



# Statement of Accounts

[Audited]


2012/2013

**Ribble Valley Borough Council**

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# Independent Auditors' Report to Members

## **Opinion on the Authority financial statements**

We have audited the financial statements of Ribble Valley Borough Council for the year ended 31 March 2013 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.

This report is made solely to the members of Ribble Valley Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

## **Respective responsibilities of the Director of Resources and auditor**

As explained more fully in the Statement of the Director of Resources Responsibilities, the Director of Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Resources; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the financial position of Ribble Valley Borough Council as at 31 March 2013 and of its expenditure and income for the year then ended; and
  - have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2012/13.
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## **Independent Auditors' Report to members of Ribble Valley Borough Council**

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### **Opinion on other matters**

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we report by exception**

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

### **Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources**

Respective responsibilities of the Authority and the auditor

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

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## **Independent Auditors' Report to members of Ribble Valley Borough Council**

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We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in November 2012, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

### **Conclusion**

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in November 2012, we are satisfied that, in all significant respects, Ribble Valley Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

### **Certificate**

We certify that we have completed the audit of the financial statements of Ribble Valley Borough Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

**Karen Murray**

**Director**

**for and on behalf of Grant Thornton UK LLP, Appointed Auditor**

**Grant Thornton UK LLP**

**4 Hardman Square**

**Spinningfields**

**Manchester**

**M3 3EB**

**Date: 10 September 2013**

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# Explanatory Foreword

## 1 INTRODUCTION

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The Council's statement of accounts for the year ended 31 March 2013 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 2012/13 are:

**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.*

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

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

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

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



## Explanatory Foreword

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**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 National Non-Domestic Rates (NNDR).*

*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.*



**Code of Practice on Local Authority Accounting in the United Kingdom 2012/13  
(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 2011.
- The audit of those accounts undertaken in accordance with the statutory framework established by section 5 of the Audit Commission Act 1998 for England.

The Code prescribes the accounting treatment and disclosures for all normal transactions of a local authority, and is based on the following hierarchy of standards:

- International Financial Reporting Standards (IFRSs) (including International Accounting Standards (IASs) and International Financial Reporting Interpretations Committee (IFRIC) and Standing Interpretations Committee (SIC) interpretations) as adopted by the European Union (i.e. EU-adopted IFRS).
- International Public Sector Accounting Standards (IPSASs)
- UK Generally Accepted Accounting Practice (GAAP) (Financial Reporting Standards (FRSs), Statements of Standard Accounting Practice (SSAPs) and Urgent Issues Task Force (UITF) Abstracts).

There are no major areas of change that impact on this Council's 2012/13 Statement of Accounts.

## Explanatory Foreword

### 2 GENERAL FUND

Whilst the Comprehensive Income and Expenditure Statement is presented in accordance with the Service Reporting Code of Practice (SeRCOP) it is also possible to analyse our spending in accordance with the Council's committee structure.

The Council's General Fund services are partly paid for by government grants and contributions from pooled business rates with the balance being funded from council tax. Shown below is a summary of the general fund accounts comparing actual expenditure with the original and revised budgets for the year.

Committee	Original Estimate	Revised Estimate	Actual	Original Estimate Compared to Actual	Revised Estimate Compared to Actual
	£'000	£'000	£'000	£'000	£'000
Community Services	3,309	3,256	3,112	-197	-144
Policy & Finance	1,910	1,774	1,619	-291	-155
Planning & Development	600	630	421	-179	-209
Health & Housing	672	718	650	-22	-68
<b>Committee Expenditure</b>	<b>6,491</b>	<b>6,378</b>	<b>5,802</b>	<b>-689</b>	<b>-576</b>
Interest Payable	20	20	20	0	0
Parish Precepts	372	372	372	0	0
Interest Received	-30	-30	-27	3	3
<b>Net Operating Expenditure</b>	<b>6,853</b>	<b>6,740</b>	<b>6,167</b>	<b>-686</b>	<b>-573</b>
Precept from Collection Fund (including parish precepts)	-3,528	-3,528	-3,528	0	0
Deficit on Collection Fund	10	10	10	0	0
New Homes Bonus	-167	-180	-180	-13	0
Council Tax Freeze Concession	-79	-79	-79	0	0
Revenue Support Grant	-55	-55	-55	0	0
Business Rates Redistribution	-2,847	-2,847	-2,847	0	0
Contingency	75	0	0	-75	0
<b>Deficit/(Surplus) for year</b>	<b>262</b>	<b>61</b>	<b>-512</b>	<b>-774</b>	<b>-573</b>
Depreciation	-688	-656	-656	32	0
Minimum Revenue Provision	148	140	140	-8	0
Net Transfer to/from earmarked reserves	299	525	945	646	420
<b>Deficit/(Surplus) for year</b>	<b>21</b>	<b>70</b>	<b>-83</b>	<b>-104</b>	<b>-153</b>

## Explanatory Foreword

### **Amendments to our budget in the year**

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

Item	£'000
Increase in New Homes Bonus	-13
Removal of Contingency	-75
Decrease in Depreciation	32
Decrease in Minimum Revenue Provision	-8
Increase in amount set aside in Earmarked Reserves	226
Net decrease in Service Committee costs	-113
<b>Net increase in amount to take from balances for the year</b>	<b>49</b>

### **Financial Performance and Outlook**

The council's final outturn against budget demonstrates the achievement of the savings identified as part of the council's full service reviews that were undertaken in 2011/12, with some areas achieving further savings.

Our budget monitoring arrangements and full reporting on financial progress to our members has helped keep our spending and income targets on track, with the early ability to take corrective action where needed.

This has helped result in us adding £83,000 to our general balances rather than our revised estimate of taking £70,000 from general balances. We have also continued to review the level and need for each of our earmarked reserves in order to better prepare ourselves for known pressures that the council is likely to experience in the short to medium term.

The forthcoming Spending Review in June 2013 could potentially see further substantial cuts to local government funding. The council has always worked to minimise the impacts of reduced government funding and is already working to minimise the impact of the provisional level of government funding for 2013/14 where we will see a reduction of 12.7%. Over the last few years we have undertaken a review of senior management and more recently undertaken full service reviews which have achieved savings of £635,000.

We recognise that these changing times mean that we need to keep ahead of our service delivery methods. As part of our service reviews we fundamentally changed how we serve our customers, through a dedicated new customer services function which will achieve substantial savings through upfront investment in infrastructure.

The government believes that local authorities should receive a financial benefit by being able to retain a proportion of business rates if they achieve local growth in business rates. It is seen that this would act as a financial incentive to local authorities to stimulate growth within their borough.

## Explanatory Foreword

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This is fundamental to the changes made to the manner in which local government is funded from 1 April 2013 onwards. This does increase the volatility around the council's future funding, with heavy reliance on economic growth within the borough and the potential impairment of our funding should any business cease or reduce their operations within the borough boundary. We have set aside a 'safety net' within our earmarked reserves to help mitigate the effects of any such future volatility.

As a result of the extensive uncertainty surrounding future government support towards the council, the need for healthy reserves becomes increasingly important. The Council continues to review the level of its earmarked reserves in order to meet its future financial pressures and also maintains a healthy level of general fund balances in light of the future uncertainties.

The financial impact of our Local Council Tax Support Scheme, which was first introduced from the 1 April 2013, will be closely monitored throughout the 2013/14 financial year in order to inform any future changes to the scheme from 1 April 2014.

Investment income continues to be a low provider of financial support for the council, with lower income earned in year than had been expected. The Council continues to exercise caution in the investment of its resources with the security of principal sums invested being paramount. It is not anticipated that interest rates will improve in the immediate future.

During 2012/13 there were many variances identified when we monitored our budget. The main variations affecting our final position compared with the revised estimate can be summarised as:

Variation	£'000
Direct Employee Costs	-38
Staff Training Costs	-19
Public Conveniences	-35
Building Repairs and Maintenance	-5
Vehicle Running Costs	-21
Staff Vehicle Mileage	-7
Equipment, Materials and Admin	-23
Books and Publications	-10
Forest of Bowland Bridleway Scheme ( <i>Scheme now to take place in 2013/14</i> )	-35
Computer Equipment	-20
Postages	-9
Printing and Stationery	-10
Planning Consultants	35
Core Strategy Consultants ( <i>Costs of further consultancy work will fall in 2013/14</i> )	-38
Council Meetings and Members' Allowances	-10

## Explanatory Foreword

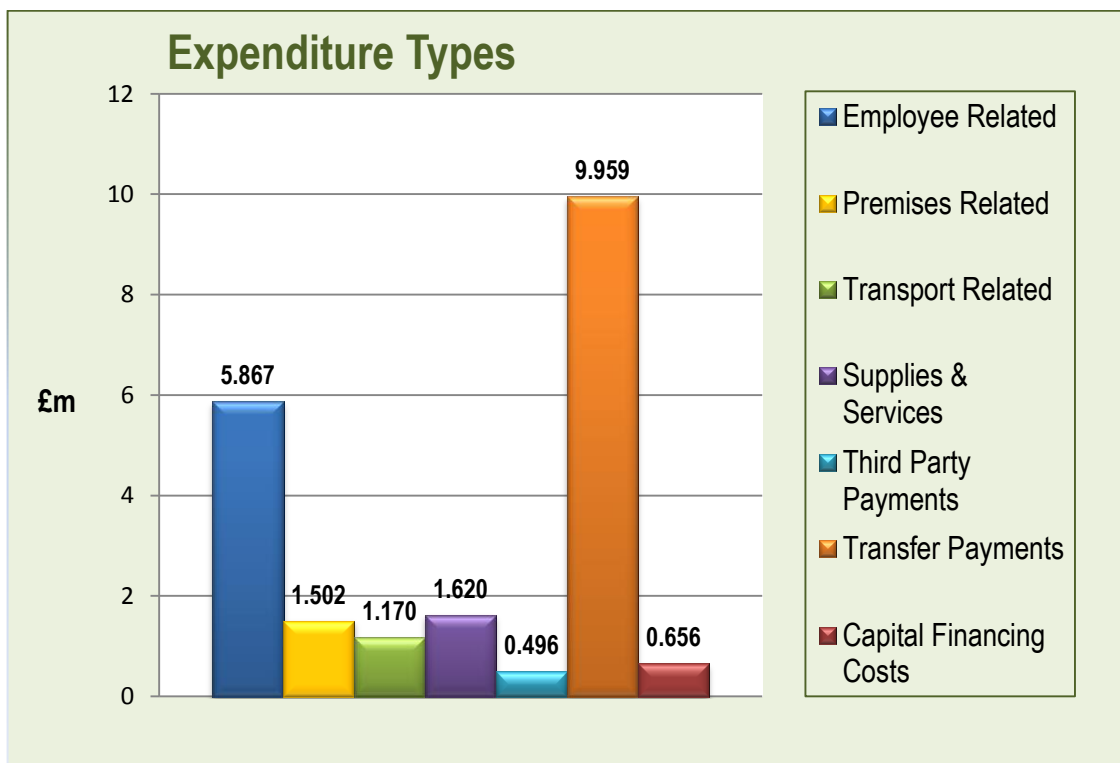
Variation	£'000
Protective Clothing and Uniforms	-4
Bank and Audit Fees	-4
Advertising	-12
Management of Homelessness Unit	-5
Management of Museum	-7
Ordnance Survey Fees	-6
Warm Homes Scheme	-30
Payment of Grants	-22
Payment of Benefits	143
Government Subsidy towards Benefits	-140
Children's Trust Grant	-10
Planning Fee Income	-131
Building Control Income	18
Recycling Credits	-15
Release of Section 106 Monies ( <i>To fund two capital schemes</i> )	-19
Increased income from other services	-28
VAT Shelter Income	-37
Other Variations	-22
	<b>-576</b>
Decreased Interest Received	3
Extra Transfers to Earmarked Reserves	420
<b>Increase in amount to add to balances</b>	<b>-153</b>

## Explanatory Foreword

### Analysis of our Expenditure by Type

We have shown in the graph and chart below how our total general fund **expenditure** is broken down by **type**:

Type	£'000
Employee Related	5,867
Premises Related	1,502
Transport Related	1,170
Supplies & Services	1,620
Third Party Payments	496
Transfer Payments	9,959
Capital Financing Costs	656
<b>Total Expenditure</b>	<b>21,270</b>

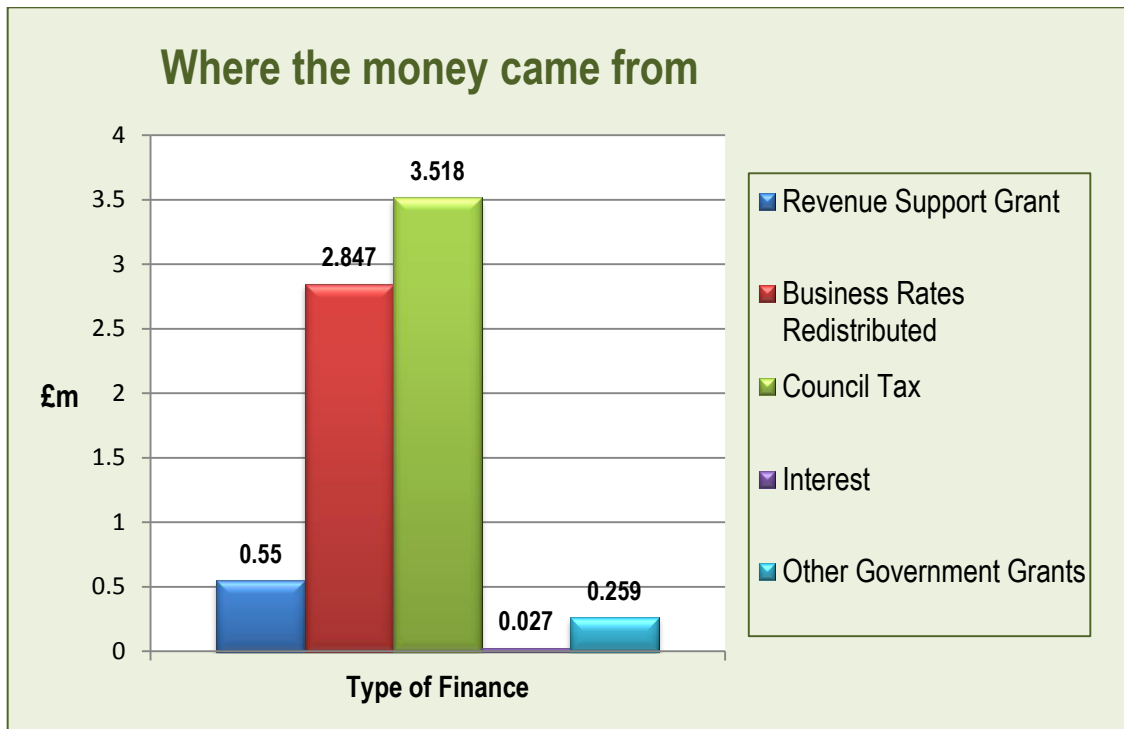


You can see that the two biggest types of expenditure are our employee costs and transfer payments. Transfer payments are payments such as housing benefits which we make on behalf of the Government.

## Explanatory Foreword

### How our general fund budget is financed

As shown earlier our total net expenditure for committees is £5.802m. A number of adjustments are then made to this total including the removal of depreciation from our accounts, interest payable and the transfers to/from earmarked reserves. After these adjustments we are left with expenditure to be financed for the year of £7.201m. We finance this as follows:



It is obviously very important to maintain a healthy level of general fund balances to cover for unforeseen events and also provide a stable level of resources for future planning. This however has to be balanced against meeting the council's spending priorities and also very importantly setting a low council tax.

We had originally planned to take £21,000 from general fund balances to help finance the 2012/13 spending plans. However, this was revised later in the year to taking £70,000 from general fund balances. The final position shows that the council has added £83,000 to general fund balances.

