions that underpin the valuation. • test revaluations made during the year to see if they had been input correctly into the Authority's asset register

Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<p>Valuation of the pension fund net liability</p>	<p>The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£15 million in the Authority's balance sheet) and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Authority's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.</p>	<p>We will:</p> <ul style="list-style-type: none"> • update our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluate the design of the associated controls; • evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assess the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation; • assess the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability; • test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and • obtain assurances from the auditor of Lancashire Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.

Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<p>Covid – 19</p>	<p>The global outbreak of the Covid-19 virus pandemic has led to unprecedented uncertainty for all organisations, requiring urgent business continuity arrangements to be implemented. We expect current circumstances will have an impact on the production and audit of the financial statements for the year ended 31 March 2020, including and not limited to;</p> <ul style="list-style-type: none"> - Remote working arrangements and redeployment of staff to critical front line duties may impact on the quality and timing of the production of the financial statements, and the evidence we can obtain through physical observation - Volatility of financial and property markets will increase the uncertainty of assumptions applied by management to asset valuation and receivable recovery estimates, and the reliability of evidence we can obtain to corroborate management estimates - Financial uncertainty will require management to reconsider financial forecasts supporting their going concern assessment and whether material uncertainties for a period of at least 12 months from the anticipated date of approval of the audited financial statements have arisen; and - Disclosures within the financial statements will require significant revision to reflect the unprecedented situation and its impact on the preparation of the financial statements as at 31 March 2020 in accordance with IAS1, particularly in relation to material uncertainties. <p>We therefore identified the global outbreak of the Covid-19 virus as a significant risk, which was one of the most significant assessed risks of material misstatement</p>	<p>We will:</p> <ul style="list-style-type: none"> • Work with management to understand the implications the response to the Covid-19 pandemic has on the organisation’s ability to prepare the financial statements and update financial forecasts and assess the implications on our audit approach • Liaise with other audit suppliers, regulators and government departments to co-ordinate practical cross sector responses to issues as and when they arise • Evaluate the adequacy of the disclosures in the financial statements in light of the Covid-19 pandemic. • Evaluate whether sufficient audit evidence using alternative approaches can be obtained for the purposes of our audit whilst working remotely • Evaluate whether sufficient audit evidence can be obtained to corroborate significant management estimates such as asset valuations and recovery of receivable balances • Evaluate management’s assumptions that underpin the revised financial forecasts and the impact on management’s going concern assessment • Discuss with management any potential implications for our audit report if we have been unable to obtain sufficient audit evidence

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings Report in September 2020.

4. Other matters

Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement to check that they are consistent with the financial statements on which we give an opinion and consistent with our knowledge of the Authority
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with the guidance issued by CIPFA
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions
- We consider our other duties under the Local Audit and Accountability Act 2014 (the Act) and the Code, as and when required, including:
 - Giving electors the opportunity to raise questions about your 2019/20 financial statements, consider and decide upon any objections received in relation to the 2019/20 financial statements
 - Issue of a report in the public interest or written recommendations to the Authority under section 24 of the Act, copied to the Secretary of State
 - Application to the court for a declaration that an item of account is contrary to law under Section 28 or for a judicial review under Section 31 of the Act or
 - Issuing an advisory notice under Section 29 of the Act.
- We certify completion of our audit.

Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

Going concern

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the Authority's ability to continue as a going concern" (ISA (UK) 570). We will review management's assessment of the going concern assumption and material uncertainties, and evaluate the disclosures in the financial statements.

