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Ribble Valley
Borough Council

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Dear Councillor

The next meeting of the **ACCOUNTS AND AUDIT** Committee will be held at **6.30 pm** on **WEDNESDAY, 17 NOVEMBER 2021** in the **Council Chamber, 13 Church Street, Clitheroe, BB7 2RA.**

I do hope you can be there.

Yours sincerely

M. H. Scott

CHIEF EXECUTIVE

AGENDA

1. **APOLOGIES FOR ABSENCE**
2. **TO APPROVE THE MINUTES OF THE PREVIOUS MEETING** (Pages 3 - 6)
3. **DECLARATIONS OF DISCLOSABLE PECUNIARY, OTHER REGISTRABLE AND NON REGISTRABLE INTERESTS**

Members are reminded of their responsibility to declare any disclosable pecuniary, other registrable or non-registrable interest in respect of matters contained in the agenda.

4. **PUBLIC PARTICIPATION**

ITEMS FOR DECISION

5. **ANNUAL GOVERNANCE STATEMENT** (Pages 7 - 28)
Report of Director of Resources enclosed.
6. **AUDIT FINDINGS REPORT** (Pages 29 - 68)
Report of Director of Resources enclosed.
7. **LETTER OF REPRESENTATION** (Pages 69 - 72)
Report of Director of Resources enclosed.

8. **APPROVAL OF AUDIT STATEMENT OF ACCOUNTS 2020/21** (Pages 73 - 258)

Report of Director of Resources enclosed.

9. **INFORMING THE AUDIT RISK ASSESSMENT** (Pages 259 - 292)

Report of Director of Resources enclosed.

ITEMS FOR INFORMATION

10. **INTERNAL AUDIT ANNUAL REPORT 2020/21** (Pages 293 - 296)

Report of Director of Resources enclosed.

11. **INTERNAL AUDIT PROGRESS REPORT 2021/22** (Pages 297 - 302)

Report of Director of Resources enclosed.

12. **S106 AGREEMENTS** (Pages 303 - 308)

Report of Director of Economic Development and Planning enclosed.

13. **REPORTS FROM REPRESENTATIVES ON OUTSIDE BODIES**

14. **EXCLUSION OF PRESS AND PUBLIC**

None.

Electronic agendas sent to members of Accounts and Audit – Councillor David Berryman (Chair), Councillor Susan Bibby, Councillor Louise Edge, Councillor Kerry Fletcher, Councillor Stewart Fletcher, Councillor Jonathan Hill, Councillor Stuart Hirst, Councillor Richard Newmark, Councillor David Peat, Councillor James (Jim) Rogerson and Councillor Richard Sherras (Vice-Chair).

Contact: Democratic Services on 01200 414408 or committee.services@ribblevalley.gov.uk

Minutes of Accounts and Audit

Meeting Date: Wednesday, 29 September 2021, starting at 6.30 pm
Present: Councillor D Berryman (Chair)

Councillors:

S Bibby	D Peat
L Edge	J Rogerson
S Fletcher	R Sherras
J Hill	

In attendance: Director of Resources, Head of Financial Services, Head of Legal and Democratic Services and Sophia Iqbal (Grant Thornton)

Also in attendance: Councillor K Fletcher

335 APOLOGIES FOR ABSENCE

Apologies for absence were received for the meeting from Councillors B Buller, S Hirst and R Newmark.

336 TO APPROVE THE MINUTES OF THE PREVIOUS MEETING

The minutes of the meeting held on 28 July 2021 were approved as a correct record and signed by the Chairman.

337 DECLARATIONS OF PECUNIARY AND NON PECUNIARY INTERESTS

There were no declarations of pecuniary and non-pecuniary interests.

338 PUBLIC PARTICIPATION

There was no public participation.

339 LOCAL CODE OF CORPORATE GOVERNANCE

The Director of Resources asked committee to consider the revised Local Code of Corporate Governance. The Code is a public statement that sets out the way the Council will meet its commitments to demonstrate that it has the necessary corporate governance arrangements in place to perform effectively.

The Local Code of Corporate Governance is reviewed and approved annually by this committee and is the Council's forward-looking statement of how the governance culture of the organisation will be driven. Within the framework there are seven core principles that look to steer the application of good governance in everything that members and staff undertake by highlighting how their work on behalf of the council will be approached.

There were no further changes to the Local Code of Governance that was currently in place. With regard to embedding good governance within the organisation, endeavours would be made to raise awareness levels with staff and members covering the seven principles and the manner in which work should be approached as detailed in the Code.

RESOLVED THAT COMMITTEE:

Approve the reviewed Local Code of Corporate Governance as attached to the report.

340 STATEMENT OF ACCOUNTS 2020/21 - PROGRESS REPORT

The Director of Resources submitted a report for information giving an update on progress regarding the production of the Statement of Accounts for 2020/21 and the external audit of the same.

Committee were reminded that the deadlines for the preparation and audit of the Statement of Accounts had changed following the Redmond review to 1 August and 30 September for the two accounting years 2020/21 and 2021/22. However, due to the complexities of accounting in respect of Covid-19 these new deadlines had not been met this year.

In working closely with the external auditors Grant Thornton, the Statement of Accounts had now been published and the external audit was underway. It was expected that committee would be asked to approve the Audited Statement of Accounts at their next meeting in November 2021.

341 PSAA CONSULTATION RESPONSES AUDITOR APPOINTMENTS FOR PERIOD 2023/24 TO 2027/28

The Director of Resources submitted a report for information on the report issued by the Public Sector Audit Appointments (PSAA) regarding their consultation responses for the appointment of auditors for the period 2023/24 to 2027/28.

Committee were reminded that during autumn 2021 all local government and police bodies would need to make important decisions about their external audit arrangements for the five-year period commencing from the financial year 2023/24. This could be done individually or through the national collective scheme administered by PSAA.

A draft prospectus had been issued in the summer by PSAA for consultation and the full report of responses had now been issued including specific areas requiring urgent action to the new Local Audit Liaison Committee established by MHCLG.

PSAA were currently finalising both its prospectus for the national scheme from April 2023 and its procurement strategy.

The Director of Resources reported that the official opt-in invitation had now been received from PSAA and a decision by full council had to be made by 11 March 2022.

342 COMMUNITY GRANTS

The Director of Resources submitted a report for information of the various community grant schemes operated by the council, the qualifying criteria and who decides how the grants are allocated. This included voluntary organisation grants, recreation and culture grants, sporting excellence grants; arts excellence grants, arts development grants, Ribble Valley in bloom grants, Christmas lights grants, luncheon club grants and concurrent functions grants.

343 INTERNAL AUDIT PROGRESS REPORT 2020/21

The Director of Resources submitted a report for information on the progress of internal audit work to the end of August 2021.

Audit coverage had been lower than that originally planned and as a result additional external resources had been engaged and would continue whilst needed. Staff vacancies had had an impact on coverage and the services of Mersey Internal Audit Agency had been used to ensure adequate audit coverage to be able to provide members with an informed Audit opinion at the end of the year.

344 AUDIT PROGRESS REPORT AND SECTOR UPDATE

Grant Thornton presented their audit progress report for the year ending March 2021. Sophia Iqbal informed committee that work had started on the draft financial statements in September 2021 with the aim being to give their opinion by the end of November 2021. Good progress was being made.

She informed committee that the most significant change under the new Code was the introduction of an Auditor's Annual Report on arrangements to secure value for money and any associated recommendations which was a more complex approach from previously done.

The report set out the audit deliverables and the results of interim audit work where there had been no identified weaknesses to date.

345 CODE OF CONDUCT TRAINING

The Head of Legal and Democratic Services gave members feedback on the training sessions held the previous day on the new Code of Conduct delivered by Paul Hoey of HoeyAinscough Associates. 34 councillors had attended the sessions along with members of the Corporate Management Team and the two Independent Persons. Those who had missed the training would be invited to attend another session in due course.

346 REPORTS FROM REPRESENTATIVES ON OUTSIDE BODIES

There were no reports from representatives on outside bodies.

347 DIGITISATION OF THE ASSET REGISTER

The Head of Legal and Democratic Services gave members an update on the progress of digitising the asset register. It was intended that this be available by the end of the municipal year.

348 EXCLUSION OF PRESS AND PUBLIC

That by virtue of the next item of business being exempt information under Paragraph 2 of part 1 of Schedule 12A of the Local Government Act the press and public be now excluded from the meeting.

349 INTERNAL AUDIT TEAM STAFFING

The Director of Resources submitted a report for information on the internal audit team staffing and current issues being experienced with recruitment in this area.

The meeting closed at 7.33 pm

If you have any queries on these minutes please contact the committee clerk, Olwen Heap olwen.heap@ribblevalley.gov.uk.

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RIBBLE VALLEY BOROUGH COUNCIL REPORT TO ACCOUNTS & AUDIT COMMITTEE

meeting date: 17 NOVEMBER 2021
title: ANNUAL GOVERNANCE STATEMENT
submitted by: DIRECTOR OF RESOURCES
principal author: SUZANNE RAWSON

1 PURPOSE

- 1.1. To provide members with details of the Annual Governance review for 2020/21 and seek approval of the resulting Annual Governance Statement.
- 1.2. Relevance to the Council's ambitions and priorities:
 - Community Objectives – none identified.
 - Corporate Priorities – assessing the Council's system of internal control contributes to the achievement of the corporate priority of being a well-managed Council.
 - Other Considerations – none identified.

2 BACKGROUND

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

3 GOVERNANCE REVIEW

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

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

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

Review of Significant Governance Issues Raised in the Annual Governance Statement 2019/20

3.4. There were a number of actions recommended in the 2019/20 annual governance review, and progress with these is detailed in the attached statement and summarised below.

<p>Peer Challenge Review <i>Carried Forward from 2017/18 and 2018/19 reviews</i></p>	<p>Work continues to address the issues raised as part of the Peer Challenge Review in 2017/18 and follow-up visit in September 2019. The recommendations made at that time are attached at Annex 1, showing progress and the outstanding issues as last reported to Policy and Finance Committee.</p> <p>As part of this review it is recognised that progress has been made, but that the outstanding recommendations need to be addressed.</p>	<p>As many of the actions have since been addressed or are being separately monitored through Policy and Finance Committee this action can be closed for AGS purposes.</p>	<p>Complete for AGS purpose but to continue to be monitored by Policy and Finance Committee</p>
<p>Refuse Vehicle Maintenance Costs <i>Carried Forward from 2017/18 and 2018/19 reviews</i></p>	<p>There has continued to be an overspend in refuse vehicle maintenance costs which have been highlighted to the relevant committees during the year.</p> <p>Work needs to continue to review the overspend and the associated budgets.</p>	<p>Vehicle repair costs continued to overspend in 2020/21 whilst there were issues with staffing levels and the need for external service providers. During 2021/22 spend levels have returned to budgeted levels in the early months of the financial year.</p>	<p>Carried forward to ensure spend levels remain within budget.</p>

Members Code of Conduct – Complaints Process <i>Carried Forward from 2018/19 review</i>	In light of the considerable disruption to council business over the last 18 months it is recommended that the members Code of Conduct is reviewed and the process for dealing with such complaints	A review was undertaken and the revised code was submitted to the Accounts and Audit Committee for approval on 14 th April 2021.	Complete
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Review of Significant Governance Issues for 2020/21

3.5. There have been a number of areas raised as a result of this year’s annual review. These are detailed within the statement and summarised below.

Refuse Vehicle Maintenance Costs <i>Carried Forward from 2017/18, 2018/19 and 2019/20 reviews</i>	<p>There has continued to be an overspend in refuse vehicle maintenance costs which have been highlighted to the relevant committees during the year (£190,400 in 2020/21).</p> <p>Work needs to continue to review the overspend and the associated budgets, however indications in 2021/22 show spend levels returned to those budgeted. This is following the ending of the use of third parties in our fleet management.</p>	Community Services Committee to continue to monitor spend closely to ensure levels have returned to be within budget in the longer term.
Recruitment and Staff Retention	The council continues to face significant recruitment and staff retention issues across a number of services.	A Pay Structure Working Group that reports to Personnel Committee has been put in place to examine Recruitment and Staff Retention

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

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

4 RISK ASSESSMENT

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

- Resources – work is underway on addressing the issues that have been raised as part of the annual governance review and it is anticipated that all actions can be completed within existing budgets and staffing resources.

- Technical, Environmental and Legal – None identified
- Political – None identified
- Reputation – The Council must ensure that it has a sound system of internal control in place. Failing to adhere to the principles detailed in the Local Code of Corporate Governance has the potential to significantly harm the reputation of the council.
- Equality & Diversity – None identified

5 RECOMMENDED THAT COMMITTEE

- 5.1. Approve the attached Annual Governance Statement 2020/21, which is attached at Annex 1.

INTERNAL AUDITOR

DIRECTOR OF RESOURCES

AA19-21/SR/AC
4 November 2021

BACKGROUND PAPERS

None

For further information please ask for Suzanne Rawson.

Annual Governance Statement

2020/21



Ribble Valley
Borough Council

www.ribblevalley.gov.uk

Annual Governance Statement 2020/21

1. SCOPE OF RESPONSIBILITY

- 1.1 Ribble Valley Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards; that public money is safeguarded and properly accounted for, and is used economically, efficiently and effectively. The council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, the council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, including arrangements for the management of risk and for dealing with issues which arise.
- 1.3 The council has approved and adopted a Local Code of Corporate Governance, which is reviewed annually and is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government (2016). A copy of the Local Code is [on our website](#).
- 1.4 This statement explains how the council has complied with the Local Code and also how it meets the requirements of the Accounts and Audit (England) Regulations 2015, which requires all relevant bodies to prepare an Annual Governance Statement.
- 1.5 The council's annual review of the effectiveness of its corporate governance for 2020/21 provides assurance on the governance arrangements in place, the progress made against significant governance issues raised at the last annual review and includes an action plan to address significant governance issues identified through this year's review.

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

- 2.1. The governance framework comprises the systems and processes, culture and values by which the council is directed and controlled, and its activities through which it accounts to, engages with and leads its communities. It enables the council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.
- 2.2. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.
- 2.3. The governance framework has been in place at the council for the year ended 31 March 2021 and up to the date of approval of the statement of accounts.

3. THE GOVERNANCE FRAMEWORK

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

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

Behaving with Integrity

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

Demonstrating Strong Commitment to Ethical Values

- 3.11. Under its terms of reference, the Accounts and Audit Committee champions high standards of ethical governance from elected members and the council as a whole.
- 3.12. In 2020 the Local Government Association (LGA) reviewed the 'Model Councillor Code of Conduct' which is designed to protect councillors' democratic roles, encourage good conduct and safeguard the public's trust in local government. The Localism Act 2011 requires councils to produce a code of conduct. They can adopt the LGA code or abide by a local one of their own.
- 3.13. The council has adopted a new code based on the one drawn up by the LGA relating to the seven core principles of public life set out in law. They are selflessness, integrity, objectivity, accountability, openness, honesty and leadership. The code sets out the standards of conduct expected of Ribble Valley councillors, including why and how to register and declare financial and other interests, including gifts and hospitality.

- 3.14. A full council meeting agreed to adopt the new code and councillors will receive training in relation to it during 2021/22. Any allegations that the Code has been breached are dealt with under a procedure approved by the Accounts and Audit Committee.
- 3.15. Whilst codes of conduct for members and staff are in place, there has been no formal training on ethical awareness over the 2020/21 financial year, however it is part of the new members' induction process. There are plans in place to roll out a training programme for all staff starting with Heads of Service. This will cover key elements of the Constitution.
- 3.16. The council's performance appraisal process does not specifically take account of values and ethical behaviour.
- 3.17. The council's Corporate Plan 2019-2023 includes the objective 'To aspire to be a carbon neutral borough by 2030' and includes a priority action of developing 'an action plan to work towards being a carbon neutral borough by 2030 which is based on a better understanding of our current carbon emissions'.
- 3.18. In November 2019, the Policy and Finance Committee agreed to the setting up of a Climate Change Working Group to consider how the Council is meeting the challenge of climate change, both in relation to how the Council provides its own services and how it provides wider support to the community in their efforts to tackle climate change. The work of the group is ongoing with a view to devising a strategy to achieve the council's target of being a carbon neutral borough by 2030.
- 3.19. Procurement activity is undertaken in line with the council's Contract Procedure Rules and Financial Regulations, with any requirements to seek exemption from the same being reported to, or requested from, the relevant service committee through submission of a report.
- 3.20. The council's ethical requirements are expressed through its procurement activity in the form of contract documents and its standard terms and conditions of purchase.

Respecting the Rule of Law

- 3.21. The council has designated the Head of Legal and Democratic Services as Monitoring Officer. The Monitoring Officer has the specific duty to ensure that the council, its officers and its elected members maintain the highest standard of conduct in all they do and as such holds three main roles:
- to report on matters they believe are, or are likely to be, illegal or amount to maladministration;
 - to be responsible for matters relating to the conduct of councillors and officers; and
 - to be responsible for the operation of the council's Constitution.
- 3.22. With reference to the Constitution, this is reviewed annually and approved by Full Council. The council's Monitoring Officer has statutory reporting duties in respect of unlawful decision making and maladministration.
- 3.23. The council's Chief Executive, in the statutory role of Head of Paid Service is responsible for:
- the manner in which the discharge by the council of their different functions is coordinated;
 - the number and grades of staff required by the council for the discharge of their functions;
 - the organisation of the council's staff; and
 - the appointment and proper management of the council's staff.
- 3.24. The council's Chief Financial Officer (S151 Officer) is the Director of Resources. The council complies with CIPFA's Statement on the Role of the Chief Financial Officer in Local Government.

- 3.25. The council's decision-making hierarchy and terms of reference for each committee are clearly identified within the Constitution.
- 3.26. Any legal advice provided by officers would be retained on the relevant files for future reference. Committee reports include a section in respect of legal risks, and the input from the legal team should be sought in the completion of this section where relevant.
- 3.27. The council has in place an Anti-Fraud and Corruption Policy which was due to be reviewed in 2020/2021. This has been delayed and will now be reviewed in 2021/22.

Principle B - Ensuring openness and comprehensive stakeholder engagement

Openness

- 3.28. Council meetings are open to the public, other than in limited circumstances where consideration of confidential or exempt information means that the public are excluded. Each meeting also includes public participation with an opportunity to speak regarding items on the agenda.
- 3.29. The council utilises its website to provide an open culture with access to meeting agendas, reports and minutes. Transparency information is also reported in a timely manner and is grouped together for ease of access.
- 3.30. The information which residents use most, such as Council Tax and Planning can be accessed quickly and easily from the main page.
- 3.31. The council's priorities and core values are clearly identified in the Corporate Strategy 2019-2023 and includes key actions. This is available on the council website, as is the Community Strategy. The Community Strategy was due to be reviewed in 2020/21 but was delayed by Covid-19. The review is ongoing with consideration being given as to whether or not there will be a new/replacement strategy implemented in 2021/22.
- 3.32. All decisions of the council are made in accordance with principles laid down in the Constitution. All reports follow a format that is repeated across all committees and where a decision is needed, they provide the information necessary for members. Any further requests for information are minuted.
- 3.33. A set timetable is in place for meetings, the production and distribution of agenda packs, and the holding of briefings prior to the meeting between key officers and committee chairs and vice-chairs.
- 3.34. From mid-March 2020 all council meetings were cancelled due to the Covid-19 pandemic until 4th April 2020 when new regulations came into force under section 78 of the Coronavirus Act 2020. An addendum to the Standing Orders resulted in the council being able to continue its meetings with members in 'remote attendance' and this was facilitated with the purchase of new equipment and relevant licenses. Details of the meetings were publicised ensuring that members of the public could also attend remotely if they so wished.
- 3.35. We make use of a Citizens Panel and other consultations and surveys wherever possible in informing decisions.

Engaging Comprehensively with Institutional Stakeholders

- 3.36. The council's Communications Strategy for 2019-2021 can be viewed on the council's website.
- 3.37. The council does not have any formal partnerships in place and so there were no reviews to be undertaken in this area.

Engaging Stakeholders Effectively, Including Individual Citizens and Service Users

- 3.38. When the council is looking to consult, it reviews the parties that need to be involved and looks to ensure that those with an interest are involved. The council has previously been part of the Infusion Research partnership which assisted the Council with research and consultation activity. Any future consultation will be arranged on an ad-hoc basis as and when required and, if required, expertise will be procured from research and consultation consultants.
- 3.39. The council has a Citizens Panel which enables the council to access the views of Ribble Valley residents. The results can be used to develop policies and strategies, inform decision-making and identify where service improvements may be required.
- 3.40. The bi-annual Perception Survey was due to be undertaken in May 2020 but this was delayed due to the impact of Covid-19 on the Council's day-to-day operations. It is intended to undertake the survey during 2021/22. The survey provides residents with the opportunity to have their say on a range of issues affecting their locality and quality of life. When the survey is undertaken a report of its findings will be reported to Policy and Finance Committee in due course.
- 3.41. The council actively promotes the use of its social media sites and engagement with its website.

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

Defining Outcomes

- 3.42. The council's vision, priorities and objectives are clearly set out in the approved Corporate Strategy document 2019 - 2023, which is available to view on the council's website. The Corporate Strategy Action Plan sets out underlying actions that have been established in order to support and measure progress towards the achievement of the council's objectives detailed in the strategy. The document is reviewed on an annual basis. There are no individual service plans in place.
- 3.43. The Core Strategy 2008-28 sets out the long-term vision for the Borough and the strategic policies that will deliver that vision, including the Development Management policies.
- 3.44. The Community Strategy 2014-2019 sets out the Council's community aspirations, needs and priorities. The strategy outlines a series of priorities and objectives, including tackling rural isolation, affordable housing, tourism, the environment and public transport. The Strategy was due to be reviewed in 2019/20 but this was rolled over to 2020/21. This has been further delayed by Covid-19. The review is ongoing with consideration being given as to whether or not there will be a new/replacement strategy implemented in 2021/22.
- 3.45. The Medium-Term Financial Strategy outlines how we intend to raise and use the resources needed to deliver our services and priorities over the medium term. It is a 3-year strategy which is fully reviewed annually to reflect any changes and includes a budget forecast that is reviewed bi-annually. The strategy covers both revenue and capital budgets.
- 3.46. The council has a performance management framework which allows it to monitor progress on a number of key service areas. Progress is reported to the Corporate Management Team and final outturn performance is reported to relevant Service Committees at the end of the financial year.
- 3.47. The Council's Risk Register sets out the risks that we have to manage to help us achieve our objectives.
- 3.48. The council also has processes in place to identify and manage risks. The Risk Register is used to provide assurance over actions being taken to manage key risks, to inform risk management planning and help in seeking to mitigate such risks.

Sustainable Economic, Social and Environmental Benefits

- 3.49. Consideration is given to economic, social and environmental benefits in the assessing of bids for the council's capital programme.
- 3.50. As capital resources are limited, a large proportion of the capital programme is committed to the ongoing replacement of items such as vehicles and plant. The latest environmental best practice is always reflected upon when procuring such items, within the budgets that are available.
- 3.51. Full detailed information is provided to members in the budget setting process for both revenue and capital. The Budget Working Group is valued and allows for more focused work to be undertaken and specific guidance to be given to Service Committees.
- 3.52. All decision reports include a section on risks, which includes those risks in relation to the decision to be taken by members:
- Resources.
 - Technical, Environmental and Legal.
 - Political.
 - Reputation.
 - Equality and Diversity.
- 3.53. The council's Core Values state that we will:
- Lead the Community;
 - Strive to achieve excellence;
 - Ensure that access to services is available to all;
 - Treat everyone equally;
 - Respect all individuals and their views; and
 - Appreciate and invest in our staff.

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

Determining Interventions

- 3.54. It is ensured that the financial management of the council is sound, by regular and timely reporting to budget holders, Management Team, Leaders and the Council as a whole. Budget setting, control and reporting requirements are set out in the council's Financial Regulations, which have full regard to internal and external regulations and relevant codes of practice. Financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2015)
- 3.55. Capital and Revenue budgets are monitored closely and reports on budget allocations and actual performance are provided to the Corporate Management Team and to relevant Committees. Further reporting is provided to the Budget Working Group and minutes of the same are reported to Policy and Finance Committee.
- 3.56. Delegation of decision making to officers is detailed in the Constitution so that they can deal with the day-to-day running of the service without the need to constantly refer matters back to Committees. Details of what decisions are taken in this way are included in the Scheme of Delegation in the council's Constitution. Further specific delegations may be granted through recommendation in public reports to Committee.

- 3.57. As a result of the Covid-19 pandemic further decision making powers were delegated to the Chief Executive under authority given by the Emergency committee on 7 May 2020. Such decisions made by the Chief Executive had to be made in consultation, where appropriate, with the Leader of the Council and Leader of the Opposition and reported to Policy and Finance Committee. This remained in force until 7 May 2021.

Planning Interventions

- 3.58. There are clear timetables in place for the various Service Committee meetings. These are published on the council's website.
- 3.59. A timetable is set by the Accounts and Audit Committee for the closure of accounts process, detailing key dates and meetings in the process.
- 3.60. Where relevant, service areas provide key performance indicators which are monitored and reported on centrally to all service committees at the end of the financial year. There is also in-year monitoring and reporting to the Corporate Management Team.
- 3.61. Due to the effect of Covid-19 on the council's resources and additional demands placed upon the council during the period of the pandemic, there was an impact on the reporting of some of the key performance indicators during 2020/21 and this is continuing into 2021/22. Heads of Service are in the process of updating performance indicator information to bring them up to date.
- 3.62. All service budgets are matched to the various council priorities and analysis of the distribution of the budgets across priorities is given in the Budget Book.
- 3.63. The budget forecast is reported to the Policy and Finance Committee twice a year and is also reported to the Budget Working Group. Clear budget guidance is given to all service committees through the Budget Working Group and also to the finance team and budget holders.

Optimising Achievement of Intended Outcomes

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

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

Developing the Entity's Capacity

- 3.66. The council has a performance appraisal process in place for all staff. As part of this process targets are set and also future training needs are identified for provision at a service level, or where applicable through the provision of corporate level training, however these were impacted by Covid-19 during 2020/21.
- 3.67. The requirement for key property, plant and equipment is reviewed on a regular basis, particularly through the capital programme process and the bidding for resources with a detailed narrative on need.

- 3.68. Various service areas undertake differing levels of service comparison with other local authorities. There is no formal planned benchmarking of services; however, ad-hoc service comparisons are undertaken as needed.
- 3.69. The council does not have a workforce plan in place. It was intended to devise a plan during 2020/21 however this was delayed due to Covid-19 and has been rolled over to 2021/22. There has recently been a working group formed to work alongside the Chief Executive and the Head of HR with a view to reviewing aspects of the council's approach to recruitment and retention. The work undertaken by the group will feed into the workforce plan to be prepared by the Head of HR.

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

- 3.70. The functions of statutory officers are documented within the Constitution as are the roles of the Committees. The arrangements in place for the discharge of functions by specific officers under delegation are set out in the Officer Delegation Scheme.
- 3.71. The Corporate Management Team (CMT) meets on a weekly basis to discuss matters of strategic and operational importance to the council. Weekly meetings take place between the Chief Executive (Head of Paid Service) and the Leader of the Council. The regularity of CMT meetings was impacted this year by Covid-19 which resulted in the cancellation of meetings and temporary ad-hoc arrangements being put in place before they resumed on a regular basis via remote access.
- 3.72. The Chief Executive leads on implementing strategy and managing service delivery and other outputs set by members.
- 3.73. The council's Constitution is reviewed annually, including the Scheme of Delegation. Additionally, the Standing Orders, Financial Regulations and Contract Procedure Rules are all reviewed annually. As a result of Covid-19 a temporary addendum to Part 4 of the Constitution (Standing Orders) was approved that, amongst other matters, allowed meetings and voting to be conducted remotely via internet access. The legislation expired on 7 May 2021 and face to face meetings of the council resumed from that date.
- 3.74. To enable Elected Members and Senior Officers to have a shared understanding of their respective roles the Council has a Protocol governing Member and Officer relations.
- 3.75. All newly elected members receive an induction and an ongoing training plan for members is in place, however it needs to be reviewed and refreshed. Requests for training by members and senior management will always be considered.
- 3.76. A standard induction process is in place for members and also for staff. The HR team does not tailor staff inductions to the employee's specific role, however further induction is generally provided separately by the relevant section.
- 3.77. The council's performance management appraisal process includes a section reviewing past training and identifying new training that may be required for the employee. This training may be provided at a service level, or if there is demand, at a corporate level.
- 3.78. Records are monitored regarding member attendance, but there is no formal review of individual member performance or training needs. There are no personal development plans in place for members.
- 3.79. The council has a staff handbook which is published on its Intranet, ensuring that all policies are available to staff. There is also a hard copy maintained at various sites for those with no access to the Intranet.
- 3.80. With regards to the physical and mental wellbeing of staff, the council offers a range of proactive measures including a formal programme of Health and Safety training and advice/guidance on coping with stress. There is also an osteopathy policy and the Cultural and Leisure Services Team

offers advice on healthy living that includes weight and blood pressure checks. Various tips and articles are also published for all staff in the monthly newsletter.

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

Managing Risk

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

Managing Performance

- 3.83. Where relevant, service areas provide key performance indicators which are monitored and reported on centrally to all service committees at the end of the financial year. There is also in-year monitoring and reporting to the Corporate Management Team. Whilst the Performance Management Framework was reviewed in 2018, it is recommended that a review of performance indicators is undertaken as a number of them are no longer relevant or do not actually measure performance.
- 3.84. Various service areas undertake differing levels of service comparison with other local authorities. There is no formal, planned benchmarking of services; however, ad-hoc service comparisons are undertaken as needed.
- 3.85. Performance against budget is reported to the Corporate Management Team and also on a regular basis to service committees. The overall position is also considered in reports to the Policy and Finance Committee.
- 3.86. Outturn reports are also reported to all services committees and this is also considered by the Budget Working Group and used in the budgeting process for future years.
- 3.87. A set timetable is in place for meetings, the production and distribution of agenda packs, and the holding of briefings prior to the meeting between key officers and committee chairs and vice-chairs. Included in the Constitution are the terms of reference for all committees. The minutes of all meetings are published on the council's website.
- 3.88. Debate and discussion on issues is actively encouraged at committee meetings. The council also have a call-in procedure for any decisions, which allows for further scrutiny. The call-in procedure should normally only apply to decisions which are considered to be contrary to policy or not in accordance with the budget.
- 3.89. Full detailed information is provided to members in the budget setting process for both revenue and capital. The Budget Working Group is valued and allows for more focused work to be undertaken and specific guidance to be given to Service Committees.
- 3.90. Budget setting, control and reporting requirements are set out in the council's Financial Regulations, which have full regard to internal and external regulations and relevant codes of practice.
- 3.91. Performance levels and consequently budgets, have been impacted by Covid-19 throughout 2020/21. As a result of the virus some staff were redeployed into different roles to cover increased workloads and staff absences, including those caused by self-isolation as well as illness caused by the virus.

3.92. In order to retain some level of normal day to day operations during the pandemic the council invested in technology in order to allow some members of staff to work remotely from home. As a result, the council incurred the costs of purchasing new hardware and software, some of which had ongoing costs throughout 2020/21, for example, licenses to allow council meetings to be conducted online.

Robust Internal Control

3.93. Internal Audit is an independent and objective appraisal function established by the council for reviewing the system of internal control. This is in compliance with Regulation 5 of the Accounts and Audit Regulations 2015 that specifically requires a local authority to undertake an adequate and effective system of internal audit.

3.94. An Internal Audit Plan is produced each financial year and is risk based. This is agreed and monitored by the Accounts and Audit Committee. The reporting process for Internal Audit requires a report of each audit to be submitted to the relevant service. The report includes recommendations for improvements that are included with an Action Plan.

3.95. Since February 2020 there has been a vacancy for the role of Internal Audit Manager within the Internal Audit Team and although this did not adversely impact upon the achievement of the 2019/20 Audit Plan it has impacted on the 2020/21 plan with the result that external resources were engaged to ensure coverage of key financial systems.

3.96. Audit Team staffing was also impacted upon by Covid-19 as a member of the Audit Team was redeployed to the Finance Team in order to relieve some of the burden placed upon the team by the processing of Covid-related grants. It was ensured that any audit work undertaken by this member of the Audit Team did not cover this service area throughout 2020/21 and this assurance will remain in place for the relevant period of 2021/22.

3.97. The Risk Management Strategy is reviewed on a regular basis and is approved by the Accounts and Audit Committee.

3.98. The European Institute for Combatting Corruption and Fraud (TEICCAF) issues a checklist for the 'Protecting the Public Purse' document. Authorities are encouraged to use the checklist to ensure that they have sound governance and counter-fraud arrangements in place and that they are working as intended. No significant issues were highlighted as a result of this review.

3.99. The Fighting Fraud and Corruption Locally strategy (2020) was developed by local authorities and counter fraud experts. It sets out the approach local authorities should take and the main areas of focus in order to transform counter fraud and corruption performance. There is a checklist to measure counter fraud and corruption culture and response. No issues were highlighted as a result of this review.

3.100. The Accounts and Audit Committee normally meets four times a year and has a clear Terms of Reference. Ad-hoc training is provided to members as and when required and open debate and discussion on all items is encouraged.

3.101. Regular consideration is given to high-level risks that have been flagged as areas of concern, and where necessary action is called for, or references made to relevant service committees.

Managing Data

3.102. The council is committed to safeguarding the personal data it holds and sharing this data only in circumstances required or permitted by law. Personal data is processed in accordance with the Data Protection Act 2018 and GDPR and in particular the key principles of both.

- 3.103. The council's ICT Manager is the designated Data Protection Officer. This creates the potential for conflict of interest, but the Council continually seek to mitigate any perceived risks in this area.
- 3.104. The council has a Data Protection Policy which is published on the council's Intranet and is available to all staff.
- 3.105. There has been no formal training for staff on data protection over the last financial year, however since the introduction of GDPR in May 2018 the Council has obtained a license to rollout GDPR training for all staff and members. It was planned for this to be undertaken in 2020/21 however it has been delayed as a result of the pandemic.
- 3.106. The Council's current Data Retention Policy is dated February 2010 but a review of this is currently underway with a view to it being completed during 2021/22.
- 3.107. The council has a Data Quality Policy in place. Any staff involved in providing performance indicator data are required to acknowledge that they have read and understood the policy.
- 3.108. The Internal Audit team reviews the accuracy of the performance indicators that are published at the end of the financial year.
- 3.109. The council makes information available to the public via the Freedom of Information Act 2000 and the Environmental Information Regulations 2004. Individuals may also access their own personal data by exercising the right of subject access under the Data Protection Act 2018.
- 3.110. The council complies with the Local Government Transparency Code 2015 by publishing accurate data online in the areas mandated by the Code.

Strong Public Financial Management

- 3.111. Regular monitoring of the council's financial position helps ensure that services perform within the resources allocated to them. Mechanisms within the Financial Regulations allow for flexibility in meeting demands that could not be anticipated.
- 3.112. The medium-term financial strategy (MTFS) is the council's key financial planning document. It aims to provide the council with assurance that the council's spending plans are affordable over the medium term.
- 3.113. More detailed short-term financial information is provided through the council's detailed and summary budget books. The budget books and the medium-term financial strategy are all published on the council's website.
- 3.114. Budget monitoring against these financial plans is reported in full to service committees with variances highlighted and action plans regarding specific areas published within the reports where relevant. All committee reports are published on the council's website and meetings are minuted.
- 3.115. The Budget Working Group plays a key role in considering the Council's finances and are key in developing the council's budgets, making recommendations to Policy and Finance. The minutes of the group are reported to the Policy and Finance Committee and are again published on the council's website.
- 3.116. All reports across all committees are published in a consistent style.
- 3.117. Financial outturn reports are presented to all service committees.
- 3.118. The council's approach to Financial Management ensures that public money is safeguarded at all times ensuring value for money and the council adheres to CIPFA's Financial Management Code (2019). The Council's approach supports both long-term achievement of objectives and shorter term financial and operational performance.

- 3.119. The Chief Finance Officer (Director of Resources) ensures that appropriate advice is given on all financial matters, proper financial records and accounts are kept, and oversees an effective system of internal financial control.
- 3.120. As part of the 2018/19 assurance review, the Director of Resources highlighted the need to provide formal training to members and staff on the council's Financial Regulations and Contract Procedure Rules. Formal training has not yet taken place but the Director has briefed members on relevant financial matters prior to committee meetings.
- 3.121. It was intended for formal training to take place in 2020/21 but this was delayed due to Covid-19. A training programme covering Constitution-related procedures and regulations including the Financial Regulations is to be rolled out to staff starting with Heads of Service.

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

Implementing Good Practice in Transparency

- 3.122. The council follows the Local Government Transparency Code 2015, which includes requirements and recommendations for local authorities to publish certain types of data.
- 3.123. All transparency-related data is published together in a single area on the council's website.
- 3.124. Content on the council's website seeks to meet the needs of the public and where issues are raised through social media, or through the council's contact centre, steps are taken to ensure information is made available where possible on the website to satisfy the queries being raised.
- 3.125. In September 2019 new accessibility regulations came into force setting a legal duty for public sector bodies to make their websites accessible for all. This means that the council's website must meet accessibility standards, including publishing accessibility statements explaining how accessible its website is. The deadline by which the council's website had to be made accessible in order to comply with the regulations was September 2020.
- 3.126. While progress has been made, work is ongoing to ensure that the council's website fully complies with the regulations.

Implementing Good Practices in Reporting

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

Assurance and Effective Accountability

- 3.132. The council's external auditors, Grant Thornton attend the meetings of the Accounts and Audit Committee and provide reports to the members of that committee.
- 3.133. The external auditor prepares an Annual Audit Report and Audit Findings Report, which are reported to the council's Accounts and Audit Committee. Any actions that may arise from that report would be monitored by the Accounts and Audit Committee to ensure compliance and that they result in positive improvements
- 3.134. A review has been undertaken of CIPFA's Statement on the Role of the Head of Internal Audit and no issues were identified. Compliance with the Public Sector Internal Audit Standards was also confirmed. Assurance arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010).
- 3.135. The work of the council's Internal Audit team is reported on a regular basis to the Accounts and Audit Committee.

4. REVIEW OF EFFECTIVENESS

- 4.1. Ribble Valley Borough Council has a legal responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. This was done by following the CIPFA/SOLACE Delivering Good Governance in Local Government Framework (2016).
- 4.2. After conducting this review, the Council has assurance that its governance arrangements and systems of control are robust and reflect the principles of the Code of Corporate Governance. This section explains what arrangements were reviewed, and how this assurance was achieved.

Corporate Management Team

- 4.3. The Corporate Management Team meets each week to discuss policy issues and also considers internal control issues, including risk management, performance management, compliance, efficiency and value for money, and financial management. The regularity of CMT meetings was impacted this year by Covid-19 which resulted in the cancellation of meetings and temporary ad-hoc arrangements being put in place before they resumed on a regular basis via remote access.

Corporate Level Review

- 4.4. The Corporate Management Team reviewed the compilation of the Annual Governance Statement and consisted of the following officers during 2020/21.
- Chief Executive (Head of Paid Service)
 - Director of Resources (S151 Officer)
 - Director of Community Services
 - Director of Economic Development and Planning
- 4.5. The group has considered a detailed corporate level review of the council's system of governance in accordance with the guidance provided by CIPFA/SOLACE.

Directorate Level Review

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

Monitoring Officer

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

Accounts and Audit Committee

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

Internal Audit

- 4.9. Internal Audit is responsible for monitoring the quality and effectiveness of the system of governance and internal control. A risk-based Internal Audit Plan is produced each financial year. The reporting process for Internal Audit requires a report of each audit to be submitted to the relevant Directorate. The report includes recommendations for improvements that are included within an Action Plan and require agreement or rejection by Heads of Service. The process includes follow-up reviews of agreed recommendations to ensure that they are acted upon.
- 4.10. The Internal Audit Annual Report contains an opinion on the overall levels of internal control (a view based on the relative significance of the systems reviewed during the year, in the context of the totality of the control environment).

External Audit

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

CIPFA's Financial Management Code (2019)

- 4.12. CIPFA's Financial Management Code was published in October 2019 and sets out the standards of financial management for local authorities. It provides guidance for good and sustainable financial management, offering assurance that authorities are managing resources effectively, regardless of their current level of financial risk. It is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability.

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

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

'Fighting Fraud and Corruption Locally 2020'

- 4.14. The 'Fighting Fraud and Corruption Locally 2020' strategy sets out the approach local authorities should take and the main areas of focus in order to transform counter fraud and corruption performance in 2020. There is a checklist to measure counter fraud and corruption culture and response.

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

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

CIPFA 'The Role of the Head of Internal Audit'

- 4.16. The Head of Internal Audit occupies a critical position in any organisation, helping it to achieve its objectives by giving assurance on its internal control arrangements and playing a key role in promoting good corporate governance. This CIPFA document is to clarify the role of the Head of Internal Audit and to raise its profile.