	£'000
General Fund Balances: Brought forward at 1 April 2012	1,616
Surplus in 2012/13 added to General Fund Balances	83
General Fund Balances: Carried forward at 31 March 2013	1,699



## Explanatory Foreword

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### 3 PENSIONS

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

- Pension costs charged to services are based on the cost of providing retirement benefits to employees in the period that the benefits are earned by the employee rather than the actual cash contributions to the Lancashire County Pension Fund. This cost, referred to as the current service cost, is calculated by the fund's actuary, Mercer Ltd.
- The net pension asset/liability in respect of the surplus/deficit on the pension fund, as calculated by the fund's actuary, is included in the council's balance sheet. In Ribble Valley Borough Council's case the net liability as at 31 March 2013 increased to £16.371m (31 March 2012 £13.346m).

The main reason for the increase in net liability is due to an increase in the actuarial (gains)/losses on liabilities. Actuarial (gains)/losses on liabilities is the change in the benefit obligation (liabilities) due to changes in the actuarial assumptions between the start and end of the year.

Over 2011/12 the discount rate reduced by 0.6% (increasing the liabilities), but was offset by a reduction in inflation and pay growth of 0.4% (which reduces the liabilities). Combining these gave a change in the net position (i.e. the real discount rate above inflation) of 0.2%, resulting in an actuarial loss of £1.4m.

Over 2012/13 the discount rate reduced by a further 0.7%, offset by a 0.1% reduction in inflation and pay growth. This gives a change in the real discount rate of 0.6%. This is three times greater than the change in 2011/12, and so results in a greater actuarial loss of £4.9m (broadly three times the 2011/12 figure). Furthermore, at 31 March 2013 the fund's actuary, Mercer Ltd, amended the mortality assumption based on the latest trends and evidence in this area, and this caused a further loss of just under £0.5m.

The changes in the financial assumptions (discount rate, inflation, pay growth) over the period were driven by movements in the underlying market conditions on which they are based. For example, the discount rate is based on AA rated corporate bond yields.

## 4 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 refuse vehicles & plant.
- Awarding improvement grants for private sector renewal.

During the year the Council spent over £1.1 million on capital schemes. The main areas of expenditure included:

- Improvements to Children's Play Areas
- Replacement IT Systems
- Service Remodelling
- Replacement Vehicles and Plant
- Affordable Housing Initiatives
- Renovation and Disabled Facilities Grants

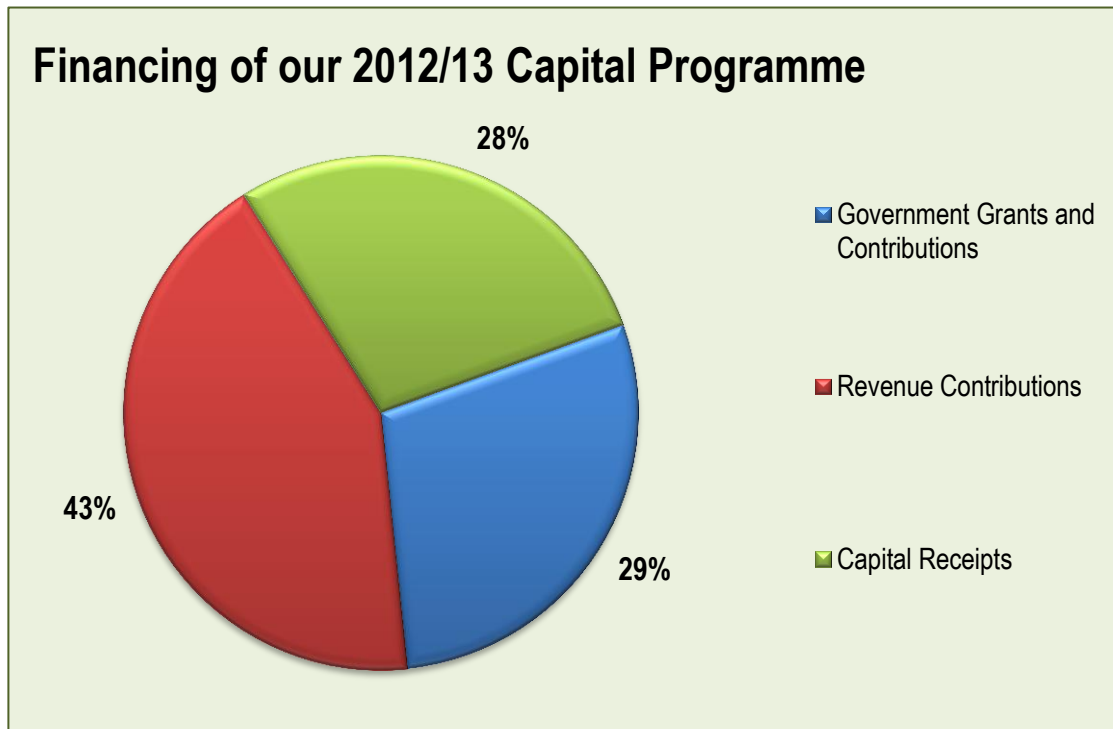
At the end of the financial year work on some schemes was still underway. This can be carried forward into the new financial year and is known as slippage. These schemes include the following:

- Improvements to Children's Play Areas
- Economic Development Initiatives
- Affordable Housing Initiatives

How the Capital Programme was Financed	£'000
Government grants and contributions	318
Capital Receipts	312
Revenue contributions	470
	<b>1,100</b>

**Explanatory Foreword**

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The Council did not finance any capital expenditure from borrowing in 2012/13. However, the Council always look to make full use of advantageous lending terms that are offered by the Public Works Loan Board (PWLB).

The total PWLB loans outstanding as at 31 March 2013 was £0.365m. These are included in the Balance Sheet within Short Term Borrowing and Long Term Borrowing. A detailed analysis of the Council's long term borrowing is shown in note 12 to the core financial statements.

# Statement of Responsibilities

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

## **The Authority's Responsibilities**

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The authority is required to:

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

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

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

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

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

The Director of Resources has also:

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

I hereby certify that the Statement of Accounts gives a true and fair view of the financial position of the authority at the reporting date and its income and expenditure for the year ended 31 March 2013.

Jane L Pearson  
Director of Resources CPFA

**Approval of the Statement of Accounts**

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## Approval of the Statement of Accounts

I confirm that these draft accounts (subject to audit), including the Comprehensive Income and Expenditure Statement on page 41 and the Balance Sheet on page 43, were approved by the Accounts and Audit Committee at its meeting held on 26 June 2013.

Signed by:

Cllr John Hill  
Chairman of Accounts and Audit Committee

28 August 2013

# Statement of Accounting Policies

## 1 GENERAL PRINCIPLES

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The Statement of Accounts summarises the Council's transactions for the 2012/13 financial year and its position at the year-end of 31 March 2013. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2011, 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 2012/13* and the *Service Reporting Code of Practice 2012/13*, supported by International Financial Reporting Standards (IFRS).

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

## 2 ACCRUALS OF INCOME AND EXPENDITURE

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

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

## Statement of Accounting Policies

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### 3 CASH AND CASH EQUIVALENTS

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

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

### 4 EXCEPTIONAL ITEMS

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When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

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

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

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Council's financial position or financial performance.

Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

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

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

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

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



**Statement of Accounting Policies**

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The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisations. 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.

**7 EMPLOYEE BENEFITS**

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**Benefits Payable during Employment**

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

**Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the appropriate service, or where applicable, to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

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.

## Statement of Accounting Policies

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### 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 4.4% (5.1% 31 March 2012) 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 seven components:
  - Current Service Cost – the increase in liabilities as a result of years 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 arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs.
  - Interest Cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid – debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

**Statement of Accounting Policies**

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- Expected Return on Assets – the annual investment return on the fund assets attributable to Ribble Valley Borough Council, based on an average of the expected long-term return - credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.
- Gains or Losses on Settlements and Curtailments – the result of actions to relieve Ribble Valley Borough Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure statement as part of Non distributed Costs.
- 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.
- 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 appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the Pension Fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

**Discretionary Benefits**

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

## Statement of Accounting Policies

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### 8 EVENTS AFTER THE BALANCE SHEET DATE

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

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

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

### 9 FINANCIAL INSTRUMENTS

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#### Financial Liabilities

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

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

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

**Statement of Accounting Policies**

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

**Financial Assets**

Financial assets are classified in two types:

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

**Loans and Receivables**

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

Should the Council make loans at less than market rates (soft loans), a loss would be recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a higher effective rate of interest than the rate that would be receivable from the soft loan, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement. The Council has made no material soft loans.

## Statement of Accounting Policies

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

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

### Available-for-sale Assets

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

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

- instruments with quoted market prices – market price
- other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted market prices – independent appraisal of company valuations

Changes in fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or Deficit on Revaluation of Available-for-Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

Where assets are identified as impaired because of a likelihood arising from a past event that payments due under the contract will not be made (fixed or determinable payments) or fair value falls below cost, the asset is written down and a charge made to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. If the assets has fixed or determinable payments, the impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. Otherwise, the impairment loss is measured as any shortfall of fair value against the acquisition cost of the instrument (net of any principal repayment and amortisation).

**Statement of Accounting Policies**

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

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

**10 FOREIGN CURRENCY TRANSLATION**

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Where the Council has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

**11 GOVERNMENT GRANTS AND CONTRIBUTIONS**

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

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

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

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



## Statement of Accounting Policies

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### 12 HERITAGE ASSETS

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

Heritage Assets are

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

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

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

**Statement of Accounting Policies**

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- The Clitheroe Castle Museum collection is maintained and managed by the Lancashire County Museum Service who act as custodians on behalf of the Council. A full list of the collection is retained by both the Council and Lancashire County Museum Service. Not all of the collection is on display at the Clitheroe Castle Museum due to the volume and nature of some of the items within the collection. However, those items on display at the Clitheroe Castle Museum can be seen with chargeable admission to the Museum. At this premises the collection is interspersed with items under the ownership of Lancashire County Museum Service.
- Any acquisitions to the collection would generally be made by donation; however the collection has remained relatively static over recent years. Any donation of note would be recognised at valuation ascertained by the museum's curator or at insurance valuation.

**Civic Regalia**

- The Civic Regalia includes a number of chains of office. Some of these were passed to this Council at the time of Local Government reorganisation in 1974. These heritage assets have been included on the Council's balance sheet at insurance valuation.
- The civic regalia can be viewed by appointment through contact with the main council offices or alternatively the current civic regalia can viewed at most mayoral functions.
- The acquisition of further Civic Regalia would not be made, and a programme of ongoing maintenance is carried out to ensure that the condition of the items is maintained.

**The Roman Bath site at Ribchester**

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

## Statement of Accounting Policies

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### 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 19* 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 19* on Property, Plant and Equipment in this summary of significant accounting policies)

## 13 INTANGIBLE ASSETS

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

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

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.

**Statement of Accounting Policies**

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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.

**14 INVENTORIES AND LONG TERM CONTRACTS**

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

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

**15 INVESTMENT PROPERTY**

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

Investment properties are measured initially at cost and subsequently at fair value based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

## Statement of Accounting Policies

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### 16 JOINTLY CONTROLLED OPERATIONS AND JOINTLY CONTROLLED ASSETS

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Jointly controlled operations are activities undertaken by the Council in conjunction with other venturers that involve the use of the assets and resources of the venturers rather than the establishment of a separate entity. The Council recognises on its Balance Sheet the assets that it controls and the liabilities that it incurs and debits and credits the Comprehensive Income and Expenditure Statement with the expenditure it incurs and the share of income it earns from the activity of the operation.

Jointly controlled assets are items of property, plant or equipment that are jointly controlled by the Council and other venturers, with the assets being used to obtain benefits for the venturers. The joint venture does not involve the establishment of a separate entity. The Council accounts for only its share of the jointly controlled assets, the liabilities and expenses that it incurs on its own behalf or jointly with others in respect of its interest in the joint venture and income that it earns from the venture.

The Council currently has no jointly controlled operations or jointly controlled assets.

### 17 LEASES

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

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

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

#### **The Council as Lessee**

##### **Finance Leases**

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

**Statement of Accounting Policies**

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Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and
- A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the authority at the end of the lease period).

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

**Operating Leases**

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from the 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).

**The Council as Lessor****Finance Leases**

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, 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. A gain, representing the Council's net investment in the lease, is 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), matched by a lease (long-term debtor) asset in the Balance Sheet.

## Statement of Accounting Policies

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Lease rentals receivable are apportioned between:

- A charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- Finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve.

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 therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

### Operating Leases

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. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. 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.

## 18 OVERHEADS AND SUPPORT SERVICES

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The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA *Service Reporting Code of Practice 2012/13* (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Council's status as a multi-functional, democratic organisation
- Non distributed costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.



These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

## **19 PROPERTY, PLANT AND EQUIPMENT**

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

### ***Recognition***

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

### ***Measurement***

Assets are initially measured at cost, comprising:

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

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

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

## Statement of Accounting Policies

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

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

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

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

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

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

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

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

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

Property, Plant and Equipment Classification	31 March 2013	
	Revalued Amount in Balance Sheet £	Equivalent Carrying Amount Under Cost Model £
Other Land and Buildings	10,200,738	6,875,961
Vehicles, Plant, Furniture and Equipment	1,999,907	1,999,907
Infrastructure Assets	220,491	220,491
Community Assets	1,552,130	1,536,948
Surplus Assets (Not for Sale)	74,214	71,194
<b>Total</b>	<b>14,047,480</b>	<b>10,704,501</b>

## Statement of Accounting Policies

### *Impairments*

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

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

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

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

### *Depreciation*

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

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

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

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

## Statement of Accounting Policies

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

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

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

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

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

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

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

**20 PRIVATE FINANCE INITIATIVE (PFI) AND SIMILAR CONTRACTS**

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PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. The Council has no PFIs or similar contracts.

**21 PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

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**Provisions**

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

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the authority settles the obligation.

**Contingent Liabilities**

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

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

**Contingent Assets**

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

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

## Statement of Accounting Policies

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### 22 RESERVES

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

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

### 23 REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUE

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

### 24 VAT

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

## Movement in Reserves Statement

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

The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. This is different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes.