5. Materiality

The concept of materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality for planning purposes

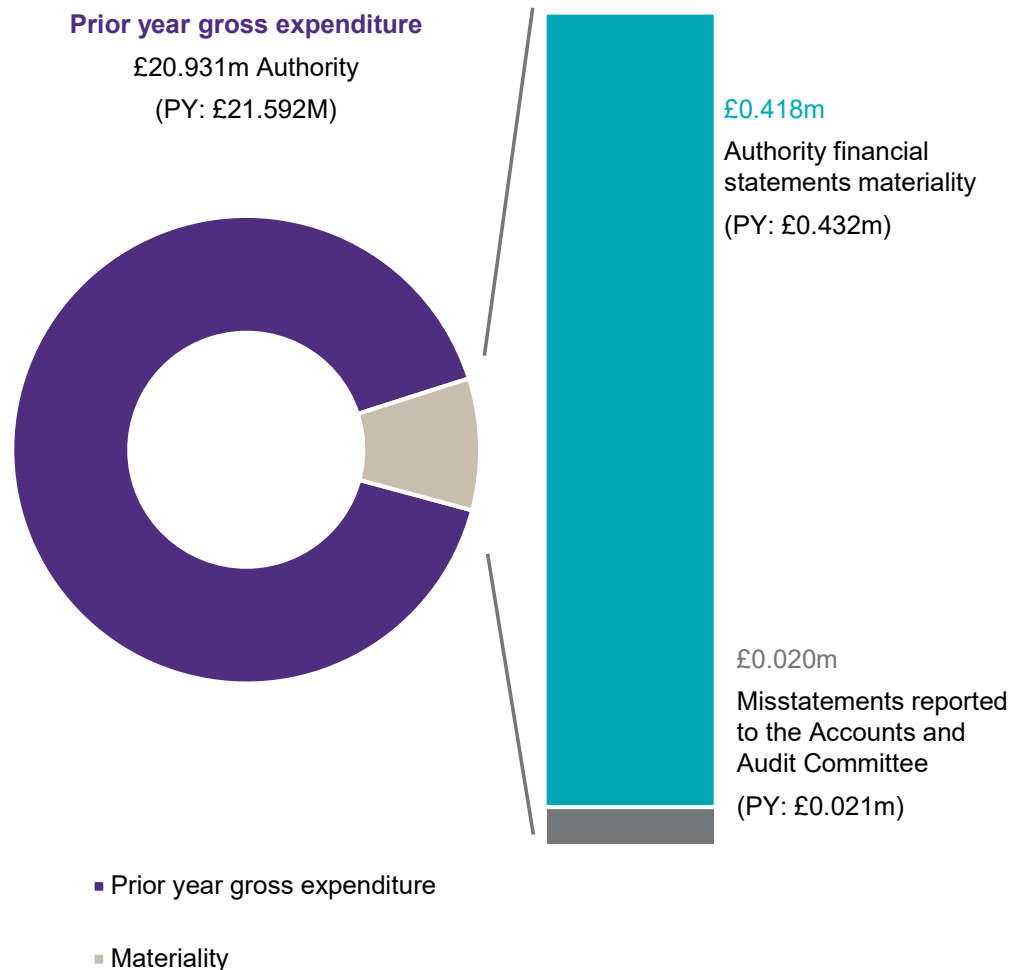
We have determined financial statement materiality based on a proportion of the gross expenditure of the Authority for the financial year. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £0.418m (PY £0.432m) for the Authority, which equates to 2% of your prior year gross expenditure for the year. We design our procedures to detect errors in specific accounts at a lower level of precision which we have determined to be £5 for Senior Officer Remuneration.

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

Matters we will report to the Accounts and Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.020m (PY £0.021m).

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Accounts and Audit Committee to assist it in fulfilling its governance responsibilities.