5. SIGNIFICANT GOVERNANCE ISSUES

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

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

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

6. REVIEW OF SIGNIFICANT GOVERNANCE ISSUES RAISED IN THE ANNUAL GOVERNANCE STATEMENT 2019/20

6.1 Within last year’s review there were a number of issues raised as part of the Annual Governance statement for 2019/20. The status of these issues is provided in the table below:

Subject Area	Details	Status	Action
<p>Peer Challenge Review <i>Carried Forward from 2017/18 and 2018/19 reviews</i></p>	<p>Work continues to address the issues raised as part of the Peer Challenge Review in 2017/18 and follow-up visit in September 2019. The recommendations made at that time are attached at Annex 1, showing progress and the outstanding issues as last reported to Policy and Finance Committee.</p> <p>As part of this review it is recognised that progress has been made, but that the outstanding recommendations need to be addressed.</p>	<p>As many of the actions have since been addressed or are being separately monitored through Policy and Finance Committee this action can be closed for AGS purposes.</p>	<p>Complete for AGS purpose but to continue to be monitored by Policy and Finance Committee</p>
<p>Refuse Vehicle Maintenance Costs <i>Carried Forward from 2017/18 and 2018/19 reviews</i></p>	<p>There has continued to be an overspend in refuse vehicle maintenance costs which have been highlighted to the relevant committees during the year.</p> <p>Work needs to continue to review the overspend and the associated budgets.</p>	<p>Vehicle repair costs continued to overspend in 2020/21 whilst there were issues with staffing levels and the need for external service providers. During 2021/22 spend levels have returned to budgeted levels in the early months of the financial year.</p>	<p>Carried forward to ensure spend levels remain within budget.</p>
<p>Members Code of Conduct – Complaints Process <i>Carried Forward from 2018/19 review</i></p>	<p>In light of the considerable disruption to council business over the last 18 months it is recommended that the members Code of Conduct is reviewed and the process for dealing with such complaints</p>	<p>A review was undertaken and the revised code was submitted to the Accounts and Audit Committee for approval on 14th April 2021.</p>	<p>Complete</p>

7. REVIEW OF SIGNIFICANT GOVERNANCE ISSUES 2020/21

7.1 In considering the criteria for significant governance issues as listed at section 5 there are a number of areas to be raised as part of this Annual Governance Statement for 2020/21.

7.2 A number of these are items that have been carried forward from the review of actions raised as part of the Annual Governance Statements in 2017/18, 2018/19 and 2019/20 as work continues to address these areas (see section 6). It must be noted that progress has been made in the areas that have been carried forward, but that this work needs to continue to fully address the issues raised.

Action Plan

Subject Area	Details	Action
Refuse Vehicle Maintenance Costs <i>Carried Forward from 2017/18, 2018/19 and 2019/20 reviews</i>	<p>There has continued to be an overspend in refuse vehicle maintenance costs which have been highlighted to the relevant committees during the year (£190,400 in 2020/21).</p> <p>Work needs to continue to review the overspend and the associated budgets, however indications in 2021/22 show spend levels returned to those budgeted. This is following the ending of the use of third parties in our fleet management.</p>	<p>Community Services Committee to continue to monitor spend closely to ensure levels have returned to be within budget in the longer term.</p>
Recruitment and Staff Retention	<p>The council continues to face significant recruitment and staff retention issues across a number of services.</p>	<p>A Pay Structure Working Group that reports to Personnel Committee has been put in place to examine Recruitment and Staff Retention</p>

7.3 It is proposed over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that this will address the need for improvement that has been identified in our review of effectiveness and will monitor the implementation and operation as part of our next annual review.

Signed:

Leader of the Council
On behalf of Ribble Valley Borough Council

Chief Executive

The Audit Findings for Ribble Valley Borough Council

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November 2021

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

Georgia Jones

Name : Georgia Jones

For Grant Thornton UK LLP

Date : 9 November 2021

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Ribble Valley Borough Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2021 for those charged with governance.

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Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the Council's financial statements give a true and fair view of the financial position of the Council and its income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Our audit work is currently ongoing and is being completed remotely. Our findings to date are summarised on pages 5 to 21. At the time of writing, we have not identified any adjustments which will impact the financial statements. Audit adjustments are detailed in Appendix B. We have also raised recommendations for management as a result of our audit work in Appendix A.

Our work is substantially complete and at this time there are no matters of which we are aware that would require modification of our audit opinion, subject to the outstanding matters listed on page 5 and the standard closure steps, including;

- receipt of management representation letter; and
- review of the final set of financial statements.

We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the financial statements we have audited.

Our anticipated audit report opinion will be unmodified.

1. Headlines

Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are now required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Council's arrangements under the following specified criteria:

- Improving economy, efficiency and effectiveness;
- Financial sustainability; and
- Governance

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay is attached in Appendix F to this report. We expect to issue our Auditor's Annual Report by January 2022. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. To date, we have not identified any weaknesses in the Council's arrangements.

Statutory duties

The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties.

We expect to certify the completion of the audit upon the finalisation of our work on the Council's VFM which will be reported in our Annual Auditor's Report in January 2021, and completion of our work on the Whole of Government Accounts return.

Significant Matters

We did not encounter any significant difficulties or identify any significant matters arising during our audit.

2. Financial Statements

Overview of the scope of our audit

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

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

Audit approach

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

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

We have not had to alter our plan, as communicated to you on the 28th July 2021.

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion after the Audit Committee meeting on 17 November 2021, as detailed in Appendix D. These outstanding items include:

- completion of outstanding queries on PPE valuations;
- completion of work on grant income;
- completion of our work on Housing Benefits;
- completion of sample testing on Journals;
- outstanding queries on Heritage Assets;
- final review by manager and engagement lead;
- receipt of management representation letter; and
- review of the final set of financial statements.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff. As highlighted in our Audit Plan, the impact of the pandemic has meant that both your finance team and our audit team faced significant audit challenges again this year, due to remote access working arrangements. We have worked effectively with your finance staff remotely accessing financial systems, video calling and verifying the completeness and accuracy of information provided remotely by the Council.

2. Financial Statements



Our approach to materiality

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

Our Materiality determination remains the same as reported in our audit plan in July 2021, however the % of gross operating expenditure has reduced from 2% to 1.9% due to the increase in the balance as reported in the draft financial statements when compared to the prior year gross operating expenditure on which our planning materiality was determined.

We detail in this table our determination of materiality for Ribble Valley Borough Council.

Council Amount (£) Qualitative factors considered

Materiality for the financial statements	454,486	We have used planning materiality which equates to 2% of your gross operating expenditure for 2019/20 year and is 1.9% of your gross operating expenditure in 2020/21. This is considered to be the level above which users of the financial statements would wish to be aware in the context of overall expenditure.
Performance materiality	340,864	This is based on specific risks and sensitivities at the Council, such as the lack of deficiencies in control environment and quality of financial statements in prior years.
Trivial matters	22,724	This is the threshold for matters that are clearly inconsequential, whether taken individually or in aggregate.
Materiality for senior officers remuneration	20,000	This is due to its sensitive nature, with the value based on the salary bandings disclosed.



2. Financial Statements - Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan

Commentary

Management override of controls

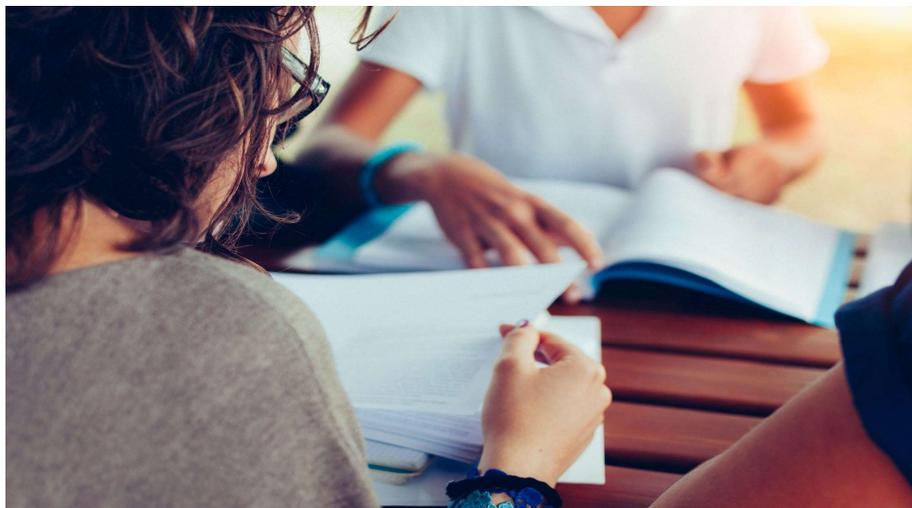
Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. . The Authority faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.

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

We have:

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

Our audit work in this area is ongoing, the work completed to date has not identified any evidence of management override of controls.



2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

Improper revenue recognition

Revenue

ISA (UK) 240 includes a rebuttable presumed risk that revenue recognition may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.

Having considered the risk factors set out in ISA 240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted because:

There is little incentive to manipulate revenue recognition and opportunities to manipulate revenue recognition are very limited
The culture and ethical frameworks of local authorities, including Ribble Valley, mean that all forms of fraud are seen as unacceptable

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

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

Therefore and as reported in our Audit Plan, we do not consider this to be a significant risk. Whilst not a significant risk, we have performed audit procedures and testing of material revenue items.

Our work has not identified any matters that would lead to a change in our risk assessment.

Our testing of grant income and debtors is ongoing at the time of writing. Our testing in other areas of income is complete and has not identified any significant matters.

Expenditure

In the public sector, whilst it is not a presumed significant risk, in line with the requirements of Practice Note (PN) 10: Audit of financial statements of public sector bodies in the United Kingdom - we also consider the risk of whether expenditure may be misstated due to the improper recognition of expenditure.

This risk is rebuttable if the auditor concludes that there is no risk of material misstatement due to fraud relating to expenditure recognition.

Based on our assessment we consider that we are able to rebut the significant risk in relation to expenditure, but will nevertheless, and in line with PN10, recognise the heightened inherent risk of 'other service expenditure' in our audit scoping and testing assessment.

In response to this risk we have:

- evaluated the Council's policy for the recognition of non-pay expenditure
- documented the goods received not invoiced accruals process and the processes management have in place, challenging key assumptions, the appropriateness of source data and the basis for calculations
- obtained a listing from the cash book of non-pay payments made in April and May 2021 to ensure they have been charged to the appropriate year
- obtained a listing from the Accounts Payable system of invoices received in April and May 2021 to ensure they have been charged to the appropriate year
- substantively tested a sample of year-end accounts payable and accrual balances.

Our audit work to date has not identified any issues in respect of this significant risk. Our work is ongoing in respect of accounts payable testing.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

Valuation of land and buildings

The Council revalues its land and buildings on a five-yearly basis, with a desktop revaluation in intervening years. This valuation of £13m represents a significant estimate by management in the financial statements due to the size of the numbers involved. In addition, the year end valuation of land and buildings is sensitive to changes in assumptions and market conditions and so is a key estimate by management.

We therefore identified valuation of land and buildings, including investment properties, as a significant risk, which was one of the most significant assessed risks of material misstatement.

We have:

- evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work
- evaluated the competence, capabilities and objectivity of the valuation expert
- written to the valuer to confirm the basis on which the valuations were carried out
- challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding
- tested a sample of valuations at 31 March 2021 to understand the information and assumptions used in arriving at any revised valuations.
- tested revaluations made during the year to see if they had been input correctly into the Council's asset register
- reviewed whether the expert valuer has reported any material uncertainty in relation to property valuations as at 31 March 2021 and, if so, assess the impact on disclosures in the financial statements and on our audit opinion.

Our audit work to date has not identified any issues in respect of this significant risk. We are still finalising our work in this area.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Commentary

Valuation of pension fund net liability

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

The pension fund net liability is considered a significant estimate due to the size of the numbers involved involved (£21m in the Authority's balance sheet) and the sensitivity of the estimate to changes in key assumptions.

The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation.

The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable.

The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. In particular the discount and inflation rates, where our consulting actuary has indicated that a 0.1% change in these two assumptions would have approximately +/-2% effect on liability.

We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation. With regard to these assumptions we have therefore identified valuation of the Authority's pension fund net liability as a significant risk.

We have:

- Updated our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluate the design of the associated controls
- evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work
- assessed the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation
- assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability
- tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary
- undertook procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report
- reviewed whether the pension fund has reported any material uncertainty in relation to investment property valuations as at 31 March 2021 and, if so, assess the impact on disclosures in the financial statements and on our audit opinion
- obtained assurances from the auditor of the Lancashire Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.

We reviewed the assumptions used in the estimations process see Page 12 for the detailed assessment.

We have found no issues with the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary.

Our assessment of the work of the actuary confirmed that they were competent.

2. Financial Statements – new issues and risks

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

Issue	Commentary	Auditor view
<p>IFRS 16 implementation</p> <p>Although the implementation of IFRS 16 has been delayed to 1 April 2022, audited bodies still need to include disclosure in their 2020/2021 statements to comply with the requirement of IAS 8 para 31. As a minimum, we expected audited bodies to disclose the title of the standard, the date of initial application and the nature of the changes in accounting policy for leases</p>	<p>Note 4 makes reference to IFRS16 and discloses the date of implementation.</p>	<p>We are satisfied that your disclosure is consistent with the requirements of IAS 8. However the note is to be amended to show the expected impact to the Council is minimal.</p>
<p>Recognition and Presentation of Grant Income</p> <p>The Council receives a number of grants and contributions and is required to follow the requirements set out in sections 2.3 and 2.6 of the Code. The main considerations are to determine whether the Council is acting as principal/ agent, and if there are any conditions outstanding (as distinct from restrictions) that would determine whether the grant be recognised as a receipt in advance or income. The Council also needs to assess whether grants are specific, and hence credited to service revenue accounts, or of a general or capital nature in which case they are credited to taxation and non-specific grant income</p>	<p>Judgement is required to determine whether the Council can be reasonably assured that the conditions of grant and contribution monies received have been met before recognising them as income in the Comprehensive Income and Expenditure Statement. Where conditions require specified expenditure to have taken place, the grant monies will not be recognised until this happens. Equally, where conditions specify that a grant or contribution must be repaid in the event of non-expenditure, the income is not recognised until the expenditure is incurred.</p> <p>We have performed detailed testing on a sample of grant income to agree classification and subsequent recognition in the financial statements, if accounted for on a principal or agent basis.</p>	<p>We have tested 31 grants with a total value of £42million. We have also reviewed treatment of grants to confirm the Council has correctly determined the principal and agent approach. We have carried out a further review to confirm the correct treatment of Covid related grant income.</p> <p>The Council acting as an agent has received grant income of £25m in 2020/21 and as a principal grant income of £17m in relation to COVID-19 Grants.</p> <p>Our audit testing is ongoing and has not identified any further issues to date.</p>

2. Financial Statements – key judgements and estimates

This section provides commentary on key estimates and judgements inline with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations – £13m	<p>Other land and buildings comprises £6.7m of specialised assets such as leisure centres and museums, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings (£6.3m) are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. The Council has engaged Taylor Weaver to complete the valuation of properties as at 1s March 2021, a desktop valuation was completed on all the assets.</p> <p>Due to the profile of the portfolio of Council's assets, management do not deem it appropriate to value on an alternative basis. The assets valued on a DRC basis are sufficiently specialised that an alternate use would not be commercially viable for a prospective purchaser and there is little evidence of an active market for these assets to be able to value on an EUV basis.</p> <p>The total year end valuation of land and buildings was £13.066m, a net increase of £0.067m from 2019/20 (£12.999m).</p>	<p>The Council's accounting policy on the valuation of land and buildings is included at Accounting Policy 16.</p> <p>The values in the valuation report have been used to inform the measurement of property assets at valuation in the financial statements.</p> <p>In understanding how management have calculated the valuations we have:</p> <ul style="list-style-type: none"> assessed the qualifications, skills and experience of the valuer and determined the service to be appropriate. ensured the underlying information and sensitivities used to determine the estimate were considered to be complete and accurate. confirmed the valuer has prepared their valuations in accordance with the RICS Valuation – Global Standards using the information that was available to them at the valuation date in deriving their estimates. reviewed the level of disclosure in the financial statements to confirm it is appropriate. <p>Our audit work has not identified any issues in respect of this significant estimate.</p>	<p>[Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious</p>

Assessment

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

2. Financial Statements - key judgements and estimates

Significant judgement or estimate

Summary of management's approach

Audit Comments

Assessment

Net pension liability – £21m

The Council's net pension liability at 31 March 2021 is £21m (PY £15m) comprising the Local Government Pension Fund and unfunded defined benefit pension scheme obligations. The Council uses Mercers to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years.

The latest full actuarial valuation was completed in 2019. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £5m net actuarial loss during 2020/21.

The Council's Actuary, Mercer Ltd, have calculated some approximate effects of the costs of extending the transitional protections to younger members. The costings of the potential effect of McCloud at 31st March 2021, based on individual member data as at 2019 actuarial valuation and the results of those calculations based on the IAS19 assumptions have been included in the net pension liabilities on the Council's Balance Sheet.

In understanding how management has calculated the estimate of the net pension liability we have:

- assessed management's expert;
- assessed actuary's approach taken, detail work undertaken to confirm reasonableness of approach;
- used PwC as auditors expert to assess actuary and assumptions made by actuary as outlined in the table below;

Assumption	Actuary Value	PwC range	Assessment
Discount rate	2.10%	2.10% – 2.20%	●
Pension increase rate	2.70%	2.70%	●
Salary growth	4.20%	3.95% - 4.20%	●
Life expectancy – Males currently aged 45 / 65	Male Pensioner 22.4 years Male non pensioner 23.9 years	Male Pensioner 20.9 - 23.2 years Male non pensioner 22.5 - 24.7 years	●
Life expectancy – Females currently aged 45 / 65	Female Pensioner 25.1 years Female non pensioner 26.9 years	Female Pensioner 24.0 - 25.8 years Female non pensioner 25.9 - 27.7 years	●

- assessed the completeness and accuracy of the underlying information used to determine the estimate;
- reviewed the impact of any changes to valuation method;
- assessed the reasonableness of the Council's share of LPS pension assets;
- assessed the reasonableness of the movement in the estimate;
- reviewed the adequacy of disclosure of estimate in the financial statements.

Our audit work has not identified any issues in respect of this significant estimate.

We have also obtained assurances from the auditor of the Local Government Pension scheme in order to conclude our work in this area.

● [Light Purple]
We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Assessment

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

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Provisions for Business Rates Appeals - £0.853m	The Council are responsible for repaying a proportion of successful rateable value appeals. Management calculate the level of provision required. Ribble Valley's calculation is based upon the latest information about outstanding rates appeals provided by the Valuation Office Agency (VOA) and previous success rates. There has been a substantial increase in the provision in 2020/21 which has been reviewed.	<p>To review the estimate, we have;</p> <ul style="list-style-type: none"> assessed management's expert; reviewed the appropriateness of the underlying information used to determine the estimate reviewed the impact of any changes to the valuation method assessed the reasonableness of the estimate reviewed the adequacy of disclosure of estimate in the financial statements <p>Our audit work is ongoing in this area and to date has not identified any issues in respect of this significant estimate.</p>	TBC
Depreciation and useful economic lives of assets	Items of property, plant and equipment are depreciated over their remaining useful lives in a manner consistent with the consumption of economic or service delivery benefits. Freehold land is considered to have an infinite life and is not depreciated. Management's accounting policy is that property depreciation should be applied with a straight-line allocation over the life of the property as estimated by the valuer.	<p>We have:</p> <ul style="list-style-type: none"> Reviewed the accounting policy; Recalculated the depreciation charge based on the useful economic lives as provided by the valuer as well as an overall recalculation of depreciation; Assessed the reasonableness of the useful economic life for a sample of assets; and Assessed the appropriateness of the policy in line with the financial reporting framework. <p>Our audit work has not identified any issues in respect of this significant estimate.</p>	<p>Light Purple</p> <p>We consider management's process is appropriate and key assumptions are neither optimistic or cautious</p>

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Assessment

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

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
<p>Covid-19 Grants Income Recognition and Presentation – £4m Principal £25m Agent</p> <p>Due to the Covid-19 pandemic there has been a significant increase in the level of Covid related grant funding with associated complexity and management judgement required.</p> <p>This has comprised a mix of discretionary and non-discretionary schemes.</p>	<p>Management take into account three main considerations in accounting for grants:</p> <ul style="list-style-type: none"> whether the Council is acting as the principal or agent and particularly whether it controls the goods or services before they transfer to the service recipient. <p>Management's assessment needs to consider all relevant factors such as who bears credit risk and responsibility for any overpayments, who determines the amount, who sets the criteria for entitlement, who designs the scheme and whether there are discretionary elements.</p> <ul style="list-style-type: none"> whether there are conditions outstanding (as distinct from restrictions) that would require the grant to be recognised as receipt in advance, otherwise grant should be recognised as income. whether the grant is a specific or non-specific grant. General un-ringfenced grants are disclosed on the face of the CIES, whereas ringfenced grants are required to be credited to service revenue accounts. <p>There may be significant judgements over the accounting treatment. Different conclusions may be reached by authorities depending on how they have applied any discretion in administering the schemes - are these judgements reasonable and sufficiently disclosed to meet the requirements of IAS 1:125.</p>	<p>We have tested a sample of grants received to confirm the following:</p> <ul style="list-style-type: none"> whether the Council is acting as the principal or agent which would determine whether the authority recognises the grant at all; assessed the completeness and accuracy of the underlying information used to determine whether there are conditions outstanding (as distinct from restrictions) that would determine whether the grant is recognised as a receipt in advance or income; assessed the impact for grants received, whether the grant is specific or non specific grant (or whether it is a capital grant) – which impacts on where the grant is presented in the CIES; reviewed the adequacy of disclosure of judgement in the financial statements. <p>Our audit testing has not identified any issues to date, but is still ongoing.</p>	TBC

Assessment

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

2. Financial Statements - Internal Control

Assessment

Issue and risk



Our system documentation on journals identified an issue where accountancy staff are able to authorise their own journals. However, a compensating control is in place whereby budget monitoring procedures should flag any inconsistencies.

We have also identified that the Head of Financial Services has administration access rights. However we have noted he is unable to change or edit any postings which have already been made to the ledger. Although new users can be set up they do need to be approved by the manager.

Recommendations

It would be good practice to have posting and authorisation of journals by separate members of staff, although we acknowledge this may not always be practical within a small team.

We recommend setting up of individuals on the system should be held with the IT department.

Management response

Due to the size of the team, it is not seen as practical to operate on a basis of each journal needing to be separately authorised. Budget monitoring arrangements should identify any material journal errors, and full documentation is maintained in respect of journals. We will however keep this good practice guidance under review.

Overall access to specific corporate systems is currently controlled by the ICT team. The council operates a policy of having 'System Champions' within a service who are responsible for individual system development and for control of access rights. This is still seen as the best policy.

The creation of all new users of the financial system is complex in nature and requires expert knowledge of an individual user needs and system functionality to ensure permissions are specific to them, and relevant.

Assessment

- Significant deficiency – risk of significant misstatement
- Deficiency – risk of inconsequential misstatement

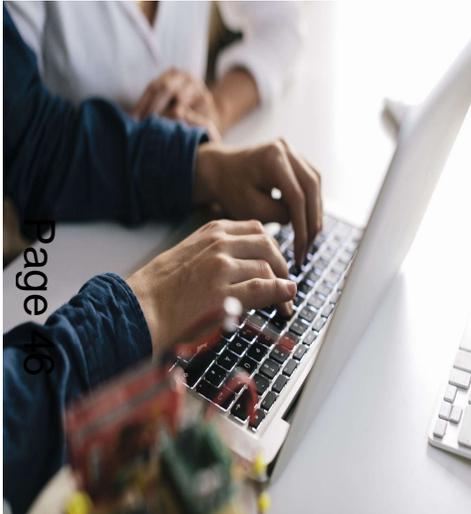
2. Financial Statements - other communication requirements

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

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Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Accounts and Audit Committee. We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Council, which is included in the Accounts and Audit Committee papers and Appendix E.

2. Financial Statements - other communication requirements



Issue	Commentary
Confirmation requests from third parties	We requested from management permission to send confirmation requests to the bank and investment bodies. This permission was granted and the requests were sent and have all been received.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements.
Audit evidence and explanations/ significant difficulties	All information and explanations requested from management was provided.

2. Financial Statements - other communication requirements



Our responsibility

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

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Issue	Commentary
Going concern	<p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none"> the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul style="list-style-type: none"> the nature of the Council and the environment in which it operates the Council's financial reporting framework the Council's system of internal control for identifying events or conditions relevant to going concern management's going concern assessment. <p>Our work in this area is ongoing at the time of writing.</p>

2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements including the Annual Governance Statement and Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>Some minor amendments have been identified but have been adequately rectified by management. We plan to issue an unmodified opinion in this respect – refer to appendix D.</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es. <p>We have nothing to report on these matters.</p>

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2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>The requirements in respect of this work have not yet been confirmed. In previous years the work has not required as the Council does not exceed the threshold. We expect this to be the case this year.</p>
Certification of the closure of the audit	We intend to delay the certification of the closure of the 2020/21 audit of Ribble Valley Borough Council in the audit report, as detailed in Appendix D, due to incomplete VFM work and WGA.

3. Value for Money arrangements

Revised approach to Value for Money work for 2020/21

On 1 April 2020, the National Audit Office introduced a new Code of Audit Practice which comes into effect from audit year 2020/21. The Code introduced a revised approach to the audit of Value for Money. (VFM)

There are three main changes arising from the NAO's new approach:

- A new set of key criteria, covering financial sustainability, governance and improvements in economy, efficiency and effectiveness
- More extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all of the key criteria.
- Auditors undertaking sufficient analysis on the Council's VFM arrangements to arrive at far more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.



Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years)



Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information

Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:



Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.



Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.



Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

3. VFM - our procedures and conclusions

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay is attached in the Appendix F to this report. We expect to issue our Auditor's Annual Report by January 2022. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We did not identify any risks of significant weaknesses at the planning stage and have continued to monitor the Authority's finances, governance arrangements and performance monitoring during the audit for any indications of risks of significant weaknesses in arrangements.

We have not identified any risks of significant weaknesses at this stage of the audit. We will report further on the Authority's arrangements in place for securing economy, efficiency and effectiveness in its use of resources on our conclusion of the work later this year.

4. Independence and ethics

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

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

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

Details of fees charged are detailed in Appendix C

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Transparency report 2020 \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/transparency-report-2020)

4. Independence and ethics

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services were identified which were charged from the beginning of the financial year to October 2021, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

Service	Fees £	Threats identified	Safeguards
Audit related			
Certification of Housing Benefit Claim	19,200	<p>Self-Interest (because this is a recurring fee)</p> <p>Self review (because GT provides audit services)</p>	<p>The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £19,200 in comparison to the total fee for the audit of £52,606 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.</p> <p>To mitigate against the self review threat, the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.</p>

Appendices

A. Action plan – Audit of Financial Statements

We have identified 2 recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2021/22 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
<p>● Medium</p> <p>Page 55</p>	<p>Heritage Assets</p> <p>The council has a collection of assets at Clitheroe Castle Museum worth £878k which is held at an insurance valuation. A breakdown of these assets and the value is not available. There is a risk that without a full breakdown of values and list of assets the Council would be unable to confirm if the assets are missing or damaged.</p> <p>The Council should ensure a register of all assets included in the museum is maintained and kept up to date.</p>	<p>There is a need to ensure a list of all heritage assets is maintained so the Council are able to confirm existence and valuation.</p> <p>Management response</p> <p>The museum collection is managed on behalf of the council by Lancashire County Council, and at the time of the audit they were in the process of digitising records. As such they were unable to issue a full listing of the collection. A list of assets has been provided historically – to the council and external audit. We will ensure the new list is received once digitisation has been completed by Lancashire County Council.</p>
<p>● Medium</p>	<p>Internal Control (as per page 16)</p> <p>Our system documentation on journals identified an issue where accountancy staff are able to authorise their own journals. However, a compensating control is in place whereby budget monitoring procedures should flag any inconsistencies.</p> <p>We have also identified that the Head of Financial Services has administration access rights. However, we have noted he is unable to change or edit any postings which have already been made to the ledger. Although new users can be set up, they do need to be approved by the manager.</p>	<p>It would be good practice to have posting and authorisation of journals by separate members of staff, although we acknowledge this may not always be practical within a small team.</p> <p>We recommend setting up of individuals on the system should be held with the IT department.</p> <p>Management response</p> <p>Due to the size of the team, it is not seen as practical to operate on a basis of each journal needing to be separately authorised. Budget monitoring arrangements should identify any material journal errors, and full documentation is maintained in respect of journals. We will however keep this good practice guidance under review.</p> <p>Overall access to specific corporate systems is currently controlled by the ICT team. The council operates a policy of having ‘System Champions’ within a service who are responsible for individual system development and for control of access rights. This is still seen as the best policy.</p> <p>The creation of all new users of the financial system is complex in nature and requires expert knowledge of an individual user needs and system functionality to ensure permissions are specific to them, and relevant.</p>

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

B. Audit Adjustments

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

Misclassification and disclosure changes

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

Disclosure omission	Auditor recommendations	Adjusted?
Annual Governance Statement	Minor additions have been made to improve the disclosure in this statement.	✓
Note 4	Additional disclosure was added to IFRS 16 disclosure to confirm the financial impact is expected to be minimal. The note was amended to include additional disclosures which should be disclosed.	✓

C. Fees

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

Audit fees	Proposed fee	Final fee
Council Audit	52,606	TBC
Total audit fees (excluding VAT)	£52,606	TBC

Details of variations in final fees from the proposed fee per the audit plan

The fees reconcile to the financial statements by:

• fees per financial statements	58,672
• Additional fee for 2020/21	21,650
• Additional fee for 2019/20	(11,716)
• HBAP fee for 2019/20	(16,000)
• total fees per above	52,606

D. Audit opinion - Draft

Our audit opinion is included below.

We anticipate we will provide the Council with an unmodified audit report

DRAFT

Independent auditor's report to the members of Ribble Valley Borough Council

Report on the Audit of the Financial Statements

Opinion on financial statements

We have audited the financial statements of Ribble Valley Borough Council (the 'Authority') for the year ended 31 March 2021, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Statement and notes to the financial statements, including a summary of significant accounting policies. 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 2020/21.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2021 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Director of Resources use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

In our evaluation of the Director of Resources conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority

D. Audit opinion - draft (continued)

accounting in the United Kingdom 2020/21 that the Authority's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority and the Authority's disclosures over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Director of Resources use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the Director of Resources with respect to going concern are described in the 'Responsibilities of the Authority, the Director of Resources and Those Charged with Governance for the financial statements' section of this report.

Other information

The Director of Resources is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

D. Audit opinion - draft (continued)

Responsibilities of the Authority, the Director of Resources and Those Charged with Governance for the financial statements

As explained in the Statement of Responsibilities, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Resources. 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 2020/21, for being satisfied that they give a true and fair view, and for such internal control as the Director of Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Resources, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Accounts and Audit Committee is Those Charged with Governance. Those Charged with Governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant, which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards) as interpreted and adapted by the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Local Government Act 2003, the Local Government Act 1972, the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992) and the Local Government Finance Act 2012.
- We enquired of senior officers and the Accounts and Audit Committee, concerning the Authority's policies and procedures relating to:
 - the identification, evaluation and compliance with laws and regulations;
 - the detection and response to the risks of fraud; and
 - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of senior officers, internal audit and the Accounts and Audit Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to journals, management estimates and transactions outside the course of business.

D. Audit opinion - draft (continued)

- Our audit procedures involved:
 - evaluation of the design effectiveness of controls that the Director of resources has in place to prevent and detect fraud;
 - journal entry testing, with a focus on the material year end transactions and manual journals posted during the year with high risk characteristics;
 - challenging assumptions and judgements made by management in its significant accounting estimates in respect of land and buildings and defined benefit pensions liability valuations;
 - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in expenditure recognition, and the significant accounting estimates related to land and buildings and defined benefit pensions liability valuations.
- Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's.
 - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
 - knowledge of the local government sector
 - understanding of the legal and regulatory requirements specific to the Authority including:

- the provisions of the applicable legislation
- guidance issued by CIPFA/LASAAC and SOLACE
- the applicable statutory provisions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
 - the Authority's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
 - the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

Report on other legal and regulatory requirements – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

Our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources is not yet complete. The outcome of our work will be reported in our commentary on the Authority's arrangements in our Auditor's Annual Report. If we identify any significant weaknesses in these arrangements, these will be reported by exception in a further auditor's report. We are satisfied that this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2021.

D. Audit opinion - draft (continued)

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing 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.

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made 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.

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in April 2021. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

Report on other legal and regulatory requirements – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for Ribble Valley Borough Council for the year ended 31 March 2021 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed:

- our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources and issued our Auditor's Annual Report'
- the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2021.

We are satisfied that this work does not have a material effect on the financial statements.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. 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.

Signature:

Georgia Jones, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

Liverpool

Date:

E. Management Letter of Representation

[LETTER TO BE WRITTEN ON CLIENT HEADED PAPER]

Grant Thornton UK LLP

Royal Liver Building

Liverpool L3 1PS

[Date] – [TO BE DATED SAME DATE AS DATE OF AUDIT OPINION]

Dear Sirs

Ribble Valley Borough Council

Financial Statements for the year ended 31 March 2021

This representation letter is provided in connection with the audit of the financial statements of Ribble Valley Borough Council for the year ended 31 March 2021 for the purpose of expressing an opinion as to whether the Council financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards, and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and applicable law.

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

Financial Statements

- i. We have fulfilled our responsibilities for the preparation of the Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include the valuation of land and buildings and the valuation of the pension net liability. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.
- vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- vii. Except as disclosed in the financial statements:
 - a. there are no unrecorded liabilities, actual or contingent
 - b. none of the assets of the Council has been assigned, pledged or mortgaged
 - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

E. Management Letter of Representation

- ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x. *We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The Council's financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.*
- xi. The financial statements are free of material misstatements, including omissions.
- xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiv. We have updated our going concern assessment. We continue to believe that the Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that :
- the nature of the Council means that, notwithstanding any intention to cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements
 - the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and
 - the Council's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements

Information Provided

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

E. Management Letter of Representation

xxiii. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

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

Narrative Report

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

Approval

The approval of this letter of representation was minuted by the Council's Accounts and Audit Committee at its meeting on 17 November 2021.

Yours faithfully

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....

Signed on behalf of the Council

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F. Audit letter in respect of delayed VFM work

Our ref: VFM delay
Chair of Accounts and Audit Committee
Ribble Valley Borough Council
Cllr David Berryman
Sent by email
29 September 2021

Dear David

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Under the 2020 Code of Audit Practice, for relevant authorities other than local NHS bodies we are required to issue our Auditor's Annual Report no later than 30 September or, where this is not possible, issue an audit letter setting out the reasons for delay.

As a result of the ongoing pandemic, and the impact it has had on both preparers and auditors of accounts to complete their work as quickly as would normally be expected, the National Audit Office has updated its guidance to auditors to allow us to postpone completion of our work on arrangements to secure value for money and focus our resources firstly on the delivery of our opinions on the financial statements. This is intended to help ensure as many as possible could be issued in line with national timetables and legislation.

As a result, we have therefore not yet issued our Auditor's Annual Report, including our commentary on arrangements to secure value for money. We now expect to publish our report no later than 30 December 2021.

For the purposes of compliance with the 2020 Code, this letter constitutes the required audit letter explaining the reasons for delay.

Yours faithfully

Georgia Jones

Georgia Jones

Director



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RIBBLE VALLEY BOROUGH COUNCIL REPORT TO ACCOUNTS AND AUDIT COMMITTEE

meeting date: 17 NOVEMBER 2021
title: LETTER OF REPRESENTATION
submitted by: DIRECTOR OF RESOURCES
principal author: JANE PEARSON

1 PURPOSE

- 1.1 To approve the Letter of Representation for 2020/21 on behalf of the Council.

2 BACKGROUND

- 2.1 As you will be aware, each year our external auditors request a letter of representation from management confirming all material items have been disclosed within the financial statements.
- 2.2 The letter sets out assurances from the Council to Grant Thornton that relevant accounting standards have been complied with and gives further assurances that the Council has disclosed information where to withhold it would have undermined the accuracy and reliability of the Statement of Accounts.
- 2.3 The letter also covers my own responsibilities and those of the Council in producing the annual accounts for the authority. Grant Thornton requires you to approve the Letter of Representation before they can issue their opinion and conclusion on our accounts for 2020/21.

3 2020/21 LETTER OF REPRESENTATION

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

4 RECOMMENDED THAT COMMITTEE

- 4.1 Approve the Letter of Representation to Grant Thornton for 2020/21.

DIRECTOR OF RESOURCES

AA24-21/JP/AC
10 November 2021

For further information please ask for Jane Pearson



RIBBLE VALLEY BOROUGH COUNCIL

Please ask for: Jane Pearson

Our ref: JP-21/AC

Your ref:

17 November 2021

Council Offices
Church Walk, Clitheroe
BB7 2RA

Tel: 01200 425111

www.ribblevalley.gov.uk

Dear Sirs

Ribble Valley Borough Council Financial Statements for the year ended 31 March 2021

This representation letter is provided in connection with the audit of the financial statements of Ribble Valley Borough Council for the year ended 31 March 2021 for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and applicable law.

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

Financial Statements

- i. We have fulfilled our responsibilities for the preparation of the Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include the valuation of land and building and the valuation of the pension net liability. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.
- vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent

with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

- vii. Except as disclosed in the financial statements:
 - a. there are no unrecorded liabilities, actual or contingent
 - b. none of the assets of the Council has been assigned, pledged or mortgaged
 - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x. We have considered the disclosures changes schedule included in your Audit Findings Report. The Council's financial statements have been amended for these disclosure changes and are free of material misstatements, including omissions.
- xi. The financial statements are free of material misstatements, including omissions.
- xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiv. We have updated our going concern assessment. We continue to believe that the Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that:
 - a. the nature of the Council means that, notwithstanding any intention to cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements
 - b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and
 - c. the Council's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements

Information Provided

- xv. We have provided you with:
 - a. access to all information of which we are aware that is relevant to the preparation of the Council's financial statements such as records, documentation and other matters;
 - b. additional information that you have requested from us for the purpose of your audit; and
 - c. access to persons within the Council via remote arrangements, in compliance with the nationally specified social distancing requirements established by the government in response to the Covid-19 pandemic, from whom you determined it necessary to obtain audit evidence.
- xvi. We have communicated to you all deficiencies in internal control of which management is aware.

- xvii. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xviii. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xix. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council, and involves:
 - a. management;
 - b. employees who have significant roles in internal control; or
 - c. others where the fraud could have a material effect on the financial statements.
- xx. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- xxi. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xxii. We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.
- xxiii. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

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

Narrative Report

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

Approval

The approval of this letter of representation was minuted by the Council's Accounts and Audit Committee at its meeting on 17 November 2021.

Name:

Position: Director of Resources

Date.....

Signed on behalf of Ribble Valley Borough Council

Yours faithfully

Jane Pearson
Director of Resources

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

meeting date: 17 NOVEMBER 2021
title: APPROVAL OF AUDITED STATEMENT OF ACCOUNTS FOR 2020/21
submitted by: DIRECTOR OF RESOURCES
principal author: LAWSON ODDIE

1 PURPOSE

1.1 To seek Member approval of the Statement of Accounts for 2020/21, following completion of the audit.

1.2 Relevance to the council's ambitions and priorities

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

2 BACKGROUND

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

2.2 Committee will be aware from previous meetings that the deadlines for the preparation of the statement of accounts and the audit of the same were extended.

2.3 This was the first action to be completed in implementing the recommendations of the independent Redmond Review into the effectiveness of external audit and transparency of financial reporting in local authorities.

2.4 The Accounts and Audit (amendment) Regulations 2021 (SI no 2021/263) came into force on 31 March 2021 and amended the draft and final accounts publication deadlines for relevant bodies from 1 June and 31 July to 1 August and 30 September for the next 2 accounting years – i.e. 2020/21 and 2021/22. The position regarding this extension will be reviewed towards the end of this two-year period.

2.5 As previously reported to committee, it has been with regret that it has not been possible to meet the publication deadline this year. This was due to a number of technical complications in respect of accounting for the many Covid-19 funding streams and also due to other added work burdens around Covid-19.

2.6 The audit of the accounts is substantially complete, and elsewhere on the agenda is the Audit Findings Report of our external auditors, Grant Thornton.

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

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

3 STATEMENT OF ACCOUNTS FOR 2020/21

3.1 The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) specifies the principles and practices of accounting required to give a 'true and fair' view of the financial position and transactions of the council.

3.2 Members will be taken through the full statement of accounts for 2020/21 at the meeting. Obviously the accounts are very detailed and do contain a considerable amount of technical information.

3.3 However, it is crucial that members consider the important aspects of the various statements and therefore attached at Annex 2 is '*Understanding Local Authority Financial Statements*' which is a document produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) to assist members.

4 GENERAL FUND OUTTURN POSITION 2020/21

4.1 Shown below is the final position for the 2020/21 financial year.

Committee	Original Estimate	Revised Estimate	Actual	Original Estimate Compared to Actual	Revised Estimate Compared to Actual
	£'000	£'000	£'000	£'000	£'000
Community Services	4,205	4,367	4,369	164	2
Economic Development	311	303	239	-72	-64
Health & Housing	1,110	735	530	-580	-205
Planning & Development	571	394	233	-338	-161
Policy & Finance	2,195	2,170	1,731	-464	-439
Committee Expenditure	8,392	7,969	7,102	-1,290	-867
Interest Payable	6	6	6	0	0
Parish Precepts	507	507	507	0	0
Interest Received	-75	-48	-44	31	4
Net Operating Expenditure	8,830	8,434	7,571	-1,259	-863
Impairment Losses/(Gains) on Outstanding Debts	0	0	-2	-2	-2
Contingency - Feasibility Study Edisford Car Park	10	0	0	-10	0
Contingency - Refuse Collection Vehicles	50	0	0	-50	0
Emergency Un-ringfenced Covid Support Grant	0	0	-779	-779	-779

Committee	Original Estimate	Revised Estimate	Actual	Original Estimate Compared to Actual	Revised Estimate Compared to Actual
	£'000	£'000	£'000	£'000	£'000
Precept from Collection Fund (including parish precepts)	-4,185	-4,185	-4,185	0	0
Collection Fund Surplus - Council Tax	-82	-82	-82	0	0
Rural Services Delivery Grant	-108	-108	-108	0	0
New Homes Bonus	-1,758	-1,771	-1,771	-13	0
Business Rates Baseline Funding	-1,354	-1,354	-1,354	0	0
Retained Rates Income	-447	-447	-447	0	0
S31 Grant	-1,252	-3,942	-3,931	-2,679	11
Retained Rates - Renewable Energy	-96	-100	-94	2	6
Tax Income Guarantee S31 - Business Rates	0	0	-119	-119	-119
10% of Retained Levy - Payable to LCC under Pooling Arrangements	67	73	58	-9	-15
Collection Fund Surplus - Business Rates	-253	-253	-253	0	0
(Surplus) for year before Capital Adjustments and Transfers to/(from) Earmarked Reserves	-578	-3,735	-5,496	-4,918	-1,761
Depreciation	-1,104	-885	-867	237	18
Minimum Revenue Provision	118	115	115	-3	0
Net Transfer to earmarked reserves	1,707	4,692	6,090	4,383	1,398
Deficit/(Surplus) for Year	143	187	-158	-301	-345

- 4.2 You will see we have made a surplus of £158,000 during the year, compared with the Revised Estimate which showed a deficit of £187,000, and the Original Estimate which showed a deficit of £143,000.