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

## Movement in Reserves Statement

Movements in 2012/13	Usable Reserves				Unusable Reserves								
	General Fund Balance £	Earmarked General Fund Reserves £	Capital Grants Unapplied £	Capital Receipts Reserve £	TOTAL USABLE RESERVES £	Capital Adjustment Account £	Collection Fund Adjustment Account £	Revaluation Reserve £	Deferred Capital Receipts Reserve £	Pensions Reserve £	Accumulated Absences Account £	TOTAL UNUSABLE RESERVES £	TOTAL COUNCIL RESERVES £
<b>Balance at 31 March 2012</b>	1,616,373	4,173,399	59,019	192,971	6,041,762	8,001,907	-17,575	4,224,281	3,035	-13,346,324	-85,266	-1,219,942	4,821,820
<b>Movement in Reserves During 2012/13</b>													
Surplus or (deficit) on the provision of Services	82,990	0	0	0	82,990	0	0	0	0	0	0	0	82,990
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	17,763	0	0	-2,564,000	0	-2,546,237	-2,546,237
<b>Total Comprehensive Income and Expenditure</b>	<b>82,990</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>82,990</b>	<b>0</b>	<b>17,763</b>	<b>0</b>	<b>0</b>	<b>-2,564,000</b>	<b>0</b>	<b>-2,546,237</b>	<b>-2,463,247</b>
Adjustments between Accounting Basis and Funding Basis Under Regulations (NOTE 6)	473,776	0	276,732	-192,971	557,537	-51,233	-63,777	-1,342	-461,000	25,155	-557,537	0	
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>556,766</b>	<b>0</b>	<b>276,732</b>	<b>-192,971</b>	<b>640,527</b>	<b>-51,233</b>	<b>-46,014</b>	<b>-1,342</b>	<b>-3,025,000</b>	<b>25,155</b>	<b>-3,103,774</b>	<b>-2,463,247</b>	
Transfers to/from Earmarked Reserves (NOTE 7)	-473,391	473,391	0	0	0	0	0	0	0	0	0	0	0
<b>Increase/Decrease in Year</b>	<b>83,375</b>	<b>473,391</b>	<b>276,732</b>	<b>-192,971</b>	<b>640,527</b>	<b>-51,233</b>	<b>-46,014</b>	<b>-1,342</b>	<b>-3,025,000</b>	<b>25,155</b>	<b>-3,103,774</b>	<b>-2,463,247</b>	
<b>Balance at 31 March 2013 Carried Forward (NOTES 19 and 20)</b>	<b>1,699,748</b>	<b>4,646,790</b>	<b>335,751</b>	<b>0</b>	<b>6,682,289</b>	<b>7,950,674</b>	<b>-22,915</b>	<b>4,178,267</b>	<b>1,693</b>	<b>-16,371,324</b>	<b>-60,111</b>	<b>-4,323,716</b>	<b>2,358,573</b>



## Movement in Reserves Statement

Movements in 2011/12	Usable Reserves				Unusable Reserves								
	General Fund Balance £	Earmarked General Fund Reserves £	Capital Grants Unapplied £	Capital Receipts Reserve £	TOTAL USABLE RESERVES £	Capital Adjustment Account £	Collection Fund Adjustment Account £	Revaluation Reserve £	Deferred Capital Receipts Reserve £	Pensions Reserve £	Accumulated Absences Account £	TOTAL UNUSABLE RESERVES £	TOTAL COUNCIL RESERVES £
Balance at 31 March 2011	1,448,760	3,505,789	151,180	0	5,105,729	8,461,884	-29,975	4,383,057	3,915	-10,225,324	-85,826	2,507,731	7,613,460
<u>Movement in Reserves</u> <u>During 2011/12</u>													
Surplus or (deficit) on the provision of Services	67,360	0	0	0	67,360	0	0	0	0	0	0	0	67,360
Other Comprehensive Income and Expenditure	0	0	0	0	0	0	0	0	0	-2,859,000	0	-2,859,000	-2,859,000
<b>Total Comprehensive Income and Expenditure</b>	<b>67,360</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>67,360</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-2,859,000</b>	<b>0</b>	<b>-2,859,000</b>	<b>-2,791,640</b>
Adjustments between Accounting Basis and Funding Basis Under Regulations (NOTE 6)	767,863	0	-92,161	192,971	868,673	-459,977	12,400	-158,776	-880	-262,000	560	-868,673	0
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>835,223</b>	<b>0</b>	<b>-92,161</b>	<b>192,971</b>	<b>936,033</b>	<b>-459,977</b>	<b>12,400</b>	<b>-158,776</b>	<b>-880</b>	<b>-3,121,000</b>	<b>560</b>	<b>-3,727,673</b>	<b>-2,791,640</b>
Transfers to/from Earmarked Reserves (NOTE 7)	-667,610	667,610	0	0	0	0	0	0	0	0	0	0	0
<b>Increase/Decrease in Year</b>	<b>167,613</b>	<b>667,610</b>	<b>-92,161</b>	<b>192,971</b>	<b>936,033</b>	<b>-459,977</b>	<b>12,400</b>	<b>-158,776</b>	<b>-880</b>	<b>-3,121,000</b>	<b>560</b>	<b>-3,727,673</b>	<b>-2,791,640</b>
Balance at 31 March 2012	1,616,373	4,173,399	59,019	192,971	6,041,762	8,001,907	-17,575	4,224,281	3,035	-13,346,324	-85,266	-1,219,942	4,821,820
Carried Forward (NOTES 19 and 20)													

**Comprehensive Income and Expenditure Statement**

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# Comprehensive Income and Expenditure Statement

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

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

The Comprehensive Income and Expenditure Statement has two sections:

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

## Comprehensive Income and Expenditure Statement

2011/12			2012/13			Note
Gross Expenditure £	Gross Income £	Net Expenditure £	Gross Expenditure £	Gross Income £	Net Expenditure £	
3,460,059	-2,714,114	745,945	3,411,174	-2,745,232	665,942	
2,927,142	-1,541,322	1,385,820	2,607,267	-1,322,719	1,284,548	
3,312,299	-915,667	2,396,632	3,297,376	-939,938	2,357,438	4
1,352,850	-711,346	641,504	1,532,749	-1,083,234	449,515	
1,350,993	-1,365,171	-14,178	1,306,655	-1,325,308	-18,653	
7,708,598	-7,536,584	172,014	8,132,571	-7,686,092	446,479	
48,398	-29,227	19,171	38,478	-22,731	15,747	
1,650,032	-815,959	834,073	1,737,193	-803,635	933,558	4
166,356	0	166,356	122,307	0	122,307	
<b>21,976,727</b>	<b>-15,629,390</b>	<b>6,347,337</b>	<b>22,185,770</b>	<b>-15,928,889</b>	<b>6,256,881</b>	<b>24/29</b>
			<b>Other Operating Expenditure</b>			
		372,315			371,815	
		-73,376			-58,469	
		660			1,007	
			<b>Financing and Investment Income and Expenditure</b>			
		23,302			19,790	12
		-21,800			-26,835	12
		258,000			424,000	33
		-64,367			-63,211	10
		-15,579			-47,159	25
			<b>Taxation and Non-Specific Grant Income</b>			
		-3,516,106			-3,513,072	
		-2,472,716			-2,846,507	29
		-764,324			-55,179	29
		0			-287,500	29
		-140,706			-258,551	29
		<b>-67,360</b>			<b>-82,990</b>	
			<b>(Surplus) or Deficit on Provision of Services</b>			
		0			-17,763	
		2,859,000			2,564,000	33
		<b>2,859,000</b>			<b>2,546,237</b>	
			<b>Other Comprehensive Income and Expenditure</b>			
		<b>2,791,640</b>			<b>2,463,247</b>	
			<b>Total Comprehensive Income and Expenditure</b>			

**Balance Sheet**

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# 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 2012 £		31 March 2013 £	Note
	<b>Long Term Assets</b>		
	Property, Plant and Equipment		8
10,472,657	- Other Land and Buildings	10,200,738	
2,022,005	- Vehicles, Plant, Furniture and Equipment	1,999,907	
222,258	- Infrastructure Assets	220,491	
1,525,696	- Community Assets	1,552,130	
165,787	- Surplus Assets (Not for Sale)	74,214	
<b>14,408,403</b>	<b>Total Property, Plant and Equipment</b>	<b>14,047,480</b>	
806,600	Heritage Assets	806,600	9/37
868,108	Investment Properties	819,772	10
40,565	Intangible Assets	125,602	11
374,869	Long Term Debtors	352,748	12
<b>16,498,545</b>	<b>Total Long Term Assets</b>	<b>16,152,202</b>	
	<b>Current Assets</b>		
0	Assets Held for Sale	86,750	16
79,540	Inventories	79,939	13
1,397,147	Short Term Debtors	1,452,543	3/14/34/36
2,066,521	Cash and Cash Equivalents	2,757,193	15/36
<b>3,543,208</b>	<b>Total Current Assets</b>	<b>4,376,425</b>	
	<b>Current Liabilities</b>		
-78,608	Short Term Borrowing	-78,608	
-1,430,193	Short Term Creditors	-1,426,421	17
<b>-1,508,801</b>	<b>Total Current Liabilities</b>	<b>-1,505,029</b>	
	<b>Long Term Liabilities</b>		
-364,808	Long Term Borrowing	-293,701	12
-13,346,324	Other Long Term Liabilities - Net Pensions Liability	-16,371,324	33
<b>-13,711,132</b>	<b>Total Long Term Liabilities</b>	<b>-16,665,025</b>	
<b>4,821,820</b>	<b>Net Assets</b>	<b>2,358,573</b>	
	<b>Usable Reserves</b>		19
1,616,373	General Fund Balance	1,699,748	
4,173,399	Earmarked General Fund Reserves	4,646,790	7
59,019	Capital Grants Unapplied	335,751	
192,971	Usable Capital Receipts Reserve	0	
<b>6,041,762</b>	<b>Total Usable Reserves</b>	<b>6,682,289</b>	
	<b>Unusable Reserves</b>		20
8,001,907	Capital Adjustment Account	7,950,674	
-17,575	Collection Fund Adjustment Account	-22,915	
4,224,281	Revaluation Reserve	4,178,267	
3,035	Deferred Capital Receipts Account	1,693	
-13,346,324	Pension Reserve	-16,371,324	33
-85,266	Accumulated Absences Account	-60,111	
<b>-1,219,942</b>	<b>Total Unusable Reserves</b>	<b>-4,323,716</b>	
<b>4,821,820</b>	<b>Total Reserves</b>	<b>2,358,573</b>	

## Notes to the Core Financial Statements

## 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.

2011/12 £		2012/13 £	Note
-67,360	Net (Surplus) or Deficit on the Provision of Services	-82,990	
-1,629,692	Adjustments to Net Surplus or Deficit on the Provision of Services for Non-Cash Movements	-792,623	21
192,971	Adjustments for Items Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities	118,804	21
<b>-1,504,081</b>	<b>Net Cash Flows from Operating Activities</b>	<b>-756,809</b>	<b>21</b>
-100,811	Investing Activities	-83,761	22
-68,962	Financing Activities	149,898	23
<b>-1,673,854</b>	<b>Net Increase or decrease in Cash and Cash Equivalents</b>	<b>-690,672</b>	
392,667	Cash and Cash Equivalents 1 April	2,066,521	
<b>2,066,521</b>	<b>Cash and Cash Equivalents 31 March</b>	<b>2,757,193</b>	<b>15</b>

# Notes to the Core Financial Statements

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

### Amendments to IAS 19 Employee Benefits

On 16 June 2011, the IASB issued a revised version of IAS 19 Employee benefits, which makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits.

The amendments are applicable to accounting periods starting on or after 1 January 2013. The pension fund's actuary, Mercer Ltd, has provided estimates of the likely impact of the revised standard as shown below.

	Current IAS19 Disclosure £'000	Revised IAS19 Disclosure £'000	Difference £'000
<i>Changes in benefit obligation during period to 31 March 2013</i>			
<b>Benefit obligation at the beginning of the period</b>	<b>42,809</b>	<b>42,809</b>	<b>0</b>
Current Service Cost	826	846	20
Interest on Pensions liabilities	2,091	2,071	-20
Member contributions	274	274	0
Actuarial (gains)/losses on liabilities	5,344	0	-5,344
Remeasurements (liabilities)	0	5,344	5,344
Benefits/transfers paid	-1,357	-1,357	0
<b>Benefit obligation at the end of the period</b>	<b>49,987</b>	<b>49,987</b>	<b>0</b>

	Current IAS19 Disclosure £'000	Revised IAS19 Disclosure £'000	Difference £'000
<i>Changes in plan assets during the period to 31 March 2013</i>			
<b>Fair value of plan assets at beginning of period</b>	<b>29,462</b>	<b>29,462</b>	<b>0</b>
Expected return on plan assets	1,667	0	-1,667
Interest on plan assets	0	1,436	1,436
Remeasurements (assets)	0	3,028	3,028
Administration expenses	0	-17	-17
Actuarial gains/(losses) on assets	2,780	0	-2,780
Employer contributions	789	789	0
Member contributions	274	274	0
Benefits/transfers paid	-1,357	-1,357	0
<b>Fair value of plan assets at end of period</b>	<b>33,615</b>	<b>33,615</b>	<b>0</b>

## Notes to the Core Financial Statements

	Current IAS 19 Disclosure £'000	Revised IAS 19 Disclosure £'000	Difference £'000
<i>Components of pension cost for period to 31 March 2013</i>			
Current service costs	826	846	20
Interest on pension liabilities	2,091	0	-2,091
Net interest costs	0	635	635
Expected return on assets	-1,667	0	1,667
Administration expenses	0	17	17
<b>Total pension cost recognised in Surplus or Deficit on Provision of Services</b>	<b>1,250</b>	<b>1,498</b>	<b>248</b>

	Current IAS 19 Disclosure £'000	Revised IAS 19 Disclosure £'000	Difference £'000
<i>Statement of other comprehensive income</i>			
Actuarial (gains)/losses	2,564	846	-1,718
Interest on pension liabilities	2,091	0	-2,091
<b>Total pension cost recognised in Statement of Other Comprehensive Income and Expenditure</b>	<b>4,655</b>	<b>846</b>	<b>-3,809</b>

### Amendments to IAS 1 Presentation of Financial Statements regarding Other Comprehensive Income

These amendments relate to a change in presentation only.

## 2 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

- There is a degree of uncertainty about the future levels of funding for local government services in future years. However, the Council has determined that this uncertainty is not sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The Council has a current challenge with HM Revenue and Customs for the payment of compound interest in respect of a number of claims that have been previously settled, but with payment of simple interest. There is no sufficient certainty to treat this claim as a probable contingent asset therefore prudence requires that no adjustments are made to the Statement of Accounts.



## Notes to the Core Financial Statements

### 3 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 2013 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
<b>Pensions Liability</b>	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.	<p>Mercer Limited are the actuaries for the Lancashire County Pension Fund. The Pension Fund Deficit for Ribble Valley at 31 March 2013 was £16.371m. The following sensitivity analysis is provided by Mercer Limited:</p> <ul style="list-style-type: none"> <li>• <b>+0.1% p.a. discount rate as at 31 March 2013:</b> deficit would be £15.532m</li> <li>• <b>+0.1% p.a. inflation as at 31 March 2013:</b> deficit would be £17.228m</li> <li>• <b>1 year addition to members' life expectancy as at 31 March 2013:</b> deficit would be £17.367m</li> </ul>
<b>Arrears</b>	At 31 March 2013, the Council had a balance of sundry debtors of £417,000 (including overpaid housing benefits). A review of significant balances suggested that an impairment of doubtful debts of £116,000 (including overpaid housing benefits) was appropriate. However, in the changing current economic climate, the level of such an allowance may fluctuate in adequacy.	If collection rates were to deteriorate, a 10% increase in the impairment would equate to £11,600

## Notes to the Core Financial Statements

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### 4 MATERIAL ITEMS OF INCOME AND EXPENSE

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#### VAT Sharing Arrangement

As part of the Voluntary Housing Stock Transfer an agreement was reached with Ribble Valley Homes Ltd to share their Value Added Tax that they can claim from HM Revenue and Customs. This arrangement is unique to Councils and Registered Social Landlords upon transfer. In the 2012/13 financial year the Council received £385,503 from Ribble Valley Homes Ltd under these arrangements (£445,230 in 2011/12)

#### Waste Collection

During the year the council received a grant of £222,000 (total over three years will be £750,000) for the Weekly Collection Support Scheme. The grant was transferred to Capital Grants Unapplied to fund expenditure to be incurred in 2013/14.

### 5 EVENTS AFTER THE BALANCE SHEET DATE

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#### Non-Adjusting Event after the Reporting Period for Non-Domestic Rates – Appeals

When the new arrangements for the retention of business rates come into effect on 1 April 2013, local authorities will assume the liability for refunding ratepayers who have successfully appealed against the rateable value of their properties on the rating list.

This will include amounts that were previously paid over (to Central Government) in respect of 2012/13 and prior years. Previously, such amounts would not have been recognised as income by the council, but would have been transferred to DCLG.

When the council assumes these liabilities on the 1 April 2013, the respective share for Ribble Valley Borough Council of this liability would be £177,910. This is based on the forecast level of adjustment due to appeals for the 2013/14 financial year, as indicated in a return (NNDR1) to DCLG in January 2013.

## 6 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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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 the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

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

### General Fund Balance

The General Fund is the statutory fund into which all the receipts of an authority are required to be paid and out of which all liabilities of the authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund balance, which is not necessarily in accordance with proper accounting practice.

The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year.

### Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

### Capital Grants Unapplied

The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

## Notes to the Core Financial Statements

Movements in 2012/13	Usable Reserves			Movement in Unusable Reserves £
	General Fund Balance £	Capital grants Unapplied £	Capital Receipts Reserve £	
<b>Adjustments between Accounting Basis and Funding Basis Under Regulations</b>				
<b>Adjustments primarily involving the Capital Adjustment Account</b>				
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</u>				
Charges for depreciation and impairment of non-current assets	647,989			-647,989
Revaluation losses on Property Plant and Equipment (Charged to surplus or Deficit on Provision of Services)	228,686			-228,686
Amortisation of Intangible Assets	8,113			-8,113
Capital Grants and Contributions Applied	-296,854			296,854
Revenue Expenditure Funded from Capital Under Statute	410,970			-410,970
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	60,000			-60,000
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Account</u>				
Statutory Provision for the Financing of Capital investment	-140,226			140,226
Capital expenditure charged against General Fund Balances	-470,332			470,332
<b>Adjustments primarily involving the Capital Grants Unapplied Account</b>				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-298,293	298,293		
Application of grants to capital financing transferred to the Capital Adjustment Account		-21,561		21,561

## Notes to the Core Financial Statements

Movements in 2012/13	Usable Reserves			Movement in Unusable Reserves £
	General Fund Balance £	Capital grants Unapplied £	Capital Receipts Reserve £	
<b>Adjustments between Accounting Basis and Funding Basis Under Regulations</b>				
<b>Adjustments primarily involving the Capital Receipts Reserve</b>				
Transfer of Cash Sale Proceeds Credited as Part of the Gain/Loss on Disposal to the Comprehensive Income and Expenditure Statement	-118,469		118,469	
Use of the Capital Receipts Reserve to finance new capital expenditure			-311,775	311,775
Contribution from the Capital Receipts Reserve towards administrative cost of Non-Current asset disposals				
Contribution from the Capital receipts Reserve to finance the payments to the Government Capital receipts pool	1,007		-1,007	
Transfer from deferred capital receipts reserve upon receipt of cash			1,342	-1,342
<b>Adjustments primarily involving the Pensions Reserve</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	1,250,000			-1,250,000
Employer's pensions contributions and direct payments to pensioners payable in the year	-789,000			789,000
<b>Adjustments primarily involving the Collection Fund Adjustment Account</b>				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income collected for the year in accordance with statutory requirements	5,340			-5,340
<b>Adjustments primarily involving the Accumulated Absences Account</b>				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	-25,155			25,155
<b>Total Adjustments</b>	<b>473,776</b>	<b>276,732</b>	<b>-192,971</b>	<b>-557,537</b>

## Notes to the Core Financial Statements

Movements in 2011/12	Usable Reserves			Movement in Unusable Reserves £
	General Fund Balance £	Capital grants Unapplied £	Capital Receipts Reserve £	
<b>Adjustments between Accounting Basis and Funding Basis Under Regulations</b>				
<b>Adjustments primarily involving the Capital Adjustment Account</b>				
<i>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</i>				
Charges for depreciation and impairment of non-current assets	763,489			-763,489
Revaluation losses on Property Plant and Equipment (Charged to surplus or Deficit on Provision of Services)				0
Amortisation of Intangible Assets				0
Capital Grants and Contributions Applied	-223,895			223,895
Revenue Expenditure Funded from Capital Under Statute	420,617			-420,617
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	119,375			-119,375
<i>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Account</i>				
Statutory Provision for the Financing of Capital investment	-143,758			143,758
Capital expenditure charged against General Fund Balances	-178,283			178,283
<b>Adjustments primarily involving the Capital Grants Unapplied Account</b>				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-46,631	46,631		0
Application of grants to capital financing transferred to the Capital Adjustment Account		-138,792		138,792

## Notes to the Core Financial Statements

Movements in 2011/12	Usable Reserves			Movement in Unusable Reserves £
	General Fund Balance £	Capital grants Unapplied £	Capital Receipts Reserve £	
<b>Adjustments between Accounting Basis and Funding Basis Under Regulations</b>				
<b>Adjustments primarily involving the Capital Receipts Reserve</b>				
Transfer of Cash Sale Proceeds Credited as Part of the Gain/Loss on Disposal to the Comprehensive Income and Expenditure Statement	-195,000		195,000	0
Use of the Capital Receipts Reserve to finance new capital expenditure			0	0
Contribution from the Capital Receipts Reserve towards administrative cost of Non-Current asset disposals	2,249		-2,249	
Contribution from the Capital receipts Reserve to finance the payments to the Government Capital receipts pool	660		-660	0
Transfer from deferred capital receipts reserve upon receipt of cash			880	-880
<b>Adjustments primarily involving the Pensions Reserve</b>				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	1,090,000			-1,090,000
Employer's pensions contributions and direct payments to pensioners payable in the year	-828,000			828,000
<b>Adjustments primarily involving the Collection Fund Adjustment Account</b>				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income collected for the year in accordance with statutory requirements	-12,400			12,400
<b>Adjustments primarily involving the Accumulated Absences Account</b>				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	-560			560
<b>Total Adjustments</b>	<b>767,863</b>	<b>-92,161</b>	<b>192,971</b>	<b>-868,673</b>

## Notes to the Core Financial Statements

**7 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 2012/13.

General Fund	Balance at 31 March 2011 £	Transfers In 2011/12 £	Transfers Out 2011/12 £	Balance at 31 March 2012 £	Transfers In 2012/13 £	Transfers Out 2012/13 £	Balance at 31 March 2013 £
<b>Local Recreation Grants Fund</b> <i>Used to fund recreation grants</i>	16,831	6,820		23,651	3,010		26,661
<b>Elections Fund</b> <i>Used to fund borough elections held once every four years</i>	63,551	19,870	-63,869	19,552	20,507		40,059
<b>Audit Reserve Fund</b> <i>Used for computer audit</i>	12,335			12,335			12,335
<b>Building Control Fund</b> <i>Available to equalise net expenditure over a three year period</i>	-53,274		-33,036	-86,310		-33,111	-119,421
<b>Rural Development Reserve</b> <i>Used to fund consultation work on rural housing</i>	1,631			1,631			1,631
<b>Capital</b> <i>Used to fund the capital programme</i>	54,665	282,279	-12,848	324,096	78,345	-3,083	399,358
<b>Insurance</b> <i>Available to meet any costs following demise of Municipal Mutual Insurance Company</i>	20,000			20,000		-3,252	16,748
<b>Christmas Lights/RV in Bloom</b> <i>Available to fund contributions towards Christmas Lights and Ribble Valley in Bloom</i>	3,416		-150	3,266		-1,980	1,286
<b>Community Enhancement</b> <i>Used to fund grants to local organisations</i>	2,881			2,881	8,538		11,419
<b>New Community Enhancement Schemes</b> <i>Additional reserve for funding grants to local organisations</i>	6,809			6,809		-6,809	0
<b>Rent Deposit Reserve</b> <i>Set aside for homeless rent deposits</i>	7,837			7,837			7,837
<b>Revenue Contributions (RCCO) Unapplied</b> <i>Used to fund capital expenditure</i>	23,134		-12,529	10,605		-10,605	0



## Notes to the Core Financial Statements

General Fund	Balance at 31 March 2011 £	Transfers In 2011/12 £	Transfers Out 2011/12 £	Balance at 31 March 2012 £	Transfers In 2012/13 £	Transfers Out 2012/13 £	Balance at 31 March 2013 £
<b><u>Parish Schemes</u></b>							
<i>Used to fund Parish improvement schemes</i>	1,729			1,729		-1,729	0
<b><u>Local Development Framework</u></b>							
<i>To finance Local Development Framework costs</i>	11,583		-7,754	3,829		-3,829	0
<b><u>LALPAC Licensing System</u></b>							
<i>To fund costs of LALPAC licensing system</i>	1,866		-442	1,424			1,424
<b><u>IT Equipment</u></b>							
<i>To fund future software and hardware upgrades</i>	0	90,540		90,540		-42,147	48,393
<b><u>Conservation Reserve</u></b>							
<i>To fund conservation schemes completed after the financial year end</i>	6,210			6,210			6,210
<b><u>Concessionary Travel</u></b>							
<i>To fund the transfer of the administration of the scheme to upper tier local authorities</i>	40,026			40,026			40,026
<b><u>Fleming VAT Claim</u></b>							
<i>VAT recovered from 'Fleming' claim challenge to HMRC</i>	239,926			239,926			239,926
<b><u>Government Connect</u></b>							
<i>To fund revenue costs of Government Connect Service</i>	5,239		-5,239	0			0
<b><u>Repairs and Maintenance</u></b>							
<i>To fund emergency repairs and maintenance items, including legionella and asbestos abatement</i>	33,299			33,299		-4,000	29,299
<b><u>Post LSVT</u></b>							
<i>To fund any costs post LSVT which may arise, such as pension fund liabilities</i>	438,150			438,150		-36,513	401,637
<b><u>Market Town Enhancement</u></b>							
<i>To fund grants under Market Towns Enhancement Scheme</i>	6,643			6,643			6,643
<b><u>Planning Delivery</u></b>							
<i>To fund improved delivery of housing and other planning outcomes</i>	132,846	13,200	-146,046	0			0
<b><u>Performance Reward Grant</u></b>							
<i>Performance Reward Grant received and yet to be distributed to successful schemes</i>	526,710		-98,662	428,048		-54,216	373,832

## Notes to the Core Financial Statements

General Fund	Balance at 31 March 2011 £	Transfers In 2011/12 £	Transfers Out 2011/12 £	Balance at 31 March 2012 £	Transfers In 2012/13 £	Transfers Out 2012/13 £	Balance at 31 March 2013 £
<b>Refuse Collection</b> <i>To fund refuse collection costs of bin replacements</i>	18,000			18,000			18,000
<b>Restructuring Reserve</b> <i>To fund costs resulting from restructuring reviews</i>	275,000	27,900	-75,359	227,541			227,541
<b>VAT Shelter Reserve</b> <i>Funds received from the post LSVT VAT Shelter arrangements, partly used to contribute towards the future financing of the capital programme</i>	1,047,542	445,230	-65,548	1,427,224	385,503	-314,293	1,498,434
<b>Revaluation of Assets Reserve</b> <i>To contribute towards the revaluation of the Council's assets every five years.</i>	2,000	2,000		4,000	2,000		6,000
<b>Clean Air Reserve</b> <i>To fund clean air survey work</i>	4,500		-379	4,121		-480	3,641
<b>Estates Maintenance Reserve</b> <i>To fund approved one-off boundary maintenance work to Estates asset</i>	2,500		-2,500	0			0
<b>Equipment Reserve</b> <i>To fund essential and urgent equipment requirements</i>	31,000	2,000		33,000	10,170		43,170
<b>Forest of Bowland Reserve</b> <i>To fund access improvement schemes within the Ribble Valley section of the Forest of Bowland</i>	27,146	7,500		34,646			34,646
<b>Invest to Save Fund</b> <i>To fund future invest to save projects</i>	250,000	21,917	-7,619	264,298	78,082	-92,380	250,000
<b>Land Charges Reserve</b> <i>To fund any potential restitution claims for personal search fees</i>	34,356			34,356			34,356
<b>Land Charges System Reserve</b> <i>To fund planned land charges system purchase</i>	9,000		-9,000	0			0
<b>Pendle Hill User Reserve</b> <i>To fund improvement schemes on Pendle Hill</i>	17,830	7,941	-8,000	17,771	191	-4,450	13,512
<b>Planning Reserve</b> <i>To fund any future potential planning issues</i>	100,000	153,167	-103,167	150,000	231,000	-71,929	309,071
<b>Tourism Promotions Reserve</b> <i>To fund planned tourism publicity and promotions</i>	6,812	1,950	-6,812	1,950		-1,950	0

## Notes to the Core Financial Statements

General Fund	Balance at 31 March 2011 £	Transfers In 2011/12 £	Transfers Out 2011/12 £	Balance at 31 March 2012 £	Transfers In 2012/13 £	Transfers Out 2012/13 £	Balance at 31 March 2013 £
<b><u>Crime Reduction Partnership Reserve</u></b> <i>To fund cost of crime reduction initiatives</i>	16,060	10,429		26,489	2,986		29,475
<b><u>Housing Benefit Reserve</u></b> <i>To help meet the challenges facing the service in the coming years</i>	60,000	40,000		100,000			100,000
<b><u>Wellbeing and Health Equality</u></b> <i>To fund expenditure on Wellbeing and Health</i>	0	47,428		47,428			47,428
<b><u>Exercise Referral Reserve</u></b> <i>To fund potential residual staffing costs</i>	0	5,310		5,310	847		6,157
<b><u>Clitheroe Cemetery Reserve</u></b> <i>To finance any future liabilities from the cemetery extension</i>	0	3,640		3,640			3,640
<b><u>New Homes Bonus Reserve</u></b> <i>To help finance future economic development capital schemes</i>	0	2,046		2,046	119,645		121,691
<b><u>Core Strategy Reserve</u></b> <i>To fund the production of the Core Strategy</i>	0	87,412		87,412	103,829	-31,144	160,097
<b><u>Emergency Planning Reserve</u></b> <i>To fund the production of District Emergency and Business Continuity Plans</i>	0	2,520		2,520		-1,250	1,270
<b><u>CCTV Reserve</u></b> <i>To fund purchase of additional CCTV Equipment</i>	0	1,000		1,000			1,000
<b><u>Warm Homes Healthy People Reserve</u></b> <i>Residual grant received, to be committed to future grant schemes</i>	0	44,470		44,470		-14,539	29,931
<b><u>Business Rates Volatility Reserve</u></b> <i>To provide some protection against business rates volatilities</i>	0			0	135,904		135,904
<b><u>Community Right to Bid/Challenge</u></b> <i>To fund any future costs under the Community Right to Bid and Community Right to Challenge Regulations</i>	0			0	13,420		13,420

## Notes to the Core Financial Statements

General Fund	Balance at 31 March 2011 £	Transfers In 2011/12 £	Transfers Out 2011/12 £	Balance at 31 March 2012 £	Transfers In 2012/13 £	Transfers Out 2012/13 £	Balance at 31 March 2013 £
<b><u>Voluntary Organisation Grant Reserve</u></b>							
<i>To fund schemes carried out by the Voluntary Sector</i>	0			0	3,720		3,720
<b><u>Grant Funded Sports Development</u></b>							
<i>To finance future Sports Development grant funded expenditure</i>	0			0	6,283		6,283
<b><u>Human Resource Development</u></b>							
<i>To provide for staff training commitments</i>	0			0	3,100		3,100
	3,505,789	1,326,569	-658,959	4,173,399	1,207,080	-733,689	4,646,790

## Notes to the Core Financial Statements

## 8 PROPERTY, PLANT AND EQUIPMENT

Movements in 2012/13	Other Land and Buildings £'000	Vehicles, Plant, Furniture and Equipment £'000	Infra-Structure Assets £'000	Community Assets £'000	Surplus Assets (Not Held for Sale) £'000	Total Property, Plant and Equipment £'000
<b><u>Cost or Valuation</u></b>						
At 1 April 2012	10,879	3,107	235	1,531	173	<b>15,925</b>
Additions	123	428	4	29	0	<b>584</b>
Derecognition - Disposal	0	-64	0	0	0	<b>-64</b>
Assets reclassified (to)/from Held for Sale	0	0	0	0	-93	<b>-93</b>
<b>At 31 March 2013</b>	<b>11,002</b>	<b>3,471</b>	<b>239</b>	<b>1,560</b>	<b>80</b>	<b>16,352</b>
<b><u>Accumulated Depreciation and Impairments</u></b>						
At 1 April 2012	-406	-1,085	-13	-6	-7	<b>-1,517</b>
Derecognition - Disposal	0	64	0	0	0	<b>64</b>
Depreciation written out to the Surplus/Deficit on the Provision of Services	-185	-450	-6	-2	-4	<b>-647</b>
Impairment losses/(reversals) recognised in the Surplus/Deficit on the Provision of Services	-210	0	0	0	0	<b>-210</b>
Asset Reclassification to/from Held for Sale	0	0	0	0	5	<b>5</b>
<b>At 31 March 2013</b>	<b>-801</b>	<b>-1,471</b>	<b>-19</b>	<b>-8</b>	<b>-6</b>	<b>-2,305</b>
<b><u>Net Book Value</u></b>						
<b>at 31 March 2012</b>	<b>10,473</b>	<b>2,022</b>	<b>222</b>	<b>1,525</b>	<b>166</b>	<b>14,408</b>
<b>at 31 March 2013</b>	<b>10,201</b>	<b>2,000</b>	<b>220</b>	<b>1,552</b>	<b>74</b>	<b>14,047</b>

## Notes to the Core Financial Statements

Movements in 2011/12	Other Land and Buildings £'000	Vehicles, Plant, Furniture and Equipment £'000	Infra-Structure Assets £'000	Community Assets £'000	Surplus Assets (Not Held for Sale) £'000	Total Property, Plant and Equipment £'000
<b><i>Cost or Valuation</i></b>						
At 1 April 2011	11,030	3,090	235	1,490	0	<b>15,845</b>
Additions	22	17	0	41	0	<b>80</b>
Derecognition - Other	-7	0	0	0	7	<b>0</b>
Assets reclassified (to)/from Surplus Assets	-166	0	0	0	166	<b>0</b>
<b>At 31 March 2012</b>	<b>10,879</b>	<b>3,107</b>	<b>235</b>	<b>1,531</b>	<b>173</b>	<b>15,925</b>
<b><i>Accumulated Depreciation and Impairments</i></b>						
At 1 April 2011	-225	-519	-7	-3	0	<b>-754</b>
Depreciation written out to the Revaluation Reserve	-63	0	0	-1	0	<b>-64</b>
Depreciation written out to the Surplus/Deficit on the Provision of Services	-125	-566	-6	-2	0	<b>-699</b>
Derecognition - Other	7	0	0	0	-7	<b>0</b>
<b>At 31 March 2012</b>	<b>-406</b>	<b>-1,085</b>	<b>-13</b>	<b>-6</b>	<b>-7</b>	<b>-1,517</b>
<b>Net Book Value</b>						
at 31 March 2011	10,805	2,571	228	1,487	0	<b>15,091</b>
at 31 March 2012	10,473	2,022	222	1,525	166	<b>14,408</b>

## Notes to the Core Financial Statements

**Depreciation**

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

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

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 2013 and 31 March 2012, the Council had no major capital commitments.