6. Value for Money arrangements

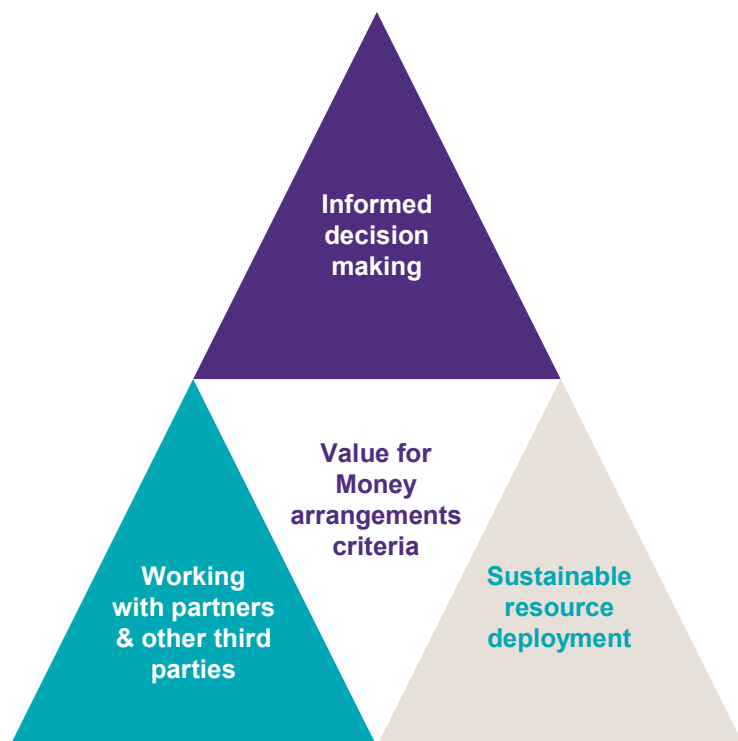
Background to our VFM approach

The NAO issued its guidance for auditors on Value for Money work in November 2017. The guidance states that for Local Government bodies, auditors are required to give a conclusion on whether the Authority has proper arrangements in place to secure value for money.

The guidance identifies one single criterion for auditors to evaluate:

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

This is supported by three sub-criteria, as set out below:



Significant VFM risks

Those risks requiring audit consideration and procedures to address the likelihood that proper arrangements are not in place at the Authority to deliver value for money.



Financial Sustainability

Consistent with previous years the Council has delivered its planned outturn for 2018/19 with a net revenue underspend of £47k. The council holds £9.272m in Earmarked Reserves and £2.472m in General Fund reserves. Although the Council were estimating budget gaps these have been met by the 19/20 finance settlement.

Therefore although the Council is required to make savings they are not onerous and the Council has a good track record of achieving savings. However, in light of the events taking place in 2019/20 which include the floods and now COVID 19 we will review the impact of these issues on the Council's finances.

7. Audit logistics & team



Mark Heap, Key Audit Partner

Mark, leads our relationship with you and takes overall responsibility for the delivery of a high quality audit, meeting the highest professional standards and adding value to the Authority.



Sophia Iqbal, Audit Manager

Sophia plans, manages and leads the delivery of the audit, is your key point of contact for your Finance team and is your first point of contact for discussing any issues



Richard Watkinson, Audit In-charge

Richard's, role is to assist in planning, managing and delivering the audit fieldwork to ensure that the audit is delivered in an efficient and effective manner. He also supervises and co-ordinates the on-site audit team

Client responsibilities

Where clients do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other clients. Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit, you need to ensure that you:

- produce draft financial statements of good quality by the deadline you have agreed with us, including all notes, the narrative report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

8. Audit fees

Planned audit fees 2019/20

Across all sectors and firms, the FRC has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing. Within the public sector, where the FRC has recently assumed responsibility for the inspection of local government audit, the regulator requires that all audits achieve a 2A (few improvements needed) rating.

Our work across the sector in 2018/19 has highlighted areas where local government financial reporting, in particular, property, plant and equipment and pensions, needs to be improved. We have also identified an increase in the complexity of local government financial transactions. Combined with the FRC requirement that 100% of audits achieve a 2A rating this means that additional audit work is required. We have set out below the expected impact on our audit fee. The table overleaf provides more details about the areas where we will be undertaking further testing.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and local government financial reporting. Our proposed work and fee for 2019/20 at the planning stage, as set out below and with further analysis overleaf, has been agreed with the Director of Resources and is subject to PSAA agreement.