Final Position Compared to the Revised Estimate

- 4.3 During the 2020/21 financial year there were many variances that occurred which were highlighted in our budget monitoring reports to committee. The main variations affecting our final position compared with the **revised estimate** are summarised below. Favourable variances are denoted by values with a minus sign.

Variation	£'000
<u>Expenditure Variations</u>	
Direct employee costs	-69
Tuition fees and training expenses	-35
Business Rates	-19
Vehicle repairs and maintenance	181
Vehicle running costs	-38
Postages	-16
Subscriptions	-19
Advertising, marketing, and statutory notices	-35
Printing and stationery	-10
General grant scheme payments	-30
Depreciation	-16
Rent Allowance Payments (<i>see grant below</i>)	-31
Directly charged Covid costs	420
Covid grant payments where this Council acted as principal	2,614
Total Expenditure Variances	2,897
<u>Income Variations</u>	
Rent Allowances Grant (<i>see payment above</i>)	42
Restoring your railways funding	-50
Other government grants	-62
Other grants, reimbursements and contributions	-86
Specific Covid funding charged to committee services	-3,551
Total Income Variances	-3,707
Other Variations	--57
Net Variation on Committee Expenditure	-867
Decreased Interest Received	4
Variation on Net Operating Expenditure	-863
Impairment Losses/(Gains) on Outstanding Debts	-2
Emergency Un-ringfenced Covid Support Grant	-779
Decreased Business Rates S31 Grants	11
Retained Rates - Renewable Energy	6
Tax Income Guarantee S31 – Business Rates	-119

Variation	£'000
10% of retained levy – Payable to LCC	-15
Variation on (Surplus) for Year Before Capital Adjustments and Transfers to/(from) Earmarked Reserves	-1,761
Depreciation	18
Extra Transfers to Earmarked Reserves (for Revenue)	1,398
Difference between the amount to add to balances at the Outturn position and the amount forecast to take from balances at the Revised Estimate	-345

- 4.4 A substantial proportion of the variations result in more transfers to our earmarked reserves. This is largely due to a high number of variances relating to grant income that has yet to be expended, and the required accounting treatment of the same through set aside in earmarked reserves for future use. A large proportion is in respect of Covid funding.
- 4.5 By far the most the most significant variance is the overspend seen on refuse collection vehicle repairs and maintenance. The overall outturn position shows an overspend in this area of over £190,000 (across all vehicles in all service areas the variance is net £181k). It is reassuring that the budget monitoring to the end of July for the current financial year (2021/22) shows spend back within budget.

General Fund Balances

- 4.6 As mentioned earlier in the report, we had originally planned to take £142,812 from general fund balances to help finance the 2020/21 spending plans. However, this was revised later in the year to taking £186,411 from general fund balances. The final position shows that the council has added £158,497 to general fund balances.

General Fund Balance	£'000
General Fund Balances: Brought forward at 1 April 2020	2,375,646
Surplus in 2020/21 added to General Fund Balances	158,497
General Fund Balances: Carried forward at 31 March 2021	2,534,143

Earmarked Reserves

- 4.7 With regard to earmarked reserves, in support of the revenue account and excluding capital transactions, we had originally planned to add £1,707,099. However, this was revised later in the year to adding £4,691,569 to earmarked reserves.
- 4.8 The final position shows that the council has added £6,090,318 to earmarked reserves for revenue purposes. For capital purposes we took £935,705 from earmarked reserves to fund the capital programme. The overall net movement was £5,154,613 added to earmarked reserves.

Earmarked Reserves		£
Earmarked Reserves: Brought forward at 1 April 2020		9,765,768
Net added to Earmarked Reserves for revenue purposes		6,090,318
Net taken from Earmarked Reserves for capital purposes		-935,705
Earmarked Reserves: Carried forward at 31 March 2021		14,920,381

- 4.9 The large movements in our earmarked reserves at this year-end have largely been regarding Covid funding. Part of this is in respect of the balance of general Government funding towards our Covid related costs and will be used to fund costs in 2021/22. Other large movements are in respect of the Covid-19 impact through the Business Rates Collection Fund deficit in 2021/22, and the mismatch of timings in the receipt of compensatory funding, which was received in 2020/21 and has been set aside in earmarked reserve until 2021/22.
- 4.10 The Net amount added to Earmarked Reserves for revenue purposes can largely be accounted for over five earmarked reserves, as shown in the table below. There are of course other smaller net movements. As mentioned at 3.9, the Covid-19 movements are mainly in respect of amounts set aside on a short term basis.

Earmarked Reserve	Balance Transferred in (Revenue Movements) £
<u>Covid-19 Movements</u>	
Business Rates S31 Grant Adjustment Reserve	2,578,153
Covid-19 Response Reserve	1,318,177
Tax Income Guarantee Reserve	119,388
Subtotal Covid-19 Movements	4,015,718
<u>Other Larger Movements</u>	
Business Rates Growth Reserve	1,213,483
New Homes Bonus Reserve	665,952
Subtotal Other Large Movements	1,879,435
Total of Main Earmarked Reserve Movements (Revenue)	5,895,153

Business Rates in 2020/21

- 4.11 To support our budget we use the business rates that we collect from within the borough. This consists of many elements and also the amount we received from one year to the next can be heavily influenced by external factors that are wholly out of our control. As a consequence of these uncertainties we also hold a Business Rates Volatility Earmarked Reserve to cushion any potential impacts (£1.682m), should this be needed.
- 4.12 We use retained business rates at a baseline level set by the government, plus growth on business rates that has been realised. The council also receives a number of grants, known as Section 31 Grants, to compensate the council for business rates income lost as a result of measures introduced by the Government.

Business Rates Element	£'000
Total Business Rates Income Forecast for 2020/21	-15,283
Less Payable to Central Government	7,641
Less Payable to Lancashire County Council	1,376
Less Payable to Lancashire Combined Fire Authority	153
Balance Retained by Ribble Valley Borough Council	-6,113
Less Tariff Payable to Central Government	4,311
Baseline Business Rates Income of £1,354,393 plus Growth of £447,301	-1,802
Business Rates retained on Renewable Energy Schemes	-94
Section 31 Grants	-3,931
Section 31 Grants – Tax Income Guarantee	-119
Less 10% Retained Levy payment to Lancashire County Council	58
Less Business Rates Collection Fund Surplus	-253
Overall Net Retained Business Rates Related Income	-6,141
Business Rates Income Used In-Year	
Baseline Business Rates Income	1,354
Use of other Business Rates Related Income, Including Growth	876
Total Business Rates Income Used In-Year	2,230
Resulting Movements in Earmarked Reserves	
Balance set aside in the Business Rates Growth Earmarked Reserve	1,214
Balance set aside in the Business Rates S31 Grant Adjustment Reserve	2,578
Balance set aside in the Business Rates Tax Income Guarantee Reserve	119
Total balance set aside in Earmarked Reserves	3,911

- 4.13 As you will see from the table above, our Section 31 grants have greatly increased, and this is as a result of the expanded discounts introduced by the Government in response to Covid.
- 4.14 The impact of this through the Collection Fund deficit will not be felt until the 2021/22 financial year (£2,725,770), and so this funding has been set aside in the Business Rates S31 Grant Adjustment Reserve at the end of 2020/21 and will be released in 2021/22 to offset the business rates collection fund deficit. A similar principle is in place in respect of the setting aside of the Tax Income Guarantee funding.

Collection Fund

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

- 4.18 For business rates, similar principles apply. Total forecast collectable rates are paid from the Collection Fund at fixed shares to Central Government, Ribble Valley Borough Council, Lancashire County Council and Lancashire Fire and Rescue Authority.
- 4.19 Due to the change of circumstances for businesses, the actual amount of business rates collected can be higher or lower than the total amount required to be paid out in fixed shares. This results in either a forecast surplus or deficit, which is declared in the following January each year and is either paid to or collected from Central Government, Ribble Valley Borough Council, Lancashire County Council and Lancashire Fire and Rescue in the following financial year.
- 4.20 Full details of the Collection Fund position can be seen at Annex 1, but in summary the overall opening balance on the collection fund at 1 April 2020 was a surplus of £1.103m and the closing balance was a deficit of £7.689m.

	Council Tax £'000	Business Rates £'000	Total Collection Fund £'000
Opening Balance - Surplus	783	320	1,103
Income	44,714	8,770	53,484
Expenditure	44,951	17,325	62,276
Closing Balance - Surplus	546	-8,235	-7,689

- 4.21 As previously mentioned, the movements in earmarked reserves in respect of Business Rates S31 funding will help negate the impact of our share of this deficit in the 2021/22 financial year.

Capital

- 4.22 During the year the Council spent £1,196,240 on capital schemes. The main areas of expenditure included:

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

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

Capital Programme	Original Estimate £	Revised Estimate £	Actual £	Original Estimate Compared to Actual £	Revised Estimate Compared to Actual £
Community Services Committee	1,614,000	392,300	331,349	-1,282,651	-60,951

Capital Programme	Original Estimate	Revised Estimate	Actual	Original Estimate Compared to Actual	Revised Estimate Compared to Actual
	£	£	£	£	£
Economic Development Committee	81,750	35,000	0	-81,750	-35,000
Planning and Development Committee	513,940	1,277,520	61,862	-452,078	-1,215,658
Policy and Finance Committee	40,920	61,870	124,022	83,102	62,152
Health and Housing Committee	204,530	158,310	679,007	474,477	520,697
Total Capital Expenditure	2,455,140	1,925,000	1,196,240	-1,258,900	-728,760
Grants and Contributions	-347,000	-1,128,910	-549,628	-202,628	579,282
Borrowing	-1,287,000	-8,260	-8,165	1,278,835	95
Earmarked Reserves	-821,140	-787,830	-638,447	182,693	149,383
Total Resources	-2,455,140	-1,925,000	-1,196,240	1,258,900	728,760

4.23 As shown in the table above, comparing spend to budget, there is a variance of £728,760 between the revised capital programme and actual spend.

4.24 At the end of the financial year work on some schemes was still underway. This can be carried forward into the new financial year and is known as slippage. Of the £728,760 variance, £724,770 is accounted for as slippage in to the 2021/22 financial year, and is summarised below:

Scheme Name	Slippage in to the 2021/22 Financial Year
	£
Play Area Improvements	16,500
Replacement of Pickup Ford Ranger PK60 HKN	25,250
Replacement of CCTV System	18,570
Dewhurst Road, Langho - Resurfacing Works	3,850
Re-design of Corporate Website	12,000
Replacement PCs and Windows 10 compatibility	10,000
Financial System Upgrade	8,430
Disabled Facilities Grants	567,500
Landlord/Tenant Grants	15,900

Scheme Name	Slippage in to the 2021/22 Financial Year £
Clitheroe Affordable Housing Scheme	11,770
Economic Development Initiatives	15,000
Gateway Signs Scheme	20,000
Total Capital Slippage	724,770

Balance Sheet

4.25 The Balance Sheet shows our assets, liabilities and reserves. The reserves are split in to usable and unusable and as the name suggests, the unusable reserves are not available to the council but are part of technical accounting requirements.

4.26 The main movements on the balance sheet between 31 March 2020 and 31 March 2021 are summarised below:

Current Assets:

- **Short Term Debtors** has increased largely due to movements in year end balances relating to business rates. This is in respect of the deficit position on the collection fund which is due to the expanded discounts introduced by the Government in response to Covid. Section 31 funding has been received in 2020/21 to compensate for the lost income following the introduction of these discounts on the General Fund, but the impact will not be felt until 2021/22 when the Collection Fund deficit is repaid.

As such, this Section 31 funding was set aside in earmarked reserves at the end of 2020/21, to be released in 2021/22 and accounts for the large movement in the earmarked reserves balance between years.

- **Cash and Cash Equivalents** has increased largely due to the funding that has been received in year in respect of Covid measures. There are some sizeable amounts of funding to be repaid to the Government, which will reduce cash levels at such point.

Current Liabilities:

- **Short Term Creditors** the largest variance here is in respect of S31 funding (notably expanded retail discount), which is repayable to the Government following completion of return NNDR3. The government paid all of this funding to billing authorities in year to assist with cashflow, rather than paying each precepting body. This is now adjusted for at year end via the NNDR3 return.

In addition to this, there is other Covid related funding that is repayable to the Government at year end.

Long Term Liabilities:

- **Net Pensions Liability** has increased largely due to remeasurements (liabilities), where the main influence on the pension fund position is a slight reduction in the discount rate assumption (-0.3% p.a.) and an increase in the CPI inflation assumption (0.6% p.a). The combined effect of this is to significantly increase liabilities.

Partly offsetting this is remeasurements (assets), which is the return on plan assets net of administration expenses and interest income. The approach to calculating the accounting figures in between full actuarial valuations is approximate in nature. As a consequence there can be varying movements year to year between these full actuarial valuations. This is particularly due to the LGPS being a multiple employer scheme, with the scheme not having asset values which are formally segregated between employers.

Usable Reserves:

- **Earmarked Reserves** the large movements in our earmarked reserves at this year-end have largely been regarding Covid funding. Part of this is in respect of the balance of general Government funding towards our Covid related costs and will be used to fund costs in 2021/22. Other large movements are in respect of the Covid-19 impact through the Business Rates Collection Fund deficit in 2021/22, and the mismatch of timings in the receipt of compensatory funding, which was received in 2020/21 and has been set aside in earmarked reserve until 2021/22.

Unusable Reserves:

- **Collection Fund Adjustment Account** this adjustment account is used to ensure that the only impact on the general fund at the year end is precept and surplus/deficit calculated in the January prior to the financial year. The adjustments are so high this year due to the deficit position on the Business Rates Collection Fund at year end.
- **Pension Reserve** this is the counter-entry to the Net Pensions Liability shown above. This adjustment account is used in local government to avoid any impact on the council tax.

Covid-19 Impact

4.27 Councils have played a key role in supporting local communities throughout the Covid pandemic. The restrictions and lock-down periods as a result of the pandemic have been unprecedented and have had a substantial impact on both the national and local economy.

4.28 Council staff have delivered (and continue to deliver) a range of support measures to businesses and residents including

- Creation of a Community Hub to support vulnerable residents
- Supporting local businesses via payment of grants
- Provision of 100% business rate relief to eligible retail, hospitality, and leisure properties
- Working alongside partners to contain and manage local outbreaks
- Enforcement
- Testing and Tracing
- Payment of £150 grants to Working Tax Credit Claimants
- Payment of £500 Test and Trace Support payments

4.29 All these measures have been financed by special covid funding awarded by the Government.

- 4.30 The Government also announced various tranches of unringfenced emergency funding for local authorities for Covid related spending pressures. We received £242,180 for 2021/22, £779,419 for 2020/21 and £23,853 for 2019/20.
- 4.31 The Government also agreed a scheme to reimburse councils for lost income from sales, fees and charges due to Covid-19. This scheme ran for 2020/21 and the first quarter of the 2021/22 financial year. Councils absorbed the first 5% of all relevant irrecoverable losses compared to their original budget, with the Government compensating councils for 75 pence in every pound of loss thereafter.
- 4.32 Further 'New Burdens' grants have been awarded by the Government to meet the administration costs of carrying out various additional roles due to the pandemic, for example the awarding of business support grants.
- 4.33 Many councils were in a difficult financial position before the pandemic. Fortunately, this council remains in a healthy financial position, however the ongoing unknown impact of the pandemic may continue to affect local government finances for years to come.

Covid-19 Related Funding Accounted for in 2020/21

- 4.34 Detailed below are the various grant funding streams that were accounted for in the 2020/21 financial year.
- 4.35 This has broadly been grouped as:
- Emergency Funding
 - Sales, Fees and Charges Compensation
 - Grant Funding for Businesses
 - Other Grants
- 4.36 In respect of the *Grant Funding for Businesses*, the accounting treatment that the council must follow for such funding and the payments made is quite specific and is dictated through our role in such payments, being defined as either acting as agent, or acting as principal.
- 4.37 A key indicator of the council acting as agent would be where the council is acting as an intermediary between the recipient and the Government Department, and where the council did not have 'control' of the grant conditions and there was no flexibility in determining the level of grant payable.
- 4.38 Where the council was able to use its own discretion when allocating the amount of grant payable, it was acting as principal.
- 4.39 Where the council has acted as principal as opposed to acting as agent, the transactions are included in the council's financial statements, following the relevant section of the Code of Practice.
- 4.40 Where the council has acted as agent, then the transactions have not been reflected in the council's financial statements, other than in respect of cash collected or expenditure incurred by the council on behalf of the Government Department, in which case there is a debtor or creditor position on the balance sheet, and the net cash position is included in financing activities in the Cash Flow Statement.

Funding Type	£
Emergency Funding	
Covid-19 Support Grant - Tranche 2	-602,234
Covid-19 Support Grant - Tranche 3	-77,185
Covid-19 Support Grant - Tranche 4	-100,000
Total Emergency Funding	-779,419
Sales, Fees and Charges Compensation	
April 2020 to July 2020	-193,106
August 2020 to November 2020	-198,873
December 2020 to March 2021	-187,720
Total Sales, Fees and Charges Compensation	-579,699
Grant Funding for Businesses	
Business Support Grant (Principal)	-867,000
Local Restrictions Support Grant (Open and ARG) (Principal)	-1,437,526
Self-isolation Payments Funding Discretionary (Principal)	-31,250
Small Business Support Grant (Agent)	-12,940,000
Retail Hospitality and Leisure Business Grant (Agent)	-4,280,000
Self-isolation Payments Funding (Agent)	-27,000
Christmas Support for Wet-Led Pubs (Agent)	-37,000
Local Restrictions Support Grant (Closed) (Agent)	-7,998,230
Total Grant Funding for Businesses	-27,618,006
Other Grants	
Reopening High Streets Safely Fund	-25,458
National Leisure Recovery Fund	-83,434
Homelessness Grant Funding	-12,879
Council Tax Hardship Fund	-222,053
S31 Grant RHLG and Small Business Grant Administration	-130,000
Local Authority Compliance and Enforcement	-21,956
Self-isolation Payments Funding Administration	-23,403
S31 Contain Outbreak Management Fund	-296,283
Local Authority Discretionary Grant Fund (Small Business Grant, Retail Hospitality and Leisure, Local authority Discretionary Grant)	-58,500
Local Authority Discretionary Grant Fund (Local Restrictions Support Grant, Wet Led Pubs, Closed Business Lockdown)	-166,800
Clinically Extremely Vulnerable Funding	-141,777
Test and Trace Support and Food and Essential Supplies Grants (TTS/FES)	-42,788
Practical Support for Self-Isolation Funding	-13,772
Business Rates Discount Schemes and Council Tax Hardship Fund New Burdens	-18,908
Total Other Grants	-1,258,009

5 CONCLUSION

- 5.1 There has been a final outturn of a **surplus of £158,497** rather than the £187k deficit forecast at the revised estimate.
- 5.2 There has also been £1,398,000 more (revenue only) added to earmarked reserves than forecast at revised estimate, which was largely due to the accounting treatment required for grants received but yet to be spent – notably Covid grants.
- 5.3 The large movements in our earmarked reserves in respect of Covid are expected to be held in the short term, particularly the £2.578m in respect of the Business Rates S31 funding which will offset the collection fund deficit in 2021/22.

6 RISK ASSESSMENT

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

7 RECOMMENDED THAT COMMITTEE

- 7.1 Approve the audited Statement of Accounts for 2020/21.

HEAD OF FINANCIAL SERVICES

DIRECTOR OF RESOURCES

AA23-21/LO/AC
10 November 2021



Statement of Accounts

[Audited]

2020/2021

Ribble Valley Borough Council

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

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 lawson.oddie@ribblevalley.gov.uk

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

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Independent Auditors' Report to Members

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Narrative Report

1 INTRODUCTION

Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (Based on International Financial Reporting Standards)

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) specifies the principles and practices of accounting required to give a 'true and fair' view of the financial position and transactions of the council.

The Code sets out the proper accounting practices required by section 21(2) of the Local Government Act 2003. These proper practices apply to:

- Statement of Accounts prepared in accordance with the statutory framework established for England by the Accounts and Audit (England) Regulations 2015.
- The audit of those accounts undertaken in accordance with the statutory framework established by section 4 of the Local Audit and Accountability Act 2014.

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

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

2 RIBBLE VALLEY DEMOGRAPHICS AND ECONOMY

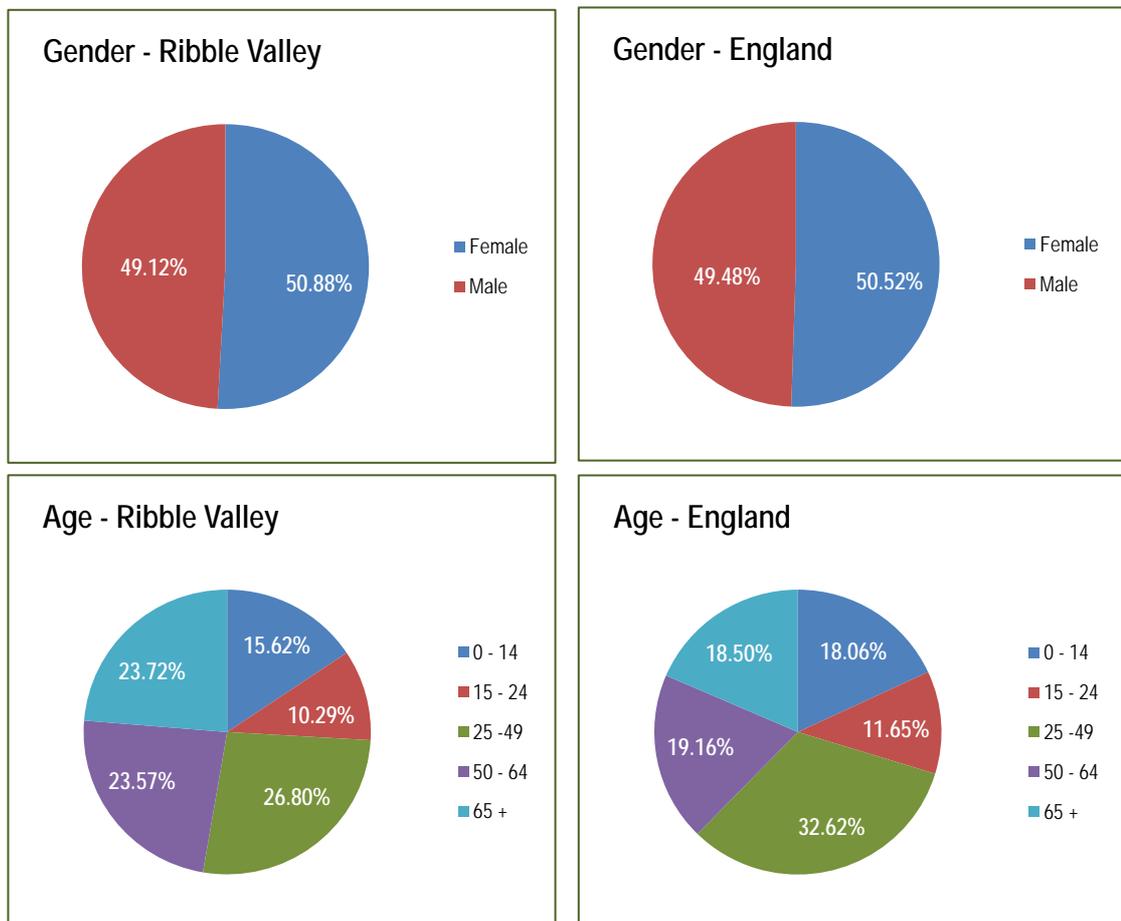
Locality

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

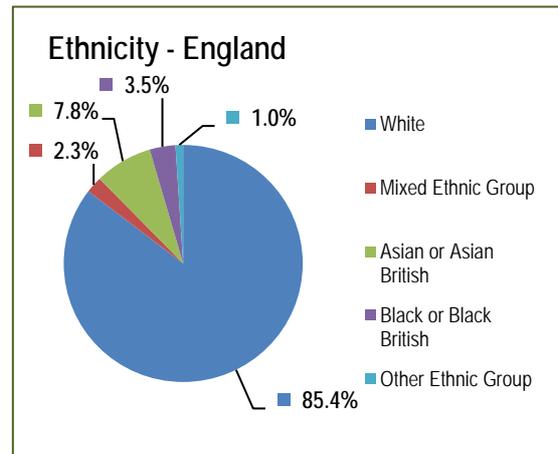
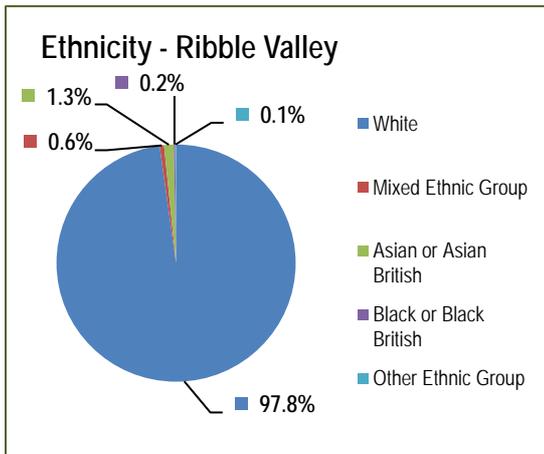
The remaining area is mainly rural, ranging from large villages to small hamlets. Some settlements are accessible along the A59 corridor; others are more remote from services and public transport. Along with ancient woodland, biological heritage sites, conservation areas and sites of special scientific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

Population

Shown below are key population figures as provided by the Office for National Statistics. These are based on 2020 Mid-Year Estimates for gender and age and March 2011 (Census) for Ethnicity. The total population for the borough, based on these statistics, is 62,026. The statistics for Ribble Valley are shown alongside those for England as a whole for comparison.



Narrative Report

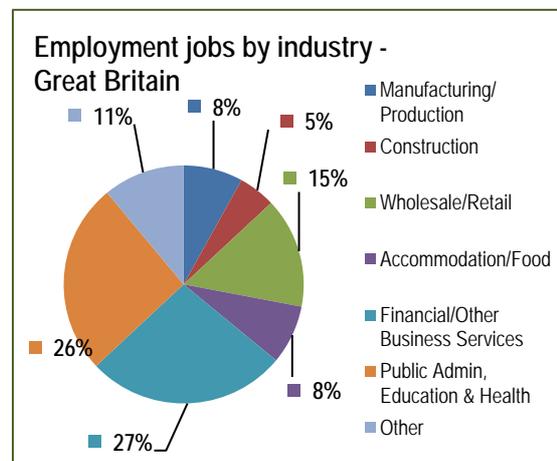
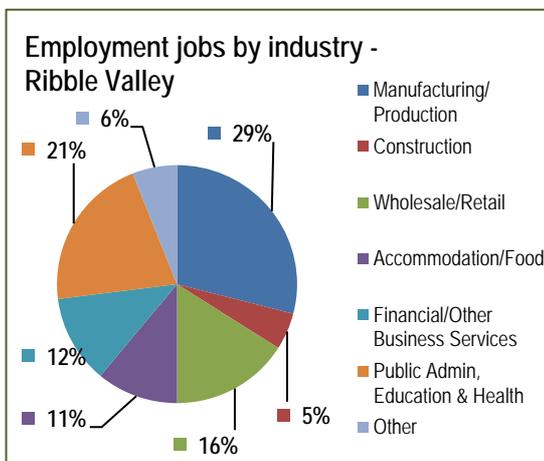


Local Economy and Business Information

Located just east of the M6 and north of the M65 motorways with links to major airports and the rail network, Ribble Valley is home to a diverse range of independent, international and rural businesses.

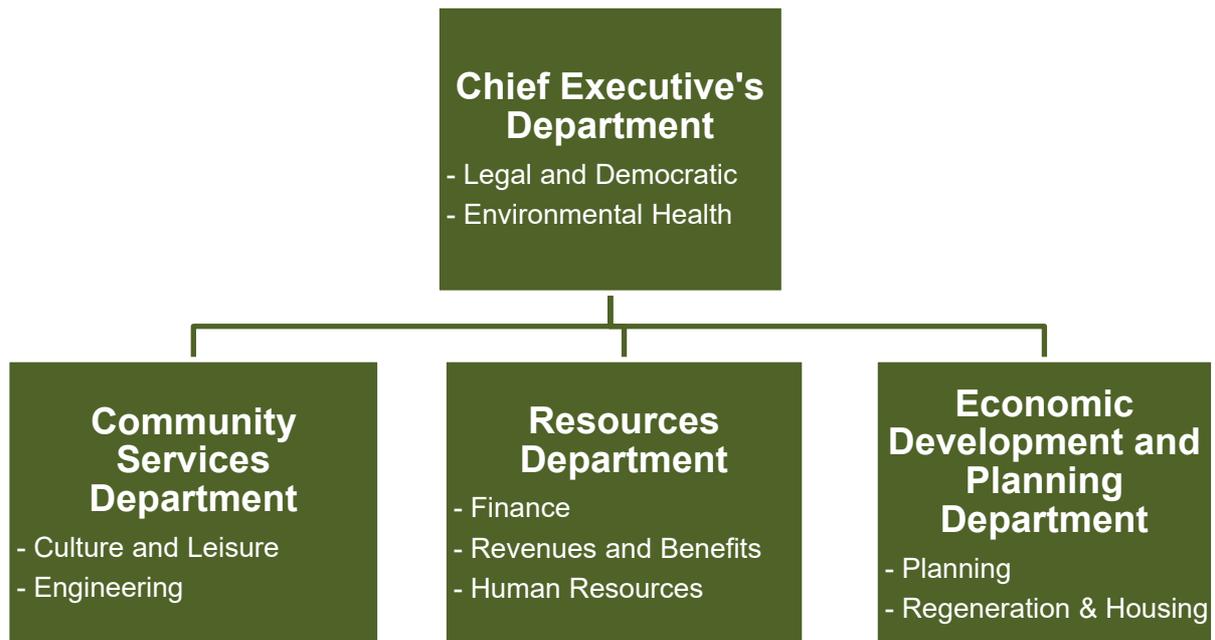
The borough's key characteristics are in its low unemployment rates, high quality natural environment and successful businesses of all sizes. The borough contains a number of well-established local employers within key business sectors including Advanced Manufacturing and Aerospace (BAE systems and site of the Lancashire Enterprise Zone), Creative and Digital, Chemicals and Mineral Extraction, Tourism and Agriculture.

The area also has a strong agricultural association, with high value meat and milk products as well as farm holdings in dairy and grazing categories. In addition, several farming businesses have diversified to offer locally produced food and drink, retail and leisure facilities and tourist attractions. In comparison to the national average, the borough has a relatively high proportion of jobs in the private sector. The following graphs compare the difference in economy split between key sectors within the Ribble Valley and Great Britain (summarised from Nomis Statistics: Employment Jobs by Industry 2019).

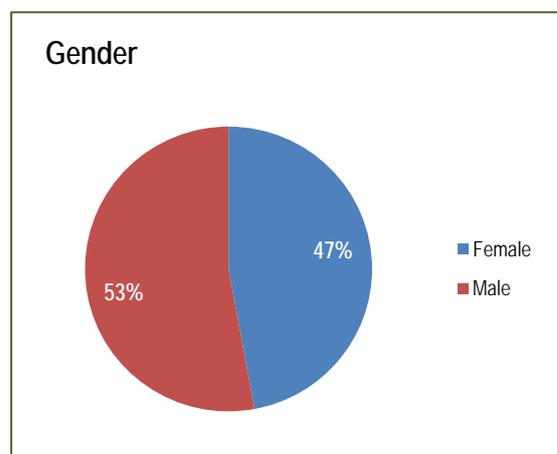
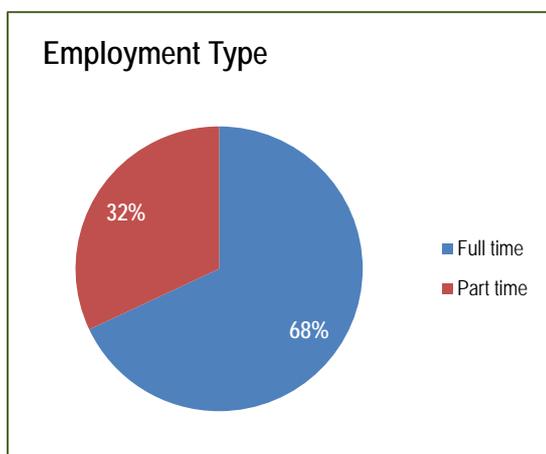


3 OUR EMPLOYEES

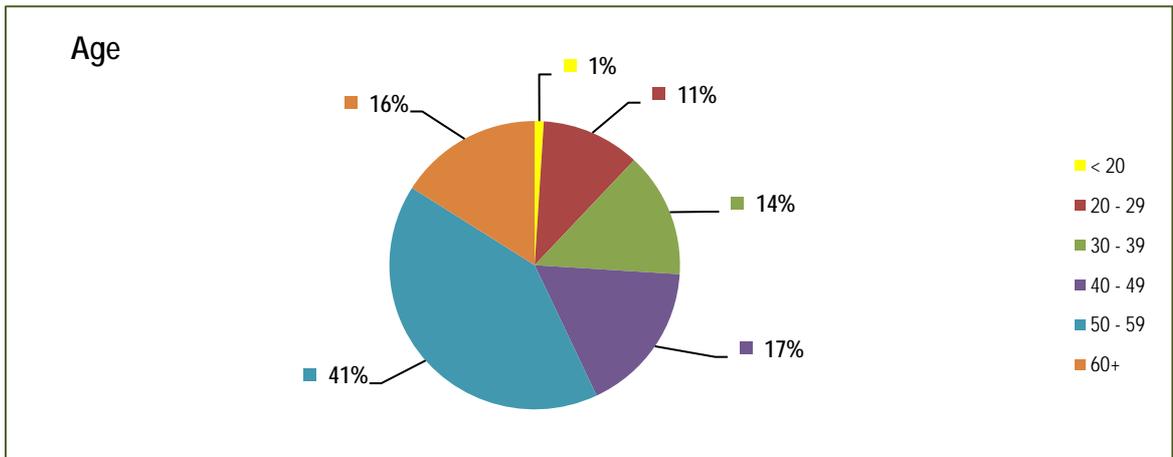
The organisational structure of the council is headed by the Corporate Management Team which consists of the Chief Executive, Director of Community Services, Director of Resources and the Director of Economic Development and Planning. Each member of the Corporate Management Team has responsibility for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



As at the 31 March 2021 the council employed 236 members of staff. The overall establishment consisted of 234 posts, of which 20 were vacant posts at 31 March. The tables below provide some information on the profile of our employees as at the end of the 2020/21 financial year.



Narrative Report



4 ELECTED MEMBERS

Ribble Valley Councillors are elected every four years in local elections. They represent 24 wards and make decisions about local services in the borough.

There are 40 Councillors, all of which are elected by registered voters in their ward. The last full election for Ribble Valley Councillors was on 2 May 2019.

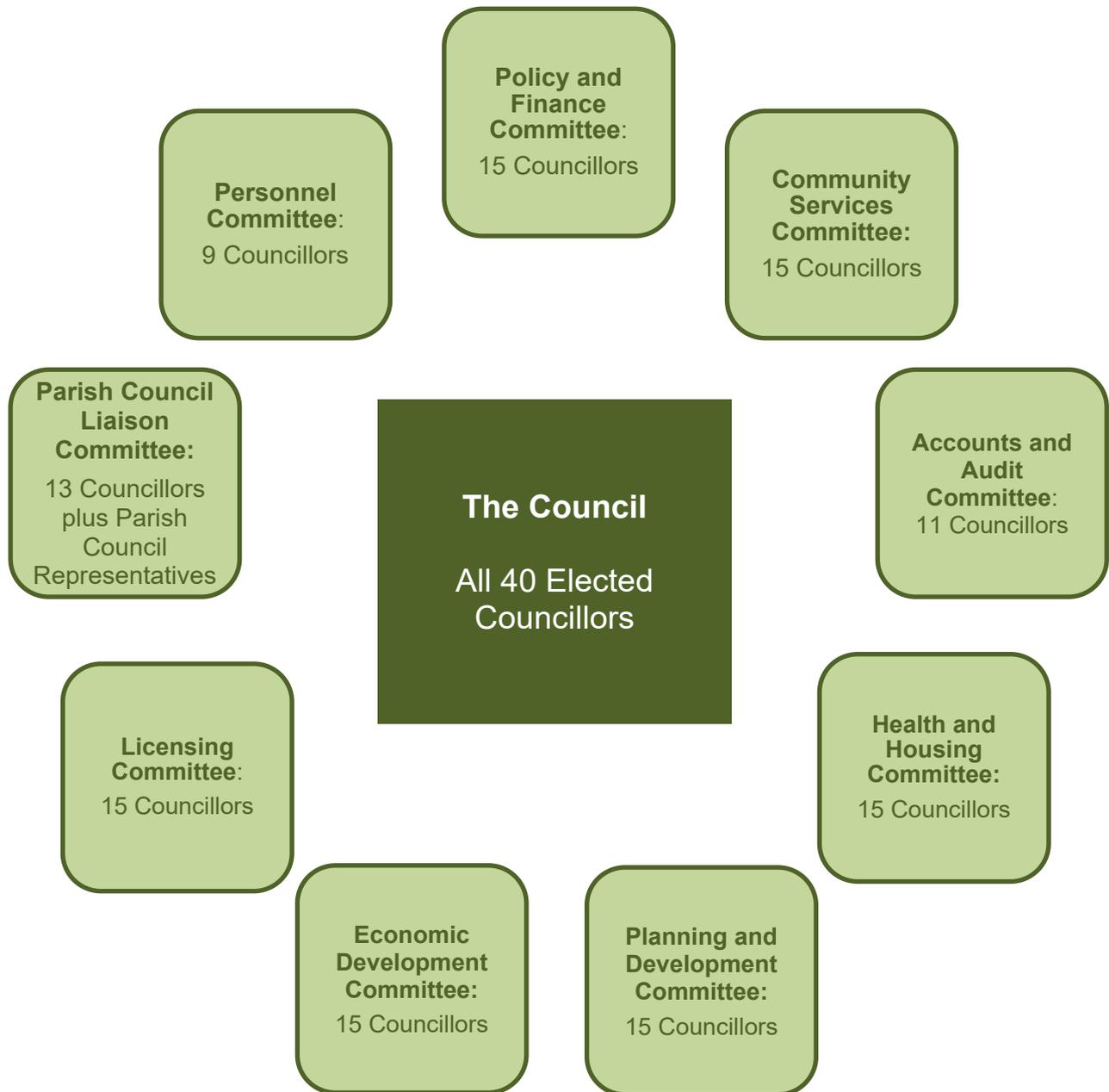
Councillors represent the views of local people. They also assist people in need or help people to access public services. Councillors work in the best interests of the borough and their local neighbourhood.

As well as representing the public, Councillors also represent political parties. As at 31 March 2021, our Councillors represented the following parties:

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

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

The diagram below shows the committee structure as at the 31 March 2021, and which operated throughout the 2020/21 financial year.



For part of the 2020/21 financial year committee meetings were suspended due to the covid-19 pandemic, with decisions on urgent matters being delegated (following an Emergency Committee meeting) to the Chief Executive, in consultation with the Leader and Deputy Leader. All such decisions were retrospectively reported to the Policy and Finance Committee when meeting recommenced.

Narrative Report

When meetings did resume, these were not able to be held in person due to the pandemic and so were instead held virtually using Zoom.

5 OUR FINANCIAL PERFORMANCE - REVENUE

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

After allowing for income from fees and charges, sales, rentals and miscellaneous grants and contributions, the Council's General Fund services are paid for by:

- government grants and contributions;
- retained business rates; and
- council tax.

Shown below is a summary of the general fund accounts comparing actual expenditure with the original and revised budgets for the year.