**Effects of Changes in Estimates**

In 2012/13 the Council made no material changes to its accounting estimates for Property, Plant and Equipment.

**Revaluations**

The freehold and leasehold properties, which comprise the Council's property portfolio, were revalued on 1 March 2010 by the district valuer, Mr A T Snape BA (Hons) MRICS of the District Valuer Services (DVS), which is the commercial arm of the Valuation Office Agency, Preston. The valuations were made in accordance with the RICS Valuation Standards 6<sup>th</sup> Edition as published by the Royal Institute of Chartered Surveyors.

For each asset under Property, Plant and Equipment an Existing Use Value (EUV) was provided.

## Notes to the Core Financial Statements

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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.

Investment Property, which are assets held by the council but which are not directly occupied or used in the delivery of services, were valued at Market Value (MV).

An impairment review was undertaken by the district valuer, Mr A T Snape BA (Hons) MRICS.

At the 31 March 2013 the year on year valuations did not indicate any significant decline in the Fair Value of the assets other than in the case of the Council Offices, Church Walk, Clitheroe. The site has reduced in value from £1.55m to £1.35m due to the current market for office space. This is considered a significant fall and is therefore reflected within the Statement of Accounts.



**9 HERITAGE ASSETS**

Reconciliation of the Carrying Value of Heritage Assets Held by the Council	Castle Keep at Clitheroe £'000	Clitheroe Castle Museum Collection £'000	Civic Regalia £'000	Roman Bath Site Ribchester £'000	Total Heritage Assets £'000
<b><u>Cost or Valuation</u></b>					
At 1 April 2011	0	750	57	0	<b>807</b>
<b>At 31 March 2012</b>	<b>0</b>	<b>750</b>	<b>57</b>	<b>0</b>	<b>807</b>
<b><u>Cost or Valuation</u></b>					
At 1 April 2012	0	750	57	0	<b>807</b>
<b>At 31 March 2013</b>	<b>0</b>	<b>750</b>	<b>57</b>	<b>0</b>	<b>807</b>

**The Castle Keep at Clitheroe**

The Castle Keep at Clitheroe was built in 1186 by Robert de Lacy and is said to be one of the smallest Norman keeps in England. As set out in the summary of significant accounting policies, the council does not consider that reliable cost or valuation information can be obtained for this site. As information on cost or value is not available, and the cost of obtaining the information outweighs any benefit from obtaining such valuation, the asset is not included on the Balance Sheet.

**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.

**Civic Regalia**

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

**The Roman Bath site at Ribchester**

The Roman Bath site at Ribchester consists of the archaeological remains of a Roman bath house. As set out in the summary of significant accounting policies, the council does not consider that reliable cost or valuation information can be obtained for this site. As information on cost or value is not available, and the cost of obtaining the information outweighs any benefit from obtaining such valuation, the asset is not included on the Balance Sheet.

## Notes to the Core Financial Statements

### Additions of Heritage Assets

There have been no additions to the council's Heritage Assets in the 2012/13 financial year.

### Disposals of Heritage Assets

There have been no disposals of the council's Heritage Assets in the 2012/13 financial year.

## 10 INVESTMENT PROPERTIES

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

	2011/12 £	2012/13 £
Rental income from investment property	-98,010	-98,785
Direct operating expenses arising from investment property	33,643	35,574
<b>Net Gain/(Loss)</b>	<b>-64,367</b>	<b>-63,211</b>

There are no restrictions on the Council's ability to realise the value inherent in its investment property or on the Council's right to the remittance of income and the proceeds of disposal. The Council has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties over the year.

	2011/12 £'000	2012/13 £'000
<b>Balance at the start of the year</b>	<b>868</b>	<b>868</b>
<b>Additions</b>		
- Subsequent Expenditure	0	12
<b>Disposals</b>	0	-60
<b>Balance at end of the year</b>	<b>868</b>	<b>820</b>

**11 INTANGIBLE ASSETS**

The Council accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The purchases made in 2011/12 are in respect of the council's land charges system and replacement Customer Relationship Management (CRM) system. Purchases in the 2012/13 financial year related to the purchase of a module for the new Local Council Tax Support Scheme and also a new website.

Amortisation is on a straight line basis over 5 years, starting on the year after purchase.

The movement on Intangible Asset balances during the year is as follows:

Purchased Software Licences	2011/12 £'000	2012/13 £'000
<i>Balance at start of year:</i>		
Gross carrying amount	15	56
Accumulated amortisation	-15	-15
<b>Net carrying amount at start of year</b>	<b>0</b>	<b>41</b>
<i>Movement in year:</i>		
Expenditure in Year	41	93
Written Off to Revenue in year	0	-8
<b>Balance at 31 March</b>	<b>41</b>	<b>126</b>

## Notes to the Core Financial Statements

## 12 FINANCIAL INSTRUMENTS

Categories of Financial Instruments

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

	<u>Long-Term</u>		<u>Current</u>	
	31 March 2012 £	31 March 2013 £	31 March 2012 £	31 March 2013 £
<u>Investments</u>				
Loans and receivables	0	0	2,066,521	2,757,193
<b>Total Investments</b>	<b>0</b>	<b>0</b>	<b>2,066,521</b>	<b>2,757,193</b>
<u>Debtors</u>				
Loans and receivables	374,869	352,748	0	0
Financial assets carried at contract amount	0	0	295,020	317,341
<b>Total Debtors</b>	<b>374,869</b>	<b>352,748</b>	<b>295,020</b>	<b>317,341</b>
<u>Borrowings</u>				
Financial liabilities at amortised cost	-364,808	-293,701	-71,108	-71,108
<b>Total Borrowings</b>	<b>-364,808</b>	<b>-293,701</b>	<b>-71,108</b>	<b>-71,108</b>
<u>Creditors</u>				
Financial liabilities carried at contract amount	0	0	-373,372	-181,823
<b>Total Creditors</b>	<b>0</b>	<b>0</b>	<b>-373,372</b>	<b>-181,823</b>

The Financial Instruments categorised above represent:

- Amounts shown under Investments as 'loans and receivables' consist of cash held by the council, bank accounts and short term investments.
- Amounts shown under debtors as 'loans and receivables' consist of mortgages, car loans and a loan to Roefield Leisure Centre.
- Amounts shown under debtors as 'financial assets carried at contract amount' represents net operational (sundry) debtors.
- Amounts shown under borrowings as 'financial liabilities at amortised cost' are loans with the Public Works Loan Board.
- Amounts shown under creditors as 'financial liabilities at contract amount' are the Council's operational creditors.

## Notes to the Core Financial Statements

Income, Expenses, Gains and Losses

	2011/2012		2012/2013	
	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables
	£	£	£	£
Interest expenses	23,302	4,419	19,790	5,686
Interest Income	0	-26,219	0	-32,521
<b>Total</b>	<b>23,302</b>	<b>-21,800</b>	<b>19,790</b>	<b>-26,835</b>

Fair Values of Assets and Liabilities

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

- For loans from the Public Works Loan Board the fair value has been calculated by reference to the premature repayment set of rates in force on 31 March 2012 and 31 March 2013 respectively
- No early repayment or impairment is recognised
- Where an instrument will mature in the next 12 months, carrying amount is assumed to be approximate to fair value
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows

	31 March 2012		31 March 2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£	£	£	£
Financial Liabilities	435,916	510,208	364,808	436,580

The fair value is greater than the carrying amount because the Council's portfolio of loans are at fixed interest rates and the premature repayment set of rates in force at 31 March were generally higher than the rates at which the money was borrowed.

	31 March 2012		31 March 2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	£	£	£	£
Long-term debtors	374,869	374,869	352,748	352,748

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

## Notes to the Core Financial Statements

## 13 INVENTORIES

	General Stores		Tourism Stocks		Other Stocks		Totals	
	2011/12 £	2012/13 £	2011/12 £	2012/13 £	2011/12 £	2012/13 £	2011/12 £	2012/13 £
<b>Balance outstanding at start of year</b>	<b>52,201</b>	<b>62,995</b>	<b>7,553</b>	<b>3,001</b>	<b>20,362</b>	<b>13,544</b>	<b>80,116</b>	<b>79,540</b>
Purchases	249,823	231,320	9,387	9,488	42,137	32,663	301,347	273,471
Recognised as an expense in the year	-238,699	-228,994	-13,713	-8,394	-46,795	-34,299	-299,207	-271,687
Written Off balances	-330	-153	-226	-1,206	-2,160	-26	-2,716	-1,385
<b>Balance outstanding at year-end</b>	<b>62,995</b>	<b>65,168</b>	<b>3,001</b>	<b>2,889</b>	<b>13,544</b>	<b>11,882</b>	<b>79,540</b>	<b>79,939</b>

## 14 DEBTORS

	31 March 2012 £	31 March 2013 £
Central government bodies	226,149	24,641
<b>Central government bodies - Net of Impairment</b>	<b>226,149</b>	<b>24,641</b>
Other local authorities	310,489	333,254
<b>Other local authorities - Net of Impairment</b>	<b>310,489</b>	<b>333,254</b>
NHS Bodies	22,792	5,001
<b>NHS Bodies - Net of Impairment</b>	<b>22,792</b>	<b>5,001</b>
Public corporations and trading funds	25,513	0
<b>Public corporations and trading funds - Net of Impairment</b>	<b>25,513</b>	<b>0</b>
Other entities and individuals		
- House Purchase and Improvement Loans	6	1,341
- Sundry Debtors	767,921	1,015,350
- Council Tax	68,443	78,885
- Prepayments	114,077	136,875
- Impairment	-138,243	-142,804
<b>Other entities and individuals - Net of Impairments</b>	<b>812,204</b>	<b>1,089,647</b>
<b>Total</b>	<b>1,397,147</b>	<b>1,452,543</b>

**15 CASH AND CASH EQUIVALENTS**

	31 March 2012	31 March 2013
	£	£
Cash held by the Council	13,762	11,104
Bank current accounts	152,759	231,089
Short Term Investments	1,900,000	2,515,000
<b>Subtotal</b>	<b>2,066,521</b>	<b>2,757,193</b>

**16 ASSETS HELD FOR SALE**

	<u>Current</u>	2012/13
	2011/12	£
	£	£
<b>Balance outstanding at start of year</b>	<b>119,375</b>	<b>0</b>
Assets newly classified as held for sale:		
- Other assets /liabilities in disposal group	0	93,500
Revaluation losses	0	-4,807
Revaluation gains	0	22,571
Impairment losses	0	-18,879
Assets sold	-119,375	0
Other Movements	0	-5,635
<b>Balance outstanding at year-end</b>	<b>0</b>	<b>86,750</b>

## Notes to the Core Financial Statements

**17 CREDITORS**

	31 March 2012	31 March 2013
	£	£
Central government bodies	225,158	327,599
Other local authorities	319,664	263,052
NHS Bodies	1,566	198
Public corporations and trading funds	0	34,756
Other entities and individuals		
Sundry Creditors	529,364	475,603
Council Tax	46,425	46,107
Commuted Sums	60,955	162,240
Refundable Deposits	12,048	8,913
Receipts in Advance	235,013	107,953
<b>Total</b>	<b>1,430,193</b>	<b>1,426,421</b>

**18 PROVISIONS**

The only provision, which is shown in the table below, relates to employee compensated short term absences.

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits 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 benefits are charged to revenue in the financial year in which the holiday absence occurs.

The treatment of these adjustments in the 2011/12 financial year and onwards has changed and the entry is now shown in the accounts as a creditor rather than through a provision. The net effect on the accounts remains the same; however, the adjustment for 2011/12 now appears in a different part of the balance sheet, but still within Current Liabilities.

The resulting balance on provisions for 2011/12 is nil, and there have been no provisions for 2012/13. As a result no provisions are shown on the balance sheet. However, the movement in provisions in 2011/12 is shown in the table below for completeness.



## Notes to the Core Financial Statements

Short Term Compensated Absences	2011/12 £	2012/13 £
<b>Balance at 1 April</b>	<b>85,826</b>	<b>0</b>
Amounts used in the year	-85,826	0
<b>Balance at 31 March</b>	<b>0</b>	<b>0</b>

**19 USABLE RESERVES**

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement and Notes 6 and 19.

In summary the Usable Reserves are shown below. Detailed analysis of the council's earmarked reserves is available in Note 7.