	Actual Fee 2017/18	Actual Fee 2018/19	Proposed fee 2019/20
Council Audit	£40,202	£35,456	£37,106
Total audit fees (excluding VAT)	£40,202	£35,456	£37,106

Assumptions:

In setting the above fees, we have assumed that the Authority will:

- prepare a good quality set of accounts, supported by comprehensive and well presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

Relevant professional standards:

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with staff of appropriate skills, time and abilities to deliver an audit to the required professional standard.

Audit fee variations – Further analysis

Planned audit fees

The table below shows the planned variations to the original scale fee for 2019/20 based on our best estimate at the audit planning stage. Further issues identified during the course of the audit may incur additional fees. In agreement with PSAA (where applicable) we will be seeking approval to secure these additional fees for the remainder of the contract via a formal rebasing of your scale fee to reflect the increased level of audit work required to enable us to discharge our responsibilities. Should any further issues arise during the course of the audit that necessitate further audit work additional fees will be incurred, subject to PSAA approval.

Audit area	£	Rationale for fee variation
Scale fee	30,956	
Raising the bar	1,300	The Financial Reporting Council (FRC) has highlighted that the quality of work by all audit firms needs to improve across local audit. This will require additional supervision and leadership, as well as additional challenge and scepticism in areas such as journals, estimates, financial resilience and information provided by the entity.
Pensions – valuation of net pension liabilities under International Auditing Standard (IAS) 19	1,600	We have increased the granularity, depth and scope of coverage, with increased levels of sampling, additional levels of challenge and explanation sought, and heightened levels of documentation and reporting.
COVID-19	1,500	The coronavirus global pandemic is impacting how people work. Whilst it is a constantly evolving picture, we are expecting the delivery of the audit to be impacted by staff at audited bodies and audit teams working remotely to avoid spreading the virus as well as sick days reducing staff capacity. We may also need to consider implementing changes to audit procedures to reflect current restrictions to working practices, such as the application of technology to allow remote working.
PPE Valuation – work of experts	1,750	We have therefore [engaged our own audit expert – (name of audit expert) and/or increased the volume and scope of our audit work to ensure an adequate level of audit scrutiny and challenge over the assumptions that underpin PPE valuations]. [For AQR audits, please specify that the increase includes an estimate for the fee payable to the auditor's expert] We estimate that the cost of the auditors expert will be in the region of £5000.
Revised scale fee (to be approved by PSAA)	37,106	

9. Independence & non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 and PSAA's Terms of Appointment which set out supplementary guidance on ethical requirements for auditors of local public bodies.

Other services provided by Grant Thornton

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Authority. The following other services were identified.

Service	£	Threats	Safeguards
Audit related:			
Certification of Housing Benefit Subsidy return	4,995	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £4,995 (on the basis that the Council complete the HB workbooks) in comparison to the total fee for the audit of £37,106 (after fee variations) and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Non-audit related:			
None	0	N/A	N/A

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Authority's policy on the allotment of non-audit work to your auditors. All services have been approved by the Accounts and Audit Committee. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

None of the services provided are subject to contingent fees.

The firm is committed to improving our audit quality – please see our transparency report - <https://www.grantthornton.co.uk/globalassets/1.-member-firms/united-kingdom/pdf/annual-reports/interim-transparency-report-2019.pdf>

Appendices

A. Audit Quality – national context

Appendix A: Audit Quality – national context

What has the FRC said about Audit Quality?

The Financial Reporting Council (FRC) publishes an annual Quality Inspection of our firm, alongside our competitors. The Annual Quality Review (AQR) monitors the quality of UK Public Interest Entity audits to promote continuous improvement in audit quality.

All of the major audit firms are subject to an annual review process in which the FRC inspects a small sample of audits performed from each of the firms to see if they fully conform to required standards.