STATEMENT OF ACCOUNTS 2020/21

Narrative Report

Committee	Original Estimate	Revised Estimate	Actual	Original Estimate Compared to Actual	Revised Estimate Compared to Actual
	£'000	£'000	£'000	£'000	£'000
Community Services	4,205	4,367	4,369	164	2
Economic Development	311	303	239	-72	-64
Health & Housing	1,110	735	530	-580	-205
Planning & Development	571	394	233	-338	-161
Policy & Finance	2,195	2,170	1,731	-464	-439
Committee Expenditure	8,392	7,969	7,102	-1,290	-867
Interest Payable	6	6	6	0	0
Parish Precepts	507	507	507	0	0
Interest Received	-75	-48	-44	31	4
Net Operating Expenditure	8,830	8,434	7,571	-1,259	-863
Impairment Losses/(Gains) on Outstanding Debts	0	0	-2	-2	-2
Contingency - Feasibility Study Edisford Car Park	10	0	0	-10	0
Contingency - Refuse Collection Vehicles	50	0	0	-50	0
Emergency Unringfenced Covid Support Grant	0	0	-779	-779	-779
Precept from Collection Fund (including parish precepts)	-4,185	-4,185	-4,185	0	0
Collection Fund Surplus - Council Tax	-82	-82	-82	0	0
Rural Services Delivery Grant	-108	-108	-108	0	0
New Homes Bonus	-1,758	-1,771	-1,771	-13	0
Business Rates Baseline Funding	-1,354	-1,354	-1,354	0	0
Retained Rates Income	-447	-447	-447	0	0
S31 Grant	-1,252	-3,942	-3,931	-2,679	11
Retained Rates - Renewable Energy	-96	-100	-94	2	6
Tax Income Guarantee S31 - Business Rates	0	0	-119	-119	-119
10% of Retained Levy - Payable to LCC under Pooling Arrangements	67	73	58	-9	-15
Collection Fund Surplus - Business Rates	-253	-253	-253	0	0
(Surplus) for year before Capital Adjustments and Transfers to/(from) Earmarked Reserves	-578	-3,735	-5,496	-4,918	-1,761
Depreciation	-1,104	-885	-867	237	18
Minimum Revenue Provision	118	115	115	-3	0
Net Transfer to earmarked reserves	1,707	4,692	6,090	4,383	1,398
Deficit for Year	143	187	-158	-301	-345

Narrative Report

Analysis of our income and expenditure by type

The table above includes a summary total of our net committee expenditure for the financial year (replicated below).

Committee	Original Estimate	Revised Estimate	Actual	Original Estimate Compared to Actual	Revised Estimate Compared to Actual
	£'000	£'000	£'000	£'000	£'000
Community Services	4,205	4,367	4,369	164	2
Economic Development	311	303	239	-72	-64
Health & Housing	1,110	735	530	-580	-205
Planning & Development	571	394	233	-338	-161
Policy & Finance	2,195	2,170	1,731	-464	-439
Committee Expenditure	8,392	7,969	7,102	-1,290	-867

This net expenditure can also be analysed across the various income and expenditure types as shown below. This provides more of an insight as to where the variances on our income and expenditure have been for the year.

Income or Expenditure Type	Original Estimate	Revised Estimate	Actual	Original Estimate Compared to Actual	Revised Estimate Compared to Actual
	£'000	£'000	£'000	£'000	£'000
Employee Related	6,877	6,737	6,834	-43	97
Premises Related	1,831	1,860	1,886	55	26
Transport Related	1,801	1,824	2,104	303	280
Supplies & Services	1,941	1,668	1,994	53	326
Third Party Payments	390	381	373	-17	-8
Transfer Payments	5,493	5,917	8,246	2,753	2,329
Support Services	6,872	6,892	6,710	-162	-182
Depreciation and Impairment	1,104	883	867	-237	-16
Total Expenditure	26,309	26,162	29,014	2,705	2,852
Government Grants	-5,407	-6,541	-10,111	-4,704	-3,570
Other Grants and Contributions	-145	-460	-602	-457	-142
Customer and Client Receipts	-3,293	-2,148	-2,140	1,153	8
Recharges and Oncosts	-9,072	-9,044	-9,059	13	-15
Total Income	-17,917	-18,193	-21,912	-3,995	-3,719
Net Expenditure	8,392	7,969	7,102	-1,290	-867

Amendments to our budget in the year

As can be seen above, our budget is revised part way through the year. This provides us with an opportunity to better assess the level of movement anticipated within our earmarked reserves and balances, and to allow us to better forecast for the next financial year.

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

Item	£'000
Net Decrease in Service Committee Costs	-423
Decrease in Contingencies	-60
Decrease in Forecast Interest Received	27
Increase in S31 Grants Receivable	-2,690
Increase in New Homes Bonus	-13
Increase in Retained Rates - Renewable Energy	-4
Increase in 10% Retained Levy Payable to LCC under Pooling Arrangements	6
Decrease in amount to be removed for Depreciation	219
Reduction in amount to be added for Minimum Revenue Provision	-3
Increase in amount to set aside in Earmarked Reserves	2,985
Net increase in amount to take from balances for the year	44

How our revenue services are financed

As shown earlier our total actual net expenditure for committees was £7.102m. This is after allowing for numerous elements of service income such as fees and charges, sales and service specific grants and contributions.

There are a number of further additions and subtractions to this net committee expenditure:

- Removal of depreciation and addition of the minimum revenue provision (which represents the minimum amount which must be charged to an authority's revenue account each year for financing of capital expenditure that was initially funded by borrowing).
- The addition of interest paid on external borrowing less income that has been earned on external investments.
- Payment of parish precepts.
- The use of some of the capital receipts monies received in year from the sale of assets with a value of over £10,000. This is to fund the costs associated with disposing of the assets, which have been charged to revenue.
- Of the committee income and expenditure, an element is often required to either be set aside in an earmarked reserve for use for a specific purpose in future years, or alternatively released from an earmarked reserve as expenditure has now been incurred.

Narrative Report

- General fund balances are reserves that are not set aside for any specific purpose but are a resource that is used to either support general net expenditure in a given year, or is where resources are set aside as a resource to help support future financial years.

After allowing for the above further movements, the council was then left with net expenditure of £12.179m to be financed. This expenditure was financed from our major sources of income as detailed below:

Council Tax

This is the Council Tax precept payable to the council for its own precept and that paid to Parishes. Also included here is a share of income received from the Collection Fund which represents a Surplus on the Collection Fund account from previous years.

Council Tax Element	£'000
Ribble Valley Borough Council Precept	-3,678
Precept relating to all Parishes	-507
Collection Fund Surplus	-82
Total Net Council Tax Income	-4,267

Business Rates

This is retained business rates at a baseline level set by the government, plus growth on business rates that has been realised. The council also receives a number of grants, known as Section 31 Grants, to compensate the council for business rates income lost as a result of measures introduced by the Government.

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

Business Rates Element	£'000
Total Business Rates Income Forecast for 2020/21	-15,283
Less Payable to Central Government	7,641
Less Payable to Lancashire County Council	1,376
Less Payable to Lancashire Combined Fire Authority	153
Balance Retained by Ribble Valley Borough Council	-6,113
Less Tariff Payable to Central Government	4,311
Baseline Business Rates Income of £1,354,393 plus Growth of £447,301	-1,802
Business Rates retained on Renewable Energy Schemes	-94
Section 31 Grants	-3,931
Section 31 Grant - Tax Income Guarantee Grant	-119
Less 10% Retained Levy payment to Lancashire County Council	58
Business Rates Collection Fund Surplus	-253
Overall Net Retained Business Rates Related Income	-6,141

In 2020/21 this council was a part of the Lancashire Business Rates Pool which meant that we were able to retain a greater share of business rates income compared to not being a member of a pooling arrangement.

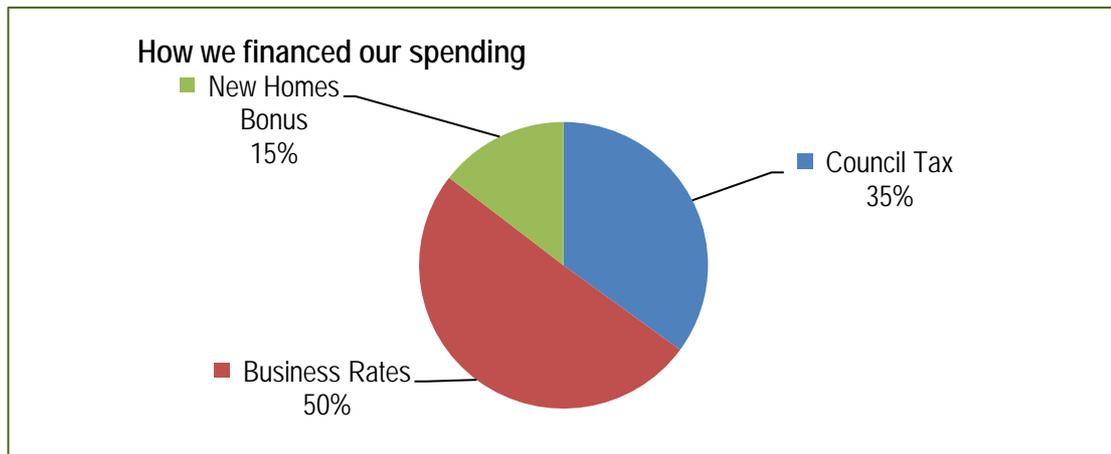
New Homes Bonus

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

Our allocation for 2020/21 was £1,770,952 and is shown in the table below (2019/20 £1,666,486)

New Homes Bonus	£'000
2017/18 Allocation	-390
2018/19 Allocation	-414
2019/20 Allocation	-464
2020/21 Allocation	-503
Total New Homes Bonus received in 2019/20	-1,771

Looking forward, the legacy payments of the bonus in respect of growth in 2018/19 and 2019/20 will continue to be paid in 2021/2, but it is not clear if these will continue to be paid in future years. The payment shown above for 2020/21 was for one year and no legacy payments will be made in future years.



Narrative Report

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

During 2020/21 there were many variances identified when we monitored our budget. The main variations affecting our final position compared with the **revised estimate** can be summarised as follows (please note that favourable variances are denoted by figures with a minus symbol):

Variation	£'000
<u>Expenditure Variations</u>	
Direct employee costs	-69
Tuition fees and training expenses	-35
Business Rates	-19
Vehicle repairs and maintenance	181
Vehicle running costs	-38
Postages	-16
Subscriptions	-19
Advertising, marketing, and statutory notices	-35
Printing and stationery	-10
General grant scheme payments	-30
Depreciation	-16
Rent Allowance Payments (<i>see grant below</i>)	-31
Directly charged Covid costs	420
Covid grant payments where this Council acted as principal	2,614
Total Expenditure Variances	2,897
<u>Income Variations</u>	
Rent Allowances Grant (<i>see payment above</i>)	42
Restoring your railways funding	-50
Other government grants	-62
Other grants, reimbursements and contributions	-86
Specific Covid funding charged to committee services	-3,551
Total Income Variances	-3,707
Other Variations	-57
Net Variation on Committee Expenditure	-867
Decreased Interest Received	4
Variation on Net Operating Expenditure	-863
Impairment Losses/(Gains) on Outstanding Debts	-2
Emergency Un-ringfenced Covid Support Grant	-779
Decreased Business Rates S31 Grants	11
Retained Rates - Renewable Energy	6

Variation	£'000
Tax Income Guarantee S31 – Business Rates	-119
10% of retained levy – Payable to LCC	-15
Variation on (Surplus) for Year Before Capital Adjustments and Transfers to/(from) Earmarked Reserves	-1,761
Depreciation	18
Extra Transfers to Earmarked Reserves (for Revenue)	1,398
Difference between the amount to add to balances at the Outturn position and the amount forecast to take from balances at the Revised Estimate	-345

General Fund Balances and Earmarked Reserves

We had originally planned to take £142,812 from general fund balances to help finance the 2020/21 spending plans. However, this was revised later in the year to taking £186,411 from general fund balances. The final position shows that the council has added £158,497 to general fund balances.

General Fund Balance	£
General Fund Balances: Brought forward at 1 April 2020	2,375,646
Surplus in 2020/21 added to General Fund Balances	158,497
General Fund Balances: Carried forward at 31 March 2021	2,534,143

With regard to earmarked reserves, in support of the revenue account and excluding capital transactions, we had originally planned to add £1,707,099. However, this was revised later in the year to adding £4,691,569 to earmarked reserves.

The final position shows that the council has added £6,090,318 to earmarked reserves for revenue purposes. For capital purposes we took £935,705 from earmarked reserves to fund the capital programme. The overall net movement was £5,154,613 added to earmarked reserves.

Earmarked Reserves	£
Earmarked Reserves: Brought forward at 1 April 2020	9,765,768
Net added to Earmarked Reserves for revenue purposes	6,090,318
Net taken from Earmarked Reserves for capital purposes	-935,705
Earmarked Reserves: Carried forward at 31 March 2021	14,920,381

The large movements in our earmarked reserves at this year-end have largely related to Covid funding. Part of this is in respect of the balance of general Government funding towards our Covid related costs and will be used to fund costs in 2021/22. Other large movements are in respect of the Covid-19 impact through the Business Rates Collection Fund deficit in 2021/22, and the mismatch of timings in the receipt of compensatory funding, which was received in 2020/21 and has been set aside in earmarked reserve until 2021/22.

Narrative Report

6 OUR FINANCIAL PERFORMANCE - CAPITAL

We keep a separate account of all our capital expenditure and income transactions, examples of such transactions would be:

- Buying or selling land or property.
- Improvements to our existing assets.
- Building new properties.
- Purchase of vehicles and plant.
- Awarding improvement grants for private sector renewal.

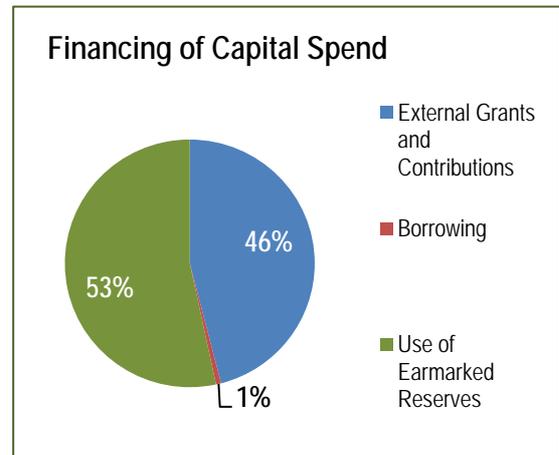
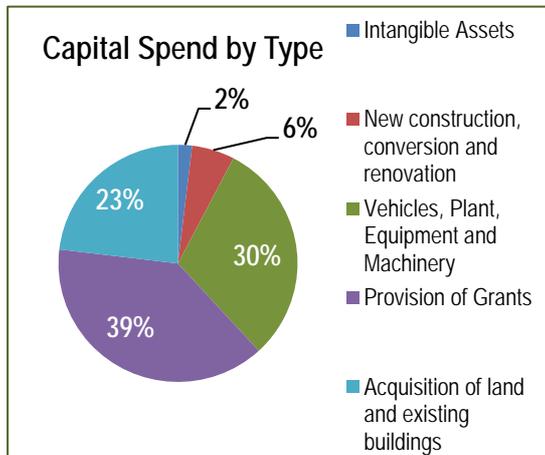
During the year the Council spent £1,196,240 on capital schemes. The main areas of expenditure included:

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

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

Capital Programme	Original Estimate	Revised Estimate	Actual	Original Estimate Compared to Actual	Revised Estimate Compared to Actual
	£	£	£	£	£
Community Services Committee	1,614,000	392,300	331,349	-1,282,651	-60,951
Economic Development Committee	81,750	35,000	0	-81,750	-35,000
Planning and Development Committee	513,940	1,277,520	61,862	-452,078	-1,215,658
Policy and Finance Committee	40,920	61,870	124,022	83,102	62,152
Health and Housing Committee	204,530	158,310	679,007	474,477	520,697
Total Capital Expenditure	2,455,140	1,925,000	1,196,240	-1,258,900	-728,760
Grants and Contributions	-347,000	-1,128,910	-549,628	-202,628	579,282
Borrowing	-1,287,000	-8,260	-8,165	1,278,835	95
Earmarked Reserves	-821,140	-787,830	-638,447	182,693	149,383
Total Resources	-2,455,140	-1,925,000	-1,196,240	1,258,900	728,760

Shown below are summaries of the type of expenditure that is represented in the £1,196,240 of capital expenditure shown in the table above and its financing.



As shown in the table above, comparing spend to budget, there is a variance of £728,760 between the revised capital programme and actual spend. At the end of the financial year work on some schemes was still underway. This can be carried forward into the new financial year and is known as slippage. Of the £728,760 variance, £724,770 is accounted for as slippage in to the 2021/22 financial year, and is summarised below:

Scheme Name	Slippage in to the 2021/22 Financial Year £
Play Area Improvements	16,500
Replacement of Pickup Ford Ranger PK60 HKN	25,250
Replacement of CCTV System	18,570
Dewhurst Road, Langho - Resurfacing Works	3,850
Re-design of Corporate Website	12,000
Replacement PCs and Windows 10 compatibility	10,000
Financial System Upgrade	8,430
Disabled Facilities Grants	567,500
Landlord/Tenant Grants	15,900
Clitheroe Affordable Housing Scheme	11,770
Economic Development Initiatives	15,000
Gateway Signs Scheme	20,000
Total Capital Slippage	724,770

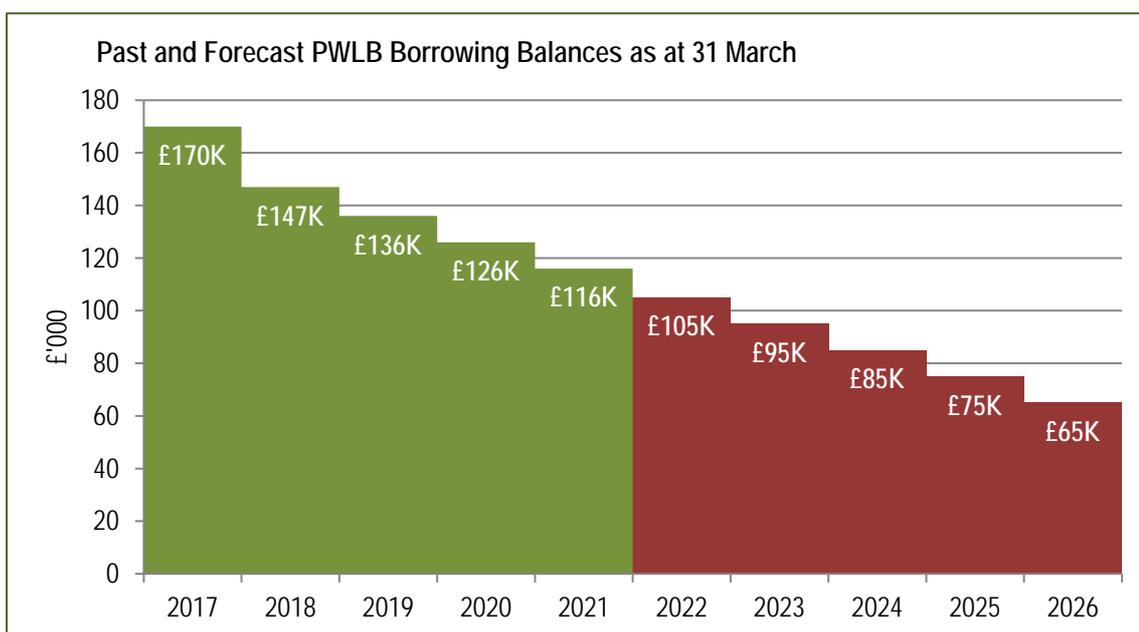
Within the resources used for financing the capital programme is internal borrowing. This is a resource generally used to finance assets of a longer life such as land and buildings. This is in order to minimise the level of impact on the revenue budget through the Minimum Revenue Provision, which is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

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We did not need to undertake any external borrowing in year; however, the Council always looks to make full use of advantageous lending terms that are offered by the Public Works Loan Board.

The total Public Works Loan Board loans outstanding as at 31 March 2021 was £116k. These are included in the Balance Sheet within Short Term Borrowing and Long Term Borrowing. A detailed analysis of the Council's long term borrowing is shown in note 15 to the core financial statements.

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



Past actuals shown in green, forecast (based on Public Works Loan Board loans held at 31 March 2021) shown in red

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

7 OUR FINANCIAL PERFORMANCE – COLLECTION FUND

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

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

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

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

Due to the change of circumstances for businesses, the actual amount of business rates collected can be higher or lower than the total amount required to be paid out in fixed shares. This results in either a forecast surplus or deficit, which is declared in the following January each year and is either paid to or collected from Central Government, Ribble Valley Borough Council, Lancashire County Council and Lancashire Fire and Rescue in the following financial year. Performance of the Collection fund for 2020/21 is summarised in the table below, compared to the forecast performance.

As you will see from the table below, the collection fund is showing a substantial deficit position in respect of business rates as at the 31 March 2021. This deficit position reflects the manner in which the Government compensate this council for the implementation of Covid-19 reliefs such as the retail discount and nursery discount.

This lost income due to the reliefs awarded through the collection fund is compensated for by the Government through Section 31 grant income, which is credited to the General Fund in 2020/21. The impact to this council of the awarded discounts and reliefs will not be until during the 2021/22 financial year, when we will be required to fund the deficit position along with all other business rates precepting bodies, and the Government.

As this compensating funding has been received in the General Fund in 2020/21, but the impact will not be felt by the General Fund until 2021/22 through the business rates collection fund deficit, this Section 31 funding has been set aside in a short-term earmarked reserve at 31 March 2021 and will be released again in the 2021/22 financial year. The value of this earmarked reserve is £2,578,153.

STATEMENT OF ACCOUNTS 2020/21

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Collection Fund	Original Estimate	Revised Estimate	Actual	Original Estimate Compared to Actual	Revised Estimate Compared to Actual
	£'000	£'000	£'000	£'000	£'000
Council Tax - Expenditure					
Total of all Precepts	43,934	43,934	43,934	0	0
Total Council Tax Surplus distributed	861	861	861	0	0
Council Tax Benefit	0	0	3	3	3
Bad Debts Provision	332	200	153	-179	-47
Expenditure Subtotal - Council Tax	45,127	44,995	44,951	-176	-44
Business Rates - Expenditure					
Total Business Rates Surplus distributed	456	456	456	0	0
Cost of Collection	91	91	91	0	0
Enterprise Zones	123	0	123	0	123
Renewable Energy Schemes	96	100	94	-2	-6
Total Distribution of Business Rates	15,283	15,283	15,283	0	0
Transitional Protection Payments	0	5	0	0	-5
Appeals Provision	484	617	1,069	585	452
Bad Debts Provision	161	200	209	48	9
Expenditure Subtotal - Business Rates	16,694	16,752	17,325	631	573
Total Expenditure	61,821	61,747	62,276	455	529
Council Tax - Income					
Surplus Brought Forward	861	783	783	-78	0
Council Tax Income	44,266	44,474	44,446	180	-28
Council Tax Benefits	0	0	0	0	0
Flood Discounts - Chargeable to General Fund	0	0	34	34	34
Family Annexes Discount - Chargeable to General Fund	0	0	8	8	8
Covid Hardship Payments - Chargeable to General Fund	0	0	226	226	226
Income Subtotal - Council Tax	45,127	45,257	45,497	370	240
Business Rates - Income					
Surplus Brought Forward	456	320	320	-136	0
Transitional Protection	104	22	13	-91	-9
Net Rates Payable (before appeals)	16,134	9,293	8,757	-7,377	-536
Income Subtotal - Business Rates	16,694	9,635	9,090	-7,604	-545
Total Income	61,821	54,892	54,587	-7,234	-305
Council Tax Surplus carried forward	0	262	546	546	284
Business Rates Deficit carried forward	0	-7,117	-8,235	-8,235	-1,118
Total Net Deficit carried forward	0	-6,855	-7,689	-7,689	-834

8 OUR NON-FINANCIAL PERFORMANCE

The Council's Performance on Corporate Ambitions

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

Ambition 1: To ensure a well-managed council providing efficient services based on identified customer needs.

- **To maintain critical financial management and controls, and ensure the authority provides council tax payers with value for money, within the current financial constraints:** The Council continued to have the lowest Band D Council Tax in Lancashire and one of the lowest in the Country. In the 2018 Perception Survey 60% of respondents said that they agreed that Ribble Valley Borough Council provides value for money.
- **To treat everyone equally and ensure that access to services is available to all, including our most vulnerable citizens:** Ribble Valley Borough Council continued to support charities and voluntary organisations across the borough who carry out an important role in supporting our vulnerable citizens. Our response to the Covid-19 pandemic continued and included a focus on our most vulnerable citizens through the establishment of the Community Hub. We have also endeavoured to enhance the services that we have available for provision online.
- **To engage with our communities to ensure we deliver services to meet customer needs and expectations:** In the 2018 Perception Survey 59% of respondents said that they were happy with the way in which the council ran services. We continually encourage feedback from our residents and act promptly and proactively where possible to trends in feedback and comment through our social media presence and website.

Ambition 2: To sustain a strong and prosperous Ribble Valley.

- **To promote stronger, more confident and more active communities throughout the borough:** The Council continued to work closely with all its parishes and town councils via the Parish Council Liaison Committee. Financial support was also provided to parishes through the concurrent function grant scheme. The Council has a number of grant schemes that support communities and organisations across the borough, these include recreation and sports, culture, arts, 'Ribble Valley in Bloom' and voluntary organisations. The Covid-19 response saw a substantial amount of grant aid distributed in a very timely manner.
- **To encourage economic development throughout the borough with a specific focus on tourism, the delivery of sufficient land for business development, and supporting high growth business opportunities:** The council put in to place the processes for its rapid response to the Covid-19 pandemic and the distribution of vital grant support to many eligible businesses throughout the borough.

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- **To seek to improve the transport network, especially to our rural areas:** Despite cuts by Lancashire County Council to some rural bus services, Ribble Valley Borough Council continues to provide essential grant funding to The Little Green Bus which offers a community transport service for the elderly and vulnerable people. We continued to seek improvements to rail connections to the borough and have been working up a business case to reopen the Clitheroe to Hellifield rail line and look at options for increasing rail travel.
- **To work with our partners to ensure that the infrastructure in the Ribble Valley is improved:** There is ongoing work through the planning process to ensure that the road infrastructure supports new developments. Our continued work on the Ideas fund work in respect of the Clitheroe to Hellifield rail line will see continued work with partners and the community.

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

- **To improve the health of people living and working in our area:** We sought to provide important leisure services such as Ribblesdale Pool, football pitches, parks and play areas. However, the ability to operate much of these facilities was impacted by the Covid-19 pandemic, with some facilities closing for much of the year, or operating on limited capacity.
- **To improve the opportunity for people to participate in cultural, recreational and sporting activity:** The Council annually awards grants to young residents of the borough for equipment and tuition for youngsters who excel in sport, dance, drama and music. It is hoped that as Covid-19 restrictions ease, the new facilities at Edisford will encourage further recreational and sporting activity for young people within the Ribble Valley.
- **To ensure that Ribble Valley remains a safe place to live:** Ribble Valley remains a low crime area and a safe place to live. This success is in part due to the work of our Community Safety Partnership. The council has provided many vital services in response to the Covid-19 pandemic, ensuring that our residents are able to keep safe.
- **To combat rural isolation:** The work of the Community Hub in response to the Covid-19 pandemic has helped maintain a vital connection for vulnerable or shielding persons.

Ambition 4: To protect and enhance the existing environmental quality of our area.

- **To conserve our countryside, the natural beauty of the area and enhance our built environment:** Through its planning powers the Council secured funds to assist in the restoration of Primrose Lodge in Clitheroe. This scheme has been carried out by the Ribble Rivers Trust and has ensured that the site is improved and restored to provide a valuable habitat and accessible public area. Specifically this has seen desilting, construction of bridges, footpaths and viewing platform and also the construction of one of longest fish passes in the country.
- **To retain weekly collections of residual waste:** The Council's weekly refuse collection and recycling service has continued to operate along with the free collection of green waste for residents.

- **To provide a high-quality environment, keeping land clear of litter and refuse, and reducing the incidents of dog fouling:** The Council created a dog fouling working group in the year in order to target dog fouling issues within the borough.
- **To be an environmentally sustainable area, prepared for the future:** We continue to seek to minimise the use of single-use plastics within the council and reduce the use of paper wherever possible.
- **To aspire to be a carbon neutral borough by 2030:** The Council's Climate Change Working Group is preparing an action plan to work towards being a carbon neutral borough by 2030.

Ambition 5: To match the supply of homes in our area with the identified housing needs.

- **To meet the housing needs of all sections of the Community:** The Council offers disabled facilities grants to enable disabled people within the borough to have better freedom of movement around the house and remain in their own home. Additionally, through the planning process we ensure the provision of affordable accommodation on all sites over 30 units.
- **To provide an adequate mix of additional affordable homes throughout the Ribble Valley:** The Council offers Landlord/Tenant Grants in which the Council match funds a landlord's investment in a property in return for an affordable rental property. The grant ensures that the council has nomination rights to the property and that rents are set in line with the Local Housing Allowance.
- **To develop the right housing in the right places:** Within the 2020/21 financial year the council continued to monitor housing provision and the implementation of the delivery of affordable units in accordance with policy aspirations. The council achieved the delivery of 121 affordable homes.

Resident Satisfaction Surveys

The Council carries out a biennial survey based on the questions asked in the previous national Place Survey. The survey focused on the local area, well-being, service satisfaction, perceptions of the Council and value for money. A summary of the last survey undertaken is provided below, broken down into the key areas.

A new survey had been due to take place towards the end of the 2019/20 financial year. However, due to the Covid-19 pandemic this was postponed, and it is now hoped that it will instead take place during the 2021/22 financial year.

Your Local Area

- Health services, road and pavement repairs and the level of crime are seen to be the three most important things that make the local area a good place to live.
- 79% of residents are satisfied with their local area as a place to live.

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Local Public Services

- Around 9 in 10 residents are satisfied with refuse and recycling services provided by the Council.
- Dissatisfaction with dog fouling has remained the same at 49%.
- 60% feel the Council provides value for money, down from 71% in 2016, but still higher than the County Council (26%).
- Around 6 in 10 residents are satisfied with the Council overall.

Recycling Services

- More than 9 out of 10 residents regularly recycle glass, cans, plastic, paper/cardboard and green waste.

Information and Customer Service

- People feel less informed about the Council than they did on the last survey.
- But elements of customer service are on the up – waiting times, politeness of staff and how easy information is to understand.
- Residents still prefer printed publications for information, but are also keen to receive an e-newsletter, and prefer to contact the Council by telephone or in person. There has been an increase in contact via the website/email.

Local Community

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

Change and Improvement

The Covid-19 pandemic has had a huge impact on the progression of plans for service changes and improvements, with this also influencing the path that some changes may take going forward to embrace different working practices.

The completion of schemes on our capital programme has inevitably been impacted by the pandemic and has therefore hindered some service developments and changes in the 2020/21 financial year, but it is hoped that any delayed schemes will now be able to be completed in the 2021/22 financial year.

The pandemic required us to adopt more flexible approaches to the provision of services and also saw substantial changes to how officers worked over the last year, with remote working being undertaken by some staff. There will be a review of the remote working that was undertaken this last year in order to inform any future homeworking policy changes.

The pandemic has resulted in a significant amount of additional work for the council with many new obligations falling on local government not only during 2020/21, but continuing in to 2021/22 and possibly beyond.

Whilst additional funding has been provided by central government towards some of these new responsibilities, it continues as a substantial resource burden, when the council is already experiencing difficulties in recruitment.

With regard to our recruitment and retention issues, the council's Personnel Committee have set up a working group to review pay and conditions.

Smarter working with our existing ICT infrastructure across all services continues to be a key area for improvement. This will allow us to ensure that we maximise the return from our investment and drive efficiencies in providing our services. We continue to work hard to enable better connectivity of our systems to our website to help our customers access our services at times that are convenient to them.

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

We also continue to meet the improvement areas highlighted as part of the Corporate Peer Challenge that was carried out a number of years ago.

In the later *Current Economic Climate and Outlook* section of the Narrative Report, the vast levels of uncertainty around local government finance are reflected on. This uncertainty inevitably impacts on the councils approach to change and the confidence that it can take in planning for service investment when multiple key funding streams can not be confirmed, even in the short term.

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9 PENSIONS

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

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

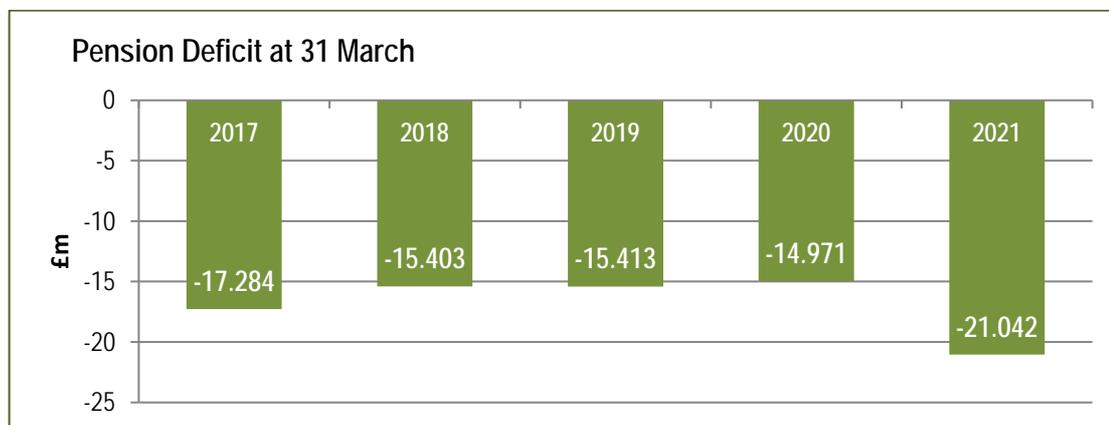
The net pension asset/liability in respect of the surplus/deficit on the pension fund, as calculated by the fund's actuary, is included in the council's balance sheet. In Ribble Valley Borough Council's case the net liability as at 31 March 2021 increased to £21.042m (31 March 2020 £14.971m). The reason for the increase in net liability is largely explained by the following:

	£'000
Remeasurements (liabilities)	
Experience gain	-1,333
Gain on financial assumptions	10,866
Remeasurements (assets)	-4,510
Net movement from remeasurements	5,023

The main influence on the pension fund position is a slight reduction in the discount rate assumption (-0.3% p.a.) and an increase in the CPI inflation assumption (0.6% p.a). The combined effect of this is to significantly increase liabilities.

Remeasurements (assets) is the return on plan assets net of administration expenses and interest income. The approach to calculating the accounting figures in between full actuarial valuations is approximate in nature. As a consequence there can be varying movements year to year between these full actuarial valuations. This is particularly due to the LGPS being a multiple employer scheme, with the scheme not having asset values which are formally segregated between employers.

The Pension deficit has fluctuated quite widely over the past few years and as mentioned above, the main fluctuations year to year have been around financial assumptions. The last full revaluation was undertaken in 2019.



10 COVID-19 IMPACT

Councils have played a key role in supporting local communities throughout the Covid pandemic. The restrictions and lock-down periods as a result of the pandemic have been unprecedented and have had a substantial impact on both the national and local economy.

Council staff have delivered (and continue to deliver) a range of support measures to businesses and residents including

- Creation of a Community Hub to support vulnerable residents
- Supporting local businesses via payment of grants
- Provision of 100% business rate relief to eligible retail, hospitality, and leisure properties
- Working alongside partners to contain and manage local outbreaks
- Enforcement
- Testing and Tracing
- Payment of £150 grants to Working Tax Credit Claimants
- Payment of £500 Test and Trace Support payments

All these measures have been financed by special covid funding awarded by the Government.

The Government also announced various tranches of unringfenced emergency funding for local authorities for Covid related spending pressures. We received £242,180 for 2021/22, £779,419 for 2020/21 and £23,853 for 2019/20.

The Government also agreed a scheme to reimburse councils for lost income from sales, fees and charges due to Covid-19. This scheme ran for 2020/21 and the first quarter of the 2021/22 financial year. Councils absorbed the first 5% of all relevant irrecoverable losses compared to their original budget, with the Government compensating councils for 75 pence in every pound of loss thereafter.

Further 'New Burdens' grants have been awarded by the Government to meet the administration costs of carrying out various additional roles due to the pandemic, for example the awarding of business support grants.

Many councils were in a difficult financial position before the pandemic. Fortunately, this council remains in a healthy financial position, however the ongoing unknown impact of the pandemic may continue to affect local government finances for years to come.

Covid-19 Related Funding Accounted for in 2020/21

Detailed below are the various grant funding streams that were accounted for in the 2020/21 financial year.

This has broadly been grouped as:

- Emergency Funding
- Sales, Fees and Charges Compensation

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- Grant Funding for Businesses
- Other Grants

In respect of the *Grant Funding for Businesses*, the accounting treatment that the council must follow for such funding and the payments made is quite specific and is dictated through our role in such payments, being defined as either acting as agent, or acting as principal.

A key indicator of the council acting as agent would be where the council is acting as an intermediary between the recipient and the Government Department, and where the council did not have 'control' of the grant conditions and there was no flexibility in determining the level of grant payable.

Where the council was able to use its own discretion when allocating the amount of grant payable, it was acting as principal.

Where the council has acted as principal as opposed to acting as agent, the transactions are included in the council's financial statements, following the relevant section of the Code of Practice.

Where the council has acted as agent, then the transactions have not been reflected in the council's financial statements, other than in respect of cash collected or expenditure incurred by the council on behalf of the Government Department, in which case there is a debtor or creditor position on the balance sheet, and the net cash position is included in financing activities in the Cash Flow Statement.

Funding Type	£
Emergency Funding	
Covid-19 Support Grant - Tranche 2	-602,234
Covid-19 Support Grant - Tranche 3	-77,185
Covid-19 Support Grant - Tranche 4	-100,000
Total Emergency Funding	-779,419
Sales, Fees and Charges Compensation	
April 2020 to July 2020	-193,106
August 2020 to November 2020	-198,873
December 2020 to March 2021	-187,720
Total Sales, Fees and Charges Compensation	-579,699
Grant Funding for Businesses	
Business Support Grant (Principal)	-867,000
Local Restrictions Support Grant (Open and ARG) (Principal)	-1,437,526
Self-isolation Payments Funding Discretionary (Principal)	-31,250
Small Business Support Grant (Agent)	-12,940,000
Retail Hospitality and Leisure Business Grant (Agent)	-4,280,000
Self-isolation Payments Funding (Agent)	-27,000
Christmas Support for Wet-Led Pubs (Agent)	-37,000

Funding Type	£
Local Restrictions Support Grant (Closed) (Agent)	-7,998,230
Total Grant Funding for Businesses	-27,618,006
Other Grants	
Reopening High Streets Safely Fund	-25,458
National Leisure Recovery Fund	-83,434
Homelessness Grant Funding	-12,879
Council Tax Hardship Fund	-222,053
S31 Grant RHLG and Small Business Grant Administration	-130,000
Local Authority Compliance and Enforcement	-21,956
Self-isolation Payments Funding Administration	-23,403
S31 Contain Outbreak Management Fund	-296,283
Local Authority Discretionary Grant Fund (Small Business Grant, Retail Hospitality and Leisure, Local authority Discretionary Grant)	-58,500
Local Authority Discretionary Grant Fund (Local Restrictions Support Grant, Wet Led Pubs, Closed Business Lockdown)	-166,800
Clinically Extremely Vulnerable Funding	-141,777
Test and Trace Support and Food and Essential Supplies Grants (TTS/FES)	-42,788
Practical Support for Self-Isolation Funding	-13,772
Business Rates Discount Schemes and Council Tax Hardship Fund New Burdens	-18,908
Total Other Grants	-1,258,009

Narrative Report

11 CURRENT ECONOMIC CLIMATE AND OUTLOOK

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

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

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

Despite the level of uncertainty, a budget forecast was prepared at the time of setting the revenue budget for 2021/22 at the start of February 2021. This was based on many assumptions due to the high level of uncertainty around future local government funding.

	2021/22 Forecast £	2022/23 Forecast £	2023/24 Forecast £	2024/25 Forecast £
Net Expenditure	7,675,045	7,699,235	7,890,486	8,095,515
Interest Receipts	-50,000	-75,000	-75,000	-75,000
Use of Superannuation Reserve	-36,512	-36,512	-36,514	
Rural Services Grant	-113,250	-113,250	-113,250	-113,250
Lower Tier Services Grant	-57,696			
Use of Business Rates Growth	-795,549	-795,549	-795,549	-795,549
Use of New Homes Bonus	-1,105,000	-1,105,000	-1,105,000	-1,105,000
Use of Balances	-400,000	-250,000	-250,000	-250,000
Savings Required	0	-28,886	-57,954	-134,478
Budget Requirement	5,117,038	5,295,038	5,457,219	5,622,238
Business Rates Baseline	-1,354,393	-1,354,393	-1,354,393	-1,354,393
Collection Fund Surplus	-24,995	-25,000	-25,000	-25,000
Precept	3,737,650	3,915,645	4,077,826	4,242,845
Taxbase	24,007	24,367	24,611	24,857
Band D Council Tax	£155.69	£160.69	£165.69	£170.69
Projected/Actual Council Tax increase	0%	£5 max	£5 max	£5 max

The forecast assumes our funding stays at the 2021/22 level, however at this stage there are no indications from the Government. The forecast also assumes the current maximum permitted increase of £5 for Band D Council Tax for 2022/23 onwards. However, the actual council tax rate set for any given year would be a decision for the elected members at that time.

The budget forecast at the time estimated a budget gap of £29k in 2022/23, £58k in 2023/24 and £134k in 2024/25. However, it is important to note the high levels of uncertainty across this forecast.

In 2019/20 this Council was a member of the new Lancashire Business Rate Pilot Pool which meant that locally we retained 75% of business rate growth. The Pilot was for one year only following the delay to the introduction of business rates reforms. In 2020/21 the council was a member of a new Lancashire Business Rates Pool on a 50% business rates retention basis and this has continued in to 2021/22.

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

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

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

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

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

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

12 PRINCIPAL RISKS AND UNCERTAINTIES

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

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

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

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

Future of Local Government Finance Settlement

- Outcome of Fair Funding Review, Business Rates Retention Reform and New Homes Bonus Consultations.
- Longer term viability of the Lancashire Business Rates Pool following the Fair Funding Review and Business Rates Retention Reform.

Availability of Staffing

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

Business Rates Retention Scheme

- Outcome of Business Rates Retention Reform Consultation.
- Risk of large appeals.
- Longer term impacts of Covid-19.