31 March 2012 £	31 March 2013 £
1,616,373 General Fund Balance	1,699,748
4,173,399 Earmarked General Fund Reserves	4,646,790
59,019 Capital Grants Unapplied	335,751
192,971 Usable Capital Receipts Reserve	0
<b>6,041,762 Total Usable Reserves</b>	<b>6,682,289</b>

## Notes to the Core Financial Statements

### 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.

2011/2012 £	2012/2013 £
<b>1,448,760</b> Opening General Fund balance	<b>1,616,373</b>
167,613 Net amount added to (taken from) General Fund balance	83,375
<b>1,616,373</b> Closing General Fund balance	<b>1,699,748</b>

### 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 as the specific details of each one can be seen at Note 7.

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

2011/2012 £	2012/2013 £
<b>3,505,789</b> Opening Earmarked General Fund Reserves	<b>4,173,399</b>
1,326,569 Amounts added to Earmarked General Fund Reserves	1,207,080
-658,959 Amounts taken from Earmarked General Fund Reserves	-733,689
<b>4,173,399</b> Closing Earmarked General Fund Reserves	<b>4,646,790</b>

### Capital Grants Unapplied

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

2011/2012 £	2012/2013 £
<b>151,180</b> Opening Capital Grants Unapplied	<b>59,019</b>
46,631 Amounts added to Capital Grants Unapplied	298,293
-138,792 Amounts taken from Capital Grants Unapplied	-21,561
<b>59,019</b> Closing Capital Grants Unapplied	<b>335,751</b>

**Usable Capital Receipts Reserve**

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

2011/2012 £	2012/2013 £
<b>0</b>	<b>192,971</b>
192,971	119,811
0	-312,782
<b>192,971</b>	<b>0</b>

**20 UNUSABLE RESERVES**

31 March 2012 £	31 March 2013 £
8,001,907	7,950,674
-17,575	-22,915
4,224,281	4,178,267
3,035	1,693
-13,346,324	-16,371,324
-85,266	-60,111
<b>-1,219,942</b>	<b>-4,323,716</b>

**Capital Adjustment Account**

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

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

## Notes to the Core Financial Statements

2011/2012		2012/2013
£		£
<b>8,461,884</b>	<b>Balance at 1 April</b>	<b>8,001,907</b>
	<b>Reversal of items relating to capital expenditure debited or credited to the Comprehensive income and Expenditure statement</b>	
-763,489	- Charges for depreciation and impairment of non-current assets	-647,989
0	- Revaluation losses on Property, Plant and Equipment	-228,686
0	- Amortisation of intangible assets	-8,113
-420,617	- Revenue expenditure funded from capital under statute	-410,970
-24,376	- 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	-60,000
<b>-1,208,482</b>		<b>-1,355,758</b>
63,777	Adjusting amounts written out of the Revaluation Reserve	63,777
<b>7,317,179</b>	<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>6,709,926</b>
	<b>Capital financing applied in the year</b>	
0	- Use of the Capital Receipts Reserve to finance new capital expenditure	311,775
223,895	- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	296,854
138,792	- Application of grants to capital financing from the Capital Grants Unapplied Account	21,561
143,758	- Statutory provision for the financing of capital investment charged against the General Fund	140,226
178,283	- Capital expenditure charged against the General Fund	470,332
<b>684,728</b>		<b>1,240,748</b>
0	Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement	0
<b>8,001,907</b>	<b>Balance at 31 March</b>	<b>7,950,674</b>

## Notes to the Core Financial Statements

Collection Fund Adjustment Account

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

2011/2012 £	2012/2013 £
<b>-29,975</b>	<b>-17,575</b>
Balance at 1 April	
12,400	-5,340
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	
<b>-17,575</b>	<b>-22,915</b>
Balance at 31 March	

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.

2011/2012 £	2012/2013 £
<b>4,383,057</b>	<b>4,224,281</b>
Balance at 1 April	
0	22,571
Upward revaluation of assets	
0	-4,808
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	
<b>Surplus or Deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services</b>	
<b>17,763</b>	
-63,777	-63,777
Difference between fair value depreciation and historical cost depreciation	
-94,999	0
Accumulated gains on assets sold or scrapped	
<b>-158,776</b>	<b>-63,777</b>
Amount written off to the Capital Adjustment Account	
<b>4,224,281</b>	<b>4,178,267</b>
Balance at 31 March	

## Notes to the Core Financial Statements

### Deferred Capital Receipts Account

The Deferred Capital Receipts Account holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

2011/2012 £	2012/2013 £
<b>3,915</b>	<b>3,035</b>
-880	-1,342
<b>3,035</b>	<b>1,693</b>

### 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.

2011/2012 £	2012/2013 £
<b>-10,225,324</b>	<b>-13,346,324</b>
-2,859,000	-2,564,000
-1,090,000	-1,250,000
828,000	789,000
<b>-13,346,324</b>	<b>-16,371,324</b>

## Notes to the Core Financial Statements

Accumulated Absences Account

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

2011/2012 £		2012/2013 £
-85,826	<b>Balance at 1 April</b>	-85,266
85,826	Settlement or cancellation of accrual made at the end of the preceding year	85,266
-85,266	Amounts accrued at the year end of the current year	-60,111
<b>560</b>	<b>Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements</b>	<b>25,155</b>
-85,266	<b>Balance at 31 March</b>	-60,111

**21 CASH FLOW STATEMENT – OPERATING ACTIVITIES**

The cash flows for operating activities include the following items:

2011/2012 £		2012/2013 £
-21,800	Interest received	-26,835
23,302	Interest paid	19,790

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

2011/2012 £		2012/2013 £
192,971	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	118,804
<b>192,971</b>		<b>118,804</b>

## Notes to the Core Financial Statements

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

2011/2012 £	2012/2013 £
-763,489 Depreciation	-647,989
0 Impairment and downward valuations	-228,686
0 Amortisation	-8,113
19,146 Increase/decrease in creditors	-21,383
-532,150 Increase/decrease in debtors	-45,515
-576 Increase/decrease in inventories	399
-262,000 Movement in pension liability	-461,000
-119,375 Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	-60,000
28,752 Other non-cash items charged to the net surplus or deficit on the provision of services	679,664
<b>-1,629,692</b>	<b>-792,623</b>

## 22 CASH FLOW STATEMENT – INVESTING ACTIVITIES

2011/2012 £	2012/2013 £
540,969 Purchase of property, plant and equipment, investment property and intangible assets	1,100,522
-192,971 Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-118,804
-448,809 Other receipts from investing activities	-1,065,479
<b>-100,811 Net cash flows from investing activities</b>	<b>-83,761</b>

## 23 CASH FLOW STATEMENT – FINANCING ACTIVITIES

2011/2012 £	2012/2013 £
71,108 Repayments of short- and long-term borrowing	71,108
-140,070 Other payments for financing activities	78,790
<b>-68,962 Net cash flows from financing activities</b>	<b>149,898</b>



## Notes to the Core Financial Statements

**24 AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS**

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the *Service Reporting Code of Practice*. However, decisions about resource allocation are taken by the Council on the basis of budget reports analysed across Committees. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- Other than depreciation, no charges are made in committee reports in relation to capital expenditure, capital grants and contributions, or revenue expenditure funded from capital under statute (whereas revaluation and impairment losses in excess of the balance on the Revaluation Reserve, amortisations, revenue expenditure funded from capital under statute and Capital grants and contributions are all shown on services in the Comprehensive Income and Expenditure Statement).
- The cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year.
- Accumulated Absences costs are not included in the reports to Committees.

Committee Income and Expenditure 2012/13	Community Services Committee £	Health and Housing Committee £	Planning and Development Committee £	Policy and Finance Committee £	Total £
Fees, charges and other service income	-4,796,757	-10,015,278	-875,358	-5,023,873	-20,711,266
Government Grants	0	-269,299	-1,747	-88,196	-359,242
<b>Total Income</b>	<b>-4,796,757</b>	<b>-10,284,577</b>	<b>-877,105</b>	<b>-5,112,069</b>	<b>-21,070,508</b>
Employee related expenditure	2,914,054	8,375	17,663	2,927,409	5,867,501
Other service expenses	3,061,690	9,939,304	244,372	1,500,225	14,745,591
Support Services recharges	1,379,352	975,130	1,034,922	2,214,566	5,603,970
Depreciation	554,031	11,784	1,183	89,104	656,102
<b>Total Expenditure</b>	<b>7,909,127</b>	<b>10,934,593</b>	<b>1,298,140</b>	<b>6,731,304</b>	<b>26,873,164</b>
<b>Net Expenditure</b>	<b>3,112,370</b>	<b>650,016</b>	<b>421,035</b>	<b>1,619,235</b>	<b>5,802,656</b>

## Notes to the Core Financial Statements

Committee Income and Expenditure 2011/12	Community Services Committee £	Health and Housing Committee £	Planning and Development Committee £	Policy and Finance Committee £	Total £
Fees, charges and other service income	-4,795,980	-308,799	-656,985	-4,726,661	<b>-10,488,425</b>
Government Grants	-106	-9,921,484	-20,847	-90,104	<b>-10,032,541</b>
<b>Total Income</b>	<b>-4,796,086</b>	<b>-10,230,283</b>	<b>-677,832</b>	<b>-4,816,765</b>	<b>-20,520,966</b>
Employee related expenditure	3,072,586	3,570	67,862	2,925,096	<b>6,069,114</b>
Other service expenses	3,115,425	9,714,242	257,669	1,497,670	<b>14,585,006</b>
Support Services recharges	1,284,651	953,530	926,257	2,052,778	<b>5,217,216</b>
Depreciation	668,836	13,597	3,657	77,400	<b>763,490</b>
<b>Total Expenditure</b>	<b>8,141,498</b>	<b>10,684,939</b>	<b>1,255,445</b>	<b>6,552,944</b>	<b>26,634,826</b>
<b>Net Expenditure</b>	<b>3,345,412</b>	<b>454,656</b>	<b>577,613</b>	<b>1,736,179</b>	<b>6,113,860</b>

**Reconciliation of Committee Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement**

This reconciliation shows how the figures in the analysis of Committee income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	2011/2012 £	2012/2013 £
<b>Net Expenditure in the Committee Analysis</b>	<b>6,113,860</b>	<b>5,802,656</b>
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	153,531	343,855
<b>Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement</b>	<b>153,531</b>	<b>343,855</b>
<b>Cost of Services, Gain/Loss on Trading Accounts and Gain/Loss on Investment Properties in Comprehensive Income and Expenditure Statement</b>	<b>6,267,391</b>	<b>6,146,511</b>

## Notes to the Core Financial Statements

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of Committee income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of services included in the Comprehensive Income and Expenditure Statement.

2012/2013	Committee Analysis	Amounts not Reported to Management for Decision Making	Cost of Services including Investment Properties and Trading Accounts	Corporate Amounts	Total
	£	£	£	£	£
Fees, charges and other service income	-10,965,287	0	-10,965,287	0	-10,965,287
Interest and investment income	0	0	0	-26,835	-26,835
Income from council tax	0	0	0	-3,513,072	-3,513,072
Capital Grants and Contributions	0	-307,647	-307,647	-287,500	-595,147
Government grants and contributions	-10,105,221	0	-10,105,221	-3,160,237	-13,265,458
<b>Total Income</b>	<b>-21,070,508</b>	<b>-307,647</b>	<b>-21,378,155</b>	<b>-6,987,644</b>	<b>-28,365,799</b>
Employee related expenditure	5,867,501	11,846	5,879,347	424,000	6,303,347
Other service expenses	14,745,591	0	14,745,591	0	14,745,591
Support Service recharges	5,603,970	0	5,603,970	0	5,603,970
Depreciation, amortisation and impairment	656,102	639,656	1,295,758	0	1,295,758
Interest payments	0	0	0	19,790	19,790
Precepts and levies	0	0	0	371,815	371,815
Payments to Housing Capital Receipts Pool	0	0	0	1,007	1,007
Gain or loss on disposal of Non-Current assets	0	0	0	-58,469	-58,469
<b>Total Expenditure</b>	<b>26,873,164</b>	<b>651,502</b>	<b>27,524,666</b>	<b>758,143</b>	<b>28,282,809</b>
<b>Surplus or Deficit on the Provision of Services</b>	<b>5,802,656</b>	<b>343,855</b>	<b>6,146,511</b>	<b>-6,229,501</b>	<b>-82,990</b>

## Notes to the Core Financial Statements

2011/2012	Committee Analysis	Amounts not Reported to Management for Decision Making	Cost of Services including Investment Properties and Trading Accounts	Corporate Amounts	Total
	£	£	£	£	£
Fees, charges and other service income	-10,488,425	0	-10,488,425	0	-10,488,425
Interest and investment income	0	0	0	-21,800	-21,800
Income from council tax	0	0	0	-3,516,106	-3,516,106
Government grants and contributions	-10,032,541	-270,526	-10,303,067	-3,377,746	-13,680,813
<b>Total Income</b>	<b>-20,520,966</b>	<b>-270,526</b>	<b>-20,791,492</b>	<b>-6,915,652</b>	<b>-27,707,144</b>
Employee related expenditure	6,069,114	3,440	6,072,554	258,000	6,330,554
Other service expenses	14,585,006	0	14,585,006	0	14,585,006
Support Service recharges	5,217,216	0	5,217,216	0	5,217,216
Depreciation, amortisation and impairment	763,490	420,617	1,184,107	0	1,184,107
Interest payments	0	0	0	23,302	23,302
Precepts and levies	0	0	0	372,315	372,315
Payments to Housing Capital Receipts Pool	0	0	0	660	660
Gain or loss on disposal of Non-Current assets	0	0	0	-73,376	-73,376
<b>Total Expenditure</b>	<b>26,634,826</b>	<b>424,057</b>	<b>27,058,883</b>	<b>580,901</b>	<b>27,639,784</b>
<b>Surplus or Deficit on the Provision of Services</b>	<b>6,113,860</b>	<b>153,531</b>	<b>6,267,391</b>	<b>-6,334,751</b>	<b>-67,360</b>

## Notes to the Core Financial Statements

**25 TRADING OPERATIONS**

The Council has established one trading unit where the Head of Service is required to operate in a commercial environment and balance their budget by generating income from other organisations. Detail of this unit is as follows:

		<u>2011/2012</u>	<u>2012/2013</u>
		£	£
<b><u>Clitheroe Market</u></b>			
<i>The Council own and operate the Clitheroe Market site, offering 41 cabins for rent to market traders together with 31 stalls and numerous additional pitches.</i>	Turnover	-108,874	-112,760
	Expenditure	93,295	65,601
	<b>Surplus</b>	<b>-15,579</b>	<b>-47,159</b>

The net surplus on Trading Operations, as above, is shown under Financing and Investment Income and Expenditure on the Comprehensive Income and Expenditure Statement.

**26 MEMBERS' ALLOWANCES**

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

	<u>2011/2012</u>	<u>2012/2013</u>
	£	£
Basic Allowance	106,543	113,760
Special Responsibility Allowances	80,859	78,463
Expenses	7,079	5,952
	<b>194,481</b>	<b>198,175</b>

## Notes to the Core Financial Statements

**27 OFFICERS' EMOLUMENTS**

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

**Remuneration Disclosure (excluding Pension Contributions)**

Post Holder Information	Salary	Benefits in Kind	Total Remuneration excluding Pension Contributions	Salary	Benefits in Kind	Total Remuneration excluding Pension Contributions
	2011/2012 £	2011/2012 £	2011/2012 £	2012/2013 £	2012/2013 £	2012/2013 £
Chief Executive*	95,859	6,496	<b>102,355</b>	94,828	7,054	<b>101,882</b>
Director of Community Services	73,233	6,889	<b>80,122</b>	76,524	7,116	<b>83,640</b>
Director of Resources	70,122	8,010	<b>78,132</b>	74,904	7,962	<b>82,866</b>
	<b>239,214</b>	<b>21,395</b>	<b>260,609</b>	<b>246,256</b>	<b>22,132</b>	<b>268,388</b>

*Please note that the values for the officer marked \* includes Acting Returning Officers Fees, which fluctuate from year to year depending on the elections called. (2012/13 £2,500 and 2011/12 £9,333)*

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

Please note that the figures shown above for the Chief Executive post includes receipts for Acting Returning Officers Fees which fluctuate from year to year depending on the elections called. (2012/13 £2,500 and 2011/12 £9,333).

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

Salary Banding 2011/2012	Salary Banding 2012/2013	Employee Contribution Rate
£0 - £12,900	£0 - £13,500	5.5%
> £12,900 - £15,100	> £13,500 - £15,800	5.8%
> £15,100 - £19,400	> £15,800 - £20,400	5.9%
> £19,400 - £32,400	> £20,400 - £34,000	6.5%
> £32,400 - £43,301	> £34,000 - £45,500	6.8%
> £43,301 - £81,100	> £45,500 - £85,300	7.2%
> £81,100	> £85,300	7.5%

## Notes to the Core Financial Statements

The contribution to the pension scheme which the council make is based upon the employee's salary and the rate consists of two elements. The two elements of the contribution rate for Ribble Valley Borough Council in 2011/2012 and 2012/2013 were:

Elements of Contribution Rate	2011/2012	2012/2013
Common Rate	12.5%	12.5%
Ribble Valley Adjustment amount	3.6%	4.1%
<b>Total Contribution Rate</b>	<b>16.1%</b>	<b>16.6%</b>

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 Common Rate.