The most recent report, published in July 2019, shows that the results of commercial audits taken across all the firms have worsened this year. The FRC has identified the need for auditors to:

- improve the extent and rigour of challenge of management in areas of judgement
- improve the consistency of audit teams' application of professional scepticism
- strengthen the effectiveness of the audit of revenue
- improve the audit of going concern
- improve the audit of the completeness and evaluation of prior year adjustments.

The FRC has also set all firms the target of achieving a grading of '2a' (limited improvements required) or better on all FTSE 350 audits. We have set ourselves the same target for public sector audits from 2019/20.

Other sector wide reviews

Alongside the FRC, other key stakeholders including the Department for Business, energy and Industrial Strategy (BEIS) have expressed concern about the quality of audit work and the need for improvement. A number of key reviews into the profession have been undertaken or are in progress. These include the review by Sir John Kingman of the Financial Reporting Council (Dec 2018), the review by the Competition and Markets authority of competition within the audit market, the ongoing review by Sir Donald Brydon of external audit, and specifically for public services, the Review by Sir Tony Redmond of local authority financial reporting and external audit. As a firm, we are contributing to all these reviews and keen to be at the forefront of developments and improvements in public audit.

What are we doing to address FRC findings?

In response to the FRC's findings, the firm is responding vigorously and with purpose. As part of our Audit Investment Programme (AIP), we are establishing a new Quality Board, commissioning an independent review of our audit function, and strengthening our senior leadership at the highest levels of the firm, for example through the appointment of Fiona Baldwin as Head of Audit. We are confident these investments will make a real difference.

We have also undertaken a root cause analysis and put in place processes to address the issues raised by the FRC. We have already implemented new training material that will reinforce the need for our engagement teams to challenge management and demonstrate how they have applied professional scepticism as part of the audit. Further guidance on auditing areas such as revenue has also been disseminated to all audit teams and we will continue to evolve our training and review processes on an ongoing basis.

What will be different in this audit?

We will continue working collaboratively with you to deliver the audit to the agreed timetable whilst improving our audit quality. In achieving this you may see, for example, an increased expectation for management to develop properly articulated papers for any new accounting standard, or unusual or complex transactions. In addition, you should expect engagement teams to exercise even greater challenge management in areas that are complex, significant or highly judgmental which may be the case for accounting estimates, going concern, related parties and similar areas. As a result you may find the audit process even more challenging than previous audits. These changes will give the audit committee – which has overall responsibility for governance - and senior management greater confidence that we have delivered a high quality audit and that the financial statements are not materially misstated. Even greater challenge of management will also enable us to provide greater insights into the quality of your finance function and internal control environment and provide those charged with governance confidence that a material misstatement due to fraud will have been detected.

We will still plan for a smooth audit and ensure this is completed to the timetable agreed. However, there may be instances where we may require additional time for both the audit work to be completed to the standard required and to ensure management have appropriate time to consider any matters raised. This may require us to agree with you a delay in signing the announcement and financial statements. To minimise this risk, we will keep you informed of progress and risks to the timetable as the audit progresses.

We are absolutely committed to delivering audit of the highest quality and we should be happy to provide further detail about our improvement plans should you require it.



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RIBBLE VALLEY BOROUGH COUNCIL

REPORT TO ACCOUNTS AND AUDIT COMMITTEE

Agenda Item No 15

meeting date: 25 NOVEMBER 2020
title: HOUSING BENEFIT ASSURANCE PROCESS – INCREASED FEES
submitted by: DIRECTOR OF RESOURCES
principal author: LAWSON ODDIE

1. PURPOSE

- 1.1. To inform members of an increase to the previously agreed fee for the Housing Benefit Assurance Process (HBAP).
- 1.2. Relevance to the Council's ambitions and priorities:
 - Community Objectives – none identified.
 - Corporate Priorities – a well-managed Council.
 - Other Considerations – none identified.