Business Continuity

- Major fire, flooding or utilities fault.

ICT

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

Unable to Meet Service Demands

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

Planning

- Outcomes of Planning for the Future consultation

Covid-19

- Longer term impact on the community, including financial impact on businesses and households within the borough.

- Ability for service income to return to pre-Covid levels

Combined Authority Plans

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

13 THE STATEMENTS

The Council's statement of accounts for the year ended 31 March 2021 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 2020/21 are detailed in the following paragraphs.

Statement of Responsibilities

The code requires that the chief financial officer should sign and date the Statement of Accounts under a statement that the accounts give a true and fair view of the financial position of the Council at the accounting date and its income and expenditure for the year then ended.

Statement of Accounting Policies

Accounting Policies are the specific principles, bases, conventions, rules and practices applied by the council in preparing and presenting its financial statements. The council is required to set out its accounting policies in compliance with the Code of Practice on Local Authority Accounting in the United Kingdom and include them within the Statement of Accounts.

Movement in Reserves Statement

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

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

Narrative Report

Comprehensive Income and Expenditure Statement

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

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

Balance Sheet

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

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

Cash Flow Statement

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

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

Collection Fund Statement

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

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

Statement of Responsibilities

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

The Authority's Responsibilities

The authority is required to:

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

The Director of Resources' Responsibilities

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

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

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

The Director of Resources has also:

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

I hereby certify that the Statement of Accounts gives a true and fair view of the financial position of the authority at the reporting date and its income and expenditure for the year ended 31 March 2021.

Jane L Pearson
Director of Resources CPFA
10 November 2021

Approval of the Statement of Accounts

I confirm that these accounts, including the Comprehensive Income and Expenditure Statement on page 64 and the Balance Sheet on page 68, were approved by the Accounts and Audit Committee at its meeting held on 17 November 2021.

Signed by:

Cllr David Berryman
Chairman of Accounts and Audit Committee
17 November 2021

Statement of Accounting Policies

1 GENERAL PRINCIPLES

The Statement of Accounts summarises the Council's transactions for the 2020/21 financial year and its position at the year-end of 31 March 2021. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, which those Regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the *Code of Practice on Local Authority Accounting in the United Kingdom 2020/21*, supported by International Financial Reporting Standards (IFRS).

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

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

2 ACCRUALS OF INCOME AND EXPENDITURE

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

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed – in the case of the depot general stores, where there is a gap between the date supplies are received and their consumption they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowing is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- The council has adopted IFRS15 Revenue from Contracts with Customers in accordance with the Code.

Statement of Accounting Policies

3 CASH AND CASH EQUIVALENTS

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

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

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

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

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

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

5 CHARGES TO REVENUE FOR NON-CURRENT ASSETS

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

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

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

6 COUNCIL TAX AND NON-DOMESTIC RATES (NDR)

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

Accounting for Council Tax and NDR

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

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

7 EMPLOYEE BENEFITS

Benefits Payable during Employment

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

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

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

Statement of Accounting Policies

Termination Benefits

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

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

Post-Employment Benefits

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

The Local Government Pension Scheme

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

- The liabilities of the Lancashire County Pension Fund attributable to Ribble Valley Borough Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate of 2.1% (2.4% 31 March 2020) based on the indicative rate of return on AA rated corporate bonds.
- The assets of the Lancashire County Pension Fund attributable to Ribble Valley Borough Council are included in the Balance Sheet at their fair value:
 - Quoted securities – current bid price
 - Unquoted securities – professional estimate
 - Unitised securities – current bid price
 - Property – market value
- The Change in the Net Pensions Liability is analysed into the following components:

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

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

In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the Pension Fund and pensioners and any such amounts payable but unpaid at the year-end.

Statement of Accounting Policies

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

Discretionary Benefits

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

8 EVENTS AFTER THE REPORTING PERIOD

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

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

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

9 FINANCIAL INSTRUMENTS

Financial Liabilities

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

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

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

Financial Assets

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

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

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

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument.

For most of the financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Expected Credit Loss Model

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

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

Statement of Accounting Policies

10 GOVERNMENT GRANTS AND CONTRIBUTIONS

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

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

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

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

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

11 HERITAGE ASSETS

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

Heritage Assets are

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

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

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

- Civic Regalia
- The Roman Bath site at Ribchester

The Castle Keep at Clitheroe

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

The Clitheroe Castle Museum Collection

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

Civic Regalia

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

Statement of Accounting Policies

The Roman Bath site at Ribchester

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

Heritage Assets - General

The carrying amounts of heritage assets are reviewed where there is evidence of impairment for heritage assets, e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment – see *Accounting Policy 16* on Property, Plant and Equipment in this summary of significant accounting policies. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts (again see *Accounting Policy 16* on Property, Plant and Equipment in this summary of significant accounting policies)

12 INTANGIBLE ASSETS

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

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

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

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

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

13 INVENTORIES AND LONG TERM CONTRACTS

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

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

14 LEASES

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

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

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

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

Operating Leases Where the Council is Lessee

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

Statement of Accounting Policies

Operating Leases Where the Council is Lessor

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

15 OVERHEADS AND SUPPORT SERVICES

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

16 PROPERTY, PLANT AND EQUIPMENT

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

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

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

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

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

Statement of Accounting Policies

Property, Plant and Equipment Classification	31 March 2021	
	Revalued Amount in Balance Sheet £	Equivalent Carrying Amount Under Cost Model £
Other Land and Buildings	13,065,992	8,389,907
Vehicles, Plant, Furniture and Equipment	1,972,657	1,972,658
Infrastructure Assets	253,214	253,214
Community Assets	1,567,619	1,555,719
Surplus Assets (Not for Sale)	24,133	17,908
Total	16,883,615	12,189,406

Impairments

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

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

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

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

Depreciation

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

Statement of Accounting Policies

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

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

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

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

Disposals and Non-current Assets Held for Sale

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

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

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

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal.

Statement of Accounting Policies

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

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

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

Componentisation

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

17 PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Provisions

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

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement when the Council has an 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.

18 RESERVES

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

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

19 REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

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

20 VAT

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

21 FAIR VALUE MEASUREMENT OF NON-FINANCIAL ASSETS

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

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

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

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

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

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

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

Comprehensive Income and Expenditure Statement

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

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

The Comprehensive Income and Expenditure Statement has two sections:

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

Comprehensive Income and Expenditure Statement

2019/20			2020/21				
Gross Expenditure £	Gross Income £	Net Expenditure £		Gross Expenditure £	Gross Income £	Net Expenditure £	Note
8,987,394	-4,533,335	4,454,059	Community Services Committee	8,762,023	-4,019,589	4,742,434	
370,427	-81,709	288,718	Economic Development Committee	393,274	-135,145	258,129	
7,379,587	-6,440,783	938,804	Health and Housing Committee	6,962,638	-6,282,649	679,989	
1,782,057	-1,174,453	607,604	Planning and Development Committee	1,279,027	-893,605	385,422	
4,204,852	-1,349,937	2,854,915	Policy and Finance Committee	6,428,059	-4,506,762	1,921,297	
22,724,317	-13,580,217	9,144,100	Cost of Services	23,825,021	-15,837,750	7,987,271	1/2
			Other Operating Expenditure				
		450,764	Payment of Precepts to Parishes			507,581	
		29,000	Pensions Administration Expenses			30,000	32
		33,489	(Gains)/Losses on the Disposal of non-Current Assets			-35,009	
			Financing and Investment Income and Expenditure				
		6,527	Interest Payable on Debt			6,020	
		-113,422	Investment Interest Income			-44,254	
		5,746	Impairment Losses/(Gains)			-2,204	
		352,000	Net Interest on the net defined benefit liability (asset)			347,000	32
		-22,334	Gain on Trading Accounts			-69,754	
			Taxation and Non-Specific Grant Income				
		-4,014,273	Council Tax			-4,243,831	8
		-2,274,104	Non Domestic Rates Income and Expenditure			1,401,531	8/11
		-3,379,891	Other Non-Specific Grants			-6,708,182	8
		217,602	(Surplus) or Deficit on Provision of Services			-823,831	1/2
		2,810,189	(Surplus) or Deficit on Revaluation of Property, Plant and Equipment Assets			-97,588	
		-2,121,000	Actuarial Gains on Pensions Assets/Liabilities			5,023,000	32
		689,189	Other Comprehensive Income and Expenditure			4,925,412	
		906,791	Total Comprehensive Income and Expenditure			4,101,581	

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

Movement in Reserves Statement

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

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

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

Movement in Reserves Statement

Movements in 2020/21	General Fund Balance £	Earmarked General Fund Reserves £	Total General Fund Balance £	Capital Grants Unapplied £	Usable Capital Receipts Reserve £	Total Usable Reserves £	Unusable Reserves £	Total Council Reserves £
Balance as at 31 March 2020	2,375,646	9,765,768	12,141,414	387,640	1,086,608	13,615,662	-184,490	13,431,172
Total Comprehensive Income and Expenditure	-4,330,783	5,154,614	823,831			823,831	-4,925,412	-4,101,581
Adjustments between Accounting Basis and Funding Basis Under Regulations See Note 10	4,489,280		4,489,280	192,884	52,250	4,734,414	-4,734,414	0
Increase/(Decrease) in Year	158,497	5,154,614	5,313,111	192,884	52,250	5,558,245	-9,659,826	-4,101,581
Balance at 31 March 2021 Carried Forward	2,534,143	14,920,382	17,454,525	580,524	1,138,858	19,173,907	-9,844,316	9,329,591

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

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

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 2020		31 March 2021	Note
£		£	
<i>Long Term Assets</i>			
16,960,063	Property, Plant and Equipment	16,883,614	13
944,857	Heritage Assets	971,194	14
71,626	Intangible Assets	78,322	
258,083	Long Term Debtors	247,521	15
18,234,629	Total Long Term Assets	18,180,651	
<i>Current Assets</i>			
10,000	Financial Asset Held for Sale	10,000	15
49,050	Inventories	35,865	
2,361,104	Short Term Debtors	6,147,098	6/15/16
14,783,508	Cash and Cash Equivalents	18,534,239	15/17
17,203,662	Total Current Assets	24,727,202	
<i>Current Liabilities</i>			
-17,894	Short Term Borrowing	-17,894	
-6,307,648	Short Term Creditors	-11,560,377	15/18
-594,987	Provisions	-852,793	6/19
-6,920,529	Total Current Liabilities	-12,431,064	
<i>Long Term Liabilities</i>			
-115,590	Long Term Borrowing	-105,197	15
-14,971,000	Net Pensions Liability	-21,042,000	6/32
-15,086,590	Total Long Term Liabilities	-21,147,197	
13,431,172	Net Assets	9,329,592	
<i>Usable Reserves</i>			
2,375,646	General Fund Balance	2,534,143	20
9,765,768	Earmarked General Fund Reserves	14,920,382	12
1,086,608	Usable Capital Receipts Reserve	1,138,859	
387,640	Capital Grants Unapplied	580,524	
13,615,662	Total Usable Reserves	19,173,908	
<i>Unusable Reserves</i>			
8,586,778	Capital Adjustment Account	8,671,245	21
251,248	Collection Fund Adjustment Account	-3,264,848	
6,034,168	Revaluation Reserve	6,013,615	
-14,971,000	Pension Reserve	-21,042,000	32
-85,684	Accumulated Absences Account	-222,328	
-184,490	Total Unusable Reserves	-9,844,316	
13,431,172	Total Reserves	9,329,592	

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

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.

2019/20 £		2020/21 £	Note
217,602	Net (Surplus) or Deficit on the Provision of Services	-823,831	
-3,074,151	Adjustments to Net Surplus or Deficit on the Provision of Services for Non-Cash Movements	-5,312,503	22
0	Adjustments for Items Included in the Net Surplus or Deficit on the Provision of Services that are Investing and Financing Activities	58,500	22
-2,856,549	Net Cash Flows from Operating Activities	-6,077,834	
87,319	Investing Activities	-263,723	23
378,257	Financing Activities	2,590,826	24
-2,390,973	Net Increase or decrease in Cash and Cash Equivalents	-3,750,731	
12,392,535	Cash and Cash Equivalents 1 April	14,783,508	
14,783,508	Cash and Cash Equivalents 31 March	18,534,239	17

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

Notes to the Core Financial Statements

Notes to the Core Financial Statements

1 EXPENDITURE AND FUNDING ANALYSIS

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

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

2020/21	Net Expenditure Chargeable to the General Fund £	Adjustments between the Funding and Accounting Basis £	Net Expenditure in the Comprehensive Income and Expenditure Statement £
Community Services Committee	4,369,210	373,224	4,742,434
Economic Development Committee	239,413	18,715	258,128
Health and Housing Committee	530,226	149,763	679,989
Planning and Development Committee	232,877	152,545	385,422
Policy and Finance Committee	1,730,807	190,491	1,921,298
Net Cost of Services	7,102,533	884,738	7,987,271
Other Income and Expenditure	-12,415,643	3,604,541	-8,811,102
(Surplus) or Deficit	-5,313,110	4,489,279	-823,831
Opening General Fund Balance at 31 March 2020	-12,141,415		
Closing General Fund Balance as at 31 March 2021	-17,454,525		

Notes to the Core Financial Statements

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

2 NOTE TO THE EXPENDITURE AND FUNDING ANALYSIS

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

2020/21	Net Expenditure Chargeable to the General Fund £	Adjustments for Capital Purposes £	Net Change for the Pensions Adjustments £	Other Statutory Adjustments £	Net Expenditure in the Comprehensive Income and Expenditure Statement £
Community Services Committee	4,369,210	2,860	299,887	70,477	4,742,434
Economic Development Committee	239,413		19,570	-855	258,128
Health and Housing Committee	530,226	-21,773	94,579	76,957	679,989
Planning and Development Committee	232,877	48,672	89,677	14,196	385,422
Policy and Finance Committee	1,730,807	-22,419	167,287	45,623	1,921,298
Net Cost of Services	7,102,533	7,340	671,000	206,398	7,987,271
Other Income and Expenditure	-12,415,643	-218,801	377,000	3,446,342	-8,811,102
(Surplus) or Deficit	-5,313,110	-211,461	1,048,000	3,652,740	-823,831

Notes to the Core Financial Statements

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

Adjustments for Capital Purposes

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

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

Net Change for the Pensions Adjustments

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

- **For services** this represents the removal of the employer pension contributions made by the council as allowed by statute and the replacement with current service costs and past service costs.

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

Other Statutory Adjustments

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

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

3 EXPENDITURE AND INCOME ANALYSED BY NATURE

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

2019/20 £		2020/21 £
<i>Expenditure</i>		
8,689,244	Employee Expenditure	7,988,531
13,262,393	Other Service Expenses	27,364,737
1,271,250	Depreciation, Amortisation and Impairment	874,753
29,000	Pensions Administration Costs	30,000
6,527	Interest Payments	6,020
450,764	Precepts and Levies	507,581
23,709,178	Total Expenditure	36,771,622
<i>Income</i>		
-6,492,648	Fees and Charges and Other Service Income	-17,203,048
33,489	Gain or Loss on Disposal of Non-Current Assets	-35,009
-6,288,377	Income from Council Tax and Business Rates	-2,842,300
-10,630,619	Government Grants, Contributions and Donations	-17,470,842
-113,422	Interest and Investment Income	-44,254
-23,491,577	Total Income	-37,595,453
217,601	(Surplus) or Deficit on Provision of Services	-823,831

Notes to the Core Financial Statements

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

IFRS 16 Leases: this will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases). CIPFA/LASAAC have deferred implementation of IFRS16 for local government to 1 April 2022.

The changes are expected to have a minimal impact on the council. Impact on the council tax would be through the MRP calculation and the requirement to include such assets on balance sheet would increase our Non-Current assets. The exact financial impact continues to be calculated, but as stated will be minimal due to the nature of the assets.

5 CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

- There continues to be a high degree of uncertainty about the future levels of funding for local government. However, the Council has determined that this uncertainty is not sufficient to provide an indication that the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

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

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

The items in the Council's Balance Sheet at 31 March 2021 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Notes to the Core Financial Statements

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
<p>Pensions Liability</p>	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.</p> <p>There have been substantial falls in equity markets in relation to the Covid-19 pandemic resulting in a reduction in asset values for accounting purposes.</p>	<p>Mercer Limited are the actuaries for the Lancashire County Pension Fund. The Pension Fund Deficit for Ribble Valley at 31 March 2021 was £21.042m. The following sensitivity analysis is provided by Mercer Limited:</p> <ul style="list-style-type: none"> • <i>+0.1% p.a. discount rate as at 31 March 2021:</i> deficit would be £19.777m • <i>+0.1% p.a. inflation as at 31 March 2021:</i> deficit would be £22.328m • <i>+0.1% p.a. pay growth as at 31 March 2021:</i> deficit would be £21.190m • <i>1-year addition to members' life expectancy as at 31 March 2021:</i> deficit would be £23.438m • <i>+1% change in 2020/21 investment returns:</i> deficit would be £20.461m • <i>-1% change in 2020/21 investment returns:</i> deficit would be £21.623m
<p>Property, Plant and Equipment Valuations</p>	<p>RICS have set up a forum to consider the unique events relating to the global Covid pandemic and its impact on valuation assignments. The latest forum output recommends that, with adequate market evidence and property markets mostly functioning again, the material valuation uncertainty that existed in 2019/20 is less relevant in 2020/21, other than for those assets with trading potential such as hospitality venues. As such the relevance for this council is low at the 31 March 2021 compared to 31 March 2020.</p>	<p>A variation of 10% in the value of the council's land and buildings would be approximately £1.688m. A reduction would result in a reduction to the revaluation reserve and/or a loss charged to the comprehensive income and expenditure statement. An increase in estimated valuations would result in the reversal of any negative revaluations previously charged to the comprehensive income and expenditure statement and/or increases to the revaluation reserve and/or gains charged to the comprehensive income and expenditure statement.</p>

Notes to the Core Financial Statements

7 MATERIAL ITEMS OF INCOME AND EXPENSE

Housing Benefit

The Council has a statutory duty to administer Housing Benefit claims on behalf of the Department for Work and Pensions. The Council pays out Housing Benefits to eligible claimants. In 2020/21 £5.54m was paid out (£5.68m in 2019/20), after taking in to account reimbursements from claimants for any overpayments made. The Council receives subsidy grant from the Department for Work and Pensions to cover the payments made. Subsidy grant of £5.54m was received from the Department for Work and Pensions in 2020/21 (£5.71m in 2019/20).

Higher payments than originally expected were made in 2020/21 as a result of Covid-19, as the DWP increased benefit rates in-year for additional earnings disregard and Local Housing Allowance for eligible Housing Benefits claimants. These increased payments were covered by subsidy grant received from DWP.

Car Parking Pay and Display Income

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

In 2020/21 the Council received £147,625 in income from chargeable car parks (in 2019/20 £403,464). This income excludes that received from parking fines.

Income levels for this service were impacted by the Covid-19 pandemic in 2020/21 and Sales, Fees and Charges Government funding was received of £108,736 in respect of lost income for this service.

Planning application fees

Local government administer much of the planning system with district councils responsible for most planning matters, other than transport and minerals and waste planning which are typically functions of the county council. A planning application is only required in certain circumstances. If a planning application is required the council requires that the application is accompanied with a fee. In 2020/21 the council received £452,065 in planning application fees, which help fund the provision of the service. (£673,673 in 2019/20).

Income levels for this service were impacted by the Covid-19 pandemic in 2020/21 and Sales, Fees and Charges Government funding was received of £156,359 in respect of lost income for this service.

Business Rates Section 31 Grants

The council receives a number of grants, known as Section 31 Grants from MHCLG (formerly DCLG), in compensation for business rates income lost as a result of measures introduced by the Government. In 2020/21 the Council received £3,930,502 through various business rates Section 31 grants (£1,708,862 in 2019/20).

The value reported here for the 2020/21 financial year is substantially higher than that for 2019/20 due to the business rates reliefs that were brought in by the government due to the Covid-19 pandemic. This was notably in respect of Retail Discount and Nursery Discount.

Covid-19 Related Funding Accounted for in 2020/21

Detailed below are the various grant funding streams that were accounted for in the 2020/21 financial year.

This has broadly been grouped as:

- Emergency Funding
- Sales, Fees and Charges Compensation
- Grant Funding for Businesses
- Other Grants

In respect of the Business Support Grants, the accounting treatment that the council must follow for such funding and the payments made is quite specific and is dictated through our role in such payments, being defined as either acting as agent, or acting as principal.

A key indicator of the council acting as agent would be where the council is acting as an intermediary between the recipient and the Government Department, and where the council did not have 'control' of the grant conditions and there was no flexibility in determining the level of grant payable.

Where the council was able to use its own discretion when allocating the amount of grant payable, it was acting as principal.

Where the council has acted as principal as opposed to acting as agent, the transactions are included in the council's financial statements, following the relevant section of the Code of Practice.

Where the council has acted as agent, then the transactions have not been reflected in the council's financial statements, other than in respect of cash collected or expenditure incurred by the council on behalf of the Government Department, in which case there is a debtor or creditor position on the balance sheet, and the net cash position is included in financing activities in the Cash Flow Statement.

A summary of the grants and our role as either Principal or Agent (in respect of the Grant Funding for Businesses) is given below.

Funding Type	£
Emergency Funding	
Covid-19 Support Grant - Tranche 2	-602,234
Covid-19 Support Grant - Tranche 3	-77,185
Covid-19 Support Grant - Tranche 4	-100,000
Total Emergency Funding	-779,419
Sales, Fees and Charges Compensation	
April 2020 to July 2020	-193,106
August 2020 to November 2020	-198,873
December 2020 to March 2021	-187,720
Total Sales, Fees and Charges Compensation	-579,699

Notes to the Core Financial Statements

Funding Type	£
Grant Funding for Businesses	
Business Support Grant (Principal)	-867,000
Local Restrictions Support Grant (Open and ARG) (Principal)	-1,437,526
Self-isolation Payments Funding Discretionary (Principal)	-31,250
Small Business Support Grant (Agent)	-12,940,000
Retail Hospitality and Leisure Business Grant (Agent)	-4,280,000
Self-isolation Payments Funding (Agent)	-27,000
Christmas Support for Wet-Led Pubs (Agent)	-37,000
Local Restrictions Support Grant (Closed) (Agent)	-7,998,230
Total Grant Funding for Businesses	-27,618,006
Other Grants	
Reopening High Streets Safely Fund	-25,458
National Leisure Recovery Fund	-83,434
Homelessness Grant Funding	-12,879
Council Tax Hardship Fund	-222,053
S31 Grant RHLG and Small Business Grant Administration	-130,000
Local Authority Compliance and Enforcement	-21,956
Self-isolation Payments Funding Administration	-23,403
S31 Contain Outbreak Management Fund	-296,283
Local Authority Discretionary Grant Fund (Small Business Grant, Retail Hospitality and Leisure, Local authority Discretionary Grant)	-58,500
Local Authority Discretionary Grant Fund (Local Restrictions Support Grant, Wet Led Pubs, Closed Business Lockdown)	-166,800
Clinically Extremely Vulnerable Funding	-141,777
Test and Trace Support and Food and Essential Supplies Grants (TTS/FES)	-42,788
Practical Support for Self-Isolation Funding	-13,772
Business Rates Discount Schemes and Council Tax Hardship Fund New Burdens	-18,908
Total Other Grants	-1,258,009

8 TAXATION AND NON-SPECIFIC GRANT INCOME

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

Council Tax

	2019/20 £	2020/21 £
Ribble Valley Borough Council Precept	-3,497,364	-3,677,865
Precept Relating to Parishes	-450,764	-507,581
Surplus Received in Year (Declared January Prior to Start of Year)	-61,419	-81,910
Movement on Collection Fund (Surplus)/Deficit at Year End	-4,726	23,525
Total Council Tax	-4,014,273	-4,243,831

Non-Domestic Rates Income and Expenditure

	2019/20 £	2020/21 £
Ribble Valley Borough Council Share of Business Rates Income	-8,386,713	-6,113,118
Less Tariff Payable to Central Government	6,364,376	4,311,424
(Surplus)/Deficit Payment in Year (Declared January Prior to Start of Year)	-224,211	-252,893
Movement on Collection Fund Deficit/(Surplus) at Year End	53,588	3,492,571
Business Rates Retained on Renewable Energy Schemes	-83,293	-94,045
10% Retained Levy Payable to Lancashire County Council under Business Rates Pooling Arrangements		57,592
Contribution to the Lancashire Pilot Pool Strategic Economic Growth and Financial Sustainability Fund	2,149	
Overall Net Retained Business Rates Related Income	-2,274,104	1,401,531

Notes to the Core Financial Statements

Other Non-Specific Grants

	2019/20 £	2020/21 £
New Homes Bonus	-1,666,486	-1,770,952
Rural Areas Delivery Grant	0	-107,921
Levy Account Surplus	-4,543	0
Covid-19 Emergency LA Support Grant		-779,419
Tax Income Guarantee Section 31 Grant - Business Rates		-119,388
Business Rates Section 31 Grants		
Small Business Rates Relief (SBRR) Scheme	-1,316,044	-1,068,123
SBRR on Existing Properties where 2nd Property is Occupied	-4,213	-4,849
'New Empty' Properties	0	0
Multiplier Cap	-77,498	48,931
Discretionary Scheme	-12,043	0
Pub Relief Scheme	11	0
Rural Rate Relief	-11,672	-8,975
Supporting Small Businesses	-7,462	-5,901
In Lieu of Transitional Relief	0	0
Retail Discount	-271,504	-2,841,585
Flooding Relief	-8,437	-2,546
Nursery Discount		-47,454
Other Non-Specific Grants	-3,379,891	-6,708,182

9 EVENTS AFTER THE REPORTING PERIOD

The Statement of Accounts was authorised for issue on the 17 September 2021. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2021, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

10 ADJUSTMENTS BETWEEN ACCOUNTING BASIS AND FUNDING BASIS UNDER REGULATIONS

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

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

General Fund Balance

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

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

Capital Receipts Reserve

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

Capital Grants Unapplied

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

Notes to the Core Financial Statements

Movements in 2020/21	Usable Reserves			Movement in Unusable Reserves £
	General Fund Balance £	Capital grants Unapplied £	Capital Receipts Reserve £	
Adjustments primarily involving the Capital Adjustment Account				
<i><u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement</u></i>				
Charges for depreciation and impairment of non-current assets	851,355			-851,355
Revaluation losses on Property Plant and Equipment (Charged to surplus or Deficit on Provision of Services)	-16,580			16,580
Amortisation of Intangible Assets	16,054			-16,054
Capital Grants and Contributions Applied	-45,997			45,997
Revenue Expenditure Funded from Capital Under Statute	462,925			-462,925
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	23,491			-23,491
<i><u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Account</u></i>				
Statutory Provision for the Financing of Capital investment	-115,495			115,495
Capital expenditure charged against General Fund Balances	-935,705			935,705
Adjustments primarily involving the Capital Grants Unapplied Account				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	-393,008	393,008		
Application of grants to capital financing transferred to the Capital Adjustment Account		-200,124		200,124
Adjustments primarily involving the Capital Receipts Reserve				
Transfer of Cash Sale Proceeds Credited as Part of the Gain/Loss on Disposal to the Comprehensive Income and Expenditure Statement	-58,500		58,500	
Use of Capital Receipts Reserve to Finance New Capital Expenditure			-6,250	6,250

Notes to the Core Financial Statements

Movements in 2020/21	Usable Reserves			Movement in Unusable Reserves £
	General Fund Balance £	Capital grants Unapplied £	Capital Receipts Reserve £	
Adjustments primarily involving the Pensions Reserve				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	1,982,000			-1,982,000
Employer's pensions contributions and direct payments to pensioners payable in the year	-934,000			934,000
Adjustments primarily involving the Collection Fund Adjustment Account				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income collected for the year in accordance with statutory requirements	3,516,096			-3,516,096
Adjustments primarily involving the Accumulated Absences Account				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	136,644			-136,644
Total Adjustments	4,489,280	192,884	52,250	-4,734,414

Notes to the Core Financial Statements

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

Notes to the Core Financial Statements

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

Notes to the Core Financial Statements

11 LANCASHIRE BUSINESS RATES POOL

In 2016/17, 2017/18 and 2018/19 this Council was a member of the Lancashire Business Rates Pool. In a Business Rate Pool, tariffs, top-ups, levies and safety nets are combined. This can result in a significantly lower levy rate or even a zero levy rate meaning that more or all of the business rate growth can be retained within the pool area instead of being payable to the Government.

The Lancashire Business Rates Pool, which included most but not all of the local authorities in Lancashire, was designated by the Secretary of State for Housing, Communities and Local Government and originally operated with allocations on the basis of the 50% business rates retention scheme.

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

In respect of 2020/21, the Government confirmed that 75% Business Rate Pilots would cease at the end of March 2020. As a result, an application for a 50% Lancashire Pool for 2020/21, consisting of 10 district council's and the county council, was submitted and was successful. This has operated on the same basis as in 2016/17, 2017/18 and 2018/19.

A comparison of the business rates income allocations in 2019/20 and 2020/21 are shown in the table below:

	Lancashire Business Rates Pilot Pool 2019/20	Lancashire Business Rates Pool 2020/21
District Authorities	56%	40%
Lancashire County Council	17.5%	9%
Lancashire Combined Fire Authority	1.5%	1%
	75%	50%
Central Government	25%	50%
Total	100%	100%
Unitary Authorities	73.5%	49%

The value for Unitary Authorities in 2020/21 is for comparison purposes only. There were no Unitary Authorities in the 2020/21 Lancashire Business Rates Pool.

As part of the pool arrangements, one authority must be designated as lead authority, which in the case of the Lancashire Business Rates Pool is Ribble Valley Borough Council. As part of this arrangement a fee of £20,000 is payable, charged equally to all members of the pool by Ribble Valley Borough Council in their role as lead.

The retained levy in the Lancashire Business Rates Pool has been distributed as follows:

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

Notes to the Core Financial Statements

Lancashire Business Rates Pool Members 2020/21	Authority Type	Tariffs and Top-Ups in Respect of 2020/21 £	Retained Levy on Growth 2020/21 £	10% Retained Levy Payable to/received by Lancashire County Council £	Net Retained Levy 2020/21 £
Burnley Borough Council	Tariff	6,043,499	-1,402,433	140,243	-1,262,190
Chorley Borough Council	Tariff	6,503,220	-931,716	93,172	-838,544
Fylde Borough Council	Tariff	8,101,273	-483,263	48,326	-434,937
Hyndburn Borough Council	Tariff	3,969,106	-600,284	60,028	-540,256
Pendle Borough Council	Tariff	3,388,618	-272,822	27,282	-245,540
Ribble Valley Borough Council	Tariff	4,311,424	-575,916	57,592	-518,324
Rossendale Borough Council	Tariff	2,713,519	-102,546	10,255	-92,291
South Ribble Borough Council	Tariff	10,327,203	-1,281,013	128,101	-1,152,912
West Lancashire Borough Council	Tariff	8,698,358	-653,963	65,396	-588,567
Wyre Borough Council	Tariff	6,837,509	-893,050	89,305	-803,745
Lancashire County Council	Top-Up	-158,098,681		-719,700	-719,700
Central Government	-	97,204,952		0	0
Total		0	-7,197,006	0	-7,197,006

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

12 TRANSFERS TO/FROM EARMARKED RESERVES

This note sets out the amounts set aside from the General Fund balance in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2020/21.

General Fund	Balance at 31 March 2019 £	Transfers In 2019/20 £	Transfers Out 2019/20 £	Balance at 31 March 2020 £	Transfers In 2020/21 £	Transfers Out 2020/21 £	Balance at 31 March 2021 £
<i>Reserves for Shorter Term Service Commitments</i>							
Community Services							
Committee Grants Fund							
<i>Used to fund various Community Services Committee grants</i>	34,955		-17,042	17,913	12,770	-1,820	28,863
Audit Reserve Fund							
<i>Used in respect of the internal audit service, including contracting computer audit services</i>	12,335			12,335	41,410		53,745

Notes to the Core Financial Statements

General Fund	Balance at 31 March 2019 £	Transfers In 2019/20 £	Transfers Out 2019/20 £	Balance at 31 March 2020 £	Transfers In 2020/21 £	Transfers Out 2020/21 £	Balance at 31 March 2021 £
Refuse Collection							
<i>To fund refuse collection costs of bin replacements.</i>	47,315	22,295	-10,000	59,610	17,282	-33,316	43,576
Amenity Cleansing Reserve							
<i>Used to fund known future amenity cleansing works</i>	29,910		-18,080	11,830	19,200		31,030
Clitheroe Food Festival							
<i>Resources set aside or used to help support the costs associated with the Clitheroe Food Festival</i>	13,826		-6,921	6,905	1,701	-73	8,533
Two-Way Radio Reserve							
<i>Contributions from the Lancashire Resilience Forum towards the running of the two-way radio system and future enhancements</i>	0	718		718	0	-700	18
Promotional Activities Reserve							
<i>To fund planned publicity and promotional activities</i>	5,000		-5,000	0	5,333		5,333
Total Reserves for Shorter Term Service Commitments	143,341	23,013	-57,043	109,311	97,696	-35,909	171,098
Reserves to Smooth the Revenue Impact of Longer-Term Cyclical Costs							
Elections Fund							
<i>Used to fund local elections held once every four years</i>	101,768	36,852	-113,502	25,118	30,000		55,118
Revaluation of Assets Reserve							
<i>To contribute towards the revaluation of the Council's assets every five years.</i>	9,400	2,420	-9,400	2,420	2,420		4,840
Pensions Triennial Revaluation Reserve							
<i>Savings on contribution rates, set aside with a view to offsetting any future pensions fund deficits</i>	42,228	26,364		68,592			68,592
Total Reserves to Smooth the Revenue Impact of Longer Term Cyclical Costs	153,396	65,636	-122,902	96,130	32,420	0	128,550
Reserves for Trading or Business Units							
Building Control Fund							
<i>Available to equalise net expenditure over a three-year period</i>	-49,153		-29,602	-78,755	20,996		-57,759

Notes to the Core Financial Statements

General Fund	Balance at 31 March 2019 £	Transfers In 2019/20 £	Transfers Out 2019/20 £	Balance at 31 March 2020 £	Transfers In 2020/21 £	Transfers Out 2020/21 £	Balance at 31 March 2021 £
Total Reserves for Trading or Business Units	-49,153	0	-29,602	-78,755	20,996	0	-57,759
<i>Reserves for Sums Set Aside for Major Schemes such as Capital Projects</i>							
Capital							
<i>Used to fund the capital programme</i>	892,943	2,348,987	-2,310,163	931,767	950,436	-935,705	946,498
ICT Renewals							
<i>To fund future software and hardware pressures</i>	144,871		-22,131	122,740		-18,000	104,740
Vehicle & Plant Renewals Reserve							
<i>Resources set aside to fund future replacement of Vehicles and Plant through the capital programme</i>	51,035			51,035			51,035
Total Reserves for Sums Set Aside for Major Schemes such as Capital Projects	1,088,849	2,348,987	-2,332,294	1,105,542	950,436	-953,705	1,102,273
<i>Reserves for Longer Term Strategic or Corporate Items</i>							
VAT Shelter Reserve							
<i>Funds received from the post LSVT VAT Shelter arrangements, partly used to contribute towards the future financing of the capital programme</i>	1,207,869	32,963	-136,379	1,104,453	4,986	-32,400	1,077,039
Fleming VAT Claim							
<i>VAT recovered from 'Fleming' claim challenge to HMRC</i>	60,819		-2,000	58,819		-14,322	44,497
Insurance							
<i>Available to meet any costs following demise of Municipal Mutual Insurance Company</i>	14,581			14,581			14,581
Repairs and Maintenance							
<i>To fund emergency repairs and maintenance items, including legionella and asbestos abatement</i>	45,079			45,079		-22,104	22,975
Post LSVT							
<i>To fund any costs post LSVT which may arise, such as pension fund liabilities</i>	182,563		-36,513	146,050		-36,512	109,538

Notes to the Core Financial Statements

General Fund	Balance at 31 March 2019 £	Transfers In 2019/20 £	Transfers Out 2019/20 £	Balance at 31 March 2020 £	Transfers In 2020/21 £	Transfers Out 2020/21 £	Balance at 31 March 2021 £
Restructuring Reserve <i>To fund costs resulting from restructuring reviews</i>	197,033		-9,130	187,903			187,903
Equipment Reserve <i>To fund essential and urgent equipment requirements</i>	81,608	30,413	-28,366	83,655	23,412	-28,610	78,457
Invest to Save Fund <i>To fund future invest to save projects</i>	231,831	5,559	-228	237,162	5,411		242,573
Planning Reserve <i>To fund any future potential planning issues such as Local Development Plan expenditure and Planning Appeals</i>	132,551	1,676	-92,584	41,643	3,000	-15,190	29,453
Housing Benefit Reserve <i>To help meet the challenges facing the service in the coming years</i>	100,000			100,000			100,000
Business Rates Volatility Reserve <i>To provide some protection against business rates volatilities</i>	1,682,000			1,682,000			1,682,000
Business Rates Growth Reserve <i>Business rates growth used to support revenue expenditure or the capital programme.</i>	999,572	1,920,439	-1,345,397	1,574,614	1,213,483	-121,612	2,666,485
New Homes Bonus Reserve <i>To help support revenue and capital expenditure</i>	2,218,210	561,486	-361,547	2,418,149	665,952	-229,150	2,854,951
Arts Development Reserve <i>To carry forward unspent budget funding for arts projects which were delayed in 2020/21 due to Covid</i>	0			0	3,185		3,185
Grounds Maintenance Tuition Reserve <i>To carry forward unspent budget funding for Grounds Maintenance staff training that was delayed in 2020/21 due to Covid</i>	0			0	1,775		1,775
Total Reserves for Longer Term Strategic or Corporate Items	7,153,716	2,552,536	-2,012,144	7,694,108	1,921,204	-499,900	9,115,412

General Fund	Balance at 31 March 2019 £	Transfers In 2019/20 £	Transfers Out 2019/20 £	Balance at 31 March 2020 £	Transfers In 2020/21 £	Transfers Out 2020/21 £	Balance at 31 March 2021 £
<i>Reserves for External Funding where Expenditure has yet to be Incurred</i>							
Performance Reward Grant							
<i>Performance Reward Grant received and used to fund associated projects</i>	67,577			67,577			67,577
Land Charges Reserve							
<i>To fund any potential restitution claims for personal search fees</i>	51,117			51,117		-51,117	0
Pendle Hill User Reserve							
<i>To fund improvement schemes on Pendle Hill</i>	24,421		-22,240	2,181		-2,181	0
Crime Reduction Partnership Reserve							
<i>To fund cost of crime reduction initiatives</i>	39,102	4,550	-5,593	38,059		-1,179	36,880
Exercise Referral and Up and Active Reserve							
<i>To fund potential residual staffing costs and to hold other service grants</i>	12,588		-7,556	5,032	25,305		30,337
Housing Related Grants Reserve							
<i>Residual grant received, to be committed to future grant funded schemes</i>	162,540	45,368	-1,456	206,452		-205,969	483
Planning Policy Related Grants Reserve							
<i>To provide short term capacity support when dealing with housing planning applications</i>	5,850			5,850			5,850
Community Right to Bid/Challenge							
<i>To fund any future costs under the Community Right to Bid and Community Right to Challenge Regulations</i>	45,124			45,124			45,124
Grant Funded Sports Development							
<i>To finance future Sports Development grant funded expenditure</i>	2,990	7,737	-40	10,687			10,687
Whalley Moor Reserve							
<i>Grant received towards work at Whalley Moor Woodland</i>	4,520			4,520			4,520

Notes to the Core Financial Statements

General Fund	Balance at 31 March 2019 £	Transfers In 2019/20 £	Transfers Out 2019/20 £	Balance at 31 March 2020 £	Transfers In 2020/21 £	Transfers Out 2020/21 £	Balance at 31 March 2021 £
<u>Individual Electoral Registration Reserve</u>							
<i>Grant received for the implementation of Individual Electoral Registration which will be used to fund this work</i>	16,590			16,590		-16,590	0
<u>Rural Services Reserve</u>							
<i>Grant received with the purpose of supporting rural services</i>	84,050		-8,658	75,392		-75,022	370
<u>Neighbourhood Planning Reserve</u>							
<i>MHCLG Neighbourhood Planning Grant received to fund future related expenditure</i>	16,133			16,133			16,133
<u>Repossession Prevention Fund Reserve</u>							
<i>Ring-fenced MHCLG funded reserve to help prevent repossessions and homelessness.</i>	28,491			28,491			28,491
<u>Parish Grant Reserve</u>							
<i>PRG resources set aside to fund the Parish Grant Scheme</i>	36,819		-1,050	35,769		-1,939	33,830
<u>Custom and Self Build Register Grant Reserve</u>							
<i>Grant funding towards maintenance of a register of individuals, and associations of individuals, seeking to acquire serviced plots of land in the area</i>	73,750	15,000		88,750		-73,750	15,000
<u>Brownfield Register Grant Reserve</u>							
<i>Grant funding towards preparation and maintenance of a register of brownfield sites suitable for residential development.</i>	23,817	2,446		26,263			26,263
<u>Flood Resilience, Response and Recovery Grant Reserve</u>							
<i>Grant funding relating to residual Flood Resilience Grants and also in respect of flood response and recovery</i>	0	18,408		18,408		-2,000	16,408

Notes to the Core Financial Statements

General Fund	Balance at 31 March 2019 £	Transfers In 2019/20 £	Transfers Out 2019/20 £	Balance at 31 March 2020 £	Transfers In 2020/21 £	Transfers Out 2020/21 £	Balance at 31 March 2021 £
<u>EU Exit Funding Reserve</u>							
<i>Grant funding relating to impacts in respect of the EU Exit</i>	17,484	34,968		52,452		-52,452	0
<u>Cyber Resilience Grant Reserve</u>	10,600			10,600	3,000		13,600
<i>Grant funding in respect of Cyber Resilience work</i>							
<u>Pendle Hill Landscape Partnership Reserve</u>	20,000		-20,000	0			0
<i>To fund schemes in respect of the Pendle Hill Landscape Partnership</i>							
<u>Housing Benefits New Burden Grants Reserve</u>	11,983		-7,314	4,669			4,669
<i>Grant income to support new burdens in respect of Housing Benefits</i>							
<u>LCTS New Burdens Grant Reserve</u>	26,370		-8,000	18,370			18,370
<i>Grant income to support new burdens in respect of Localised Council Tax Support</i>							
<u>Parks Improvement Funding Reserve</u>	0	10,000	-2,889	7,111		-3,009	4,102
<i>Grant funding to support improvements to parks</i>							
<u>Covid-19 Response</u>	0	3,835		3,835	1,318,177		1,322,012
<i>Balance of grant income received in respect of the response to the Covid-19 pandemic.</i>							
<u>Ribble Valley Strategic Partnership</u>	0			0	24,326		24,326
<i>Ribble Valley Strategic Partnership funds held in reserve to meet the cost of future community projects</i>							
<u>Self-isolation Grants Reserve</u>	0			0	30,750		30,750
<i>Reserve established to hold the balance of self-isolation grant support funds received but not yet distributed</i>							

Notes to the Core Financial Statements

General Fund	Balance at 31 March 2019 £	Transfers In 2019/20 £	Transfers Out 2019/20 £	Balance at 31 March 2020 £	Transfers In 2020/21 £	Transfers Out 2020/21 £	Balance at 31 March 2021 £
<u>Restoring Your Railways Reserve</u>							
<i>Balance of grant income received to fund the preparation of a business case for the reopening of the Clitheroe to Hellifield railway to passengers.</i>	0			0	7,485		7,485
<u>Business Rates S31 Grant Adjustment Reserve</u>							
<i>Short term reserve to hold Section 31 grant received in 2020/21 in respect of business rates relief - to fund collection fund deficit in 2021/22</i>	0			0	2,578,153		2,578,153
<u>Tax Income Guarantee Reserve</u>							
<i>Short term reserve to hold Section 31 grant in respect of lost business rates income due to Covid. The grant will be released in future years to ease the impact from the collection fund deficit</i>	0			0	119,388		119,388
Total Reserves for External Funding where Expenditure has yet to be Incurred	781,916	142,312	-84,796	839,432	4,106,584	-485,208	4,460,808
Total of all Earmarked Reserves	9,272,065	5,132,484	-4,638,781	9,765,768	7,129,336	-1,974,722	14,920,382

The large movements in our earmarked reserves as at the 31 March 2021 have largely been regarding Covid funding. Part of this is in respect of the balance of general Government funding towards our Covid related costs and will be used to fund costs in 2021/22. Other large movements are in respect of the Covid-19 impact through the Business Rates Collection Fund deficit in 2021/22, and the mismatch of timings in the receipt of compensatory funding, which was received in 2020/21 and has been set aside in earmarked reserve until 2021/22.