## Remuneration Disclosure (including Pension Contributions)

Post Holder Information	Total	Pension	Total	Total	Pension	Total
	Remuneration	Contributions	Remuneration	Remuneration	Contributions	Remuneration
	excluding	2011/2012	including	excluding	2012/2013	including
	Pension	2011/2012	Pension	Pension	2012/2013	Pension
	Contributions	2011/2012	Contributions	Contributions	2012/2013	Contributions
	2011/2012	2011/2012	2011/2012	2012/2013	2012/2013	2012/2013
	£	£	£	£	£	£
Chief Executive*	102,355	11,982	<b>114,337</b>	101,882	11,541	<b>113,423</b>
Director of Community Services	80,122	9,154	<b>89,276</b>	83,640	9,566	<b>93,206</b>
Director of Resources	78,132	8,765	<b>86,897</b>	82,866	9,363	<b>92,229</b>
	<b>260,609</b>	<b>29,901</b>	<b>290,510</b>	<b>268,388</b>	<b>30,470</b>	<b>298,858</b>

Please note that the values for the officer marked \* includes Acting Returning Officers Fees, which fluctuate from year to year depending on the elections called. (2012/13 £2,500 and 2011/12 £9,333)

## Notes to the Core Financial Statements

The Council's employees receiving more than £50,000 **remuneration** for the year (excluding employer's pension contributions) were paid the following amounts. This table includes those officers listed in the previous tables, which showed officers where their **salary element** was more than £50,000:

	2011/2012	Staff who have left	2012/2013
£50,000 - £54,999	2		3
£55,000 - £59,999			
£60,000 - £64,999			
£65,000 - £69,999			
£70,000 - £74,999			
£75,000 - £79,999	1		
£80,000 - £84,999	1		2
£85,000 - £89,999			
£90,000 - £94,999			
£95,000 - £99,999			
£100,000 - £104,999	*1		*1

Please note that the officer marked \* includes Acting Returning Officers Fees, which fluctuate from year to year depending on the elections called. (2012/13 £2,500 and 2011/12 £9,333).

The number of exit packages with total cost per band are set out in the table below, and include pension strain costs. These were made in the 2011/12 financial year only and resulted from the Council's service review, helping towards a number of future service savings which in total will help the council achieve savings in excess of £630,000 per annum:

Exit Package Cost Band (including special payments)	Number of Compulsory Redundancies		Total Cost of Exit Packages in Each Band	
	2011/12	2012/13	2011/12	2012/13
£0 - £20,000	2	0	11,057	0
£20,001 - £40,000	2	0	63,035	0

No exit packages were made in the 2012/13 financial year.



## Notes to the Core Financial Statements

**28 EXTERNAL AUDIT COSTS**

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

	2011/2012 £	2012/2013 £
Fees Payable to the Audit Commission with regard to external audit services carried out by the appointed auditor for the year	80,810	
Fees Payable to Grant Thornton UK LLP with regard to external audit services carried out by the appointed auditor for the year	0	52,702
Fees payable to the Audit Commission for the certification of grant claims and returns for the year.	22,470	0
Fees payable to Grant Thornton UK LLP for the certification of grant claims and returns for the year.	0	10,550
Rebate on Fees Payable to the Audit Commission with regard to external audit services carried out by the appointed auditor for the previous year	0	-4,700
<b>Total</b>	<b>103,280</b>	<b>58,552</b>

**29 GRANT INCOME**

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2012/13:

	2011/2012 £	2012/2013 £
<b><i>Credited to Taxation and Non Specific Grant Income</i></b>		
National Non Domestic Rates	-2,472,716	-2,846,507
Revenue Support Grant	-764,324	-55,179
New Homes Bonus	-64,046	-179,645
Council Tax Freeze Grant	-78,660	-78,906
<b>Total Credited to Taxation and Non Specific Grant Income</b>	<b>-3,379,746</b>	<b>-3,160,237</b>
<b><i>Credited to Services</i></b>		
<b><i>Grants Received for Capital Purposes</i></b>		
Disabled Facilities Grant	-136,940	-155,564
Big Lottery Children's Play	-79,796	0
Sport England	-20,000	0
Flood Protection Grant	-790	-111,210
DCLG Mortgage Rescue Programme	-30,000	0
DCLG Weekly Collection Support Scheme	0	-222,000
Community Spaces	0	-37,134
DCLG - New Burdens Grant - Localising Support for Council Tax	0	-62,500
Other Capital Grants and Contributions	-3,000	-6,739
<b>Total Grants Received for Capital Purposes</b>	<b>-270,526</b>	<b>-595,147</b>

## Notes to the Core Financial Statements

	2011/2012 £	2012/2013 £
<b><i>Grants Received for Revenue Purposes</i></b>		
Habitats and Climate Change Grant	-16,835	0
DEFRA Flood Grant	-10,846	-2,154
NNDR Administration	-85,061	-85,289
Small Business Rate Relief	-2,995	-2,500
Lancashire Drug and Alcohol Action	0	-10,000
Lancashire Children's Trust	-20,000	-30,000
LAA and LSP Crime Reduction	-37,332	-20,222
Lancashire Highways Partnership	-61,900	-61,900
East Lancashire Primary Care Trust	-155,690	-91,168
Arts Council	0	-9,000
Sport England	-14,660	0
School Sports Partnership	0	-3,000
Lancashire Sport Partnership	0	-3,500
Ribble Valley Community Safety Partnership	-15,999	0
Council Tax Benefit subsidy	-2,323,979	-2,259,619
Rent Allowance Subsidy	-7,189,406	-7,386,178
Council Tax and Housing Benefit Administration	-271,107	-251,912
Performance Reward Grant toward Dog Warden Service	-4,000	0
DoH - Warm Homes Grant	-108,251	-51,839
DCLG Homelessness Grant	-50,000	-50,000
DCLG - Right to Bid Grant	0	-4,873
DCLG - Right to Challenge Grant	0	-8,547
DCLG New Burden Local Housing Allowance Grant	0	-16,497
DCLG - New Burdens Grant - Localising Support for Council Tax	0	-21,500
Other Grants	-34,905	-8,590
<b>Total Grants Received for Revenue Purposes</b>	<b>-10,402,966</b>	<b>-10,378,288</b>
<b>Total Credited to Services</b>	<b>-10,673,492</b>	<b>-10,973,435</b>

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

**30 RELATED PARTY TRANSACTIONS**

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

**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 the majority 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 the subjective analysis in Note 29, which details the grant income received by the council.

Transactions with central government have been disclosed within both the income and expenditure account and the cash flow statement, as well as in notes to the core financial statements.

**Members**

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid is shown at Note 26.

Within the year each member completed a 'Register of Members' Interests' form, the details of which are retained in the Register of Members Interests, which is open to public inspection at the Council Offices, Clitheroe. A number of members represent the Council on external bodies and organisations. Four members of the Council are Board Members of Ribble Valley Homes to whom the council transferred its housing stock on 31 March 2008.

There has been £6,700 of business transactions between the Council and businesses where 6 members had declared an interest; however the relevant members had no commissioning role in the transactions. With regard to the award of grants, £95,250 was awarded in the year to bodies in which 2 members had declared an interest on the 'Register of Members' Interests', but the relevant members did not take part in any discussions or decisions relating to the grants.

**Officers**

Within the year each member of staff completed a 'Register of Officer Interests' form. There has been £1,040 of business transactions between the Council and businesses where 4 members of staff had declared an interest; however the relevant members of staff had no commissioning role in the transactions. With regard to the award of grants, £850 was awarded in the year to bodies in which 3 members of staff had declared an interest. However, the relevant members of staff did not take part in any discussions or decisions relating to the grants.

## Notes to the Core Financial Statements

### Other Public Bodies

The main transactions that have taken place with other public bodies are the payment of precepts (Collection Fund page 105) to:

- Lancashire County Council
- Lancashire Police Authority
- Lancashire Fire and Rescue
- Precepting Parish and Town Councils

### 31 CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

	2011/2012 £	2012/2013 £
<b>Opening Capital Financing Requirement</b>	<b>4,041,248</b>	<b>3,897,490</b>
<b><u>Capital Investment</u></b>		
Property, Plant and Equipment	79,788	596,402
Intangible Assets	40,564	93,150
Revenue Expenditure Funded from Capital Under Statute	420,617	410,970
<b><u>Sources of Finance:</u></b>		
Capital Receipts	0	-311,775
Government Grants and Other Contributions	-362,687	-318,415
Sums set aside from revenue:		
- Revenue Contributions	-178,282	-470,332
- Minimum Revenue Provision	-143,758	-140,226
<b>Closing Capital Financing Requirement</b>	<b>3,897,490</b>	<b>3,757,264</b>
<b><u>Explanation of Movements in Year</u></b>		
Increase/(Decrease) in Underlying Need to Borrow (Unsupported by Government Financial Assistance)	-143,758	-140,226
<b>Increase/(Decrease) in Capital Financing Requirement</b>	<b>-143,758</b>	<b>-140,226</b>

**32 LEASES****The Council as Lessee****Finance Leases**

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

**Operating Leases**

The council holds a number of vehicles and pieces of land on operating leases. The majority of these are for three year terms.

The future minimum lease payments due are:

	2011/2012 £	2012/2013 £
Not later than one year	65,393	66,358
Later than one year and not later than five years	71,601	55,326
Later than five years	448,042	441,464
	<b>585,036</b>	<b>563,148</b>

The expenditure charged to the Cost of Services in the Comprehensive Income and Expenditure Statement in relation to the above leases was £76,604 (£78,667 in 2011/12).

**The Council as Lessor****Finance Leases**

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

**Operating Leases**

The council leases out property under operating leases for community services such as sports and leisure.

The future minimum lease payments receivable are:

	2011/2012 £	2012/2013 £
Not later than one year	-44,898	-44,042
Later than one year and not later than five years	-151,050	-143,850
Later than five years	-214,093	-195,133
	<b>-410,041</b>	<b>-383,025</b>

## Notes to the Core Financial Statements

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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 2012/13 income included under the Cost of Services in the Comprehensive Income and Expenditure Statement in relation to the above leases was £37,516. (£37,445 in 2011/12).

### 33 DEFINED BENEFIT PENSION SCHEMES

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#### 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 pensions liabilities with investment assets.

#### 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:

## Notes to the Core Financial Statements

	Local Government Pension Scheme	
	2011/2012 £'000	2012/2013 £'000
<b>Comprehensive Income and Expenditure Statement</b>		
<b>Cost of Services</b>		
- current service costs	783	826
- settlements and curtailments	49	0
<b>Financing and Investment Income and Expenditure</b>		
- interest cost	2,168	2,091
- expected return on scheme assets	-1,910	-1,667
<b>Total Post employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>1,090</b>	<b>1,250</b>
<b>Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>		
- actuarial gains and losses	2,859	2,564
<b>Total Post employment Benefit Charged to the Comprehensive Income and Expenditure Account</b>	<b>3,949</b>	<b>3,814</b>
<b>Movement in Reserves Statement</b>		
- reversal of net charges made to the Surplus or deficit for the Provision of Services for post employment benefits in accordance with the Code	-1,090	-1,250
<b>Actual amount charged against the General Fund Balance for pensions in the year:</b>		
- employers' contributions payable to the scheme	828	789

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2013 is a loss of £2,564,000 (31 March 2012 loss of £2,859,000).

## Notes to the Core Financial Statements

Assets and Liabilities in Relation to Post-employment Benefits

## Reconciliation of present value of the scheme liabilities:

Local Government Pension Scheme	2011/2012 £'000	2012/2013 £'000
<b>1 April</b>	<b>39,687</b>	<b>42,809</b>
Current Service Cost	783	826
Interest Cost	2,168	2,091
Contributions by scheme participants	280	274
Actuarial (gains)/losses on liabilities	1,430	5,344
Benefits paid	-1,588	-1,357
Settlements and Curtailments	49	0
<b>31 March</b>	<b>42,809</b>	<b>49,987</b>

The main reason for the increase in net liability is due to an increase in the actuarial (gains)/losses on liabilities. Actuarial (gains)/losses on liabilities is the change in the benefit obligation (liabilities) due to changes in the actuarial assumptions between the start and end of the year.

Over 2011/12 the discount rate reduced by 0.6% (increasing the liabilities), but was offset by a reduction in inflation and pay growth of 0.4% (which reduces the liabilities). Combining these gave a change in the net position (i.e. the real discount rate above inflation) of 0.2%, resulting in an actuarial loss of £1.4m.

Over 2012/13 the discount rate reduced by a further 0.7%, offset by a 0.1% reduction in inflation and pay growth. This gives a change in the real discount rate of 0.6%. This is three times greater than the change in 2011/12, and so results in a greater actuarial loss of £4.9m (broadly three times the 2011/12 figure). Furthermore, at 31 March 2013 the fund's actuary, Mercer Ltd, amended the mortality assumption based on the latest trends and evidence in this area, and this caused a further loss of just under £0.5m.

The changes in the financial assumptions (discount rate, inflation, pay growth) over the period were driven by movements in the underlying market conditions on which they are based. For example, the discount rate is based on AA rated corporate bond yields.



## Notes to the Core Financial Statements

**Reconciliation of fair value of the scheme assets:**

Local Government Pension Scheme	2011/2012	2012/2013
	£'000	£'000
<b>1 April</b>	<b>29,461</b>	<b>29,462</b>
Expected return on plan assets	1,910	1,667
Actuarial gains/(losses) on assets	-1,429	2,780
Employer contributions	828	789
Member contributions	280	274
Benefits/Transfers paid	-1,588	-1,357
<b>31 March</b>	<b>29,462</b>	<b>33,615</b>

The expected return on assets represents the allowance made, calculated at the start of the accounting year for the anticipated investment return to be earned on the assets during the year. Typically an investment return of 5.69% (net of expenses) on the existing assets is anticipated for accounting purposes.

**Scheme History**

Local Government Pension Scheme	2008/2009	2009/2010	2010/2011	2011/2012	2012/2013
	£'000	£'000	£'000	£'000	£'000
Present Value of Liabilities	-31,755	-42,812	-39,687	-42,809	-49,987
Fair Value of Assets	21,200	27,210	29,461	29,462	33,615
<b>Surplus/(Deficit) in the scheme</b>	<b>-10,555</b>	<b>-15,602</b>	<b>-10,226</b>	<b>-13,347</b>	<b>-16,372</b>

The liabilities show the underlying commitments that the council has in the long run to pay post-employment (retirement) benefits. The total liability of £16.372m 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.

- The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary.
- The total employer contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31 March 2014 are £810,000.

**Basis for estimating assets and liabilities**

Liabilities have been assessed on an actuarial basis, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc. The scheme liabilities have been assessed by Mercer Limited, an independent firm of actuaries, estimates for the fund being based on the latest full valuation of the scheme on 31 March 2010.

The principal assumptions used by the actuary have been:

## Notes to the Core Financial Statements

Local Government Pension Scheme	2011/2012	2012/2013
<b>Long term expected rate of return on assets in the scheme:</b>		
Equity investments	7.0%	7.0%
Government Bonds	3.1%	2.8%
Other Bonds	4.1%	3.9%
Property	6.0%	5.7%
Cash/Liquidity	0.5%	0.5%
Other	7.0%	7.0%
<b>Mortality Assumptions</b>		
Longevity at 65 for current pensioners:		
Men	21.7 years	22.1 years
Women	24.3 years	24.8 years
Longevity at 65 for future pensioners:		
Men	23.1 years	23.9 years
Women	25.9 years	26.7 years
Rate of CPI Inflation	2.50%	2.40%
Rate of increase in salaries	4.50%	4.40%
Rate of increase in pensions	2.50%	2.40%
Rate for discounting scheme liabilities	4.90%	4.20%
Take-up of option to convert annual pension into retirement lump sum	50%	50%

The expected rate of return on plan assets is based on market expectations, at the beginning of the period, for investment returns over the entire life of the related obligation. The assumption used is the average of the following assumptions appropriate to the individual asset classes weighted by the proportion of the assets in the particular asset class.