2. BACKGROUND

- 2.1. Local Authorities now have to appoint their own external accountant/auditor to provide assurance over their Housing Benefit Subsidy Grant claim.
- 2.2. The 2018/19 financial year was the first year where the council were responsible for this appointment, with Grant Thornton being appointed at a fee of £4,995 with the addition of a day rate of £835 for some known additional work that may need to be undertaken.
- 2.3. For 2019/20 committee were informed at their July 2019 meeting that the fee had been agreed with Grant Thornton at a rate of £5,145 plus a day rate of £860 for all additional work required.

3. FURTHER CHANGES

- 3.1. Since your meeting in July 2019, Grant Thornton informed the Council in May 2020 that they have been considering the fee levels for the housing benefits subsidy certification work against the cost of actually completing this work.
- 3.2. They concluded that the continuation of this work within current fee levels was unsustainable and that they were therefore proposing to increase the fee for 2019/20 to £16,000. It was explained that the fee took into consideration that they complete the discovery sample for the various types of cases (Rent Allowance, Non-HRA rent rebate and local scheme cases) and was on the basis that no 40+ testing would be required.
- 3.3. It was highlighted that Grant Thornton would need to charge more if any errors were found resulting in additional work.

4. CONCLUSION

- 4.1 The 2019/20 Housing Benefit Subsidy audit fee for 2019/20 has increased from a previously agreed fee of £5,145 plus a day rate of £860 for all additional work required, to £16,000 plus further fees should further testing or work be needed.

HEAD OF FINANCIAL SERVICES

DIRECTOR OF RESOURCES

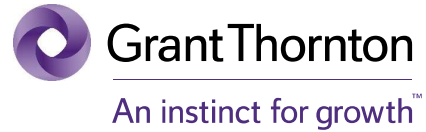
AA12-20/LO/AC

13 November 2020

BACKGROUND PAPERS

None

For further information please ask for Lawson Oddie.



Local Government audit and financial reporting – the Redmond Review

Grant Thornton
September 2020



The Redmond Review – scope and purpose

Scope

- Launched September 2019. Views by December 2019
- Led by Sir Tony Redmond, former President of CIPFA

Purpose – to assess

- Effectiveness of audit in local authorities
- Transparency of financial reporting

Publication

- 8 September 2020

The system is not working



The current local audit arrangements fail to deliver, in full, policy objectives underpinning the 2014 Act.

As a result, the overriding concern must be a lack of coherence and public accountability within the existing system.

The local audit market is very fragile. The current fee structure does not enable auditors to fulfil the role in an entirely satisfactory way.

Without prompt action to implement the recommendations, there is a significant risk that the firms currently holding local audit contracts will withdraw from the market.

Sir Tony's Recommendations

A call for action

- **A new regulator** - the Office of Local Audit and Regulation to replace the FRC and PSAA
- **Scope to increase fees** - The current fee structure for local audit be revised (i.e. increased) to ensure that adequate resources are deployed to meet the full extent of local audit requirements
- **Move back to a September deadline** - The deadline for publishing audited local authority accounts be revisited with a view to extending it to 30 September from 31 July each year

Sir Tony's Recommendations

A call for action

- **Accounts simplification** - CIPFA/LASAAC be required to review the statutory accounts to determine whether there is scope to simplify the presentation of local authority accounts
- recognition of the **role of authorities in improving governance and reporting** and
- development of **audited and reconciled accounts summaries.**

Grant Thornton's View

Sir Tony Redmond's report provides a clear road map to secure appropriate scrutiny and a sustainable future for local government audit. Reinforcing transparency and accountability is critical in protecting the interests of citizens who both fund and rely on the services delivered by local authorities. Introducing an Office of Local Audit and Regulation will help simplify and re-energise this vital public function at a time when local finances and governance are in need of effective oversight. We look forward to supporting Sir Tony and Government as this report progresses from recommendation to reality.



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