13 PROPERTY, PLANT AND EQUIPMENT

Movements in 2020/21	Other Land and Buildings £'000	Vehicles, Plant, Furniture and Equipment £'000	Infra- Structure Assets £'000	Community Assets £'000	Surplus Assets (Not Held for Sale) £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000
<i><u>Cost or Valuation</u></i>							
At 1 April 2020	13,065	5,382	345	1,593	25	12	20,422
Additions/Acquisitions	316	389		6			711
Derecognition - Disposal		-100					-100
Reclassifications		12				-12	0
Revaluation decreases recognised in the Revaluation Reserve	-213						-213
Revaluation decreases recognised in the Surplus/Deficit on the Provision of Services	-14						-14
At 31 March 2021	13,154	5,683	345	1,599	25	0	20,806
<i><u>Accumulated Depreciation and Impairments</u></i>							
At 1 April 2020	-66	-3,283	-83	-29	-1	0	-3,462
Derecognition - Disposal		76					76
Depreciation Charge	-336	-503	-9	-2			-850
Depreciation written out to the Revaluation Reserve	284						284
Depreciation written out to the Surplus/Deficit on the Provision of Services	30						30
Impairment reversals recognised in the Revaluation Reserve							0
Impairment losses recognised in the Surplus/Deficit on the Provision of Services							0
At 31 March 2021	-88	-3,710	-92	-31	-1	0	-3,922
Net Book Value							
at 31 March 2020	12,999	2,099	262	1,564	24	12	16,960
at 31 March 2021	13,066	1,973	253	1,568	24	0	16,884

Notes to the Core Financial Statements

Movements in 2019/20	Other Land and Buildings £'000	Vehicles, Plant, Furniture and Equipment £'000	Infra- Structure Assets £'000	Community Assets £'000	Surplus Assets (Not Held for Sale) £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000
<i>Cost or Valuation</i>							
At 1 April 2019	15,064	5,122	360	1,593	25		22,164
Additions/Acquisitions	1,393	678				9	2,080
Derecognition - Disposal		-415	-15				-430
Reclassifications		-3				3	0
Revaluation decreases recognised in the Revaluation Reserve	-3,385						-3,385
Revaluation decreases recognised in the Surplus/Deficit on the Provision of Services	-7						-7
At 31 March 2020	13,065	5,382	345	1,593	25	12	20,422
<i>Accumulated Depreciation and Impairments</i>							
At 1 April 2019	-44	-3,274	-73	-26			-3,417
Derecognition - Disposal		411					411
Depreciation Charge	-493	-420	-10	-3	-1		-927
Depreciation written out to the Revaluation Reserve	473						473
Depreciation written out to the Surplus/Deficit on the Provision of Services	-2						-2
Impairment reversals recognised in the Revaluation Reserve	61						61
Impairment losses recognised in the Surplus/Deficit on the Provision of Services	-61						-61
At 31 March 2020	-66	-3,283	-83	-29	-1	0	-3,462
Net Book Value							
at 31 March 2019	15,020	1,848	287	1,567	25	0	18,747
at 31 March 2020	12,999	2,099	262	1,564	24	12	16,960

Depreciation

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

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

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

Assets are not depreciated in the year of acquisition but they are depreciated in the year of disposal. If an asset has major components with different estimated useful lives, these components are depreciated separately.

Revaluation gains are also depreciated with the difference between the current value depreciation and the historical cost depreciation being transferred from the Revaluation Reserve to the Capital Adjustment Account.

Capital Commitments

At 31 March 2021 the Council had an approved capital programme of £2,494,060 for 2021/22 and had £724,770 of budget slippage from the 2020/21 capital programme that was rolled forward to be spent in 2021/22. At 31 March 2021, the Council had capital commitments of £290,558, of which £58,635 related to 2020/21 capital programme slippage and £231,923 related to the 2021/22 capital programme.

Of the £290,558 capital commitments, £268,840 related to property, plant and equipment, £10,000 related to intangible assets and £11,718 related to capital grants.

Effects of Changes in Estimates

In 2020/21 the Council made no material changes to its accounting estimates for Property, Plant and Equipment.

Notes to the Core Financial Statements

Revaluations

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

A further desktop exercise is undertaken annually, with asset values adjusted accordingly on the balance sheet. The desktop review as at 1 March 2021 was undertaken by Taylor Weaver Ltd and Lea Hough & Co Chartered Surveyors.

For each asset under Property, Plant and Equipment an Existing Use Value (EUV) was provided, unless they fell under one of the following categories.

In the case of specialised properties, that is, those properties which are rarely, if ever, sold in the market, except by way of a sale of the business or entity of which it is part, due to uniqueness arising from its specialised nature and design, its configuration, size, location or otherwise, the valuation approach used was Depreciated Replacement Cost (DRC). The DRC approach requires an estimate of the current cost of reproduction or replacement of an asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation. Such DRC valuations were made having regard to the prospect and viability of the continuance of the occupancy and use.

Assets being Held for Sale were valued at Fair Value, being the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

Componentisation

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

Covid-19 Impact

RICS have set up a forum to consider the unique events relating to the global Covid pandemic and its impact on valuation assignments. The latest forum output recommends that, with adequate market evidence and property markets mostly functioning again, the material valuation uncertainty that existed in 2019/20 is less relevant in 2020/21, other than for those assets with trading potential such as hospitality venues. As such the relevance for this council is low at the 31 March 2021 compared to 31 March 2020.

14 HERITAGE ASSETS

Reconciliation of the Carrying Value of Heritage Assets Held by the Council	Clitheroe Castle Museum Collection £'000	Civic Regalia £'000	Total Heritage Assets £'000
<i><u>Cost or Valuation</u></i>			
At 1 April 2020	878	67	945
Revaluations	26		26
At 31 March 2021	904	67	971
<i><u>Cost or Valuation</u></i>			
At 1 April 2019	852	65	917
Disposals (Stolen Items)		-14	-14
Revaluations	26	16	42
At 31 March 2020	878	67	945

The Clitheroe Castle Museum Collection

The Clitheroe Castle Museum Collection principally includes archaeological artifacts, geological collections, militaria and items of local social historical interest. The collection is managed by Lancashire Museum Services on behalf of the Council and is insured by them. The collection is reported in the Balance Sheet at insurance valuation. This value has been reviewed by Lancashire Museum Services prior to the latest insurance renewal.

Civic Regalia

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

Additions and Disposals of Heritage Assets

There were no additions to or disposals of the Council's Heritage Assets in the 2020/21.

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

Notes to the Core Financial Statements

15 FINANCIAL INSTRUMENTS**Categories of Financial Instruments**

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

	2019/20		2020/21	
	Carrying Amount £	Fair Value £	Carrying Amount £	Fair Value £
<u>Financial Assets Measured at Amortised Cost</u>				
Investments	14,793,508	14,793,508	18,544,239	18,544,239
Total Investments	14,793,508	14,793,508	18,544,239	18,544,239
Long-Term Debtors	258,083	258,083	247,521	247,521
Short-Term Debtors	1,850,922	1,850,922	1,862,096	1,862,096
Total Debtors	2,109,005	2,109,005	2,109,617	2,109,617
Total Financial Assets	16,902,513	16,902,513	20,653,856	20,653,856

The Financial Instruments categorised above represent:

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

	2019/20		2020/21	
	Carrying Amount £	Fair Value £	Carrying Amount £	Fair Value £
<u>Financial Liabilities Measured at Amortised Cost</u>				
Long-Term Borrowing	-115,590	-151,581	-105,197	-133,261
Short-Term Borrowing	-10,393	-13,629	-10,393	-13,166
Total Borrowings	-125,983	-165,210	-115,590	-146,427
Short-Term Creditors	-1,934,819	-1,934,819	-7,569,662	-7,569,662
Total Creditors	-1,934,819	-1,934,819	-7,569,662	-7,569,662
Total Financial Liabilities	-2,060,802	-2,100,029	-7,685,252	-7,716,089

The Financial Instruments categorised above represent:

- Amounts shown under Long-Term and Short-Term borrowings are loans with the Public Works Loan Board. The fair value is greater than the carrying amount because the Council's portfolio of loans are at fixed interest rates and the premature repayment set of rates in force at 31 March were generally higher than the rates at which the money was borrowed.
- Amounts shown under Short-Term Creditors are the Council's operational creditors.

Income, Expense, Gains and Losses

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

	2019/20	2020/21
	£	£
<i>Financial Liabilities</i>		
Interest expenses	6,527	6,020
Total Expense in Surplus or Deficit on the Provision of Service	6,527	6,020
<i>Financial Assets</i>		
Interest income	-113,422	-44,254
Total Income in Surplus or Deficit on the Provision of Service	-113,422	-44,254

Fair Values of Assets and Liabilities

Financial liabilities and financial assets represented above under the section titled Categories of Financial Instruments are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions.

- For loans from the Public Works Loan Board the fair value has been calculated by reference to the premature repayment set of rates in force on 31 March 2020 and 31 March 2021 respectively
- No early repayment or impairment is recognised
- Where an instrument will mature in the next 12 months, carrying amount is assumed to be approximate to fair value
- The fair value of Debtors and Creditors is taken to be the invoiced amount.

Notes to the Core Financial Statements

16 SHORT TERM DEBTORS

	31 March 2020	31 March 2021
	£	£
Central government bodies	633,919	4,098,708
Other local authorities	721,765	904,229
Other entities and individuals		
- Other Debtors	648,815	732,656
- Business Rates	439,616	425,025
- Council Tax	236,293	281,499
- Prepayments	184,456	188,414
- Impairment	-503,760	-483,433
Total	2,361,104	6,147,098

17 CASH AND CASH EQUIVALENTS

	31 March 2020	31 March 2021
	£	£
Cash held by the Council	1,927	7,765
Bank Current Accounts	2,881,581	4,026,474
Short Term Investments	11,900,000	14,500,000
Total	14,783,508	18,534,239

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

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

18 SHORT TERM CREDITORS

	31 March 2020	31 March 2021
	£	£
Central government bodies	-487,224	-6,609,451
Other local authorities	-2,491,881	-574,852
Other entities and individuals		
- Other Creditors	-492,226	-925,376
- Business Rates	-59,904	-68,490
- Council Tax	-76,347	-87,750
- Commuted Sums	-1,405,310	-1,941,499
- Refundable Deposits	-13,784	-14,982
- Receipts in Advance	-1,280,972	-1,337,977
Total	-6,307,648	-11,560,377

19 PROVISIONS

The only provision, which is shown in the table below, relates to amounts set aside to meet potential future liabilities from appeals through the business rates retention scheme. The timing of the fulfilment of such liabilities is unknown as these appeals have been lodged with the Valuation Office Agency by the individual ratepayers and relies on when the Valuation Office Agency reviews each appeal.

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

Business Rates Appeals Provision	2019/20	2020/21
	£	£
Balance at 1 April	409,973	594,987
Movements in provisions in the year	185,014	257,806
Balance at 31 March	594,987	852,793

20 USABLE RESERVES

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

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

Notes to the Core Financial Statements

31 March 2020 £	31 March 2021 £
2,375,646	2,534,143
9,765,768	14,920,382
1,086,608	1,138,859
387,640	580,524
13,615,662	19,173,908

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.

2019/20 £	2020/21 £
2,472,111	2,375,646
-96,465	158,497
2,375,646	2,534,143

Earmarked General Fund Reserves

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

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

2019/20 £	2020/21 £
9,272,065	9,765,768
5,132,484	7,129,336
-4,638,781	-1,974,722
9,765,768	14,920,382

The large movements in our earmarked reserves as at the 31 March 2021 have largely been regarding Covid funding. Part of this is in respect of the balance of general Government funding towards our Covid related costs and will be used to fund costs in 2021/22. Other large movements are in respect of the Covid-19 impact through the Business Rates Collection Fund deficit in 2021/22, and the mismatch of timings in the receipt of compensatory funding, which was received in 2020/21 and has been set aside in earmarked reserve until 2021/22.

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.

2019/20 £	2020/21 £
1,086,608	1,086,608
0	58,500
0	-6,249
1,086,608	1,138,859

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.

2019/20 £	2020/21 £
380,059	387,640
357,391	393,008
-349,810	-200,124
387,640	580,524

21 UNUSABLE RESERVES

31 March 2020 £	31 March 2021 £
8,586,778	8,671,245
251,248	-3,264,848
6,034,168	6,013,615
-14,971,000	-21,042,000
-85,684	-222,328
-184,490	-9,844,316

Notes to the Core Financial Statements

Capital Adjustment Account

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

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

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

2019/20		2020/21
£		£
7,158,190	Balance at 1 April	8,586,778
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive income and Expenditure statement	
-926,003	- Charges for depreciation and impairment of non-current assets	-851,355
-69,320	- Revaluation losses on Property, Plant and Equipment	16,580
-7,221	- Amortisation of intangible assets	-16,054
-659,687	- Revenue expenditure funded from capital under statute	-462,925
-33,489	- 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	-23,491
-1,695,720		-1,337,245
304,625	Adjusting amounts written out of the Revaluation Reserve	118,141
-1,391,095	Net written out amount of the cost of non-current assets consumed in the year	-1,219,104
	Capital financing applied in the year	
33,635	- Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	45,997
349,810	- Application of grants to capital financing from the Capital Grants Unapplied Account	200,124
	- Use of capital receipts reserve to finance new capital expenditure	6,250
126,075	- Statutory provision for the financing of capital investment charged against the General Fund	115,495
2,310,163	- Capital expenditure charged against the General Fund balance	935,705
2,819,683		1,303,571
8,586,778	Balance at 31 March	8,671,245

Collection Fund Adjustment Account

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

2019/20		2020/21
£		£
300,110	Balance at 1 April	251,248
4,726	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	-23,525
-53,588	Amount by which business rates income credited to the Comprehensive Income and Expenditure Statement is different from business rates income calculated for the year in accordance with statutory requirements	-3,492,571
251,248	Balance at 31 March	-3,264,848

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.

2019/20		2020/21
£		£
9,148,982	Balance at 1 April	6,034,168
843,866	Upward revaluation of assets	351,067
-3,427,260	Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	-253,479
-226,795	Impairment losses	
-2,810,189	Surplus or Deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	97,588
-290,315	Difference between fair value depreciation and historical cost depreciation	-118,141
-14,310	Accumulated gains on assets sold or scrapped	
-304,625	Amount written off to the Capital Adjustment Account	-118,141
6,034,168	Balance at 31 March	6,013,615

Notes to the Core Financial Statements

Pension Reserve

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

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

2019/20 £		2020/21 £
-15,413,000	Balance at 1 April	-14,971,000
2,121,000	Remeasurements of the net defined benefit liability/(asset)	-5,023,000
-2,716,000	Reversal of items relating to retirement benefits debited or credited to the surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	-1,982,000
1,037,000	Employer's pensions contributions and direct payments to pensioners payable in the year	934,000
-14,971,000	Balance at 31 March	-21,042,000

The main influence on the pension fund position is a slight reduction in the discount rate assumption (-0.3% p.a.) and an increase in the CPI inflation assumption (0.6% p.a). The combined effect of this is to significantly increase liabilities.

Remeasurements (assets) is the return on plan assets net of administration expenses and interest income. The approach to calculating the accounting figures in between full actuarial valuations is approximate in nature. As a consequence there can be varying movements year to year between these full actuarial valuations. This is particularly due to the LGPS being a multiple employer scheme, with the scheme not having asset values which are formally segregated between employers.

Accumulated Absences Account

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

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

Notes to the Core Financial Statements

2019/20 £		2020/21 £
-67,162	Balance at 1 April	-85,684
67,162	Settlement or cancellation of accrual made at the end of the preceding year	85,684
-85,684	Amounts accrued at the year end of the current year	-222,328
-18,522	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	-136,644
-85,684	Balance at 31 March	-222,328

There has been a large increase in the compensated absences earned but not taken balance at 31 March 2021.

This has arisen as employees took significantly less annual leave in 2020/21 due to the additional workload pressures arising from the Council's response to the Covid-19 pandemic in-year. This means that employees of the Council had a greater number of untaken days annual leave owed to them at 31 March 2021.

22 CASH FLOW STATEMENT – OPERATING ACTIVITIES

The cash flows for operating activities include the following items:

2019/20 £		2020/21 £
-113,422	Interest received	-44,254
6,527	Interest paid	6,020
-106,895	Net Interest	-38,234

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

2019/20 £		2020/21 £
0	Proceeds from the sale of property, plant and equipment and intangible assets	-58,500
0		-58,500

Notes to the Core Financial Statements

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

2019/20 £		2020/21 £
-926,003	Depreciation	-851,355
-69,320	Impairment and downward valuations	16,580
-7,221	Amortisation	-16,054
-3,075,175	Increase in creditors	-7,715,710
883,974	Increase in debtors	3,821,377
-5,883	Decrease in inventories	-13,185
-185,014	Increase in provisions	-257,806
-1,679,000	Movement in pension liability	-1,048,000
-33,489	Carrying amount of Property, Plant and Equipment sold	-23,491
33,635	Capital Grants and Contributions Applied	45,997
-659,687	Revenue Expenditure Funded from Capital Under Statute	-462,925
2,310,163	Capital Expenditure Charged against General Fund Balances	935,705
357,391	Capital Grants and Contributions Unapplied Credited to the Comprehensive Income and Expenditure Statement	393,008
-18,522	Accumulated Absences	-136,644
-3,074,151		-5,312,503

23 CASH FLOW STATEMENT – INVESTING ACTIVITIES

2019/20 £		2020/21 £
2,758,335	Purchase of property, plant and equipment, investment property and intangible assets	1,215,432
0	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-58,500
-2,671,016	Other receipts from investing activities	-1,420,655
87,319	Net cash flows from investing activities	-263,723

24 CASH FLOW STATEMENT – FINANCING ACTIVITIES

2019/20 £		2020/21 £
10,392	Repayments of short- and long-term borrowing	10,393
367,865	Other payments for financing activities	2,580,433
378,257	Net cash flows from financing activities	2,590,826

25 MEMBERS' ALLOWANCES

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

	2019/20	2020/21
	£	£
Basic Allowance	148,293	147,519
Special Responsibility Allowances	75,280	78,656
Expenses	4,006	725
	227,579	226,900

Notes to the Core Financial Statements

26 OFFICERS' EMOLUMENTS

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

Remuneration Disclosure (excluding Pension Contributions)

Post Holder Information	Salary, Fees and Allowances	Benefits in Kind	Total Remuneration excluding Pension Contributions	Salary, Fees and Allowances	Benefits in Kind	Total Remuneration excluding Pension Contributions
	2019/20 £	2019/20 £	2019/20 £	2020/21 £	2020/21 £	2020/21 £
Chief Executive ¹	119,022	7,416	126,438	109,763	6,223	115,986
Director of Community Services	83,679	6,382	90,061	86,526	1,297	87,823
Director of Resources	83,679	8,477	92,156	86,511	6,157	92,668
Director of Economic Development and Planning Services	78,247	12,043	90,290	82,785	14,739	97,524
Head of Financial Services	54,765	8,447	63,212	56,820	8,767	65,587
Head of Planning Services	54,765	7,417	62,182	56,770	7,682	64,452
Head of Legal and Democratic Services - <i>Postholder A</i> ²	40,161	4,521	44,682			0
Head of Legal and Democratic Services - <i>Postholder B</i> ³			0	43,409	159	43,568
	514,318	54,703	569,021	522,584	45,024	567,608

¹ The values for the Chief Executive include Acting Returning Officer Fees, which fluctuate from year to year depending on the elections called. 2020/21 £937 (all of which was pensionable); 2019/20 £13,657 (all of which was pensionable).

² The previous Head of Legal and Democratic Services - Postholder A - worked part-time and the role equates to 0.8 full time equivalent. The full time equivalent salary for this post was £54,765 in 2019/20 and therefore this officer is required to be disclosed in this note. This officer retired from the post on 29 February 2020. Had they remained in post for the full 2019/20 financial year the salary would have been £43,812.

³ The new Head of Legal and Democratic Services - Postholder B - started part-way through the 2020/21 financial year on 15 June 2020. The new postholder is a full time employee and had they been in post for the full 2020/21 financial year their salary would have been £54,136.

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

Notes to the Core Financial Statements

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

The table below shows the contribution rates that applied in the 2019/20 and 2020/21 financial years. The band that an employee falls within is determined by reference to the actual pensionable pay received, not the full time equivalent rate of pay.

Salary Banding 2019/20	Salary Banding 2020/21	Employee Contribution Rate
£0 - £14,400	£0 - £14,600	5.50%
> £14,401 - £22,500	> £14,601 - £22,800	5.80%
> £22,501 - £36,500	> £22,801 - £37,100	6.50%
> £36,501 - £46,200	> £37,101 - £46,900	6.80%
> £46,201 - £64,600	> £46,901 - £65,600	8.50%
> £64,601 - £91,500	> £65,601 - £93,000	9.90%
> £91,501 - £107,700	> £93,001 - £109,500	10.50%
> £107,701 - £161,500	> £109,501 - £164,200	11.40%
> £161,501	> £164,201	12.50%

For 2019/20, the contribution to the pension scheme which the council made was **based** upon a rate of 16.5%. However, the actual employer rate equated to a lower rate as the council paid a fixed single discounted payment at the beginning of the financial year in settlement of its in year pension contribution liabilities.

This fixed single discounted payment in 2019/20 was calculated by the pension fund using the 16.5% contribution rate as a base. As a result, the 16.5% has been used throughout this note for 2019/20.

Elements of Contribution Rate	2019/20
Percentage Contribution Rate <i>(This is the rate from which the fixed single discounted payment was calculated by the pension fund - see below)</i>	16.5%
Actual Fixed Single Discounted Payment Made	£775,400
Lump Sum Payment from the Council <i>(in respect of pension fund deficit recovery)</i>	£186,500

For 2020/21 the above arrangements were not in place, with the rate of employer contributions being 17.1%.

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

Notes to the Core Financial Statements

Remuneration Disclosure (including Pension Contributions)

Post Holder Information	Total Remuneration excluding Pension Contributions 2019/20 £	Pension Contributions 2019/20 £	Total Remuneration including Pension Contributions 2019/20 £	Total Remuneration excluding Pension Contributions 2020/21 £	Pension Contributions 2020/21 £	Total Remuneration including Pension Contributions 2020/21 £
Chief Executive ¹	126,438	19,639	146,077	115,986	18,674	134,660
Director of Community Services	90,061	13,807	103,868	87,823	14,704	102,527
Director of Resources	92,156	13,807	105,963	92,668	14,704	107,372
Director of Economic Development and Planning Services ²	90,290	12,911	103,201	97,524	14,072	111,596
Head of Financial Services	63,212	9,036	72,248	65,587	9,623	75,210
Head of Planning Services	62,182	9,036	71,218	64,452	9,623	74,075
Head of Legal and Democratic Services - Postholder A ²	44,682	6,627	51,309			0
Head of Legal and Democratic Services - Postholder B ³			0	43,568	7,350	50,918
	569,021	84,863	653,884	567,608	88,750	656,358

¹ The values for the Chief Executive include Acting Returning Officer Fees, which fluctuate from year to year depending on the elections called. 2020/21 £937 (all of which was pensionable); 2019/20 £13,657 (all of which was pensionable).

² The previous Head of Legal and Democratic Services - Postholder A - worked part-time and the role equates to 0.8 full time equivalent. The full time equivalent salary for this post was £54,765 in 2019/20 and therefore this officer is required to be disclosed in this note. This officer retired from the post on 29 February 2020. Had they remained in post for the full 2019/20 financial year the salary would have been £43,812.

³ The new Head of Legal and Democratic Services - Postholder B - started part-way through the 2020/21 financial year on 15 June 2020. The new postholder is a full time employee and had they been in post for the full 2020/21 financial year their salary would have been £54,136.

Notes to the Core Financial Statements

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

	2019/20	2020/21
£50,000 - £54,999	4	***2
£55,000 - £59,999	**2	4
£60,000 - £64,999	2	1
£65,000 - £69,999		1
£70,000 - £74,999		
£75,000 - £79,999		
£80,000 - £84,999		
£85,000 - £89,999		1
£90,000 - £94,999	3	1
£95,000 - £99,999		1
£100,000 - £104,999		
£105,000 - £109,999		
£110,000 - £114,999		
£115,000 - £119,999		*1
£120,000 - £124,999		
£125,000 - £129,999	*1	

* The values for the Chief Executive include Acting Returning Officer Fees, which fluctuate from year to year depending on the elections called. 2020/21 £937 (all of which was pensionable); 2019/20 £13,657 (all of which was pensionable).

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

*** The new Head of Legal and Democratic Services - Postholder B - started part-way through the 2020/21 financial year on 15 June 2020. The new postholder is a full time employee and had they been in post for the full 2020/21 financial year their salary would have been £54,136.

There were four redundancy payments made in 2019/20. These totalled £6,158 and were payable due to the end of a specific fixed term contract for the provision of a service. There were no redundancy payments made in 2020/21.

Notes to the Core Financial Statements

27 EXTERNAL AUDIT COSTS

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

	2019/20 £	2020/21 £
Fees payable to Grant Thornton UK LLP with regard to external audit services carried out by the appointed auditor for the year - in respect of 2018/19	4,500	
Fees payable to Grant Thornton UK LLP with regard to external audit services carried out by the appointed auditor for the year - in respect of 2019/20	37,106	5,566
Fees payable to Grant Thornton UK LLP with regard to external audit services carried out by the appointed auditor for the year - in respect of 2020/21		52,606
Fees payable to Grant Thornton UK LLP for the certification of grant claims and returns for the year. <i>Work completed in 2019/20 but relating to the 2018/19 financial year claims</i>	4,995	
Fees payable to Grant Thornton UK LLP for the certification of grant claims and returns for the year. <i>Work completed in 2020/21 but relating to the 2019/20 financial year claims</i>		16,000
Fees payable to Grant Thornton UK LLP for the certification of grant claims and returns for the year. <i>Work completed in 2021/22 but relating to the 2020/21 financial year claims</i>		19,200
Public Sector Audit Appointments (PSAA) Rebate	-3,117	
Total	43,484	93,372

28 GRANT INCOME

The Council credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2020/21 and 2019/20:

	2019/20 £	2020/21 £
<i>Credited to Taxation and Non Specific Grant Income</i>		
New Homes Bonus	-1,666,486	-1,770,952
Business Rates S31 Grant	-1,708,862	-3,930,502
Tax Income Guarantee Section 31 Funding - Business Rates		-119,388
Rural Services Delivery Grant		-107,921
Levy Account Surplus	-4,543	
Covid-19 Emergency Local Authority Support Grant		-779,419
Total Credited to Taxation and Non Specific Grant Income	-3,379,891	-6,708,182

Notes to the Core Financial Statements

	2019/20 £	2020/21 £
Credited to Services		
<i><u>Grants Received for Capital Purposes</u></i>		
Disabled Facilities Grant - Main Funding	-346,368	-393,008
Funding from Onward Homes towards Disabled Facilities Grant	-44,658	-45,997
Total Grants Received for Capital Purposes	-391,026	-439,005
<i><u>Grants Received for Revenue Purposes</u></i>		
Business Rates Administration	-90,783	-90,775
DWP - Rent Allowance and Rent Rebate Subsidy	-5,710,579	-5,542,965
DWP and MHCLG Local Council Tax Support and Housing Benefit Administration Grant	-110,470	-110,728
Ribble Valley Community Safety Partnership	-6,050	
DWP LA Data Sharing IT Costs Funding	-17,085	-8,897
Individual Electoral Registration Grant	-25,936	
DWP - Discretionary Housing Payments Fund	-37,716	-63,325
MHCLG - Custom House and Self Build Grant	-15,000	
MHCLG - Flexible Homelessness Support Grant	-40,000	-40,000
DWP - Universal Credit Service Funding	-11,190	-2,882
LCC - Domestic Abuse Outreach Support Service Grant	-58,491	
MHCLG - EU Exit Funding	-34,968	
Together an Active Future Pathfinder Engagement Funding	-14,000	
LCC - Recycling District Grant Fund	-15,600	-13,000
MHCLG - Flood Grant in respect of Council Tax Relief	-18,365	-34,716
MHCLG - Flood Community Recovery Grant	-65,500	
MHCLG - Homelessness Reduction	-5,305	-13,393
Restoring Your Railways Ideas Fund		-50,000
Community Rail Development Fund		-20,000
Reopening High Streets Safely Fund		-25,458
LCC Weight Management Funding		-18,506
East Lancashire CCG Cardiac Rehab Service		-11,000
Sports England - Together an active future funding		-42,081
<i><u>Covid-19 Grant Funding (for distribution)</u></i>		
BEIS Business Support Grant (COVID19)		-867,000
MHCLG - Local Restrictions Support Grant		-1,437,526
Sport England - National Leisure Recovery Fund		-83,434
Covid-19 Self-isolation Payments Funding (discretionary)		-31,250
<i><u>Covid-19 Grant Funding (service specific)</u></i>		
MHCLG - Covid-19 Support Grant Tranche 1	-23,853	
MHCLG - Council Tax Hardship Fund (COVID19)		-222,053

Notes to the Core Financial Statements

	2019/20 £	2020/21 £
MHCLG - S31 Grant RHLG & Small Business Grnt Admin		-130,000
MHCLG - Covid-19 LA Compliance and Enforcement		-21,956
Covid-19 Self-isolation Payments Funding Admin		-23,403
MHCLG - Covid-19 Income Compensation Scheme		-579,699
DHSC - S31 Contain Outbreak Management Fund		-296,283
MHCLG - S31 New Burdens Funding (LADGF)		-58,500
MHCLG - S31 LRSR CSP CB Lockdown Aug 20 - Mar 21		-166,800
MHCLG LCC- Clinically Extremely Vulnerable Funding		-141,777
LCC - Covid-19 Test and Trace Support		-40,818
LCC - Practical Support for Self-Isolation		-13,772
MHCLG - Implementing Business rates reduction measures and council tax hardship fund		-18,908
Other Grants	-42,905	-69,638
Total Grants Received for Revenue Purposes	-6,343,796	-10,290,543
Total Credited to Services	-6,734,822	-10,729,548

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.

There have been a number of grants included above which relate to funds that this Council has received in respect of Covid-19, where it acts in its capacity as Principal, having an element of discretion over how such funds are distributed and the granting policies that are to be followed.

There have been other substantial Covid-19 grants received and distributed to businesses in the 2020/21 financial year where this council has acted as Agent, with no discretion over how such funds are to be distributed. In line with accounting requirements, these are not included within the transactions for this council's Statement of Accounts and likewise are not included above as grants received. Such grants are only included as a net position at year end on this Council's Balance Sheet as either Short Term Debtors or Short Term Creditors, depending on the net position of each grant funding stream at 31 March.

29 RELATED PARTY TRANSACTIONS

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

- Central Government
- Elected Members of the Council (including any organisation over which they or their close family may exert control or influence)
- Senior Officers of the Council (including any organisation over which they or their close family may exert control or influence)
- Other Public Bodies
- Entities controlled or significantly influenced by the Council.

Central Government

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

Elected Members

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

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

In the 2020/21 financial year the Council were the responsible body for paying out Covid-19 support grants to many different organisations across the Ribble Valley. The grant schemes were a mixture of those where the Council was acting as an agent on behalf of Central Government and those where the Council was acting as the principal (this is where the Council has some discretion over the eligibility rules set for the grant scheme). The Council paid out Covid-19 support grants to the following organisations where members had declared an interest:

Notes to the Core Financial Statements

Organisation	Covid-19 Grant Support Received £	Number of Elected Members Declaring an Interest
Chipping and District Memorial Hall Charity	39,500	1
Ribble Valley Citizen's Advice	10,000	2
Clitheroe Town Council	10,000	6
Farmplus Constructions Ltd	10,000	1
Longridge Town Council	10,000	2
Ribble Valley Crossroads Care	5,000	1

The members declaring an interest in the organisations receiving the grants had no involvement in assessing and approving the Covid-19 grant claims paid by the Council, but the payments are disclosed here for completeness.

No Covid-19 support grant payments were paid out in 2019/20.

Aside from Covid-19 grant payments, in the 2020/21 financial year the Council made a grant award to an organisation where the award was financially significant to that organisation and two members had declared an interest. This was in respect of a grant for £52,500 awarded to Ribble Valley Citizens Advice Bureau to cover core running costs. The members declaring an interest in this organisation did not take part in the discussion or the decision relating to the grant award.

In the 2019/20 financial year, the Ribble Valley Citizens Advice Bureau had also received a grant of £52,500 from the Council, which was financially significant to that organisation, and three members had declared an interest. The members declaring an interest in this organisation did not take part in the discussion or the decision relating to the grant award.

Also in the 2019/20 financial year, the Council had made material payments of £2,967,688 to Lancashire County Council in addition to the standard in-year precepts, superannuation and business rates pool transfer payments. One member had disclosed an interest in Lancashire County Council. These transactions related to a cash flow investment of £2,500,000 and the balance was for normal and reasonable expenditure. All transactions were administered and approved by officers and with no involvement from the member declaring an interest.

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

Senior Officers

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

In the 2020/21 financial year, the Council paid out Covid-19 support grants to many different organisations in Ribble Valley, as referred to above. As part of this, the Council paid out Covid-19 support grants of £43,150 to Whalley Golf Club Ltd. One senior officer had declared an interest in that organisation. The senior officer declaring an interest in that organisation had no involvement in assessing and approving the Covid-19 grant claims paid by the Council, but the payment is disclosed here for completeness.

No Covid-19 support grant payments were paid out in 2019/20.

Aside from Covid-19 grant payments, in 2020/21 there were no other material transactions between the Council and organisations where senior officers had declared an interest, from the point of view of the Council. This was also the case in 2019/20.

Other Public Bodies

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

- Payment of precepts to Lancashire County Council, the Police and Crime Commissioner for **Lancashire**, Lancashire Fire and Rescue Service and Precepting Parish and Town Councils – see Collection Fund page 136.
- Other standard business transactions between the Council and Lancashire County Council, such as superannuation payments to Lancashire Pension Fund - see Note 32.
- The Lancashire Business Rates Pool was operational during 2019/20 and 2020/21. Full details of the operation of the business rates pool and the role of this Council are included under Note 11.

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

Entities Controlled or Significantly Influenced by the Council

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

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

- Children's Trust
- Lancashire Waste Partnership
- Langho Football Club
- Longridge Social Enterprise Company Limited
- Ribble Valley Sports and Recreation (Roefield Leisure Centre)
- Salesbury and Copster Green Commons Management Committee
- Carer's Link
- Mersey Care NHS Foundation Trust (regarding Calderstones Partnership)
- Environment Agency Liaison Committee

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- Hanson Cement Liaison Committee
- Health and Wellbeing Board (Lancashire County Council)
- Lancashire County Council Health Scrutiny Committee
- East Lancashire Health and Wellbeing Partnership
- North West Regional Older Peoples Champion Network
- Pendle Club, Clitheroe
- Tarmac Liaison Committee
- North West Employers' Organisation
- Forest of Bowland (Area of Outstanding Natural Beauty) Advisory Committee
- Rural Services Network
- Armed Forces Champion
- Clitheroe Royal Grammar School Foundation Trust
- Citizen's Advice Bureau
- Hyndburn and Ribble Valley Council for Voluntary Services
- Local Government Association General Assembly
- Lancashire Police and Crime Panel
- Ribble Valley Community Safety Partnership
- Ribble Valley Community Transport
- Whalley Educational Foundation Trust.

The Council can exert some influence on these organisations but cannot determine the outcome of decisions made by these organisations. Consequently, the Council has no controlling interest over these organisations.

30 CAPITAL EXPENDITURE AND CAPITAL FINANCING

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

	2019/20 £	2020/21 £
<i>Opening Capital Financing Requirement</i>	3,393,536	3,355,600
<i>Capital Investment</i>		
Property, Plant and Equipment	2,122,060	733,316
Revenue Expenditure Funded from Capital Under Statute	659,687	462,925
<i>Sources of Finance:</i>		
Grants and Other Contributions	-383,445	-246,121
Usable Capital Receipts		-6,250
Sums set aside from revenue:		
- Revenue Contributions	-2,310,163	-935,705
- Minimum Revenue Provision	-126,075	-115,496
Closing Capital Financing Requirement	3,355,600	3,248,269
<i>Explanation of Movements in Year</i>		
Decrease in Underlying Need to Borrow (Unsupported by Government Financial Assistance)	-37,936	-107,331
Decrease in Capital Financing Requirement	-37,936	-107,331

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

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

	31 March 2020 £	31 March 2021 £
Not later than one year	84,815	111,878
Later than one year and not later than five years	147,460	119,835
Later than five years	396,209	389,510
	628,484	621,223

Notes to the Core Financial Statements

In 2020/21 expenditure charged to the Cost of Services in the Comprehensive Income and Expenditure Statement in relation to the above leases was £116,114 (£99,775 in 2019/20).

Operating Leases with the Council as Lessor

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

The future minimum lease payments receivable are:

	31 March 2020 £	31 March 2021 £
Not later than one year	-98,502	-103,929
Later than one year and not later than five years	-311,508	-285,353
Later than five years	-505,330	-468,136
	-915,340	-857,418

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 2020/21 income included under the Cost of Services in the Comprehensive Income and Expenditure Statement in relation to the above leases was £98,973 (£93,922 in 2019/20).

32 DEFINED BENEFIT PENSION SCHEMES**Participation in Pension Scheme**

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

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

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

Transactions relating to Post-employment Benefits

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

	Local Government Pension Scheme	
	2019/20 £'000	2020/21 £'000
<i>Comprehensive Income and Expenditure Statement</i>		
Cost of Services		
- current service costs	1,675	1,605
- past service costs	660	
Other Operating Expenditure		
- administration expenses	29	30
Financing and Investment Income and Expenditure		
- net interest expense	352	347
Total Post employment Benefit Charged to the Surplus or Deficit on the Provision of Services	2,716	1,982
Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement		
Remeasurement of the net defined benefit liability comprising		
- return on plan assets (excluding the amount included in the net interest expenses)	418	-4,510
- actuarial gains and losses arising on changes in financial assumptions	-1,085	10,866
- actuarial gains and losses arising on changes in experience	967	-1,333
- actuarial gains and losses arising on changes in demographic assumptions	-2,421	
Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Account	595	7,005
<i>Movement in Reserves Statement</i>		
- reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	-2,716	-1,982
<i>Actual amount charged against the General Fund Balance for pensions in the year:</i>		
- employers' contributions payable to the scheme	1,037	934

The cumulative amount of actuarial gains and losses recognised in the Comprehensive Income and Expenditure Statement to the 31 March 2021 is a loss of £5,023,000 (31 March 2020 gain of £2,121,000).