The assumed investment return on government bonds is the yield on 20-year fixed interest gilts at the relevant date. As at 31 March 2013 this yield was 2.8% p.a.

The expected investment return on corporate bonds is based on market yields at the relevant date, less a reduction to reflect a risk of default in the corporate bond yield. This means that the expected return on corporate bond investments is lower than the discount rate used in the calculations. As at 31 March 2013 we have taken the expected return as 3.9% p.a., which implies a reduction for the risk of default of 0.3% p.a. when compared with the corporate bond yield/discount rate appropriate to the 'mature' deviation profile for example.

It is generally accepted that the yield on equity investments will contain an 'equity risk premium' in addition to the yield on Government bonds, which are perceived as the 'least-risk' investment class, in order to compensate investors for the additional risk of holding this type of investment. Historical excess equity returns over more than 100 years have been approximately 4% p.a. on average. However, the level of equity risk premium can vary from time to time dependant on market levels and expectations for future returns. The scheme's actuary, Mercer Limited, have taken the overall expected return on equities as at 31 March 2013 as 7% p.a., implying an equity risk premium on equities of 4.2% p.a. over and above the gilt yield of 2.8% p.a.

## Notes to the Core Financial Statements

Assumed returns on property are based on the expected long term returns on cash investments, plus a risk premium to allow for expected out-performance of property over cash, and an adjustment for the impact of the expected volatility of the returns.

The actual return on scheme assets in the year was £4.447m (£0.480m return in 2011/12)

The Local Government Pension Scheme's assets consist of the following categories, by proportion of the total assets held:

Local Government Pension Scheme	31 March 2012	31 March 2013
	%	%
Equity investments	58.0	62.0
Government Bonds	5.0	7.9
Other Bonds	15.0	17.2
Property	10.0	9.3
Cash/Liquidity	5.0	3.5
Other	7.0	0.1
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

#### History of Experience Gains and Losses

The actuarial gains identified as movements on the Pensions Reserve in 2012/13 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March.

Local Government Pension Scheme	2008/2009	2009/2010	2010/2011	2011/2012	2012/2013
	%	%	%	%	%
Experience gains/losses on assets	34.3	20.3	2.6	4.9	8.3
Experience gains/losses on liabilities	0.0	0.0	7.4	0.0	0.0

## 34 CONTINGENT LIABILITIES

### Housing Stock Transfer Warranties

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

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

## Notes to the Core Financial Statements

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In addition the following specific warranties have been given:

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

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

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

In addition the following specific warranties have been given:

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

### Property Searches

Ribble Valley Borough Council is a defendant in proceedings brought by a group of Property Search Companies for refunds of fees paid to the Council to access land charges data. In the current litigation the Council faces a claim of £45,510 plus interest and costs. A second group of Property Search Companies are also seeking to claim refunds although no proceedings have yet been issued. The Council has been informed that the value of those claims at present is £46,170 plus interest and costs. The second group of Property Search Companies have also intimated that they may bring a claim against all English and Welsh local authorities for alleged anti-competitive behaviour. It is not clear what the value of any such claim would be as against the Council. It is possible that additional claimants may come forward to submit claims for refunds, but none have been intimated at present.

**Recycling Credits**

Ribble Valley Borough Council receives recycling credits from Lancashire County Council for recycle material that is collected as part of the waste collection service that the council provides to residents. There is currently a disagreement on the level of credits that are payable to the council for waste paper and card in the 2012/13 financial year. Of the total invoiced by Ribble Valley Borough Council for 2012/13, an amount of £30,590 remains outstanding. Ribble Valley Borough Council continues to pursue this outstanding debt.

**35 CONTINGENT ASSETS**

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**VAT Sharing Arrangement**

As part of the Voluntary Stock Transfer an agreement has been reached with Ribble Valley Homes Ltd to share the Value Added Tax that they can claim from HM Revenue and Customs. This arrangement is unique to Councils and Registered Social Landlords upon transfer. Ribble Valley's share of total reclaimable VAT is likely to be in the region of £4.4m over 15 years with the first payment having been received for the financial year 2008/09.

**Receipts from Former Council House Sales**

We have agreed to share any proceeds of former Council House Sales if they are subsequently sold by Ribble Valley Homes Ltd. The arrangement for sharing council house sales receipts lasts for 10 years from 1 April 2008 and the amount received will depend on the number of sales each year.

**Trade Waste Service VAT Reclaim**

The Council engaged the services of consultants to pursue a potential VAT claim for trade waste services. The claim remains outstanding at the 31 March 2013 and is currently being considered by HM Revenue and Customs. If successful this challenge could potentially lead to reimbursement of around £132,000 of VAT plus additional interest. It is anticipated a decision will be made within the 2013/14 financial year.

**36 NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS**

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

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

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources

## Notes to the Core Financial Statements

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available to fund services. Risk management is carried out within the Council's Financial Services team, under policies approved by the Council in the annual treasury management strategy.

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

### **Overall Procedures for Managing Risk**

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

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

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

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

This Council's treasury portfolio is not of a significant size to provide significant treasury risk.

**Credit risk**

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

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

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

- Investments to Building Societies limited to top 8 based on total assets
- Institutions must have a short term Fitch IBCA rating of F2 or above
- 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 2013 can be analysed by age as shown in the table below. Note 14 to the accounts shows a total provision for the impairment of debts of £142,804 of which £13,238 relates to sundry debts (£115,891 including impairment for total Housing Benefit recovery impairment). The balance is in respect of this Council's share of the Council Tax impairment of debts.

The council's maximum exposure to credit risk in relation to its investments in banks and building societies at the 31 March was nil, based on past and current experience. A risk of irrecoverability applies to all of the council's deposits, but there was no evidence at the 31 March 2013 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.

## Notes to the Core Financial Statements

	Amount at 31 March 2013	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2013	Estimated maximum exposure to default and uncollectability at 31 March 2013	Estimated maximum exposure at 31 March 2012
	£ A	% B	% C	£ (A x C)	£
Deposits with banks and building societies	2,515,000	0.00%	0.00%	0	0
Customers (Sundry Debt including overpaid Housing Benefits)	416,604	2.18%	27.82%	115,891	115,916

The council expects settlement terms from debtors of no greater than 14 days. On this basis £287,000 of the sundry debtor balance at 31 March 2013 is past its due date for payment; 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 - 31 March 2013	£'000
Less than 30 days	71
30 days to 59 days	50
60 days to 89 days	7
90 days to 119 days	4
120 days +	199
	<b>331</b>

**Liquidity risk**

The council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the council has ready access to borrowings from the money markets and the Public Works Loans Board. 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.



## Notes to the Core Financial Statements

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 2012	31 March 2013
	£'000	£'000
Less than one year	71	71
Between 1 and 2 years	71	53
Between 2 and 5 years	124	94
Between 5 and 10 years	65	52
More than 10 years	105	95
	<b>436</b>	<b>365</b>

### Market Risk

#### Interest Rate Risk

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

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

The aim of the prudential indicators is to contain the activity of the treasury function within certain limits thereby reducing the risk or likelihood of an adverse movement in interest rates or borrowing decisions that could impact negatively on the Council's overall financial position. These new indicators, which were approved as part of the annual budget in March 2012, are as follows:

Limits in Interest Rate Exposure	2012/2013 Upper	2013/14 Upper	2014/15 Upper
Maximum Principal Sums Borrowed >364 Days	£5.900m	£5.547m	£5.639m
Limits on Fixed Interest Rates	100%	100%	100%
Limits on Variable Interest Rates	20%	20%	20%

## Notes to the Core Financial Statements

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The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together 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 £40,000. 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.

## **37 HERITAGE ASSETS: FIVE-YEAR SUMMARY OF TRANSACTIONS**

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There have been no acquisitions, donations, disposals or impairments for any of the Council's heritage assets in the current, or previous four, financial years.

# Collection Fund

The Collection Fund 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.

	2011/2012 £'000	2012/2013 £'000
<b><i>Income</i></b>		
Council Tax	30,721	30,854
Transfers From General Fund - Council Tax Benefits	2,302	2,240
Business Rates	12,473	13,059
Share of Estimated Deficit		
- Lancashire County Council	106	68
- Ribble Valley Borough Council	15	10
- Lancashire Police Authority	14	9
- Lancashire Combined Fire Authority	6	4
	<b>45,637</b>	<b>46,244</b>
<b><i>Expenditure</i></b>		
Precepts and Demands:		
- Lancashire County Council	24,786	24,864
- Ribble Valley Borough Council	3,519	3,528
- Lancashire Police Authority	3,271	3,363
- Lancashire Combined Fire Authority	1,423	1,428
Business Rates - Payment to National Pool	12,388	12,974
- Costs of Collection	85	85
Provision for Bad/Doubtful Debts	49	52
	<b>45,521</b>	<b>46,294</b>
<b>(Deficit)/Surplus for the Year</b>	<b>116</b>	<b>-50</b>
Deficit Brought Forward	-281	-165
<b>Deficit Carried Forward</b>	<b>-165</b>	<b>-215</b>

## Collection Fund

### 1 STATUTORY POSITION

These accounts represent the transactions of the collection fund for which there is a statutory requirement contained in the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992) to establish and maintain a separate fund for the collection and distribution of amounts due in respect of council tax and national non-domestic rates. Collection fund balances are consolidated in the balance sheet.

### 2 INCOME FROM BUSINESS RATES

Under the arrangements for the administration of uniform business rates, the Council collects non-domestic rates for its area that are based on local rateable values multiplied by a uniform rate. The total amount, less certain reliefs and other deductions, is paid to a central pool (the NNDR pool) managed by central government, which in turn pays back to authorities their share of the pool based on a standard amount per head of the local adult population. Under these arrangements the amounts included in these accounts can be analysed as follows:

	2011/2012	2012/2013
	£	£
Gross Rates	15,608,095	16,699,576
Less Allowances and Other Adjustments	-3,134,970	-3,640,226
<b>Income Collectable From Business Ratepayers</b>	<b>12,473,125</b>	<b>13,059,350</b>
Less Cost of Collection	-85,061	-85,289
<b>Net Payment to National Pool</b>	<b>12,388,064</b>	<b>12,974,061</b>

The total non-domestic rateable value at 31 March 2013 was £37,167,635 compared to £36,924,018 at 31 March 2012 based on the 2010 listing.

The national non-domestic multiplier (rate in the pound) for the year 2012/13 was 45.8 pence compared to 43.3 pence in the year 2011/12.

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.

### 3 COUNCIL TAX BASE

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

The Council set a band D council tax of £1,462.57 which was calculated by dividing the aggregate of the Council's expenditure to be met from the council tax and the Lancashire County Council, Lancashire Police Authority 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	7	6.50	3.6
A	6/9	3,332	2,830.00	1,886.7
B	7/9	4,631	4,117.75	3,202.7
C	8/9	4,704	4,246.75	3,774.9
D	1	4,317	3,992.50	3,992.5
E	11/9	3,179	2,993.25	3,658.4
F	13/9	2,001	1,902.25	2,747.7
G	15/9	1,820	1,741.00	2,901.7
H	18/9	182	176.00	352.0
<b>Totals</b>		<b>24,173</b>	<b>22,006.00</b>	<b>22,520.20</b>
			Adjustments	-86.20
			<b>Council Tax Base</b>	<b>22,434</b>

## Collection Fund

**4 BAND D COUNCIL TAX**

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

	2011/2012 £	2012/2013 £
Lancashire County Council Precept	24,785,998	24,863,629
Lancashire Police Authority Precept	3,271,167	3,363,453
Lancashire Combined Fire Authority Precept	1,423,469	1,427,924
Ribble Valley Borough Council Demand (excluding Parishes)	3,146,391	3,156,239
<b>Total to be Met From Council Tax</b>	<b>32,627,025</b>	<b>32,811,245</b>
Divided by Council Tax Base (Band D Equivalent Dwellings)	22,364	22,434
<b>Band D Council Tax (Average excluding Parishes)</b>	<b>£1,458.91</b>	<b>£1,462.57</b>

**5 PROVISION FOR LOSSES**

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

	Council Tax £	NNDR £	Total £
Opening Balance	210,000	250,000	<b>460,000</b>
Write Offs in Year	-12,119	-227,774	<b>-239,893</b>
Increase to Provision	52,119	227,774	<b>279,893</b>
<b>Closing Balance</b>	<b>250,000</b>	<b>250,000</b>	<b>500,000</b>

**6 PRECEPTS AND DEMANDS ON THE COLLECTION FUND**

From 1 April 2009, 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.

Precept	2011/2012 Share of 31				2012/2013 Share of 31		
	March	Total	March		Total		
	Deficit £'000	£'000	Deficit £'000		£'000		
24,786	124	<b>24,910</b>	Lancashire County Council	24,864	162	<b>25,026</b>	
3,271	17	<b>3,288</b>	Lancashire Police Authority	3,363	22	<b>3,385</b>	
1,423	7	<b>1,430</b>	Lancashire Combined Fire Authority	1,428	9	<b>1,437</b>	
3,147	17	<b>3,164</b>	Ribble Valley Borough Council	3,156	23	<b>3,179</b>	

# Glossary of Terms

## **Accounting Period**

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

## **Accounting Policies**

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

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

Accounting policies do not include estimation techniques.

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

## **Accruals**

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

## **Accruals Basis**

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

## **Actuarial Gains and Losses**

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

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

## **Amortisation**

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

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## Glossary of Terms

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### Balances

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

### Capital Expenditure

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

### Capital Financing Costs

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

### Capital Receipt

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

### Carrying Amount

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

### Collection Fund

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

### Community Assets

Assets that the council intends to hold in perpetuity, that have no determinable useful life, and that may have restrictions on their disposal. Examples of community assets are parks and historical buildings.

### Consistency

The principle that the accounting treatment of like items within an accounting period and from one period to the next is the same.

### Contingent Asset

A contingent asset is a possible asset arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the local authority's control.

### Contingent Liability

A contingent liability is either:

- I. a possible obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the council's control, or
- II. a present obligation arising from past events where it is not probable that a transfer of economic benefits will be required or the amount of the obligation cannot be measured with sufficient reliability.



**Corporate and Democratic Core**

The corporate and democratic core comprises all activities which local authorities engage in specifically because they are an elected, multi-purpose council. The cost of these activities are thus over and above those which would be incurred by a series of independent, single purpose, nominated bodies managing the same services. There is therefore no logical basis for apportioning these costs to services.

**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

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### **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.

### **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.

### **Going Concern**

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

### **Government Grants**

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

### **Impairment**

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

### **Infrastructure Assets**

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

### **Intangible Asset**

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

### **Interest Cost (Pensions)**

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

### **Inventories**

The amount of unused or unconsumed stocks held in expectation of future use. When use will not arise until a later period, it is appropriate to carry forward the amount to be matched to the use or consumption when it arises.

**Investment Properties**

Property (land or a building, or part of a building or both) held solely to earn rentals or for capital appreciation or both, rather than for:

- I. use in the production or supply of goods or services or for administrative purposes, or
- II. sale in the ordinary course of operations.

**Long-term Contracts**

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

**Net Book Value**

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

**Net Current Replacement Cost**

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

**Net Debt**

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

**Net Realisable Value**

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

**Non Current Assets**

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

**Operating Lease**

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

**Past Service Cost**

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

## Glossary of Terms

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### Precepts

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

### Prepayment

The payment of a debt obligation before it is due

### Provision

A liability of uncertain timing or amount

### Remuneration

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

### Reserves

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

### Residual Value

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

### Retirement Benefits

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

### Revenue Expenditure

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

### Revenue Expenditure Funded from Capital Under Statute

Expenditure of a capital nature but for which there is no tangible asset, for example renovation grants.

### Revenue Support Grant

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

### Scheme Liabilities

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

**Tangible Fixed Assets**

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

**Useful Life**

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

**Abbreviations used within the Statement of Accounts**

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







Ribble Valley  
Borough Council

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