Notes to the Core Financial Statements

Pensions Assets and Liabilities Recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the council's obligation in respect of defined benefit plans is as follows:

Local Government Pension Scheme	2019/20	2020/21
	£'000	£'000
Present value of the defined benefit obligation	68,294	79,476
Fair value of plan assets	-53,323	-58,434
Net liability arising from defined benefit obligation	14,971	21,042

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

Local Government Pension Scheme	2019/20	2020/21
	£'000	£'000
Opening fair value of scheme assets	52,964	53,323
Interest Income	1,280	1,272
Remeasurements gain/(loss):		
- the return on plan assets, excluding the amount included in the net interest expense	-418	4,510
Administration Expenses	-29	-30
Contributions from employer	1,037	934
Contributions from employees into the scheme	314	326
Benefits/transfers paid	-1,825	-1,901
Closing fair value of scheme assets	53,323	58,434

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

Local Government Pension Scheme	2019/20	2020/21
	£'000	£'000
Opening balance at 1 April	68,377	68,294
Current service cost	1,675	1,605
Interest cost	1,632	1,619
Contributions from scheme participants	314	326
Past service costs	660	
Remeasurement (gains) and losses:		
- Experience loss	967	-1,333
- Actuarial (gains)/losses arising from changes in financial assumptions	-1,085	10,866
- Actuarial gains arising from changes in demographic assumptions	-2,421	
Benefits/transfers paid	-1,825	-1,901
Closing balance at 31 March	68,294	79,476

Local Government Pension Scheme Assets Comprised:

Local Government Pension Scheme Fair value of scheme assets	Quoted Y/N	31 March 2020 £'000	31 March 2021 £'000
<i>Cash</i>			
- Cash accounts	N	1,493	1,443
- Net Current Assets/(Liabilities)	N	-906	-152
Subtotal Cash		587	1,291
<i>Bonds</i>			
- UK corporate	Y	640	0
- Overseas corporate	N	693	0
Subtotal Bonds		1,333	0
<i>Property</i>			
- Offices	N	0	26
- Industrial/warehouse	N	213	487
- Shops	N	0	57
- Retail warehouse	N	53	0
- Multi let commercial building	N	480	431
Subtotal Property		746	1,001
<i>Alternatives</i>			
- Overseas private equity	N	4,266	4,688
- Infrastructure	N	7,359	7,008
- Credit funds	N	8,425	7,811
- Pooled fixed income	N	2,826	1,948
- Indirect property funds	N	3,786	7,321
- UK Pooled Equity Funds	N	0	598
- Overseas pooled equity funds	N	23,995	26,769
Subtotal Alternatives		50,657	56,143
Total		53,323	58,435

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc.

The Local Government Pension Scheme has been estimated by Mercer Limited, an independent firm of actuaries, estimates for the fund being based on the latest full valuation of the scheme as at 31 March 2019.

The significant assumptions used by the actuary have been:

Notes to the Core Financial Statements

Local Government Pension Scheme	2019/20	2020/21
Mortality Assumptions		
Longevity at 65 for current pensioners:		
Men	22.3 years	22.4 years
Women	25.0 years	25.1 years
Longevity at 65 for future pensioners:		
Men	23.8 years	23.9 years
Women	26.8 years	26.9 years
Rate of Consumer Price Index (CPI) Inflation	2.1%	2.7%
Rate of increase in salaries	3.6%	4.2%
Rate of increase in pensions	2.2%	2.8%
Rate for discounting scheme liabilities	2.4%	2.1%

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

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

Local Government Pension Scheme	Increase in Assumption
Impact on the Defined Benefit Obligation in the Scheme	£'000
Longevity (1 year increase in life expectancy)	2,396
Rate of inflation (+0.1% per annum)	1,286
Rate of increase in salaries (+0.1% per annum)	148
Rate of discounting scheme liabilities (+0.1% per annum)	-1,265
Change in 2020/21 Investment Returns (+1%)	-581
Change in 2020/21 Investment Returns (-1%)	581

Impact on the Council's Cash Flows

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

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

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

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

It is projected that the council will pay £933,000 in employer contributions to the scheme in 2021/22.

The weighted average duration of the defined benefit obligation for scheme members is 16 years based on later of 31 March 2019 and admission date.

Scheme History

Local Government Pension Scheme	2016/17	2017/18	2018/19	2019/20	2020/21
	£'000	£'000	£'000	£'000	£'000
Present Value of Liabilities	64,082	63,426	68,377	68,294	79,476
Fair Value of Assets	-46,798	-48,023	-52,964	-53,323	-58,434
Deficit in the scheme	17,284	15,403	15,413	14,971	21,042

The liabilities show the underlying commitments that the council has in the long run to pay post-employment (retirement) benefits. The total liability of £21.042m 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 main influence on the pension fund position is a slight reduction in the discount rate assumption (-0.3% p.a.) and an increase in the CPI inflation assumption (0.6% p.a). The combined effect of this is to significantly increase liabilities.

Notes to the Core Financial Statements

Remeasurements (assets) is the return on plan assets net of administration expenses and interest income. The approach to calculating the accounting figures in between full actuarial valuations is approximate in nature. As a consequence there can be varying movements year to year between these full actuarial valuations. This is particularly due to the LGPS being a multiple employer scheme, with the scheme not having asset values which are formally segregated between employers.

The Pension deficit has fluctuated quite widely over the past few years and as mentioned above, the main fluctuations year to year have been around financial assumptions. The last full revaluation was undertaken in 2019.

33 CONTINGENT LIABILITIES

Housing Stock Transfer Warranties

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

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

In addition the following specific warranties have been given:

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

Warranties by the Council in favour of Ribble Valley Homes

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

In addition the following specific warranties have been given:

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

34 CONTINGENT ASSETS

VAT Sharing Arrangement

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

35 NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

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

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

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

Overall Procedures for Managing Risk

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

- by formally adopting the requirements of the Code of Practice;
- by approving annually in advance prudential indicators for the following three years limiting:
 - The Council's overall borrowing;
 - Its maximum and minimum exposures to fixed and variable rates;
 - Its maximum and minimum exposures to the maturity structure of its debt;
 - Its maximum annual exposures to investments maturing beyond a year.

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- by approving a Treasury Management Strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance;

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

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

Credit risk

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

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

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

- Investments to Building Societies limited to top 8 based on total assets (provided they are included in Fitch Ratings).
- Institutions must have a short term Fitch IBCA rating of F2 or above
- Institutions are UK based

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

The Council does not generally allow credit for its sundry debtors. The sundry debtors outstanding which are past their due date for payment at 31 March 2021 can be analysed by age as shown in the table below. Note 16 to the accounts shows a total provision for the impairment of debts of £483,433 of which £17,010 relates to sundry debts (or £167,860 when including impairment for total Housing Benefit recovery impairment). The balance of £315,573 is in respect of this Council's share of the Council Tax and Business Rates impairment of debts.

The council's maximum exposure to credit risk in relation to its investments in banks and building societies at the 31 March was nil, based on past and current experience. A risk of irrecoverability applies to all of the council's deposits, but there was no evidence at the 31 March 2021 that this was likely.

Notes to the Core Financial Statements

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

	Amount at 31 March 2021	Historical experience of default	Historical experience adjusted for market conditions at 31 March 2021	Estimated maximum exposure to default and uncollectability at 31 March 2021	Estimated maximum exposure at 31 March 2020
	£ A	% B	% C	£ (A x C)	£
Deposits with banks and building societies	14,500,000	0.00%	0.00%	0	0
Customers (Sundry Debt including overpaid Housing Benefits recovered from ongoing benefit)	690,139	0.22%	24.32%	167,860	170,063

The council expects settlement terms from debtors of no greater than 14 days. On this basis £613,694 of the sundry debtor balance at 31 March 2021 is past its due date for payment (£672,418 at 31 March 2020); However, a proportion of this is being paid on an agreed alternative payment plan. The full sundry debtor balance due but not impaired can be analysed by age as follows:

Aged Sundry Debt	As at 31 March 2020 £'000	As at 31 March 2021 £'000
Less than 30 days	305	75
30 days to 59 days	55	29
60 days to 89 days	5	8
90 days to 119 days	10	10
120 days +	321	529
	696	651

Notes to the Core Financial Statements

Liquidity risk

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

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

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

The maturity analysis of financial liabilities is as follows:

Financial Liabilities by Maturity Risk	31 March 2020	31 March 2021
	£'000	£'000
Less than one year	10	10
Between 1 and 2 years	10	10
Between 2 and 5 years	31	30
Between 5 and 10 years	50	50
More than 10 years	25	15
	126	115

Market Risk**Interest Rate Risk**

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

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

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure. The Financial Services team monitors market and forecast interest rates within the year to adjust exposures appropriately.

If all lending interest rates had been 1% higher with all other variables held constant the financial effect would impact on the interest receivable on variable rate investments by approximately an additional £172,440. All other interest payable and receivable are fixed.

Price risk

The Council, excluding the pension fund, does not generally invest in instruments with this type of risk.

Foreign exchange risk

The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

Collection Fund

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

The Council has a statutory requirement to operate a Collection Fund as a separate account to the General Fund. The purpose of the Collection Fund therefore, is to isolate the income and expenditure relating to Council Tax and Non-Domestic Business Rates. The administrative costs associated with the collection process are charged to the General Fund.

Collection Fund surpluses declared by the billing authority in relation to Council Tax are apportioned to the relevant precepting bodies in the subsequent financial year. Deficits likewise are proportionately charged to the relevant precepting bodies in the following year. For Ribble Valley Borough Council, the Council Tax precepting bodies are Lancashire County Council, Police and Crime Commissioner (PCC) for Lancashire and Lancashire Combined Fire Authority.

In 2013/14, the local government finance regime was revised with the introduction of the Business Rates Retention Scheme (BRRS). The main aim of the scheme is to give Councils a greater incentive to grow businesses in the Borough. It does, however, also increase the financial risk due to non-collection and the volatility of the NDR tax base.

Forecast surpluses declared earlier in the calendar year by the billing authority in relation to the Collection Fund are apportioned to the relevant precepting bodies in the subsequent financial year in their respective proportions. Deficits likewise are proportionately charged to the relevant precepting bodies in the following year.

The national code of practice followed by Local Authorities in England stipulates that a Collection Fund Income and Expenditure account is included in the Council's accounts. The Collection Fund balance sheet meanwhile is incorporated into the Council's consolidated balance sheet.

STATEMENT OF ACCOUNTS 2020/21

Collection Fund

2019/20 Total £'000		2020/21 Council Tax £'000	2020/21 Business Rates £'000	2020/21 Total £'000	Notes
Income					
42,355	Income from Council Tax Payers	44,446		44,446	
1	Transfers From General Fund - Council Tax Benefits			0	
19	Transfers From General Fund - Flood Relief	35		35	
8	Transfers From General Fund - Family Annexes	8		8	
	Transfers From General Fund - Covid Hardship Payments	226		226	
15,632	Income from Business Ratepayers		8,757	8,757	1
196	Transitional Protection Payments		13	13	
	Share of Estimated Deficit:				
0	- Central Government			0	
0	- Lancashire County Council			0	
0	- Ribble Valley Borough Council			0	
0	- Lancashire Combined Fire Authority			0	
58,211		44,715	8,770	53,485	
Expenditure					
	Precepts and Demands:				3
31,253	- Lancashire County Council	33,080		33,080	
3,948	- Ribble Valley Borough Council (including parishes)	4,185		4,185	
4,675	- Police and Crime Commissioner (PCC) for Lancashire	4,995		4,995	
1,613	- Lancashire Combined Fire Authority	1,674		1,674	
	Business Rates				
3,744	- Central Government		7,641	7,641	
2,621	- Lancashire County Council		1,375	1,375	
8,386	- Ribble Valley Borough Council		6,113	6,113	
225	- Lancashire Combined Fire Authority		153	153	
	Share of Estimated Surplus:				
280	- Central Government		118	118	
519	- Lancashire County Council	649	78	727	
285	- Ribble Valley Borough Council	82	253	335	
30	- Lancashire Combined Fire Authority	34	7	41	
64	- Police and Crime Commissioner (PCC) for Lancashire	97		97	
12	Transfers to General Fund - Council Tax Benefits	3		3	
91	Costs of Collection		91	91	
83	Renewable Energy Schemes		94	94	
313	Provision for Bad/Doubtful Debts	153	209	362	4
210	Enterprise Zone		123	123	
38	Provision for Appeals		1,070	1,070	5
58,390		44,952	17,325	62,277	
-179	(Deficit)/Surplus for the Year	-237	-8,555	-8,792	
1,282	Surplus Brought Forward	783	320	1,103	
1,103	(Deficit)/Surplus Carried Forward	546	-8,235	-7,689	
Allocated to					
84	- Central Government		-4,083	-4,083	6
644	- Lancashire County Council	411	-753	-342	
251	- Ribble Valley Borough Council	51	-3,316	-3,265	
88	- Police and Crime Commissioner (PCC) for Lancashire	63		63	
36	- Lancashire Combined Fire Authority	21	-83	-62	
1,103		546	-8,235	-7,689	

Collection Fund

1 BUSINESS RATES

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

In 2018/19 this Council was part of the Lancashire Business Rates Pool which operated on the 50% business rates retention scheme. In 2019/20 we became a 75% Business Rates Pilot Pool, which meant that 75% of collected rates were retained in Lancashire rather than 50% as previously. In 2020/21, we returned to a Business Rates Pool which operated on the 50% business rates retention scheme, after the Government ended the 75% pilot pools.

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

	2019/20	2020/21
District Authorities	56%	40%
Lancashire County Council	17.5%	9%
Lancashire Combined Fire Authority	1.5%	1%
	75%	50%
Central Government	25%	50%
Total	100%	100%
Unitary Authorities	73.5%	49%

The business rates shares payable for 2020/21 were estimated before the start of the financial year as £7.641m to Central Government, £1.375m to Lancashire County Council, £0.153m to Lancashire Combined Fire Authority and £6.113m to Ribble Valley Borough Council. These sums have been paid in 2020/21 and charged to the collection fund in year.

When the business rates retention scheme was introduced, Central Government set a baseline level for each authority identifying the expected level of retained business rates and a top up or tariff amount to ensure that all authorities receive their baseline amount. Tariffs due from authorities payable to Central Government are used to finance the top ups to those authorities who do not achieve their targeted baseline funding. In this respect Ribble Valley Borough Council paid a tariff of £4.311m from the general fund.

The total income from business rate payers collected in 2020/21 was £8.757m (£15.632m in 2019/20). The substantial difference in the amount collected between these two years is due to the reliefs that were given by the Government to businesses due to Covid-19, notably the retail discount and nursery discounts. This council and other precepting bodies under business rates were compensated for the resulting lost income through Section 31 grants, but this is received under the General Fund rather than the Collection Fund.

In addition to the local management of business rates, authorities are expected to finance appeals made in respect of rateable values as defined by the Valuation Office Agency (VOA) and hence business rates outstanding as at 31 March 2021. As such, authorities are required to make a provision for these amounts. Appeals are charged and provided for in proportion of the precepting shares. The total provision at 31 March 2021 has been calculated at £2.132m (31 March 2020 £1.062m)

The total non-domestic rateable value at 31 March 2021 was £39,242,942 compared to £39,303,492 at 31 March 2020 based on the 2010 listing. The non-domestic rateable value at 31 March 2021 on the 2017 listing was £43,081,355 compared to £42,937,595 at 31 March 2020.

The national non-domestic multiplier (rate in the pound) for the year 2020/21 was 51.2 pence compared to 50.4 pence in the year 2019/20.

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

Collection Fund

2 COUNCIL TAX BASE

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

In 2020/21 the Council set a band D council tax of £1,838.32 which was calculated by dividing the aggregate of the Council's expenditure to be met from the council tax and the Lancashire County Council, Police and Crime Commissioner (PCC) for Lancashire and Lancashire Combined Fire Authority precept by the council tax base. The council tax base is the number of band D equivalent properties in the Council's area and it represents the amount of income that would be raised from a council tax levy of £1.00 at band D level. The council tax base has been calculated as follows:

Band	Ratio to Band D	Total No of Properties	Total Equivalent No After Discounts	Band D Equivalents
A (entitled to disabled relief)	5/9	13	12.3	6.8
A	6/9	3,665	3,014.7	2,009.8
B	7/9	5,171	4,556.9	3,544.2
C	8/9	5,137	4,622.2	4,108.6
D	1	4,654	4,261.7	4,261.7
E	11/9	3,764	3,538.7	4,325.1
F	13/9	2,339	2,215.3	3,199.9
G	15/9	1,905	1,805.1	3,008.4
H	18/9	202	193.3	386.6
Totals		26,850	24,220.2	24,851.1
			Adjustments	-1,049.6
			Adjustment for Collection Rate	-178.5
			Council Tax Base	23,623

3 BAND D COUNCIL TAX

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

	2019/20 £	2020/21 £
Lancashire County Council Precept	31,253,007	33,079,759
Police and Crime Commissioner (PCC) for Lancashire Precept	4,675,453	4,995,083
Lancashire Combined Fire Authority Precept	1,612,562	1,673,926
Ribble Valley Borough Council Demand (excluding Parishes)	3,497,364	3,677,865
Total to be Met From Council Tax	41,038,386	43,426,633
Divided by Council Tax Base (Band D Equivalent Dwellings)	23,209	23,623
Band D Council Tax (Average excluding Parishes)	£1,768.21	£1,838.32

4 PROVISION FOR LOSSES

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

	Council Tax £	NNDR £	Total £
Opening Balance 1 April 2020	740,000	470,000	1,210,000
Write Offs in Year	-23,087	-89,241	-112,328
Increase to Provision	153,087	209,241	362,328
Closing Balance 31 March 2021	870,000	590,000	1,460,000

5 PROVISION FOR BUSINESS RATES APPEALS

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

	2019/20 £	2020/21 £
Balance at 1 April	1,024,932	1,062,477
Amounts Charged to the Provision	-88,381	-297,081
Change in Provision	125,926	1,366,587
Balance at 31 March	1,062,477	2,131,983

Collection Fund

6 PRECEPTS AND DEMANDS ON THE COLLECTION FUND

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

2019/20			2020/21	
Precept	Share of 31 March (Deficit) or Surplus		Precept	Share of 31 March (Deficit) or Surplus
£'000	£'000		£'000	£'000
31,253	590	Lancashire County Council	33,080	411
4,675	88	Police and Crime Commissioner for Lancashire	4,995	63
1,613	31	Lancashire Combined Fire Authority	1,674	21
3,948	74	Ribble Valley Borough Council	4,185	51
41,489	783	Total	43,934	546

The business rates shares as at the 31 March are shown in the table below. As with Council Tax, the income included in the Income and Expenditure Account for the year must be the accrued income for the year.

2019/20			2020/21	
Business Rates Share Paid	Share of 31 March (Deficit) or Surplus		Business Rates Share Paid	Share of 31 March (Deficit) or Surplus
£'000	£'000		£'000	£'000
3,744	84	Central Government	7,641	-4,083
2,621	54	Lancashire County Council	1,375	-753
225	5	Lancashire Combined Fire Authority	153	-83
8,386	177	Ribble Valley Borough Council	6,113	-3,316
14,976	320	Total	15,282	-8,235

The Council has a statutory requirement to prepare an estimate each January of the surplus or deficit expected to arise at the end of the financial year. The total forecast surplus/deficit on the collection fund for council tax and business rates at January 2020 and January 2021 are shown in the table below.

(Deficit) or Surplus Declared January 2020			(Deficit) or Surplus Declared January 2021		
Business Rates £'000	Council Tax £'000	Total £'000	Business Rates £'000	Council Tax £'000	Total £'000
118		118	-3,346		-3,346
78	648	726	-620	197	-423
	97	97		30	30
7	34	41	-68	10	-58
253	82	335	-2,726	25	-2,701
456	861	1,317	-6,760	262	-6,498

7 COLLECTION RATES

The Council's collection rates are detailed in the table below:

	2019/20 %	2020/21 %
Council Tax	98.8%	97.6%
Business Rates	98.0%	95.9%

Glossary of Terms

Accounting Period

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

Accounting Policies

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

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

Accounting policies do not include estimation techniques.

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

Accruals

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

Accruals Basis

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

Actuarial Gains and Losses

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

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

Amortisation

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

Appointed Auditors

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

Auditor's Opinion

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

Authorised Limit

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

Balances

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

Business Rates Retention Scheme (BRRS)

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

Capital Adjustment Account

The Account accumulates (on the debit side) the write-down of the historical cost of non-current assets as they are consumed by depreciation and impairments or written off on disposal. It accumulates (on the credit side) the resources that have been set aside to finance capital expenditure. The same process applies to capital expenditure that is only capital by statutory definition (revenue expenditure funded by capital under statute). The balance on the account thus represents timing differences between the amount of the historical cost of non-current assets that has been consumed and the amount that has been financed in accordance with statutory requirements.

Capital Expenditure

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

Capital Financing Costs

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

Capital Grants Unapplied

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

Glossary of Terms

Capital Receipt

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

Carrying Amount

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

Chartered Institute of Public Finance and Accountancy (CIPFA)

CIPFA is the leading professional accountancy body for public services. CIPFA publishes the Code, which defines proper accounting practice for local authorities.

Collection Fund

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

Community Assets

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

Consistency

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

Contingent Asset

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

Contingent Liability

A contingent liability is either:

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

Council Tax Base

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

Council Tax Requirement

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

Creditors

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

Current Assets

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

Current Liabilities

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

Current Service Cost (Pensions)

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

Debtor

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

Depreciation

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

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

Exceptional Items

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

Expected Rate of Return on Pensions Assets

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

Fair Value

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

Glossary of Terms

Finance Lease

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

Financial Instrument

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

Financial Regulations

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

Fixed Asset

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

General Fund

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

Going Concern

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

Government Grants

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

Impairment

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

Infrastructure Assets

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

Intangible Asset

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

Interest Cost (Pensions)

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

Inventories

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

Leasing

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

Liabilities

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

Long-term Contracts

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

Materiality

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

Medium Term Financial Strategy

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

Minimum Revenue Provision (MRP)

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

Net Book Value

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

Net Current Replacement Cost

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

Glossary of Terms

Net Debt

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

Net Realisable Value

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

Non-Current Assets

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

Non Domestic Rates (NDR)

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

Operating Lease

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

Past Service Cost

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

Precepts

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

Prepayment

The payment of a debt obligation before it is due

Provision

A liability of uncertain timing or amount

Prudence

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

Public Works Loan Board (PWLB)

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

Related Parties

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

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

Related Party Transactions

A related party transaction is the transfer of assets or liabilities or the performance of services by, to, or for, a related party irrespective of whether a charge is made. The materiality of related party transactions should be judged not only in terms of their significance to the authority, but also in relation to its related party.

Remuneration

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

Reserves

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

Residual Value

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

Retirement Benefits

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

Revenue Expenditure

Glossary of Terms

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

Revenue Expenditure Funded from Capital Under Statute

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

Revenue Support Grant

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

Scheme Liabilities

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

Useful Life

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

Abbreviations used within the Statement of Accounts

CIPFA	Chartered Institute of Public Finance and Accountancy
CPI	Consumer Price Index
DRC	Depreciated Replacement Cost
DVS	District Valuer Services
DWP	Department for Work and Pensions
EUV	Existing Use Value
FRS	Financial Reporting Standard
GAAP	Generally Accepted Accounting Principles
MHCLG	Ministry of Housing, Communities and Local Government
IAS	International Accounting Standards
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IPSAS	International Public Sector Accounting Standards
LASAAC	Local Authority Accounts Advisory Committee
LGPS	Local Government Pension Scheme
NDR	Non-Domestic Rates
PSAA	Public Sector Audit Appointments
PWLB	Public Works Loan Board
RSG	Revenue Support Grant
SeRCOP	Service Reporting Code of Practice

SIC	Standing Interpretations Committee
SSAP	Statements of Standard Accounting Practice
TMPs	Treasury Management Practices
UITF	Urgent Issues Task Force
VOA	Valuation Office Agency



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understanding local authority financial statements

2016

\ introduction

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

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

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

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

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

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

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

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

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

comparisons with budgets

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

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

The introduction of the new expenditure and funding analysis

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

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

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

The Expenditure and Funding Analysis:

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

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

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

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

Expenditure and Funding Analysis (extract)

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

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

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

comprehensive income and expenditure statement

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

Comprehensive Income and Expenditure Statement (extract)

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

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

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

Operational costs of providing the services of the authority.

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

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

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

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

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

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

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

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

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

movement in reserves statement

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

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

The Movement in Reserves Statement shows how:

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

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

Movement in Reserves Statement (extract)

The Movement in Reserves Statement shows the movement from the start of the year to the end on the different reserves held by the authority, analysed into 'usable reserves' (ie those that can currently be used to fund expenditure or reduce local taxation) and other 'unusable' reserves. It shows how the movements in year of the authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax [or rents] for the year. The Net Increase/Decrease line shows the statutory General Fund balance and Housing Revenue Account balance movements in the year following those adjustments.

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

* Capital Fund Scotland

** Applicable in England Only

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

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

balance sheet

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

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

Balance sheet (extract)

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, ie those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves represents those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

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

\ reserves

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

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

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

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

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

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

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

cash flows

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

Cash Flow Statement (extract)

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

	20X0/X1 £000	
Net (surplus) or deficit on the provision of services	14,588	Surplus or deficit taken from the Comprehensive Income and Expenditure Statement
Adjustments to net surplus or deficit on the provision of services for non-cash movements	(36,267)	
Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	11,523	
Net cash flows from Operating Activities (Note 26)	(10,156)	Three groups of transactions: ■ Operating ■ Investing ■ Financing
Investing Activities (Note 27)	(24,585)	
Financing Activities (Note 28)	35,140	
Net increase or decrease in cash and cash equivalents	399	
Cash and cash equivalents at the beginning of the reporting period	(14,166)	
Cash and cash equivalents at the end of the reporting period (Note 19)	(13,767)	Cash and cash equivalents figure in the balance sheet

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

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

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

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

Checklist

13	Does the Total Comprehensive Income and Expenditure line in the Movement in Reserves Statement agree with the information in the Comprehensive Income and Expenditure Statement?
14	How have the balances of usable reserves moved during the year? Are these balances sufficient to support an authority's financial plans in the immediate future and over the medium term?

Balance Sheet

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

Cash Flow Statement

23	Do the cash balances in the cash flow statement agree with the relevant balances in the balance sheet?
24	Are the council's cash balances reflected adequately in the council's treasury management strategies?

reminders and questions raised on the IFRS-based code

IFRS – what is it?

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

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

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

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

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

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

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

The accounts are too long!

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

What changes were made to the 2016/17 Code?

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

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

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

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

further reading

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

Clear out the Clutter (Public Finance, April 2014)

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

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

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



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RIBBLE VALLEY BOROUGH COUNCIL REPORT TO ACCOUNTS & AUDIT COMMITTEE

meeting date: 17 NOVEMBER 2021
title: INFORMING THE AUDIT RISK ASSESSMENT
submitted by: DIRECTOR OF RESOURCES
principal author: LAWSON ODDIE

1 PURPOSE

- 1.1. To inform members of the material accounting estimates made and the methods employed in arriving at the values used in the statement of accounts. The report asks members to endorse the processes followed in arriving at such estimates.
- 1.2. Additionally, included under this item is a report from Grant Thornton that covers some important areas of the auditor risk assessment where there is a requirement to make inquiries of the Accounts and Audit Committee under auditing standards.
- 1.3. Relevance to the Council's ambitions and priorities:
 - Community Objectives – none identified.
 - Corporate Priorities – assessing the Council's system of internal control contributes to the achievement of the corporate priority of being a well-managed Council.
 - Other Considerations – none identified.

2 BACKGROUND

- 2.1. The Financial Reporting Council issued an updated ISA (UK) 540 (Revised): Auditing Accounting Estimates and Related Disclosures, which includes significant enhancements in respect of the audit risk assessment process for accounting estimates.
- 2.2. Our external auditors, Grant Thornton, are required to understand and assess our internal controls over accounting estimates.
- 2.3. They are also required to obtain an understanding of the role of this committee, particularly where estimates have a high estimation uncertainty, or require significant judgement. Specifically do Accounts and Audit Committee members:
 - Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them
 - Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
 - Evaluate how management made the accounting estimates.
- 2.4. An assessment of our significant estimates is included at Annex 1 and covers significant estimates in respect of Pensions and Property Plant and Equipment. Members are asked to endorse the approaches followed.
- 2.5. Looking at the auditor risk assessment element of this report, under International Standards on Auditing (UK), (ISA(UK)) auditors have specific responsibilities to communicate with the Accounts and Audit Committee. ISA(UK) emphasises the importance of two-way communication between the auditor and the Accounts and Audit Committee and also specify matters that should be communicated.

- 2.6. This two-way communication assists both the auditor and the Accounts and Audit Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Accounts and Audit Committee and supports the Accounts and Audit Committee in fulfilling its responsibilities in relation to the financial reporting process.
- 2.7. The document is attached at Annex 2 to this report and covers a variety of areas and members are asked to acknowledge the responses made.

3 RISK ASSESSMENT

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

- Resources – the estimation techniques followed have an impact on the values queried in the statement of accounts.
- Technical, Environmental and Legal – None identified
- Political – None identified
- Reputation – External specialised skills have been sought in reaching these estimates where necessary
- Equality & Diversity – None identified

4 RECOMMENDED THAT COMMITTEE

- 4.1 Endorse the approaches followed in respect of significant estimates as detailed in Annex 1 of the report; and
- 4.2 Acknowledge the responses made to the Grant Thornton document '*Informing the audit risk assessment for Ribble Valley Borough Council 2020/21*'

HEAD OF FINANCIAL SERVICES

DIRECTOR OF RESOURCES

AA20-21/LO/AC
8 November 2021

BACKGROUND PAPERS

None

For further information please ask for Lawson Oddie

Significant judgement /estimate – Ribble Valley Borough Council

31st March 2021

Prepared by *Lawson Oddie – Head of Financial Services*

Requirements

IAS 1.122-124 requires disclosure of the judgements, apart from those involving estimations, that management has made in the process of applying accounting policies that have the most significant effect on the amounts recognised in the financial statements.

IAS 1.125-133 requires disclosure of information about the assumptions the entity makes about the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

For entities reporting under UK GAAP, FRS 102.8 details disclosure requirements:

FRS102.8.6 An entity shall disclose, in the summary of significant accounting policies or other notes, the judgements, apart from those involving estimations, that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

FRS102.8.7 An entity shall disclose in the notes information about the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. In respect of those assets and liabilities, the notes shall include details of:

- a. their nature; and
- b. their carrying amount as at the end of the reporting period.

Judgement or estimate?

Judgement

Estimate

Identify the judgement/estimate

Pensions: Net liability arising from defined benefit obligation

Explain the nature of the judgement/estimate

There are several areas of uncertainty that can impact on the calculation of the net liability. Those that have been specifically identified by the actuary are in respect of:

- *Discount Rate*
- *Inflation*
- *Pay Growth*
- *Life Expectancy*
- *Investment Returns*

What are the key sources of estimation uncertainty for each area identified?

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.

There have been substantial falls in equity markets in relation to the Covid-19 pandemic resulting in a reduction in asset values for accounting purposes.

Mercer Limited are the actuaries for the Lancashire County Pension Fund and have identified the key areas of sensitivity.

Identify the carrying amounts of assets or liabilities identified as being subject to key sources of estimation uncertainty

The Pension Fund Deficit for Ribble Valley at 31 March 2021 was £21.042m (£14.971m 31 March 2020)

Document (and quantify) the effect on the financial statements

The effect of the estimation is an increase in the Pension Fund Deficit of £6.071m from 31 March 2020 to 31 March 2021

For judgements, explain any alternatives that were considered.

Not Applicable - Estimation

Calculate sensitivities and ranges of outcomes

		5. Sensitivity analysis as at 31 March 2021						Page 6
		Central	Sensitivity 1	Sensitivity 2	Sensitivity 3	Sensitivity 4	Sensitivity 5	
Disclosure item	£000s	+ 0.1% p.a. discount rate £000s	+ 0.1% p.a. inflation £000s	+ 0.1% p.a. pay growth £000s	1 year increase in life expectancy £000s	+/-1% change in 2020/21 investment returns £000s		
						+1%	-1%	
Liabilities	79,476	78,211	80,762	79,624	81,872	79,476	79,476	
Assets	(58,434)	(58,434)	(58,434)	(58,434)	(58,434)	(59,015)	(57,853)	
Deficit/(Surplus)	21,042	19,777	22,328	21,190	23,438	20,461	21,623	
Projected Service Cost for next year	1,981	1,938	2,029	1,981	2,046	1,981	1,981	
Projected Net Interest Cost for next year	432	425	460	438	483	420	444	

Draft disclosures to include in current period financial statements

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Pensions Liability	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.</p> <p>There have been substantial falls in equity markets in relation to the Covid-19 pandemic resulting in a reduction in asset values for accounting purposes.</p>	<p>Mercer Limited are the actuaries for the Lancashire County Pension Fund. The Pension Fund Deficit for Ribble Valley at 31 March 2021 was £21.042m. The following sensitivity analysis is provided by Mercer Limited:</p> <ul style="list-style-type: none"> • +0.1% p.a. discount rate as at 31 March 2021: deficit would be £19.777m • +0.1% p.a. inflation as at 31 March 2021: deficit would be £22.328m • +0.1% p.a. pay growth as at 31 March 2021: deficit would be £21.190m • 1-year addition to members' life expectancy as at 31 March 2021: deficit would be £23.438m • +1% change in 2020/21 investment returns: deficit would be £20.461m • -1% change in 2020/21 investment returns: deficit would be £21.623m

Disclosures included in current period financial statements

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Pensions Liability	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.</p> <p>There have been substantial falls in equity markets in March 2020 in relation to the COVID-19 pandemic resulting in a reduction in asset values for accounting purposes.</p>	<p>Mercer Limited are the actuaries for the Lancashire County Pension Fund. The Pension Fund Deficit for Ribble Valley at 31 March 2020 was £14.971m. The following sensitivity analysis is provided by Mercer Limited:</p> <ul style="list-style-type: none"> • +0.1% p.a. discount rate as at 31 March 2020: deficit would be £13.884m • +0.1% p.a. inflation as at 31 March 2020: deficit would be £16.076m • +0.1% p.a. pay growth as at 31 March 2020: deficit would be £15.108m • 1-year addition to members' life expectancy as at 31 March 2020: deficit would be £16.812m • +1% change in 2019/20 investment returns: deficit would be £14.434m • -1% change in 2019/20 investment returns: deficit would be £15,508m

Judgement or estimate?Judgement Estimate **Identify the judgement/estimate***Property Plant and Equipment Valuations***Explain the nature of the judgement/estimate***Desktop review of the full asset valuations that were undertaken at the end of the 2019/20 financial year. This review is to ensure that our valuations are reflective of circumstances as at the end of the 2020/21 financial year***What are the key sources of estimation uncertainty for each area identified?***RICS have set up a forum to consider the unique events relating to the global Covid pandemic and its impact on valuation assignments. The latest forum output recommends that, with adequate market evidence and property markets mostly functioning again, the material valuation uncertainty that existed in 2019/20 is less relevant in 2020/21, other than for those assets with trading potential such as hospitality venues. As such the relevance for this council is low at the 31 March 2021 compared to 31 March 2020.**The freehold and leasehold properties, which comprise the Council's property portfolio, were fully revalued on 1 March 2020 by Taylor Weaver Ltd (Alex Taylor BSc MRICS and Neil Weaver MRICS, RICS registered valuers) and Lea Hough & Co Chartered Surveyors (Michael Harrison BSc (Hons) MRICS). The valuations were made in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institute of Chartered Surveyors.**A further desktop exercise is undertaken annually, with asset values adjusted accordingly on the balance sheet. The desktop review as at 1 March 2021 was undertaken by Taylor Weaver Ltd and Lea Hough & Co Chartered Surveyors.***Identify the carrying amounts of assets or liabilities identified as being subject to key sources of estimation uncertainty***The Property, Plant and Equipment valuation for Ribble Valley at 31 March 2021 was £16.884m (£16.960m 31 March 2020)***Document (and quantify) the effect on the financial statements***The effect of the estimation is a net decrease (after depreciation, additions and disposals, together with the desktop revaluation) in the Property, Plant and Equipment valuation of £76,449 from 31 March 2020 to 31 March 2021***For judgements, explain any alternatives that were considered.***Not Applicable - Estimation*

Calculate sensitivities and ranges of outcomes

A variation of 10% in the value of the council's land and buildings would be approximately £1.688m. A reduction would result in a reduction to the revaluation reserve and/or a loss charged to the comprehensive income and expenditure statement. An increase in estimated valuations would result in the reversal of any negative revaluations previously charged to the comprehensive income and expenditure statement and/or increases to the revaluation reserve and/or gains charged to the comprehensive income and expenditure statement.

Draft disclosures to include in current period financial statements

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment Valuations	RICS have set up a forum to consider the unique events relating to the global Covid pandemic and its impact on valuation assignments. The latest forum output recommends that, with adequate market evidence and property markets mostly functioning again, the material valuation uncertainty that existed in 2019/20 is less relevant in 2020/21, other than for those assets with trading potential such as hospitality venues. As such the relevance for this council is low at the 31 March 2021 compared to 31 March 2020.	A variation of 10% in the value of the council's land and buildings would be approximately £1.688m. A reduction would result in a reduction to the revaluation reserve and/or a loss charged to the comprehensive income and expenditure statement. An increase in estimated valuations would result in the reversal of any negative revaluations previously charged to the comprehensive income and expenditure statement and/or increases to the revaluation reserve and/or gains charged to the comprehensive income and expenditure statement.

Disclosures included in current period financial statements

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment Valuations	The reporting date for the valuations, 31 March 2020, was in the midst of the Covid-19 pandemic. On 19 March 2020 the Royal Institution of Chartered Surveyors issued a Valuation Notification to all RICS members identifying that issues caused by the pandemic mean valuations are prepared at a time of 'material valuation uncertainty'. Consequently, less certainty and a higher degree of caution should be attached to our valuations than would normally be the case. Valuations reported should also be kept under frequent review	A variation of 10% in the value of the council's land and buildings would be approximately £1.696m. A reduction would result in a reduction to the revaluation reserve and/or a loss charged to the comprehensive income and expenditure statement. An increase in estimated valuations would result in the reversal of any negative revaluations previously charged to the comprehensive income and expenditure statement and/or increases to the revaluation reserve and/or gains charged to the comprehensive income and expenditure statement.

Informing the audit risk assessment for Ribble Valley Borough Council 2020/21

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Purpose

The purpose of this report is to contribute towards the effective two-way communication between Ribble Valley Borough Council's external auditors and Ribble Valley Borough Council's Accounts and Audit Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Accounts and Audit Committee under auditing standards.

Background

Under International Standards on Auditing (UK), (ISA(UK)) auditors have specific responsibilities to communicate with the Accounts and Audit Committee. ISA(UK) emphasise the importance of two-way communication between the auditor and the Accounts and Audit Committee and also specify matters that should be communicated.

This two-way communication assists both the auditor and the Accounts and Audit Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Accounts and Audit Committee and supports the Accounts and Audit Committee in fulfilling its responsibilities in relation to the financial reporting process.

Communication

As part of our risk assessment procedures we are required to obtain an understanding of management processes and the Council's oversight of the following areas:

- General Enquiries of Management
- Fraud,
- Laws and Regulations,
- Related Parties, and
- Accounting Estimates.

Purpose

This report includes a series of questions on each of these areas and the response we have received from Ribble Valley Borough Council's management. The Accounts and Audit Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

General Enquiries of Management

Question	Management response
<p>1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2020/21?</p>	<p>The Coronavirus pandemic is overwhelmingly the most significant event that will impact on the financial statements. This will be through the impact on service income and expenditure and also through some of the grant funding that the council has distributed to businesses in the borough – notably those with discretionary elements where we have acted as Principal and will consequently feature within the statements. We have had continuing issues with the high costs of maintenance with the refuse collection fleet. There were further changes to the Lancashire Business Rates Pool.</p>
<p>2. Have you considered the appropriateness of the accounting policies adopted by Ribble Valley Borough Council? Have there been any events or transactions that may cause you to change or adopt new accounting policies?</p>	<p>A review has been undertaken of the accounting policies and we are happy that these will fulfil requirements without further additions</p>
<p>3. Is there any use of financial instruments, including derivatives?</p>	<p>The only financial instruments are in respect of:</p> <ul style="list-style-type: none"> • Cash held by the Council, bank accounts, short term investments and subscribed for shares in the UK Municipal Bonds Agency plc (Local Capital Finance Company). • Long-Term Debtors, consisting of car loans and a loan to Roefield Leisure Centre. • Short-Term Debtors, representing net operational (sundry) debtors. • Long-Term and Short-Term borrowings, being loans with the Public Works Loan Board. • Short-Term Creditors, being the Council's operational creditors. <p>There is no use of derivatives</p>
<p>4. Are you aware of any significant transaction outside the normal course of business?</p>	<p>Transactions outside the normal course of business have been in respect of the Coronavirus pandemic. However the response made would fall within our statutory duties.</p>

General Enquiries of Management

Question	Management response
5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets?	We are not aware of any changes in circumstances that would lead to an impairment of non-current assets - other than any residual impact from the Coronavirus pandemic on valuations when our valuer undertakes their annual review of our asset valuations. All service assets will continue to be in operation once any restrictions are lifted by the Government.
6. Are you aware of any guarantee contracts?	No
7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements?	No
8. Other than in house solicitors, can you provide details of those solicitors utilised by Ribble Valley Borough Council during the year. Please indicate where they are working on open litigation or contingencies from prior years?	The Council has not directly instructed any external solicitors to deal with litigation or contingencies. However, Solicitors were instructed by the LGA on the group litigation relating to NHS NNDR litigation and the mastercard litigation.

General Enquiries of Management

Question	Management response
9. Have any of Ribble Valley Borough Council's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements?	No
10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	Various advisors will have been engaged during the year across a wide range of council services eg valuation office, agents, consultants, archaeological advisors.

Fraud

Issue

Matters in relation to fraud

ISA (UK) 240 covers auditors responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both the Accounts and Audit Committee and management. Management, with the oversight of the Accounts and Audit Committee, needs to ensure a strong emphasis on fraud prevention and deterrence and encourage a culture of honest and ethical behaviour. As part of its oversight, the Accounts and Audit Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.

As Ribble Valley Borough Council's external auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

As part of our audit risk assessment procedures we are required to consider risks of fraud. This includes considering the arrangements management has put in place with regard to fraud risks including:

- assessment that the financial statements could be materially misstated due to fraud,
- process for identifying and responding to risks of fraud, including any identified specific risks,
- communication with the Accounts and Audit Committee regarding its processes for identifying and responding to risks of fraud, and
- communication to employees regarding business practices and ethical behaviour.

We need to understand how the Accounts and Audit Committee oversees the above processes. We are also required to make inquiries of both management and the Accounts and Audit Committee as to their knowledge of any actual, suspected or alleged fraud. These areas have been set out in the fraud risk assessment questions below together with responses from Ribble Valley Borough Council's management.

Fraud risk assessment

Question	Management response
<p>1. Have Ribble Valley Borough Council assessed the risk of material misstatement in the financial statements due to fraud?</p> <p>How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process?</p> <p>How does Ribble Valley Borough Council's risk management processes link to financial reporting?</p>	<p>Yes</p> <p>Assurance levels given from audit reports and where necessary concerns flagged to members of Accounts and Audit Committee</p> <p>Risks are highlighted in committee reports and any financial implications highlighted for members attention.</p>
<p>What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?</p>	<p>We use an Audit Risk Matrix to assess the priority of an audit area for inclusion in our Annual Audit Plan</p>

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Fraud risk assessment

Question	Management response
<p>3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within Ribble Valley Borough Council as a whole or within specific departments since 1 April 2020? As a management team, how do you communicate risk issues (including fraud) to those charged with governance?</p>	<p>No</p> <p>Reports when necessary to Accounts and Audit Committee</p>
<p>4. Have you identified any specific fraud risks?</p>	<p>Yes – Housing Benefit/LCTS and also the various Coronavirus business support grants</p>
<p>Do you have any concerns there are areas that are at risk of fraud?</p>	<p>Yes – above</p>
<p>Are there particular locations within Ribble Valley Borough Council where fraud is more likely to occur?</p>	<p>Fraud could occur in all locations if the control environment is not adequate and functioning as it should</p>
<p>3. What processes do Ribble Valley Borough Council have in place to identify and respond to risks of fraud?</p>	<p>Control environment, Internal Audit Plan, Whistleblowing and Anti Fraud and Corruption Policy</p>

Fraud risk assessment

Question	Management response
<p>6. How do you assess the overall control environment for Ribble Valley Borough Council, including:</p> <ul style="list-style-type: none">• the existence of internal controls, including segregation of duties; and• the process for reviewing the effectiveness the system of internal control? <p>If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken?</p> <p>What other controls are in place to help prevent, deter or detect fraud?</p> <p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)?</p>	<p>Good</p> <p>Internal Audit Plan, Whistleblowing and Anti Fraud and Corruption Policy</p> <p>Staff Shortages may impact the control environment</p>
<p>7. Are there any areas where there is potential for misreporting?</p>	<p>Not aware of any</p>

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Fraud risk assessment

Question	Management response
<p>8. How does Ribble Valley Borough Council communicate and encourage ethical behaviours and business processes of it's staff and contractors?</p> <p>How do you encourage staff to report their concerns about fraud?</p> <p>What concerns are staff expected to report about fraud?</p> <p>Have any significant issues been reported?</p>	<p>Via our Procurement arrangements. Induction process, staff meetings, press releases, training and various policies</p> <p>Financial regulations state staff should be alert to the possibility of fraud and to report any concerns. Reporting suspected irregularities is essential to the Anti-Fraud and Corruption Policy. The Council's Whistleblowing Procedure provides a clear path for individuals to raise concerns of malpractice in any aspects of the Council's work, without the fear of recrimination or victimisation</p> <p>No</p>
<p>9. From a fraud and corruption perspective, what are considered to be high-risk posts?</p> <p>How are the risks relating to these posts identified, assessed and managed?</p>	<p>All posts with potential to override controls</p> <p>Via the control environment. Eg separation of duties, documentation of decisions, necessary authorisations, limitations on access to system permissions.</p>
<p>10. Are you aware of any related party relationships or transactions that could give rise to instances of fraud?</p> <p>How do you mitigate the risks associated with fraud related to related party relationships and transactions?</p>	<p>Each year, Members declare interests by completing a 'Disclosable Pecuniary Interests' form and a 'Related Party Relationships' form. These forms list any relationships and interests and are reviewed by management.</p> <p>By annually requiring members and staff to complete these forms and ensuring directors are given copies for them to review.</p>

Fraud risk assessment

Question	Management response
<p>11. What arrangements are in place to report fraud issues and risks to the Accounts and Audit Committee ?</p> <p>How does the Accounts and Audit Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control?</p> <p>What has been the outcome of these arrangements far this year?</p>	<p>Internal staff can submit reports directly to the Audit Committee. The Head of Internal audit regularly provides a monitoring report which updates members regarding recent audits and assurance levels. The Audit Committee approves the annual Internal Audit Plan. They also receive regular updates on progress and in cases of breaches receive detailed reports.</p> <p>Worked well</p>
<p>12. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?</p>	<p>No</p>
<p>13. Have any reports been made under the Bribery Act?</p>	<p>No</p>

Law and regulations

Issue

Matters in relation to laws and regulations

ISA (UK) 250 requires us to consider the impact of laws and regulations in an audit of the financial statements.

Management, with the oversight of the Accounts and Audit Committee, is responsible for ensuring that Ribble Valley Borough Council's operations are conducted in accordance with laws and regulations including those that determine amounts in the financial statements.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. As part of our risk assessment procedures we are required to make enquiries of management and the Accounts and Audit Committee as to whether the entity is in compliance with laws and regulations. Where we become aware of information of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.

Risk assessment questions have been set out below together with responses from management.

Impact of laws and regulations

Question	Management response
<p>1. How does management gain assurance that all relevant laws and regulations have been complied with?</p> <p>What arrangements does Ribble Valley Borough Council have in place to prevent and detect non-compliance with laws and regulations?</p> <p>Are you aware of any changes to the Ribble Valley Borough Council's regulatory environment that may have a significant impact on the Ribble Valley Borough Council's financial statements?</p>	<ul style="list-style-type: none"> • Code of Corporate Governance • Systems of internal control • Annual Governance Review • Monitoring Officer role • Codes of Conduct • Financial regulations • Contract Procedure Rules
<p>2. How is the Accounts and Audit Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<p>Assurance given as part of the Annual Governance Review, where such issues are reviewed under Core Principle A – Behaving with integrity, demonstrating commitment to ethical values and respecting the rule of law.</p> <p>Where relevant, breaches would be reported to members</p>
<p>3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2020 with an on-going impact on the 2020/21 financial statements?</p>	<p>None that are known of</p>
<p>4. Is there any actual or potential litigation or claims that would affect the financial statements?</p>	<p>Not aware of any current or potential litigation which could affect the financial statements</p>

Impact of laws and regulations

Question	Management response
5. What arrangements does Ribble Valley Borough Council have in place to identify, evaluate and account for litigation or claims?	<p>Claims are identified either by receipt of a claim form or legal letter. All claims are referred to the legal department who evaluate and put in place arrangements to deal with those claims.</p> <p>Subrogated claims are referred through the internal audit team (who deal with the council's insurance) to the insurers.</p> <p>Should the need arise we would put a contingent liability or a provision in the accounts dependant on the nature/certainty/materiality of the item</p>
6. Have there been any report from other regulatory bodies, such as HM Revenues and Customs which indicate non-compliance?	No

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Related Parties

Issue

Matters in relation to Related Parties

Ribble Valley Borough Council are required to disclose transactions with entities/individuals that would be classed as related parties. These may include:

- entities that directly, or indirectly through one or more intermediaries, control, or are controlled by Ribble Valley Borough Council;
- associates;
- joint ventures;
- an entity that has an interest in the authority that gives it significant influence over the Ribble Valley Borough Council;
- key management personnel, and close members of the family of key management personnel, and
- post-employment benefit plans (pension fund) for the benefit of employees of the Council, or of any entity that is a related party of the Council.

A disclosure is required if a transaction (or series of transactions) is material on either side, i.e. if a transaction is immaterial from the [type of body]'s perspective but material from a related party viewpoint then the Council must disclose it.

ISA (UK) 550 requires us to review your procedures for identifying related party transactions and obtain an understanding of the controls that you have established to identify such transactions. We will also carry out testing to ensure the related party transaction disclosures you make in the financial statements are complete and accurate.

Related Parties

Question	Management response
<p>1. Have there been any changes in the related parties including those disclosed in Ribble Valley Borough Council 's 2019/20 financial statements? If so please summarise:</p> <ul style="list-style-type: none"> the nature of the relationship between these related parties and Ribble Valley Borough Council whether Ribble Valley Borough Council has entered into or plans to enter into any transactions with these related parties the type and purpose of these transactions 	<p>None identified at this stage of the closedown process. Once the financial year has been closed a thorough review of transactions against declarations will be undertaken to confirm that this is the case</p>
<p>2. What controls does Ribble Valley Borough Council have in place to identify, account for and disclose related party transactions and relationships?</p>	<p>Officer and Member disclosure forms completed annually. These are reviewed against in year transactions.</p> <p>Declarations of interest are also sought from members at meetings and this is minuted.</p>
<p>3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?</p>	<p>Steps are taken to ensure that any transactions where an interest had been declared did not involve the relevant officer or member.</p>
<p>4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?</p>	<p>Any significant transactions outside of the normal course of business would be considered initially by the Council's Corporate Management Team and then by relevant service committees and if there were financial implications outside that already allowed for within the budget, such items would also be considered by the Policy and finance Committee</p>

Accounting estimates

Issue

Matters in relation to Related Accounting estimates

ISA (UK) 540 (Revised December 2018) requires auditors to understand and assess an entity's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the entity's risk management process identifies and addresses risks relating to accounting estimates;
- The entity's information system as it relates to accounting estimates;
- The entity's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?

We would ask the Audit Committee to satisfy itself that the arrangements for accounting estimates are adequate.

Accounting Estimates - General Enquiries of Management

Question	Management response
1. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes in, accounting estimate and related disclosures?	<ul style="list-style-type: none"> • Pensions Liability • Arrears • Business Rates Appeals Provision • Property, Plant and Equipment Valuations
2. How does the Council's risk management process identify and addresses risks relating to accounting estimates?	Material items of income and expenditure are initially flagged for consideration to assess if there have been, or needs to be, any element of estimation. The materiality of this is then assessed against the likelihood of valuation fluctuation.
3. How do management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?	Latest best practice is followed where relevant when making any estimation. In a number of areas guidance is sought from external advisors and their expertise is followed – subject to any challenge we may make on assumptions that they may make.
4. How do management review the outcomes of previous accounting estimates?	Where a clear fixed outcome is possible to be identified, the estimation and outturn position are compared and used to help assist in any future estimations
5. Were any changes made to the estimation processes in 2020/21 and, if so, what was the reason for these?	The accounts closedown process is not yet at a stage to adequately answer this question

Accounting Estimates - General Enquiries of Management

Question	Management response
<p>6. How do management identify the need for and apply specialised skills or knowledge related to accounting estimates?</p>	<p>If the necessary in-house skills are not held by the council, external specialists would be sought.</p>
<p>7. How does the Council determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?</p>	<p>The reasonableness of any estimations provided is always checked and challenged with the provider where relevant.</p> <p>Relevant qualifications are sought to ensure that the person or persons are able to provide what is requested.</p>
<p>8. How do management monitor the operation of control activities related to accounting estimates, including the controls at any service providers or management experts?</p>	<p>Reference made to the organisation and their ability to provide what is required.</p>
<p>9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including:</p> <ul style="list-style-type: none"> - Management's process for making significant accounting estimates - The methods and models used - The resultant accounting estimates included in the financial statements. 	<p>Discussion with the S151 officer, for all material items, particularly in areas where there is a high level of uncertainty.</p> <p>Best fit estimation techniques are discussed and agreed.</p> <p>External advise sought where needed – ie asset and pension valuations</p>

Accounting Estimates - General Enquiries of Management

Question	Management response
10. Are management aware of transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix A)?	No
11. Are the management arrangements for the accounting estimates, as detailed in Appendix A reasonable?	Yes
12. How is the Audit Committee provided with assurance that the arrangements for accounting estimates are adequate ?	Details are provided within the statement of accounts and clearly identified to members prior to approval.

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Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Land and buildings valuations	Use of external valuer	Direct involvement in revaluation process and engagement of experts by Head of Financial Services	External Valuer Taylor Weaver	Valuations are compiled by a professional external valuer using professionally recognised basis.	None planned
Depreciation	Based on previously identified asset lives from the prior year valuations	Set Policy		The main assumption in the depreciation is the useful life of the asset. Property assets have their useful life estimated by our expert valuer.	None planned
Valuation of defined benefit net pension fund liabilities	Use of external actuary		External Actuary Mercers	Detailed information to support calculations and assumptions used is provided by the Actuary based on data submitted by the employer. The only cause of uncertainty is the impact of the Covid pandemic on financial markets	None planned
Fair value estimates (If applicable)	Notification from PWLB For Debtors and Creditors, fair value is taken to be the invoiced amount		Relevant in respect of PWLB debt – and provided by them	There are no complex borrowings - Fair Value estimates are prepared by PWLB via statements for long term borrowing.	None planned

Appendix A Accounting Estimates

Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
Provisions – NDR Appeals	Calculated based on VO data and past experience, where this is available		No – other than VO for appeals data	Uncertainty due to variance in appeal decisions and significant backdating	
Accruals (if any are material)	N/a at this stage				
Credit loss and impairment allowances	Past experienced losses/impairments Also, stepped impairment rates based on debt age			Impact of Covid	



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RIBBLE VALLEY BOROUGH COUNCIL REPORT TO ACCOUNTS AND AUDIT COMMITTEE

meeting date: 17 NOVEMBER 2021
 title: INTERNAL AUDIT ANNUAL REPORT 2020/21
 submitted by: DIRECTOR OF RESOURCES
 principal author: LAWSON ODDIE

1 PURPOSE

1.1 To submit to Committee the internal audit annual report for 2020/21. This report includes the Audit opinion for the 2020/21 financial year.

1.2 Relevance to the Council's ambitions and priorities:

- Corporate priorities - the Council seeks to maintain critical financial management and controls, and provide efficient and effective services.
- Other considerations – the Council has a statutory duty to maintain an adequate and effective system of internal control.

2 BACKGROUND

2.1 Internal audit ensure that sound internal controls are inherent in all the Council's systems. All services are identified into auditable areas and then subjected to a risk assessment process looking at factors such as financial value and audit experience. A risk score is then calculated for each area.

2.2 An operational audit plan is then produced to prioritise resource allocation based on the risk score, with all high-risk areas being covered annually.

2.3 The approved Internal Audit Plan for 2020/21 was based on the provision of 780 days of internal audit work. A summary of the final position for the year is set out in the following table.

Area of Work	Resources (Audit days)		
	Planned	Actual	Variance
Fundamental (Main) Systems	220	147	-73
Other systems work	74	0	-74
Probity and Regularity	225	73	-152
Continuous Activity/On-going checks	112	89	-23
Staff Training and Development	50	106	56
Staffing Levels (i.e. vacancies)	0	260	260
Covid-19 Related	0	45	45
Annual Leave and Bank Holidays	99	60	-39
	780	780	0

2.4 With regard to the large variances between planned and actual days this is due to the level of staff vacancies experienced within the team throughout the financial year. This has had an inevitable impact on the work able to be completed.

- 2.5 Priority has been given to undertaking most of the Fundamental Systems work and whilst there has been limited overall coverage when compared to the original audit plan as a whole, it is felt that there has been enough coverage to enable the audit opinion to be reached. This is particularly due to the nature of the audit areas covered, the recognition that many systems of control have not changed, and as a number of facilities have been closed for a substantial period of time over the year due to Covid.
- 2.6 All audit work undertaken in the year has been considered in informing the assurance opinion given in this report. The purpose of the annual internal audit opinion is to contribute to the assurances available to those charged with governance, which supports the council's own assessment of the effectiveness of the council's system of internal control, in line with the requirements of the Accounts and Audit Regulations 2015.
- 2.7 This annual internal audit opinion will assist committee in its consideration of the Annual Governance Statement, which is included elsewhere on the agenda. The Annual Governance Statement pulls together various strands to conclude on the overall adequacy and effectiveness of the council's framework of governance, risk management and internal control.
- 2.8 The Head of Internal Audit opinion has also been informed by the assurance statements completed by Heads of Service, Directors, Statutory Role Postholders and Risk Owners.

3 ANNUAL INTERNAL AUDIT OPINION

- 3.1 The role of Head of Financial Services is currently responsible for producing the annual internal audit opinion. Ordinarily this would be reported by the role of Internal Audit Manager; however, the role of Internal Audit Manager is currently vacant following recruitment difficulties.
- 3.2 In giving this opinion, assurance can never be absolute. The audit work that has been completed in the 2020/21 financial year is summarised below, together with the assurance levels gained. In all cases, completed audits have resulted in the production of a report and action plan. Each audit report contains a conclusion which gives a level of assurance opinion as follows:

Full	The Council can place full reliance on the levels of control in operation
Substantial	The Council can place substantial reliance on the levels of control in operation
Reasonable	Generally sound systems of control. Some minor weaknesses in control which need to be addressed
Limited	Only limited reliance can be placed on the arrangements/ controls in operation. Significant control issues need to be resolved.
Minimal	System of control is weak, exposing the operation to the risk of significant error or unauthorised activity

- 3.3 The table below sets out the assurance opinions issued in respect of all audits carried out since 1 April 2020.

Audit Area	Assurance Level
Main Accounting	Work not completed to report stage due to staff vacancies <i>However, last carried out in 2019/20 with FULL assurance and planned to be undertaken by MIAA in 2021/22</i>
Creditors	SUBSTANTIAL
Sundry Debtors	SUBSTANTIAL
Payroll	SUBSTANTIAL
Council Tax	Work not completed to report stage due to staff vacancies <i>However, last carried out in 2019/20 with FULL assurance and planned to be undertaken by MIAA in 2021/22</i>
Housing Benefits	SUBSTANTIAL
Business Rates	SUBSTANTIAL
Cash Receipting	SUBSTANTIAL
Insurance	SUBSTANTIAL
Building Control	SUBSTANTIAL
Edisford Sports Complex	REASONABLE

- 3.4 In my role as Head of Financial Services I am satisfied that sufficient assurance work has been carried out to allow the provision of an overall opinion in respect of the 2020/21 financial year of 'Substantial Assurance' on the adequacy and effectiveness of Ribble Valley Borough Council's internal control environment.
- 3.5 It is recognised that the recurring issue of staffing vacancies and difficulties in recruiting to roles within the section has impeded the ability to fully complete the audit plan. Notwithstanding this, adequate coverage has been able to be undertaken to allow this opinion to be formed, particularly with the assistance of MIAA.
- 3.6 It is also recognised that the Covid-19 pandemic has impacted on the control environment by way of changes having been made. This is due to the need for changing working practices in some service areas and also new work and procedures such as the processing of the many support grants.
- 3.7 Any weaknesses or areas for review that have been identified during the year have been discussed with the relevant management and remedial actions and a timescale for improvement agreed.
- 3.8 Assurance levels on the Council's key financial systems are consistently good. It was not possible for of the work to be completed on the Sundry Debtors and the General Ledger audits. Historically these audit areas have seen Full assurance given and so it was assessed that resources would be better diverted and MIAA will instead cover all Fundamental systems work as part of the 2021/22 audit plan.

3.9 Work carried out on risk management, council policies, etc. are key elements of the Council's governance arrangements and the main messages arising from this work have been incorporated in the corporate governance review and Annual Governance Statement.

3.10 In all of the audit work undertaken during the year, no significant control weaknesses were identified.

4 STAFFING ISSUES

4.1 There have been continued staffing issues within the Internal Audit Team, with the Internal Audit Assistant post experiencing a short term vacancy, but with the Internal Audit Manager post having continually been vacant since January 2020.

4.2 This has impacted on audit coverage, but the services of Mersey Internal Audit Agency (MIAA) were sought to undertake a number of audits.

4.3 We continue to endeavor to recruit to the Internal Audit Manager role. Until it is possible to recruit to the post, we will continue to utilise the services of MIAA.

5 CONCLUSION

5.1 Having reviewed the work of the internal audit team and MIAA it is concluded that sufficient assurance work has been carried out to allow the provision of an overall opinion in respect of the 2020/21 financial year of 'Substantial Assurance' on the adequacy and effectiveness of Ribble Valley Borough Council's internal control environment.

5.2 The internal audit function has been impacted by recruitment difficulties, but it is recognised that this is a national issue and one that is also shared by neighbouring authorities.

5.3 Work is ongoing to successfully recruit to the post of Internal Audit Manager and until it is possible to recruit to the post, we will continue to utilise the services of MIAA.

HEAD OF FINANCIAL SERVICES

DIRECTOR OF RESOURCES

AA25-21/LO/AC
9 November 2021

BACKGROUND PAPERS: None

For further information please

RIBBLE VALLEY BOROUGH COUNCIL REPORT TO ACCOUNTS AND AUDIT COMMITTEE

INFORMATION

meeting date: 17 NOVEMBER 2021
 title: INTERNAL AUDIT PROGRESS REPORT 2021/22
 submitted by: DIRECTOR OF RESOURCES
 principal author: LAWSON ODDIE

1 PURPOSE

1.1 To report to Committee internal audit work progress to the end of October 2021.

1.2 Relevance to the Council's ambitions and priorities:

- Corporate priorities – the Council seeks to maintain critical financial management and controls and provide efficient and effective services.
- Other considerations – the Council has a statutory duty to maintain an adequate and effective system of internal audit.

2 BACKGROUND

2.1 Internal audit ensures that sound internal controls are inherent in all the Council's systems. All services are identified into auditable areas and then subjected to a risk assessment process looking at factors such as financial value and audit experience. A risk score is then calculated for each area.

2.2 An operational audit plan is then produced to prioritise resources allocation based on the risk score.

3 PROGRESS TO THE END OF OCTOBER 2021

3.1 The full internal audit plan for 2021/22 is attached as Annex 1 alongside progress to date. In summary resources for the year are detailed below, together with progress to the end of October 2021:

Audit Area	2020/21 Planned Days	Actual Days to end of October 2021
Fundamental Systems	232	17
Corporate Systems	65	0
Support Systems	57	17.5
Operational	101	23.5
Facilities	10	0
Staff Vacancies	0	189
Other Items	315	209
	780	456

- 3.2 As you will see from Annex 1, the 'Other Items' category includes work on administering the council's insurances, work conducted in respect of the annual governance review 2020/21 and staff training. The time lost due to staff vacancies has been separately identified in the table above.
- 3.3 The service continues to be adversely affected by staffing issues. As members will be aware from past reports, due to the staffing issues that are being experienced we have engaged the services of Mersey Internal Audit Agency (MIAA) to ensure adequate audit plan coverage.
- 3.4 The time allocations above and at Annex 1 do not take account of work being undertaken by Mersey Internal Audit Agency (MIAA). The work undertaken by MIAA is referred to in the next section of the report and proposed work is also identified at Annex 1.
- 3.5 It is anticipated at this stage that all originally planned audits will not be able to be covered this financial year, but there will be adequate coverage together with the work of MIAA to be able to provide Members with an informed Audit Opinion at the end of the year.

4 MERSEY INTERNAL AUDIT AGENCY (MIAA)

- 4.1 Work undertaken to date by Mersey Internal Audit Agency has been focused on ensuring adequate audit coverage in respect of the 2020/21 financial year. This has been in respect of the following areas:
- Treasury Management
 - Debtors
 - Payroll
 - Business Rates
 - Cash and Bank
- 4.2 This has helped to ensure that audit work has been undertaken on most of the Financial Systems in respect of 2020/21.
- 4.3 We are satisfied with the work that has been completed to date and as such we will be continuing to engage their services for further audit work in respect of 2021/22 covering the following areas:
- General Ledger
 - Sundry Debtors
 - Sundry Creditors
 - Payroll
 - Council Tax
 - Benefits
 - Business Rates
 - Cash Receipting
 - Treasury Management
 - Fleet and Plant Management
 - Tourism and Events
 - Grounds Maintenance
 - Amenity Cleansing

5 UPDATE ON RED RISKS

- 5.1 All Heads of Services are required to ensure that a review of the risks that fall in their service areas is undertaken. As members will be aware, risks are graded on a red, amber and green rating, with any red risk requiring to be reported to CMT and also to this committee.
- 5.2 This requirement is in respect of risks that are scored as red after all mitigating action and controls have been put in place.
- 5.3 At the time of writing this report there are no net red risks identified for reporting to members. In respect of Covid-19 this is on the basis that government financial support continues where needed and that other current and future local and national controls are adhered to.

6 CONCLUSION

- 6.1 Audit coverage is unfortunately lower than that originally planned and as a result additional external resources have been engaged and will continue whilst needed.
- 6.2 Staff vacancies have had an impact on coverage. As a result the services of Mersey Internal Audit Agency (MIAA) will continue to be used to help ensure adequate audit coverage.
- 6.3 It is anticipated at this stage that all originally planned audits will not be able to be covered, but there will be adequate coverage together with the work of MIAA to be able to provide Members with an informed Audit Opinion at the end of the year.

HEAD OF FINANCIAL SERVICES

DIRECTOR OF RESOURCES

AA21-21/LO/AC
10 November 2021

INTERNAL AUDIT PROGRESS TO END OF OCTOBER 2021

Total Planned Days for the Year 2021/22	Actual Days to end of October 2021	Audit Areas	Status as at end of October 2021
Financial Systems - required to be covered annually			
25		General Ledger	To be undertaken by MIAA
20		Sundry Debtors	To be undertaken by MIAA
0	2	Sundry Creditors (2020/21 Audit Plan)	Work completed
20		Sundry Creditors	To be undertaken by MIAA
30		Payroll	To be undertaken by MIAA
0	14	Council Tax (2020/21 Audit Plan)	
35		Council Tax	To be undertaken by MIAA
0	1	Benefits (2020/21 Audit Plan)	Work completed
40		Benefits	To be undertaken by MIAA
35		Business Rates	To be undertaken by MIAA
15		Cash Receipting	To be undertaken by MIAA
12		Treasury Management	To be undertaken by MIAA
232	17	Subtotal	

Corporate			
20		Business Continuity	Not yet started
20		Civil Emergencies	Not yet started
10		Sustainability	Not yet started
10		Data Protection	Not yet started
5		Risk Management	Not yet started
65	0	Subtotal	

Support			
5		Customer Services	Not yet started
15		Information Technology	Not yet started

Total Planned Days for the Year 2021/22	Actual Days to end of October 2021	Audit Areas	Status as at end of October 2021
10	16	Health and Safety	REASONABLE ASSURANCE <i>Draft Report</i>
3	1.5	Inventories	Work Started
3		Records Management	Not yet started
3		Corporate Communications	Not yet started
3		Printing Services	Not yet started
15		Procurement	Not yet started
57	17.5	Subtotal	

Operational			
0	3.5	Building Control (<i>Completion of 2020/21 Audit Plan</i>)	Report Issued
10		Fleet and Plant Management	To be undertaken by MIAA
10	17	Car Parking	REASONABLE ASSURANCE <i>Draft Report</i>
0	3	Planning (Abortive work from 2020/21)	Work not continued as not in 2021/22 plan
5		CCTV	Not yet started
10		Outdoor Facilities (includes Concessions)	Not yet started
7		Property Maintenance	Not yet started
7		Tourism and Events	To be undertaken by MIAA
7		Healthy Lifestyles and Sports Development	Not yet started
5		Grounds Maintenance	To be undertaken by MIAA
5		Amenity Cleansing	To be undertaken by MIAA
5		Arts Development	Not yet started
10		Environmental Health	Not yet started
5		Economic and Community Development	Not yet started
5		Development Policy	Not yet started
10		Grants Payable and Receivable	Not yet started
101	23.5	Subtotal	

Total Planned Days for the Year 2021/22	Actual Days to end of October 2021	Audit Areas	Status as at end of October 2021
Facilities			
10		Ribblesdale Pool	Initial scoping work
10	0	Subtotal	

465 58 TOTAL FOR AUDIT WORK

Other Items			
25		Contingencies	
15	9.5	Risk Management System	Continuous and ongoing work
25	25	Corporate Governance Review	Completion of the review for the 2020/21 Financial Year
40	37	Insurance Administration	Continuous and ongoing work
4	3	Controlled Stationery	Continuous and ongoing work
100	77.5	Training	Professional qualification training
36	9	Bank Holidays	
70	31.5	Annual Leave	
0	8.5	Working on Elections	Unbudgeted work on elections
	6	Self Isolation	
	2	Sickness	
0	189	Post Vacancy	Internal Audit Manager post, plus the Internal Audit Assistant post was vacant from 10 July 2021 and filled Sept 2021)
315	398	Subtotal for Other Items	

780 456 OVERALL TOTAL DAYS

RIBBLE VALLEY BOROUGH COUNCIL REPORT TO ACCOUNTS AND AUDIT COMMITTEE

meeting date: WEDNESDAY, 17 NOVEMBER 2021
title: SECTION 106 AGREEMENTS
submitted by: DIRECTOR OF ECONOMIC DEVELOPMENT AND PLANNING
principal author: NICOLA HOPKINS – DIRECTOR OF ECONOMIC DEVELOPMENT & PLANNING

1. PURPOSE

1.1 To update Members on Section 106 Agreements and planning obligations secured as part of planning applications.

1.2 Relevance to the Council's ambitions and priorities:

- Community Ambitions:
 - To sustain a strong and prosperous Ribble Valley.
 - To help make people's lives safer and healthier.
 - To protect and enhance the existing environmental quality of our area.
- Corporate Objectives:
 - To be an environmentally sustainable area, prepared for the future.

2. BACKGROUND

2.1 Planning obligations under Section 106 of the Town and Country Planning Act 1990 (as amended), commonly known as S106 agreements, are a mechanism which make a development proposal acceptable in planning terms, that would not otherwise be acceptable. They are focused on site specific mitigation of the impact of development.

2.2 Planning Obligations are usually contained in a s106 Agreement, an agreement entered into by both the person giving the obligations and the council(s). But there is a thing called a Unilateral Undertaking – where just the person giving the obligations executes it. This is the favoured approach of Planning Inspectors when developments are considered at appeal.

2.3 In accordance with the Community Infrastructure Levy Regulations planning obligations must only be sought where they meet all the following tests:

- a) necessary to make the development acceptable in planning terms;
- b) directly related to the development; and
- c) fairly and reasonably related in scale and kind to the development.

2.4 In April 2010 the Community Infrastructure Levy (CIL) was introduced through the Community Infrastructure Levy Regulations 2010. CIL is a planning charge, introduced by the Planning Act 2008, as a tool for local authorities in England and Wales to help deliver infrastructure to support the development of their area. The levy only applies in areas where a local authority has consulted on, and approved, a charging schedule which sets out its levy rates and has published the schedule on its website. Most new development which creates net additional floor space of 100 square metres or more, or creates a new dwelling, is potentially liable for the levy.

- 2.5 To date Ribble Valley Borough Council have chosen not to adopt a CIL levy with planning obligations continued to be negotiated and secured via Section 106 Agreements. At the time CIL was introduced it was evident that planning obligations would continue to play an important role in making individual developments acceptable and affordable housing continues to be delivered through planning obligations rather than the levy.
- 2.6 Within the Ribble Valley planning obligations are secured mainly in respect of major housing developments typically for the following infrastructure:
- 2.6.1 Affordable Housing (including over 55s accommodation)
 - 2.6.2 Public Open Space and Recreation
 - 2.6.3 Longridge Loop (developments within Longridge)
 - 2.6.4 Biodiversity
- 2.7 As a two-tier authority Lancashire County Council are also party to our legal agreements where planning obligations in respect of education and highways (sustainable travel etc) are required to make the development acceptable in planning terms.
3. TRIGGER POINTS
- 3.1 Obligations contained within a S106 Agreement become enforceable when the development commences, and an obligation becomes a land charge. Although most obligations are subject to conditions which include the timings of commuted sum payments, the trigger point.
- 3.2 Examples of recent planning obligations include:
- 3.2.1 The Owner covenants with the Council as follows:
 - 3.2.1.1 To pay the Off-Site Leisure Contribution to the Council in full prior to the first occupation of the 7th (Seventh) Dwelling.
 - 3.2.1.2 Not to occupy or permit the Occupation of more than 6 (six) Dwellings until the Off-Site Leisure Contribution has been paid to the Council in full
 - 3.2.2 The Owner hereby covenants with the County Council as follows:
 - 3.2.2.1 To pay 50% of the Primary Education Contribution to the County Council prior to the occupation of the 7th Dwelling.
 - 3.2.2.2 Not to occupy or permit the Occupation of more than 6 Dwellings until 50% of the Primary Education Contribution been paid to the County Council.
 - 3.2.2.3 To pay remaining 50% of the Primary Education Contribution to the County Council prior to the occupation of the 14th Dwelling.
 - 3.2.2.4 Not to occupy or permit the Occupation of more than 13 Dwellings unless and until the remaining 50% of the Primary Education Contribution has been paid to the County Council
- 3.3 The Council's preference is to deliver affordable housing on site to create mixed communities. Whilst there have been developments which have secured off-site

affordable housing contributions most of the development's secure on-site delivery. The delivery of this housing is secured within the legal agreement with a requirement for an Affordable Housing Scheme to be submitted to the Council prior to the commencement of the development and the agreement details of the type and size of affordable housing required on the site. Similar clauses are secured in respect of the delivery of over-55s accommodation on site.

4. MONITORING

4.1 The obligations contained within Section 106 Agreement are monitored continually by the following mechanisms:

4.1.1 Regular meetings of relevant officers.

4.1.2 Housing completion monitoring.

4.1.3 Publication of the Infrastructure Funding Statement.

4.2 Prior to the pandemic officers from Planning, Legal, Housing, Finance and Leisure Services met every 2 months to monitor receipted Section 106 contributions, review expected contributions and plan for the use of future expected contributions. These meetings have now been reinstated following all staff returning to the office.

4.3 The Council's Planning Policy section continually monitor housing completions within the Borough which enables the trigger points, which are associated with housing completions/ occupation, within S106 Agreements to be monitored, with the assistance of Council Tax when necessary. If the developer does not pay the commuted sum when the trigger point is reached this continual monitoring enables the Council's Finance section to invoice for payments at the appropriate time.

4.4 Additionally in 2019 the Community Infrastructure Levy (Amendment) (England) (No.2) Regulations 2019 were amended and require LPAs to publish an Infrastructure Funding Statement (IFS) annually. All LPAs must publish an annual report covering both CIL and S106 obligations regarding the monies secured, received, held and spent, as well as provision of certain on-site infrastructure, such as affordable housing.

4.5 Ribble Valley Council published its first IFS earlier this year for the financial year 2019/20 (1st April 2019 to 31st March 2020). This is available to view on our web-site:

https://www.ribblevalley.gov.uk/info/200294/planning_and_buildings/1772/infrastructure_funding_statement

4.6 In accordance with the Community Infrastructure Levy (Amendment) (England) (No. 2) Regulations 2019 the Council applies a charge to cover the cost of monitoring planning obligations. The fees are as follows:

Type of Obligation	Monitoring Fee	Payment terms
Commuted sum	1% of each payment instalment	To be included on the invoice for the payment
On-site provision (i.e affordable housing)	£1,000 per development site/ parcel	On occupation of the first dwelling

5. USE OF PLANNING OBLIGATIONS

- 5.1 As set out within paragraph 2.2 any planning obligation secured as part of a planning consent needs to be directly related to the development. In this regard Section 106 Agreements set out where off-site contributions will be utilised.
- 5.2 Examples of recently secured obligations include:
- 5.2.1 “Off Site leisure Contribution” means the sum of £9,586.98 (None Thousand Five Hundred and Eighty-Six Pounds and Ninety-Eight Pence) to be paid to the council and used towards off site leisure facilities in Clitheroe.
- 5.2.2 “Primary Education Contribution” means the sum of £83,749.80 adjusted by Education Indexation, to be paid to the County Council in accordance with the terms of this Deed for the provision of additional primary school places at Clitheroe Brookside Primary School and/ or St Michael and St John’s Roman Catholic Primary School Clitheroe or any subsequent name or designation by which they are known;
- 5.3 In respect of the contributions paid to Ribble Valley Borough Council (such as off-site leisure and biodiversity) the relevant officer is consulted at the time the legal agreement is being drafted to ensure that the contribution is utilised close to the development in accordance with the relevant CIL tests. The S106 Agreement will set out where the contribution will be utilised, similar to the examples above, which will be within the Borough.
- 5.4 As Members are aware Lancashire County Council are both the highway and education authority and as such any obligations in respect of such infrastructure is paid directly to the County Council. The County Council are party to S106 Agreements which involve such obligations and their legal team draft the clauses relevant to LCC. LCC are responsible for utilising the contribution following receipt in accordance with the requirements of the legal agreement.
- 5.5 The provision of education can be challenging given that pupils can travel in and out of Boroughs to access education. The education contribution sought from developers is used to mitigate the direct impact of the development and not to address any existing shortfall. The Education Authority use 5-year pupil projections to ascertain whether the impact of a development will result in a shortfall of places in Lancashire primary schools within 2 miles and/or Lancashire secondary schools within 3 miles of the development. In instances where the development is close to the boundary of the borough this may result in schools outside the Borough being assessed. However, officers of Ribble Valley Council are aware that this is the case and that the priority is to utilise contributions secured from our developments at schools within the Valley. This position has been communicated with LCC.
- 5.6 Members may be aware that a legal agreement, which was secured at appeal at Higher Road in Longridge, cited a secondary school outside the borough in respect of utilisation of the contribution. The wording of the agreement was agreed at Planning appeal stage and this position was not communicated with the Borough Council. The legal agreement in that instance was a Unilateral Undertaking which neither Council are party to in respect of signatures. This issue has been raised as a concern with LCC and it has been emphasised that contributions receipted from developments within the Valley should be used in the Valley.

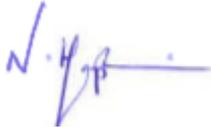
6. REPORTING

- 6.1 Utilisation of receipted S106 contributions is reported to the relevant service committee with authority sought to either utilise the contribution or to give the contribution to a third party to accord with the requirements of the S106 Agreement.
- 6.2 For S106 contributions which are proposed utilised on Council owned leisure facilities this is reported to Community Committee (eg: <https://democracy.ribblevalley.gov.uk/documents/s1782/Play%20Areas%2024%20Aug%2021.pdf>).
- 6.3 For contributions which are identified to be used on play areas/ space which are not the Council's responsibility or the delivery of Longridge Loop the relevant Town/ Parish Council/ sports organisation contacts the Planning Authority setting out how they would like to utilise the contribution. If the proposed use accords with the requirements of the Agreement authority is sought from Planning and Development Committee to give them the money following completion of the works (eg: <https://democracy.ribblevalley.gov.uk/documents/s1610/Longridge%20Cricket%20Club%20290721.pdf>).
- 6.4 In respect of any off-site affordable housing contributions authority is sought from Health and Housing Committee to utilise the contributions following the provision of additional affordable units (eg: https://www.ribblevalley.gov.uk/download/meetings/id/7183/agenda_item_7_-_purchase_of_property_in_longridge).

7. COMMUNITY INFRASTRUCTURE LEVY

- 7.1 As Members are aware Ribble Valley choose not to implement a Community Infrastructure Levy (CIL) when it was introduced in 2010 choosing to continue negotiating planning obligations via Section 106. Affordable housing cannot be delivered through CIL and as such there was always going to be a need for S106 Agreements even if CIL had been adopted. Since its introduction the CIL Regulations were amended seven times within the space of nine years with the current regulations being the Community Infrastructure Levy (Amendment) (England) (No. 2) Regulations 2019. These amendments sought to address the perceived problems with CIL
- 7.2 At the time the latest CIL regulations were published 164 out of the 343 local authorities across England had adopted charging schedules.
- 7.3 Notwithstanding the changes which have occurred to the Regulations over the past decade in August 2020 the Government's White Paper, on its proposed changes to the planning system, was released which proposes to change the way that infrastructure and affordable housing are delivered, as follows:
- 7.3.1 Replacing of the Community Infrastructure Levy (CIL) and the use of section 106 agreements by an all-encompassing Infrastructure Levy (IL).
- 7.3.2 Use of payments raised through IL for the provision of affordable housing, rather than section 106 agreements.
- 7.4 The reforms would have resulted in a mandatory nationally set value-based flat rate charge, termed the Infrastructure Levy, which would also encompass affordable housing. It would no longer be possible to use Section 106 Agreements.

- 7.5 The suggested changes were designed principally to reduce time spent on negotiating S106 agreements and inefficiencies in capturing land value uplift. However, it was not clear how the new levy would work in practice and serious concerns that it would lead to a reduction of the delivery of affordable housing nationally.
- 7.6 In July the former housing secretary Robert Jenrick confirmed that the levy would be set locally, giving local councils more control as well as the ability to determine how and where any levies are spent within their local area. However, following the appointment of the new Housing Secretary, Michael Gove, it has been reported that the Planning Bill is being completely rethought and it is understood any reforms will be delayed.
- 7.7 As such at this stage it is unclear whether the recommendations in the White Paper will be taken forward and in what form. Planning obligations from new developments within the Borough will continue to be negotiated at S106 agreements.



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